2018 REGISTRATION DOCUMENT

including the Annual Financial Report

SAFRAN

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SAFRAN

2018
REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

The Registration Document is available on the website at **www.safran-group.com**

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of this Registration Document *(document de référence)* was filed with the French financial markets authority *(Autorité des marchés financiers - AMF)* on March 29, 2019 pursuant to Article 212-13 of the AMF's General Regulations. It may only be used in connection with a financial transaction if it is accompanied by a memorandum approved by the AMF. This document has been established by the issuer and is binding upon its signatories. The English language version of this report is a free translation from the original, which was prepared in French. In all matters of interpretation, views or opinions expressed in the original language version of the document in French take precedence over the translation. This Registration Document contains the Annual Financial Report in accordance with Article 222-3 of the AMF's General Regulations. The cross-reference table referring to information required in an Annual Financial Report is provided in section 9.5.3 of this Registration Document.

MESSAGE

FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

Safran, took on a new dimension in 2018, with the shareholder-backed integration of Zodiac Aerospace making us the world's third largest aerospace group[1]. Safran's international profile was strengthened, with operations now extending to 26 countries on all continents and more than half of its 92,639 employees working outside France.

Results are in line with our enhanced scale and status, with revenue increasing 32% on a reported basis to top the €21 billion-mark (up 10.4% on 2017 organically), and recurring operating income of €3.023 billion, of which 59% was converted into free cash flow.

This performance explains why we are proposing to the Annual General Meeting to increase the dividend to €1.82 per share for 2018, from €1.60 one year ago.

Credit for Safran's achievements in 2018 goes to our capacity to take on collective challenges, starting with ramp-up of the LEAP program, which is critical to the Group's future. Deliveries have soared from 77 units in 2016 – the first year of production – to more than 1,100 units in 2018. It has taken the LEAP engine just two years to accomplish what it took twenty to achieve on the CFM56.

Safran equipment – landing gear, wheels and brakes, nacelles, inertial systems, power transmission systems, overhead bins, wiring, etc. – has been delivered to the satisfaction of our customers, as illustrated on the A330 neo, which came into service in December. It has been selected for new programs and for new key partnerships, as with Boeing for auxiliary power units (APUs) and Bell for its future vertical take-off and landing vehicle.

Safran's defense solutions have met great success among French and allied armed forces.

After 100 successful launches for Ariane 5, ArianeGroup, Safran's joint venture with Airbus, is moving ahead with Ariane 6, whose maiden launch is set for 2020.

As a socially responsible group, Safran has worked with conviction and determination on equality in the workplace and knowledge sharing.

To control our environmental footprint, we have moved ahead with our ambitious, transparent and measurable strategy, spanning both the products themselves and the way they are manufactured. Our commitment here is most evident in our increasingly economical propulsion technologies.

The Group therefore approaches 2019 from a solid position.

This year, we will press ahead with the integration of the former Zodiac Aerospace businesses, where recovery is well under way.

The teams are successfully adopting operational excellence systems developed out of Group best practices, and the results are starting to show. Synergies have been identified and are beginning to crystallize, in line with the announcements that we have made.

The Zodiac Aerospace businesses were merged into Safran in December 2018, and will all be brought under the Safran banner by mid-2019, reorganized into three entities: Safran Aerosystems, Safran Cabins and Safran Seats. Some have now been placed under the operational management of Safran Electronics & Defense and Safran Electrical & Power.

We will also be pushing ahead with production ramp-up on all fronts, starting with the LEAP where we will need to deliver more than 1,800 engines this year if we are to meet our target of 2,000 for 2020.

Naturally, full customer satisfaction is crucial on equipment deliveries across programs as diverse as the Patroller drone, Airbus A220 cabins and equipment for the Boeing 777X.

To be selected on future programs, we must also step up innovation. This requires foresight on the aircraft of the future, and sustained front-line positions in technologies such as materials, hybridization, additive manufacturing and digital technology. That is why we're aiming to raise our R&T budget to €600 million in 2022.

We also need to develop our offering of end-to-end solutions drawing on the breadth and complementary coverage of our business portfolio. This will address rising customer demand on a growth market that is continuing to undergo consolidation.

Safran is helping to shape a world in which travel is safer, more respectful of the environment, simpler and more comfortable.

Our Group is borne by its customers, partners and shareholders. The talent of our people drives its growth. We are advancing confidently toward a clear objective: becoming the world's leading aircraft equipment supplier within the next 15 years.

We would like to thank you for your loyalty and hope you enjoy reading this report.

Regards,

Ross McInnes and Philippe Petitcolin

(1) Excluding airframers.

GROUP PROFILE

Safran is an international high-technology group that holds leading positions in the aircraft propulsion, aircraft equipment, space and defense markets. Operations cover original equipment and aftermarket service, spanning the whole product life cycle, under long-term, trust-based partnerships with customers and suppliers.

The Group's strategy includes a sharp focus on strengthening our front-line positions in our markets. Safran enjoys widespread recognition as an engine manufacturer for civil and military aircraft, and is setting its sights on becoming the world's leading aircraft equipment supplier within the next 15 years. With its excellent operational performance, Safran is ideally placed to reap the full benefit of growth in the aerospace and defense markets.

In the aerospace sector, Safran engines and equipment feature on most existing and future airframes. The LEAP engine is proving hugely successful, with a spectacular production curve unprecedented in the aerospace industry. Original equipment supplies coupled with world-class aftermarket services for this product mean that the outlook is very promising. Also contributing to Safran's good results, through maintenance, repair and overhaul revenue, is the substantial fleet of other Safran engines in service, principally the CFM56.

With acquisition of the Zodiac Aerospace businesses, Safran can access new markets and offer airframers and airline companies more comprehensive product ranges.

In the aircraft interiors segment, Safran is proceeding with integration of the businesses acquired with Zodiac Aerospace, stepping up operational recovery and crystallizing cost synergies. Because we understand how our customers value partnership in all of Safran's businesses, we are rolling out action plans to rekindle their trust. These are already yielding tangible results.

In the defense market, the Group is renowned for avionics, electronics, critical software and optronics technologies that contribute to the performance of armies, navies and air forces in many countries around the world.

As a driving force in the movement toward the "more electric" aircraft, Safran's expertise covers the whole of the aircraft electrical energy chain. Operations in this field will be stepped up through significant increases in Research and Development investment in the coming years.

Corporate social responsibility (CSR) is an integral part of Safran's strategy, addressing the expectations of all its stakeholders: employees, partners, customers, shareholders, suppliers and all the communities affected by its business. This holistic commitment to CSR is based on ethical standards that are espoused and embodied by everyone within the Group.

Driven by the belief that sustainably successful businesses are those able to combine delivering in the present with a clear vision of the future, Safran is fully engaged on meeting the challenges that lie ahead.

SAFRAN ON ITS MARKETS

3rd largest aerospace group worldwide(1)

INTERNATIONAL SCOPE

369 sites in 26 countries(2)

HEADCOUNT AT DEC. 31, 2018

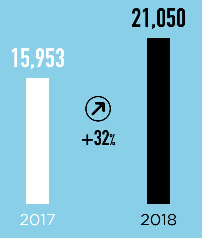
92,639

(1) Excluding airframers.

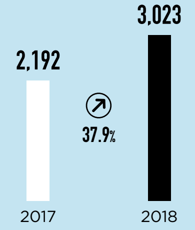
(2) Figures and locations shown correspond to consolidated companies in which the Group has a holding of more than 50% (see section 3.1, Note 37).

RESULTS

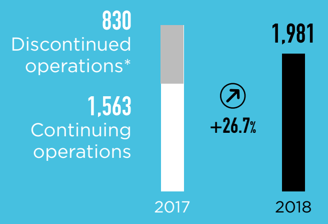
REVENUE
(adjusted data)(1)
(in € millions)



RECURRING OPERATING INCOME
(adjusted data)(1)
(in € millions)

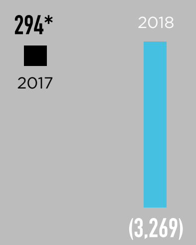


PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(adjusted data)(1)
(in € millions)



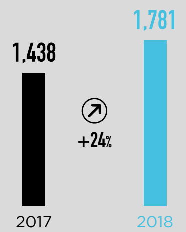
** Disposal of the security businesses.*

NET DEBT
(in € millions)

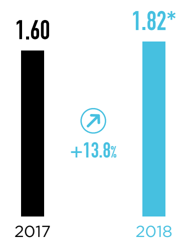


** Excluding €2 billion in money market funds pledged during the tender offer for Zodiac Aerospace.*

FREE CASH FLOW
(in € millions)

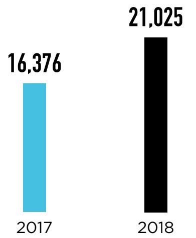


DIVIDENDS
(in € per share)

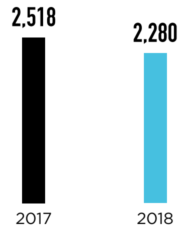


** Dividend payment date: May 29, 2019*

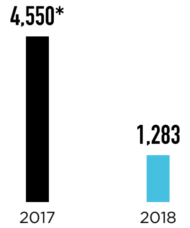
REVENUE
(consolidated data)
(in € millions)



RECURRING OPERATING INCOME
(consolidated data)
(in € millions)

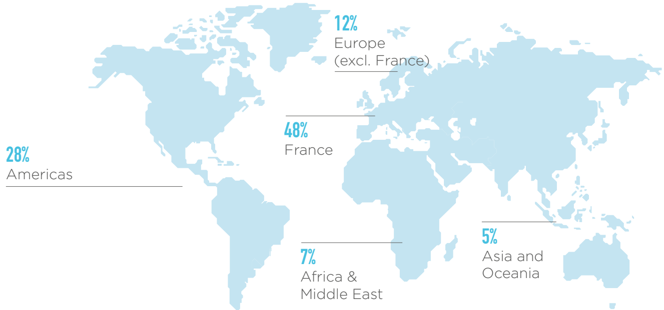


PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(consolidated data)
(in € millions)

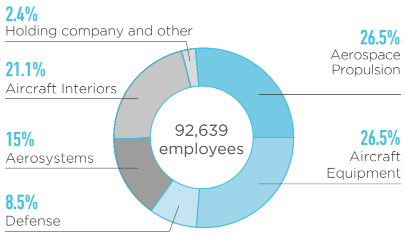


** Including €830 million in capital gains on the disposal of the security businesses.*

HEADCOUNT BY GEOGRAPHICAL AREA



HEADCOUNT BY BUSINESS



(1) The reconciliation of the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.1.1.

2018 KEY FIGURES BY BUSINESS

(adjusted data)[1]

	AEROSPACE PROPULSION	AIRCRAFT EQUIPMENT	DEFENSE	AEROSYSTEMS	AIRCRAFT INTERIORS	HOLDING COMPANY AND OTHER
REVENUE	€10,452m 50% of Group revenue	€5,395m 26% of Group revenue	€1,386m 7% of Group revenue	€1,785m 8% of Group revenue	€2,014m 10% of Group revenue	€18m
RECURRING OPERATING INCOME	€1,929m 18.5% of segment revenue	€770m 14.3% of segment revenue	€118m 8.5% of segment revenue	€266m 14.9% of segment revenue	€20m 1% of segment revenue	€(80)m

(1) The reconciliation of the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.1.1.

CORPORATE GOVERNANCE

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS (at the date of filing of this Registration Document)

Directors' main role is to define and oversee the implementation of the Group's key business priorities and strategy. Specialized committees assist the Board in its decisions.


Ross McInnes
Chairman of the Board of Directors


Philippe Petitcolin
Chief Executive Officer


Hélène Auriol-Pottier


Éliane Carré-Copin


Jean-Lou Chameau


Monique Cohen
Lead Independent Director
Chair of the Appointments and Compensation Committee


Hélène Dantoine


Odile Desforges
Chair of the Audit and Risk Committee


Didier Domange


Vincent Imbert


Caroline Laurent


Brigitte Lesschaeve


Gérard Mardiné


Daniel Mazaltarim


Patrick Pélata
Chairman of the Innovation and Technology Committee


Robert Peugeot


Sophie Zurquiyah

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

5 members – Chair: Odile Desforges

The Audit and Risk Committee's main duties involve examining the financial statements and addressing issues related to the preparation and auditing of accounting and financial information.

APPOINTMENTS AND COMPENSATION COMMITTEE

7 members – Chair: Monique Cohen

The Appointments and Compensation Committee assists the Board of Directors in its choice of members and corporate officers, and makes recommendations and proposals concerning the compensation of corporate officers.

INNOVATION AND TECHNOLOGY COMMITTEE

5 members – Chair: Patrick Pélata

The Innovation and Technology Committee analyzes the Group's strategic goals and choices concerning innovation, research and technology, and the development of new products and services. It also monitors progress on the main innovation and technology roadmaps and tracks technological trends and change.

EXECUTIVE COMMITTEE MEMBERS

The Executive Committee is responsible for running Safran's business operations in line with the strategy defined by the Board of Directors.

Philippe Petitcolin
Chief Executive Officer

Stéphane Abrial
Senior Executive VP International and Public Affairs

Jean-Paul Alary
CEO Safran Landing Systems

Olivier Andries
CEO Safran Aircraft Engines

Jean-Luc Bérard
Executive VP Human Resources

Stéphane Cueille
Senior Executive VP R&T and Innovation

Bernard Delpit
Chief Financial Officer

Pascale Dubois
Executive VP Communications

Alex Fain
Corporate Secretary

Cédric Goubet
CEO Safran Nacelles

Norman Jordan
CEO Safran Cabin

Vincent Mascré
CEO Safran Aerosystems and Safran Seats

Jean-Jacques Orsini
Executive VP Performance and Competitiveness

Franck Saudo
CEO Safran Helicopter Engines

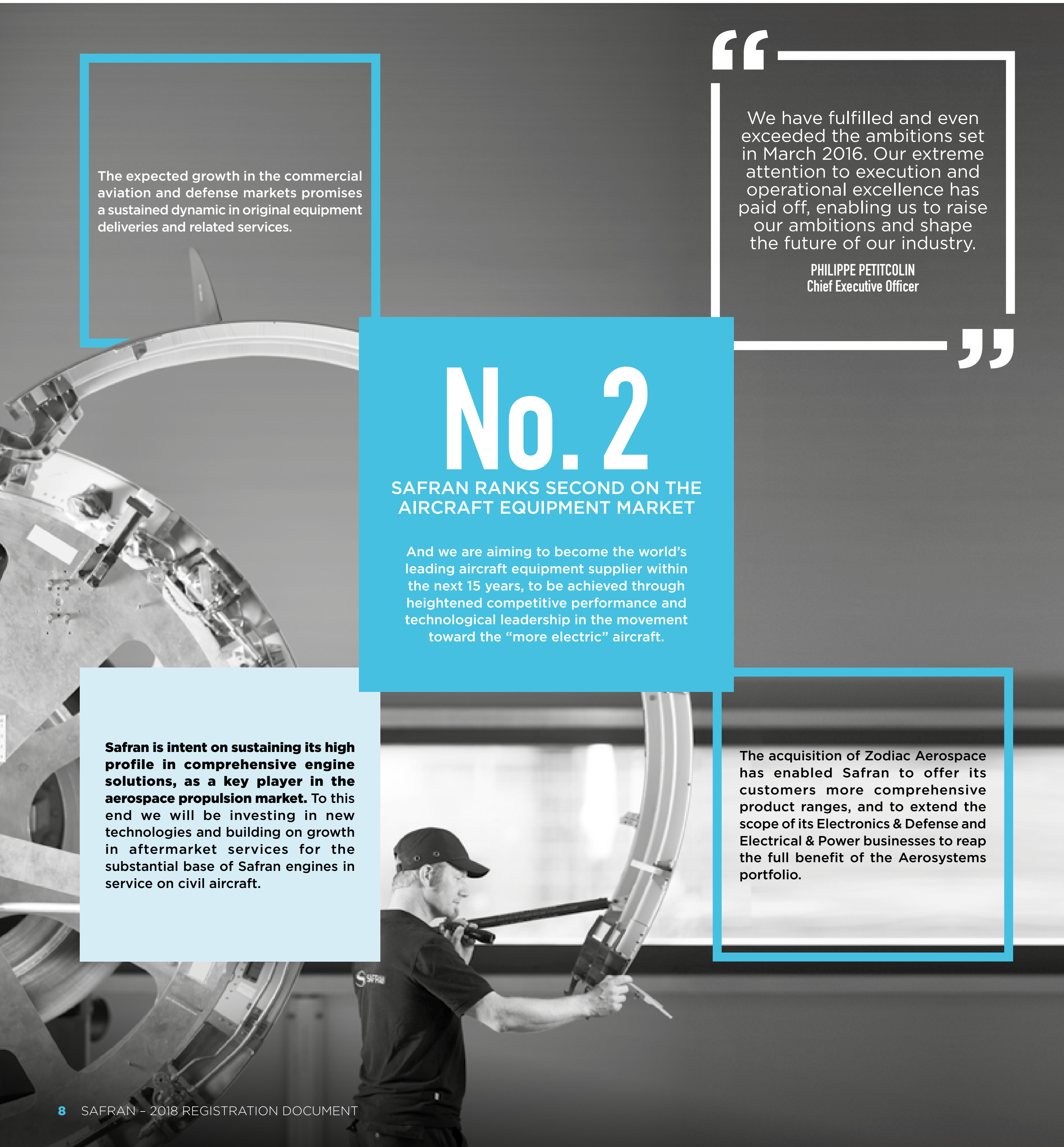
Alain Sauret
CEO Safran Electrical & Power

Martin Sion
CEO Safran Electronics & Defense

The Executive Committee comprises the Chief Executive Officer, other Safran executives and the heads of the Group's main operating companies.

This membership structure provides for a balanced representation across the Group's businesses and cross-business support functions, ensuring that Safran's strategy is implemented consistently across all its entities worldwide.

MEDIUM-TERM OUTLOOK 2018 – 2022



The expected growth in the commercial aviation and defense markets promises a sustained dynamic in original equipment deliveries and related services.

"We have fulfilled and even exceeded the ambitions set in March 2016. Our extreme attention to execution and operational excellence has paid off, enabling us to raise our ambitions and shape the future of our industry."

PHILIPPE PETITCOLIN
Chief Executive Officer

No. 2

SAFRAN RANKS SECOND ON THE AIRCRAFT EQUIPMENT MARKET

And we are aiming to become the world's leading aircraft equipment supplier within the next 15 years, to be achieved through heightened competitive performance and technological leadership in the movement toward the "more electric" aircraft.

Safran is intent on sustaining its high profile in comprehensive engine solutions, as a key player in the aerospace propulsion market. To this end we will be investing in new technologies and building on growth in aftermarket services for the substantial base of Safran engines in service on civil aircraft.

The acquisition of Zodiac Aerospace has enabled Safran to offer its customers more comprehensive product ranges, and to extend the scope of its Electronics & Defense and Electrical & Power businesses to reap the full benefit of the Aerosystems portfolio.

The Campus Safran Capital Markets Day for institutional investors and financial analysts took place on November 29, 2018 in Massy, near Paris. Participants discussed a wide range of topics.

ORGANIC REVENUE GROWTH

4% to 6%

Organic revenue growth is expected to come in at 4% to 6% (assuming an average spot rate of USD 1.25 for €1 for 2019-2022), with all businesses contributing, led by original equipment civil aircraft engines, aircraft services and aircraft interiors.

EBITDA

UP 50%

Free cash flow generation will remain a priority over the period 2018 to 2022, with expected growth in EBITDA of around 50%.
Working capital is expected to rise over the same period as a result of the likely effects of a substantial fall in advances, steady inventory levels, and the gradual increase in the contribution from rate-per-flight-hours maintenance contracts. Safran will also be entering a period of growing investments to prepare the future, in new technologies and industrial capabilities.
The rate of conversion of recurring operating income into free cash flow should remain above 50% each year, and top 60% by 2022.

RECURRING OPERATING MARGIN

16% to 18%

Recurring operating margin should reach 16% to 18% by 2022, further to the completion of the CFM56/LEAP transition and recovery in the Aircraft Interiors business, together with overall pre-tax run-rate cost synergies of €200 million and the beneficial effects of a stable hedging rate.

Safran is targeting the following operating margins for 2022:

- above 20% in Aerospace Propulsion
- above 16% in Aircraft Equipment
- above 10% in Defense
- around 15% for the former Zodiac Aerospace businesses, including synergies in the other Safran businesses (or 13% excluding these synergies).

R&D

R&D SPENDING IS ENTERING A NEW CYCLE

Overall self-funded R&D will rise – with R&T expenditure set to reach more than €600 million in 2022 – representing a steady 6% to 7% of revenue over the period 2018 to 2022.

PRESENTATION OF THE GROUP

1

IN BRIEF

THE GROUP'S POSITIONING

Safran is an international high-technology group operating in the aircraft propulsion and equipment, space and defense industries, where it enjoys prime global or European market positions, either alone or in partnership with other companies.

AEROSPACE

Safran businesses cover the full life cycle of engines, systems and equipment for civil and military aircraft and helicopters. Safran facilitates access to space, addressing the markets for civil and military launch vehicles[1], propulsion systems and equipment for satellites and space vehicles and high-performance space optics.

DEFENSE

Safran addresses the optronics, avionics, inertial navigation, tactical drones, electronics and critical software markets, offering a full range of systems and equipment that contributes to the efficacy of armies, navies and air forces in many countries.

RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. Research and Development (R&D) is essential to Group strategy. The total R&D effort, 83% of which is self-funded, amounted to around €1.5 billion in 2018, representing 7% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

SAFRAN PERFORMANCE AND QUALITY POLICY

Safran pursues an ambitious quality policy targeting two main goals:

- ☑ **customer satisfaction**
- ☑ **continuous progress in performance**

(1) Within ArianeGroup, a 50-50 joint venture between Safran and Airbus.

1.1 SAFRAN OVERVIEW

1.1.1 History

Safran is an international high-technology group operating in the aircraft propulsion and equipment, space and defense industries, where it enjoys prime global or European market positions, either alone or in partnership with other companies. Safran is constantly seeking to adapt and reinvent itself to meet the critical technological and economic challenges of tomorrow. An ongoing series of acquisitions has enabled the Group to broaden its scope of operations.

Safran's roots and its technological and industrial hub are in France and Europe. From this base, it has extended its footprint to the American continent, Africa, the Middle East, Asia and Oceania. This global presence enables the Group to develop and nurture industrial and commercial relations with the leading prime contractors and operators at the national level, and to promptly deliver first-class local service to customers around the world.

Key dates in the Group's history

Safran was created on May 11, 2005 from the merger of Snecma and Sagem, and is the world's oldest aircraft engine manufacturer.

1905 Louis and Laurent Seguin found the Société des Moteurs Gnome in the Paris suburb of Gennevilliers. In just a few short years, their Gnome rotary engines become the standard for planes around the world.

1912 Louis Verdet founds the engines company Le Rhône. Within two years, Le Rhône becomes Gnome's main competitor and is taken over by its rival to form Société des Moteurs Gnome & Rhône. After the First World War, Gnome & Rhône becomes one of the world's leading manufacturers of aircraft engines.

1924 Marcel Môme creates Société d'Applications Générales d'Électricité et de Mécanique (Sagem), whose main business is to supply power to telephone exchanges. A few years later, Sagem diversifies its business to include the manufacture of cameras, projectors and artillery equipment. It also sets up the first ever analog telephone network. Sagem creates Société d'Application Téléphonique, which in 1960 becomes Société Anonyme de Télécommunications (SAT). This company goes on to design the world's first infrared guidance system for air-to-air missiles.

1945 After the Second World War, the company Gnome & Rhône is nationalized and renamed Snecma (for Société Nationale d'Étude et de Construction de Moteurs d'Aviation). It groups together the majority of French aircraft engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).

1968 Hispano-Suiza, specializing in power transmission for the engines of civil and military aircraft and helicopters, joins Snecma. A few years later, it teams up with Messier to create Messier-Hispano-Bugatti (MHB) and consolidate all products relating to landing systems.

1974 Snecma becomes a civil aircraft engine manufacturer through a cooperation agreement with General Electric Aircraft Engines for manufacture of the CFM56 ("CF" for General Electric's commercial engine line and "M56" for Snecma's fifty-sixth project). This engine currently represents the world's largest civil aircraft engine fleet[1]: with one aircraft powered by the CFM56 taking off every two seconds[2].

1993 Sagem purchases Morpho, a specialist in fingerprint-based biometric recognition systems.

1997 Snecma takes full control of Société Européenne de Propulsion (SEP) and enters the space propulsion market (Ariane launcher).

2000 Aircraft wiring specialist Labinal joins Snecma and becomes a leading world player in this market. Labinal helicopter engine manufacturer subsidiary Turbomeca also joins Snecma, to continue a technology success story that started in 1938 with company founder Joseph Szydlowski. Today, the company is the world's premier manufacturer of turbine engines for helicopters[2].

2002 Hurel-Dubois merges its businesses with the aircraft engine nacelle business of Hispano-Suiza to become Hurel-Hispano. Three years later the company is renamed Aircelle. It is currently one of the key participants in the aircraft engine nacelle market.

2005 Safran is formed from the merger of Snecma and Sagem. Safran strengthens its positions in the Security business with the acquisition of smartcard specialist Orga Kartensysteme GmbH.

2008 Safran extends its partnership with General Electric (GE) in the fields of aerospace propulsion and nacelles through to 2040. Safran's Security business acquires Sdu-I in the Netherlands, renamed Morpho BV.

2009 Safran acquires 81% of GE's Homeland Protection business, and Motorola's biometrics business (under the Printrak brand, now MorphoTrak). Then in 2012, Safran acquires the remaining 19% of GE Homeland Protection, renamed Morpho Detection Inc.

2010 Labinal completes its acquisition of Harvard Custom Manufacturing, an American company based in Salisbury (Maryland).

2011 Safran acquires L-1 Identity Solutions, now MorphoTrust USA, a leading identity management provider in the US market, to become a front-line world player in identity solutions and electronic documents. It also acquires SME (formerly SNPE Matériaux Énergétiques), to be merged with Snecma Propulsion Solide in 2012 to form Herakles.

(1) Source: Ascend – FlightGlobal.
(2) Source: Safran.

2012 In optronics, Safran and Thales form the 50-50 joint venture Optrolead. The two companies also buy out the Areva stake to obtain 50% each of Sofradir and transfer their infrared businesses to this company.

2013 Safran acquires the electrical systems business of Goodrich (Goodrich Electrical Power Systems – GEPS). The Group also acquires the 50% interest of Rolls-Royce (United Kingdom) in their joint RTM322 helicopter engine program, to strengthen its position on the strategic heavy-lift helicopters segment.

2014 Safran brings all the Group's electrical systems operations together into a single unit to form a leading world player in aircraft electrical systems: Labinal Power Systems. Safran also acquires the aerospace power distribution management solutions and integrated cockpit solutions businesses of Eaton Aerospace.

2015 Hispano-Suiza and Rolls-Royce found Aero Gearbox International, a joint venture specializing in design, development, production and aftersales for accessory drive trains (ADTs).

2016 Safran brings all its companies together under the same banner and includes "Safran" in the corporate name of its subsidiaries. Safran and Airbus Group SE finalize the merger of their launch vehicle businesses in a 50-50 joint venture, Airbus Safran Launchers (later renamed ArianeGroup), to support the onset of the Ariane 6 project and provide Europe with a new family of competitive, versatile and high-performance launch vehicles. Safran becomes the sole shareholder in Tecnofan, later renamed Safran Ventilation Systems.

2017 Safran and Zodiac Aerospace sign a business combination agreement to create a world leader in aerospace equipment. The financial arrangements for this project are approved by the Annual General Meeting in June, and the necessary regulatory clearance come through in December. Safran finalizes the disposal of its detection businesses to Smiths Group in the second quarter. Safran completes the disposal of its identity and security businesses to Advent International, owner of Oberthur Technologies.

2018 Safran takes control of Zodiac Aerospace in February. In November, an Extraordinary Shareholders' Meeting approves the merger of Zodiac Aerospace into Safran, effective from December 1, with the new Zodiac Aerospace businesses coming under the Safran name. Safran and Boeing announce creation of the Initium Aerospace joint venture, to handle design, manufacture and aftersales support for auxiliary power units (APUs). The acquisition of the flight control actuators, cockpit equipment and special products businesses of Rockwell Collins strengthens the Group's positions in electric actuators and flight controls.

1.1.2 Organization and position of the issuer in the Group

Organization

Safran is an industrial group within which each subsidiary directly manages the operational side of its business activity and takes responsibility for the internal control system to be implemented in accordance with Group procedures and internal rules.

The organizational structure is based on:

> Safran, the parent company and issuer, responsible for the Group's strategic management, organization and development;

> companies handling specific business lines, under strategies determined by the parent company's Board of Directors. Executive Management of the parent company ensures that the strategic orientations defined for each business line are implemented and complied with at the operational level.

Tier-one entities (shown in section 1.1.3) are responsible for overseeing the tier-two entities with which they have operational ties.

Role of the issuer within the Group

Safran is listed in compartment A of the Euronext Paris Eurolist and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

As the Group's parent company, Safran performs the following functions for the Group companies:

> it holds and manages shares in the Group subsidiaries;

> it steers and develops the Group, determining: Group strategy; research and technology (R&T) policy; sales policy; legal and financial policy; human resources policy; personnel training, retraining and skills matching by Safran University; communications; and oversight of operations;

> it provides:

- support services on legal, taxation and financial matters, and in particular:
  - centralized cash pooling to govern the terms and conditions of advances and investments between Safran and each Group company,
  - foreign currency management policy to reduce uncertainty factors and protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly US dollars),
  - tax consolidation, in jurisdictions such as France where Safran is liable for the entire income tax charge, additional income tax contributions and the minimal tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries;
- services through Shared Services Centers (SSCs) in the following areas: payroll administration and management, recruitment, non-production purchases, materials purchases, IT, and some transaction accounting (customers, suppliers and fixed assets).

The list of consolidated companies is presented in section 3.1, Note 37.

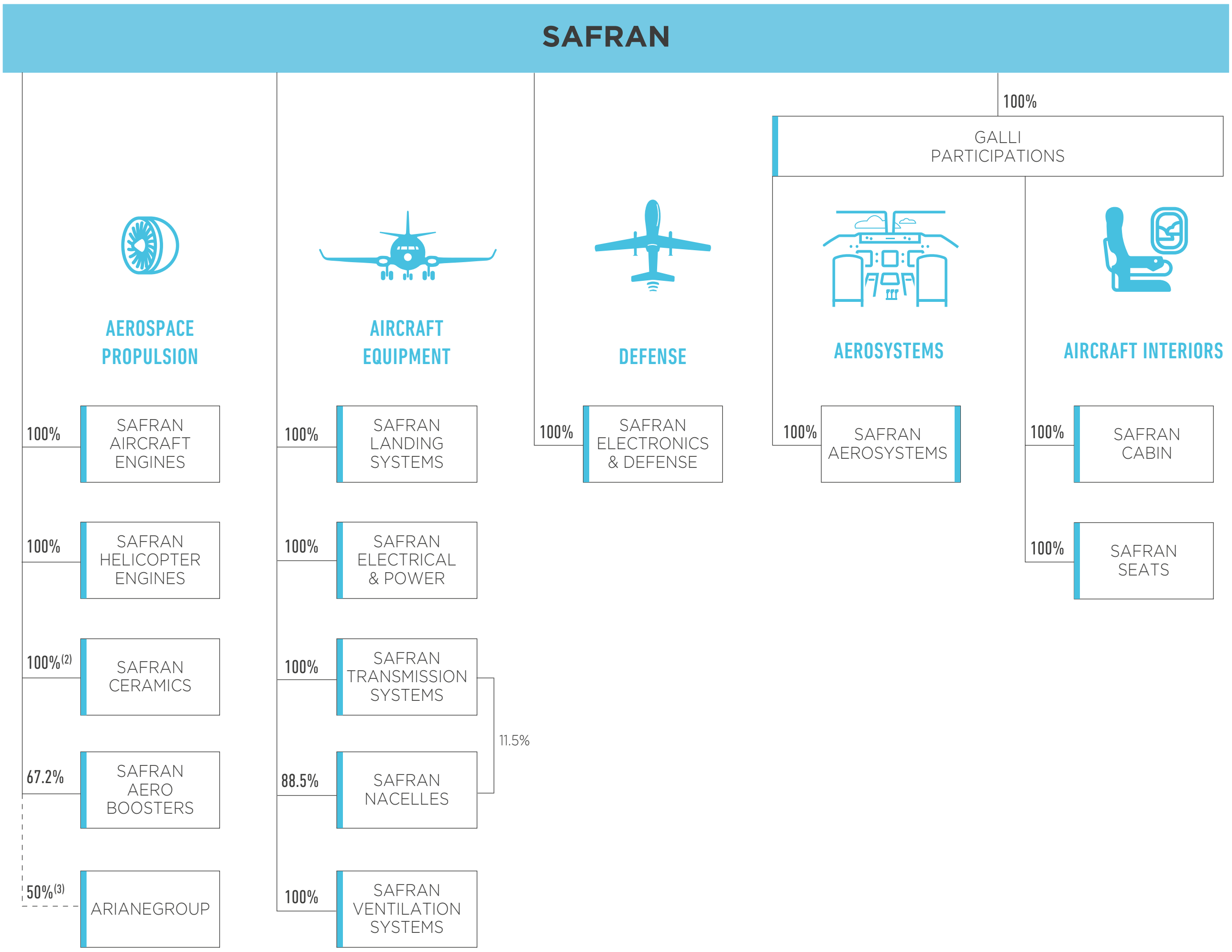
Financial flows between the issuer and Group companies

Safran receives dividends paid by its subsidiaries compliant with applicable regulations (see section 3.3, Note 4.3).

It receives payment for services provided to Group companies, and invoices them for services provided through the Shared Services Centers (SSCs) (see section 3.3, Note 4.1).

1.1.3 Simplified organization chart

Safran, the issuer, is the parent company of the Group. The simplified organization chart[1] as of December 31, 2018 is as follows:



The list of consolidated companies is presented in section 3.1, Note 37.

(1) Tier-one entities.
(2) Less a golden share held by the French State.
(3) 50-50 joint venture with Airbus.

1.1.4 Main Group companies by business sector

Safran today covers five main markets: Aerospace Propulsion, Aircraft Equipment, Aircraft Interiors, Aerosystems and Defense.

Aerospace Propulsion

Safran Aircraft Engines

Engines for commercial and military aircraft, maintenance, repair and overhaul (MRO) and related services. Electric propulsion and propulsion systems for satellites and orbital vehicles.

Safran Helicopter Engines

Turboshaft engines for civil and military helicopters, auxiliary power units (APUs), starting and propulsion systems for missiles, target drones and unmanned aerial vehicles (UAVs). Maintenance, repair and overhaul, and related services.

Safran Ceramics

Safran center of excellence in high-temperature composite materials from research groundwork through to production. Development of ceramic technologies for Group products.

Safran Aero Boosters

Low-pressure compressors and lubrication equipment for aircraft engines. Test cells and equipment for engine testing. Regulation valves for space engines.

ArianeGroup

Design, development, production and sales and marketing of commercial and military space launchers, propulsion systems and related equipment, products and services.

Aircraft Equipment

Safran Landing Systems

Aircraft landing and braking systems. Control and monitoring systems. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul.

Safran Electrical & Power

Electrical power systems for the aerospace market, covering all onboard electrical functions (power generation, distribution and conversion, wiring, load management and ventilation). Engineering solutions.

Safran Transmission Systems

Mechanical power transmission systems for commercial and military airplane and helicopter engines. Maintenance, repair and overhaul, support and related services. Mechanical components for airplane and helicopter propulsion systems.

Safran Nacelles

Aircraft nacelles and related support, services, maintenance and repair for all civil market segments: from regional and business jets through to the largest airliners.

Safran Ventilation Systems

Ventilation equipment for civil and military aircraft. Support and related services.

Defense

Safran Electronics & Defense

Equipment and systems in optronics, avionics, navigation, tactical drones, electronics and critical software for civil and defense applications. Customer support for all land, sea, air and space applications.

Aerosystems

Safran Aerosystems

Aircraft electrical distribution and power generation systems, lighting solutions, interconnection solutions, safety systems, oxygen systems, fluid, water and waste management systems, in-flight entertainment systems, remote measurement and communication systems and fuel systems. Support and related services.

Aircraft Interiors

Safran Cabin

Cabin interiors for regional, medium-haul, long-haul, business and military aircraft. Integrated cabins, overhead bins, galleys, on-board service equipment, lavatories, crew rest areas and freight containers. Support and related services.

Safran Seats

Passenger seats for economy, premium economy, business and first class; technical seats for flight-deck and cabin crew; helicopter seats. Support and related services.

1.2 GROUP STRATEGY

Safran stands as a leading figure in the aerospace and defense industry, building front-line positions in each of its business areas and enjoying wide recognition for technological excellence addressing customers' critical applications.

With the takeover of Zodiac Aerospace in 2018, Safran became the world's third largest[(1)] aerospace group combining technological know-how and operational experience. Safran fields a balanced portfolio of established products and boasts the talent and expertise of more than 92,000 employees worldwide. It combines leading positions in engines, landing gear, wheels and brakes, nacelles, power systems, actuators and avionics, with front-line offerings in seats, cabin interiors, power distribution, lighting, fuel, oxygen and fluid systems and safety equipment. It focuses its growth strategy on the aerospace and defense markets, building on its position as a tier-one aircraft equipment supplier offering an extended range of products for airframers, airline companies and armed forces.

Safran advances on long-term markets with positive outlooks. On the basis of available economic forecasts and airframe programs, Safran estimates that deliveries of new commercial aircraft should total 39,000 over the next 20 years (representing 80% growth in the worldwide fleet), in response to passenger demand that is expected to double over the same period. In the Defense sector, growth in world military expenditure is driven by needs for highly differentiated equipment.

Safran follows ambitious programs in each of its business areas.

In propulsion, Safran develops its position as an integrated aircraft engine manufacturer, offering a full range of engine architectures. It also shapes the technologies to come, preparing the way for forthcoming architectures. Safran's extensive base of civil aircraft engines in service ensures a bright outlook for growth and profitability through related support and aftersales business. Safran's ambitions are illustrated by investments in the following programs:

- in short- and medium-haul commercial aviation, production ramp-up for the LEAP® engine (successor to the best-selling CFM56) that powers the Airbus A320neo[(2)] (-1A version), the Boeing 737 Max (-1B version, sole source) and the COMAC C919 (-1C version, sole Western source), through CFM International[(3)]. Production of the LEAP engine continued to advance in 2018, with deliveries totaling 1,118 units;
- in long-haul commercial aviation, Safran is a risk and revenue sharing partner of GE, notably for the GE9X engine, the exclusive powerplant of the 777X, whose first flight is planned for 2019;
- in business aviation, priority goes to development of the Silvercrest®, selected for Cessna's Citation Hemisphere. The US private jets company NetJets announced a purchase option for up to 150 of these planes in October 2018;
- in military aircraft engines, Safran is building up for the New Generation Fighter (NGF) project, materialized under the 2018 agreement by France and Germany on studies to begin in 2019 for the forthcoming Future Combat Air System (FCAS) program;
- in helicopters, Safran is developing engine hybridization solutions and continuing with upgrades to its range of turbines, especially in the 500 to 3,200 shp[(4)] category. The Ardiden 3C and Arriel 3H obtained certification in 2018. The Arrano engine for Airbus Helicopters' H160 helicopter and the Aneto engine for Leonardo Helicopters' AW189 are next in line in 2019;
- developments in propulsion system hybridization, addressing mounting environmental constraints and emerging needs in urban and regional mobility. In 2018, this strategy led to Safran's being selected by Bell for its new Bell Nexus VTOL[(5)] aircraft.

In aircraft equipment, Safran is also a front-line participant in landing systems, wheels and brakes, nacelles, power transmission systems, electrical systems, wiring systems, actuators, avionics and safety systems. Safran is the world's second largest[(6)] aircraft equipment manufacturer today, and is aiming to become the industry leader within the next 15 years, to be achieved by strengthening its position as preferred partner of airframers and airline companies. This endeavor has four main focuses: further advances in competitiveness and innovation; global offerings for customers; front-line position in equipment for the "more electric" aircraft (electric taxiing, hybridization of backup energy sources, etc.); and development of advanced defense and electronics technologies (navigation, trajectory control and steering, embedded electronics, critical software, flight data acquisition and processing and integrated systems for missions).

In cabin interiors, Safran has a large portfolio of modular solutions and product lines (seats, lavatories, galleys and trolleys, in-flight entertainment systems, etc.) designed to ensure passenger safety and comfort and maximize efficiency and brand differentiation for airline companies. Safran builds on its leading expertise in systems integration and innovation to take a front-line position in connected cabin interiors, improving the user experience for passengers and crew, and strengthening ties with airline companies.

Safran operates in a fast-changing industrial landscape. There is a trend toward consolidation across equipment manufacturers, as with the UTC/Rockwell Collins merger and consolidation between tier-2 and tier-3 suppliers. Aircraft manufacturer strategies lean toward consolidation (as with Airbus and Bombardier, or Boeing and Embraer), and since 2017 we have seen a tendency toward growing internalization of supply-chain businesses. Competition is intensifying, with new entrants on technological innovations (startups and Chinese groups gathering strength). Long-term environmental issues are becoming more acute (CO_2, NOx, noise, etc.), and technologies on "more electric" and "more connected" aircraft are developing fast.

To address these evolutions, Safran remains focused on its guiding principles:

- it maintains a strong emphasis on continuous improvement in customer-oriented competitive performance: productivity efforts and increased capacities in low-cost countries, development of industrial facilities, and preparatory work on the Factory of the Future program, which involves additive manufacturing, digitization/automation of production processes, industrial Internet of Things, and maximization of plant utilization rates;
- it pursues technological excellence to shape the new state of the art in aerospace: new R&D expansion for 2018-2022; quest for breakthrough technologies (e.g., through Safran Tech, a Group-wide research and technology center); and sharp-focus partnerships with other industrial groups and minority stakes in high-potential startups through Safran Corporate Ventures;

(1) *Excluding airframers.*
(2) *neo: new engine option.*
(3) *50/50 joint venture with General Electric.*
(4) *Shp: shaft horsepower.*
(5) *Vertical Take-Off and Landing.*
(6) *Excluding engine manufacturers.*

- alliances and long-term partnerships, as with GE on engines for short- to medium-haul aircraft (partnership dating back to 1974, then renewed in 2008 through to 2040), and in 2018 with the joint venture with Boeing on auxiliary power units (APUs);
- following the acquisition of Zodiac Aerospace, finalized in 2018, Safran is prioritizing the streamlining of the existing portfolio of businesses (in particular those brought in from Zodiac Aerospace), and targeted acquisitions, such as the acquisition of Collins Aerospace's ElectroMechanical Systems businesses in early 2019. This operation strengthens Safran's positions in electric actuators and flight controls, bringing it up to critical size in these fields, with revenue of around €500 million;
- a solid financial position guarantees Safran's capacity to manage long-term programs.

Building on solid fundamentals, a firm commitment to sustainability (see section 5, "Corporate social responsibility") and strong ethical principles, Safran is implementing a sound development strategy that will largely contribute to shaping the coming decades in aerospace and defense.

1.3 GROUP BUSINESSES

1.3.1 Aerospace Propulsion

Safran designs, develops, manufactures and sells engines for aircraft, helicopters and satellites, either alone or in partnership with other companies. In 2018, a total of 24,536 Safran employees contributed to the development of this business.

AIRCRAFT ENGINES AND SATELLITE PROPULSION SYSTEMS

- Civil aircraft engines
  - Business jets
  - Regional jets
  - Short- to medium-haul aircraft
  - Long-haul aircraft
- Military aircraft engines
  - Fighters
  - Training and support aircraft
  - Patrol, tanker and transport aircraft
- Space vehicle propulsion systems
  - Satellites

HELICOPTER TURBINE ENGINES

- Turbine engines for helicopters
  - Light helicopters
  - Medium-weight helicopters
  - Heavy-lift helicopters

LAUNCH VEHICLES – ARIANEGROUP

- Civil space industry
- Military industry

1.3.1.1 Aircraft engines and satellite propulsion systems

Civil aircraft engines

Key characteristics of the business sector

The civil aviation sector comprises four main segments:

- business jets powered with engines each delivering from under 1,000 to 115,000 pounds of thrust;
- regional jets (36 to 100 seats) powered by engines each delivering between 8,000 and 18,000 pounds of thrust;
- short- and medium-haul aircraft (100 to 200 seats) powered by engines each delivering between 18,500 and 50,000 pounds of thrust;
- high-capacity long-haul aircraft (more than 200 seats) powered by engines each delivering over 50,000 pounds of thrust.

In 2018, there were around 21,000 business jets in service worldwide[(1)]. To meet expected demand in this market, some 8,700 aircraft of this type will be delivered over the next ten years[(1)].

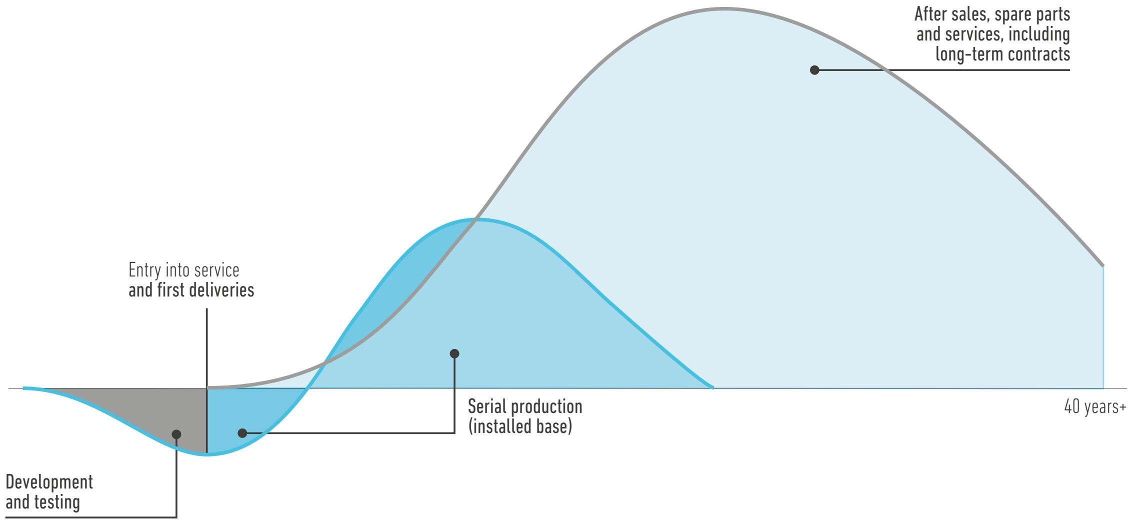
There were around 23,700 commercial aircraft (regional, short-, medium- and long-haul) in service in 2018[(1)]. In response to the expected two-fold increase in this number, and the need to replace aircraft that will be scrapped or dismantled over the period, some 39,000 commercial aircraft will be manufactured over the next 20 years[(1)].

(1) Source: Safran.

In response to airframers' requirements for specific engines for each of these business sectors, engine manufacturers invest in civil engine programs comprising two types of activity:

- original equipment, involving the sale of engines installed on new aircraft;
- aftersales, comprising the sale of spare parts and service contracts entered into on a case-by-case or long-term basis with operators and approved maintenance centers.

ECONOMIC LIFE CYCLE OF AN AIRCRAFT ENGINE PROGRAM[(1)]



These programs may span more than 40 years and have several phases. A significant portion of revenue generated by these programs comes from support services.

Addressing operators' expectations in this market, there is a growing tendency to offer long-term rate-per-flight-hour service contracts. This improves visibility for customers and offers engine manufacturers a better guarantee of revenues and a smoother cash profile throughout the engine life cycle.

There are four major engine manufacturers in the sector that can act as prime contractors: GE (United States), Rolls-Royce (United Kingdom), Pratt & Whitney (United States) and Safran.

In the industry, the US dollar is used almost exclusively as the transaction currency.

Alliances and partnerships

Because of the very substantial investment involved in new engine programs, Safran often works in partnership with other engine manufacturers.

Partnerships may take the form of joint ventures, as with GE on engines for short- to medium-haul aircraft.

They can also be based on contractual risk-and-revenue-sharing agreements, under which Safran receives a share of revenue for the final delivered product, corresponding to its share in the program. The GE90 program is an example of this kind of arrangement.

Group products and programs

The Group's operations in the civil aircraft engines segment mainly involve Safran Aircraft Engines and Safran Aero Boosters.

Low-thrust engines for civil aircraft

This engine family powers regional jets and business jets.

Safran is the prime contractor for the SaM146 program, in partnership with the Russian engine manufacturer, UEC Saturn. The SaM146 is the sole engine for the Superjet 100, the 70- to 95-seater aircraft made by Russian manufacturer Sukhoi.

Safran also invests in engines for business jets through its Silvercrest program, in the category of engines delivering 10,000 pounds of thrust. This engine has been selected by Cessna for its Citation Hemisphere.

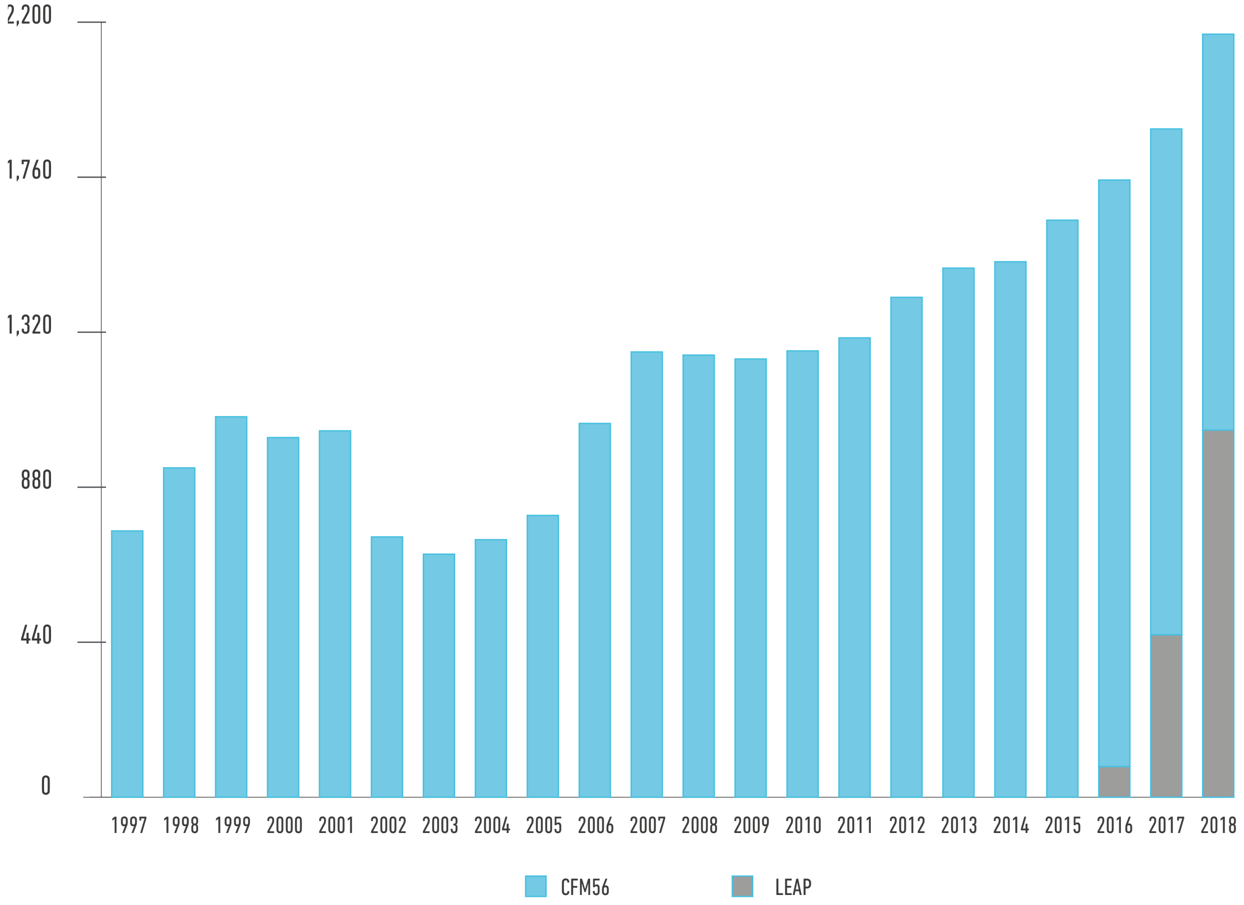
The Group also operates in this engine range through the participation of Safran Aero Boosters in the following GE programs:

- CF34-10 (Embraer 190 and COMAC ARJ 21 regional jets);
- Passport (Bombardier Global 7500 business jet).

(1) *For illustrative purposes only.*

Mid-thrust engines for civil aircraft

NUMBER OF PRODUCTION-STANDARD CFM56 AND LEAP ENGINES MANUFACTURED(1)



In 2018, the CFM56 and LEAP engine programs (including spare parts, maintenance and repair sales) generated 66% of Safran's Aerospace Propulsion revenue. These engines are developed under equitable joint cooperation agreements by CFM International, a 50-50 joint venture between Safran and GE.

The success of this program with airline companies has led to a steady rise in the fleet of CFM56 engines delivered over the past 35 years. This engine currently represents the world's largest engine fleet; more than 33,100 CFM56 units have been delivered and more than 31,500 are in operation(1).

For the Airbus A320ceo (current engine option), the CFM56 holds a total market share of 59%(1). Competition to power the Airbus range comes from the V2500 engine made by the IAE consortium (Pratt & Whitney, MTU Aero Engines and Japanese Aero Engines Corp).

The current generation of the Boeing 737 NG, like the previous version (Classic), is powered solely by CFM56 engines.

The CFM56/LEAP transition is under way. The LEAP engine achieves a 15% reduction in fuel consumption and CO_2 emissions compared with the latest generation of CFM56 engines. The new engine will also significantly reduce nitrogen oxide emissions and noise levels, with no compromise on the reliability or competitive cost of ownership of CFM International engines.

The LEAP engine has so far been selected for use on three aircraft:

- the LEAP-1A version is one of the two engine options for the new Airbus A320neo, the other being the PurePower PW1000G developed by Pratt & Whitney;
- the LEAP-1B version is the sole source for the new Boeing 737 MAX;
- the LEAP-1C version is the sole Western source for the propulsion system (engine plus nacelle) on China-based COMAC's C919 aircraft.

By the end of 2018, the order backlog for the highly innovative LEAP engine totaled 15,620 units, which represents more than seven years' output at current production rates. This success confirms CFM International as leader in the market for 100-plus seater aircraft. This sales success builds on the successful performance of the LEAP-1A engine in 2016 and the LEAP-1B in 2017. During 2018, a total of 1,118 LEAP engines were delivered to Airbus and Boeing. Three COMAC C919 aircraft powered by LEAP-1C engines continued their test-flight programs during the year.

(1) Source: Safran.

High-thrust engines for civil aircraft

The Group operates in this engine range as a risk and revenue sharing partner of GE. Participation rates vary between 7% and 24% across several engine programs in serial production, including the CF6 powering the A330 (19.4%) and the Boeing 767 (10%), and the GE90 powering the Boeing 777 (23.7% for the -115 version currently in production). Safran is a partner on the GEnx engine program: 7.7% for the 1B version powering the Boeing 787 Dreamliner long-haul aircraft and 7.3% for the 2B version powering the Boeing 747-8. Safran also partners with GE, at 11.2%, on the program for the forthcoming GE9X engine, the sole source for Boeing's new 777X long-haul aircraft, which is slated to come into service in 2020. Finally, as part of its cooperative arrangements with the Engine Alliance consortium partners (GE and Pratt & Whitney), Safran has a 17.5% stake in the GP7200 engine that powers the A380.

Spare parts and services for civil aircraft engines

Aftersales operations primarily involve the sale of spare parts and the provision of maintenance, repair and overhaul (MRO) services. They hold significant growth potential for the Group, owing to the size and lifespan of the aircraft fleets concerned.

Each CFM56 engine is removed for inspection and servicing in a maintenance workshop three to five times during its service life. For several years, the Group has also been developing long-term service contracts with airline companies and the main maintenance workshops to assert its position on this highly competitive market. Sales of spare parts for the fleet of CFM56 engines in service will thus continue to increase even after serial production of this engine has been discontinued.

New-generation LEAP engines may be sold with contracts covering the provision of spare parts and/or services, which contribute to generating long-term revenue. Safran also draws revenue from sales of spare parts.

On other civil aircraft engine programs, including those for high-thrust engines in which Safran holds a minority stake alongside GE or Engine Alliance, the Group also benefits from revenue from spare parts and service contract sales.

Military aircraft engines

Key characteristics of the business sector

The military aviation sector comprises three main segments:

- fighters and combat drones;
- training and support aircraft;
- patrol, tanker and transport aircraft.

The military aircraft engine and related services market is dependent on the budgets of customer air forces. The military market is also influenced by national independence and diplomatic considerations.

The nature and performance of engines vary considerably depending on the segment: jet engines with a high thrust-to-weight ratio for fighters, and jet engines or turboprops closer to those found in civil aircraft for training and patrol aircraft.

As in the civil aviation sector, military engine programs generally involve two types of activities, namely original equipment and after-sales service, the latter comprising the sale of spare parts, maintenance and repair activities, as well as other customer services.

Alliances and partnerships between engine manufacturers have been forged to bring together the best technological and commercial assets, pool risks and meet the needs of pan-European programs.

The majority of civil engine manufacturers are active in military aircraft engines and benefit from the technical synergies that exist between the two activities.

The main Western players on the fighter engines market are Pratt & Whitney, GE, Rolls-Royce and Safran. The main European participants are: Safran, whose M53 engine powers the Mirage 2000 and whose M88 engine equips the Rafale; Rolls-Royce, whose Pegasus engine powers the Harrier; and the European Turbo-Union consortium[1], for the RB199 engine powering the Tornado fighter. The European Eurojet consortium[2] develops the EJ200 engine that powers the Eurofighter Typhoon.

The choice of engines in the training and support aircraft sector consists mainly of those made by Safran (the Adour, in cooperation with Rolls-Royce), Pratt & Whitney (PW500 and PW300) and Honeywell (TFE731 and F124 engine families).

In the engine segment for military tanker, transport and patrol aircraft, the fleet is primarily made up of the T56 and AE2100 turboprops developed by Rolls-Royce North America (formerly Allison) and the Tyne engines developed by Rolls-Royce and made under license by Tyne Consortium (Safran 52%, MTU Aero Engines 28% and Rolls-Royce 20%). Safran is also involved in the program for the TP400 engine powering the A400M European military transport aircraft, with a 32.2% stake in the Europrop International GmbH (EPI) consortium, which also includes Rolls-Royce, Industria de Turbo Propulsores (ITP) and MTU Aero Engines.

Group products and programs

Safran's operations in the military aircraft engines segment mainly involve Safran Aircraft Engines, Safran Helicopter Engines and Safran Aero Boosters.

Fighter engines

Historically tied to Dassault Aviation, activity in this segment is based mainly on the following programs:

- the M88 engine (7.5 metric tons of thrust), which powers the Rafale. There are 426 of these engines in service with two customers;
- the M53 engine (9.5 metric tons of thrust), which powers the Mirage 2000. There are 577 of these engines in service with eight customers;
- the Atar engine (4.5 to 7.1 metric tons of thrust), which powers the Super-Étendard jets and the Mirage III, 5 and F1 family. In 2017, Mirage F1 aircraft powered by this engine program were selected as adversary planes[3] for training US Air Force pilots.

(1) The Turbo-Union consortium comprises Rolls-Royce, MTU Aero Engines (Germany) and Avio (Italy).
(2) The Eurojet consortium comprises Rolls-Royce, MTU Aero Engines, Avio and Industria de Turbo Propulsores – ITP (Spain).
(3) Plane acting as an opposing force in military wargames.

Training and support aircraft engines

Activity in this segment is based on the following programs:

- the Adour engine, which delivers thrust of 3.7 metric tons (with afterburner) or 2.9 metric tons (without afterburner). Made in cooperation with Rolls-Royce, it powers support and attack aircraft such as the Jaguar aircraft produced by Dassault Aviation and BAE Systems, and training aircraft such as the Hawk produced by BAE Systems and the Goshawk T-45A produced by Boeing. There are currently 1,100 Adour engines in service.
- the Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's Alpha Jet training aircraft.

Patrol, tanker and transport aircraft engines

Activity in this segment is based on the following programs:

- the CFM56 engine powering military versions of the Boeing 707 (CFM56-2), the KC135 tanker aircraft and the Boeing 737 (CFM56-7), the C-40 transport aircraft, the P-8 Poseidon MMA (Multimission Maritime Aircraft), and the AEW&C (Airborne Early Warning & Control) aircraft;
- the 4,550 kW Tyne turboprop engine, developed by Rolls-Royce and manufactured under license by Tyne Consortium. This engine powers C-160 Transall transport aircraft and Atlantique 2 maritime patrol aircraft, on a program that continues to generate revenue through spare parts and repairs;
- the 8,203 kW TP400 turboprop engine powering the Airbus A400M European military transport aircraft, with 347 engines in service.

Spare parts and services for military aircraft engines

Aftersales operations for military aircraft primarily involve the sale of spare parts and repair services. These activities are directly linked to the aircraft availability needs of governments using military aircraft. Two programs account for the bulk of these military aircraft service operations today: Mirage 2000 (M53 engine) and Rafale (M88 engine). The Group also continues to provide services for older aircraft fleets, to meet the needs expressed by customers.

Because of the extreme operating conditions involved, military aircraft engines are usually serviced before they reach 1,000 hours in flight. One of Safran's constant development objectives is to lengthen the interval between servicing visits. In 2012, the Group introduced a new variant of the engine that powers the Rafale, the M88 Pack CGP, helping to maintain the aircraft in optimal operating condition. Hot parts and rotating parts have a longer service life, lengthening inspection intervals for the main engine modules and considerably reducing the M88 cost of ownership. Currently, governments generally delegate the management of their spare parts to the engine manufacturer.

Space vehicle propulsion systems

Key characteristics of the business sector

This business sector covers satellite engines.

Plasma propulsion has emerged as the preferred solution for satellite orbit raising and attitude and orbit control. This technology, also referred to as Hall-effect or stationary plasma propulsion, has a considerable advantage over traditional chemical propulsion systems as regards take-off mass.

The main participants in the plasma propulsion market, besides Safran, are EDB Fakel (Russia) and Aerojet Rocketdyne (United States).

Group products and programs

Safran's operations in plasma propulsion systems for satellites and space exploration probes involve Safran Aircraft Engines.

In an increasingly competitive market, Safran adapts its offering to new strategies for placing satellites in orbit, and to customer demands on costs and availability. The Group has been developing, integrating, testing and marketing plasma thrusters and plasma propulsion systems with power ratings from 300 W to 20 kW for more than 30 years. They can be found on the telecommunication platforms Eurostar 3000 EOR (Airbus Defence and Space), Alphabus (Thales Alenia Space and Airbus Defence and Space) and Electra (OHB – Orbitale Hochtechnologie Bremen, Germany). Safran plasma thrusters have also been selected for the SSL telecommunication platforms (United States), on Boeing commercial platforms and under the European Space Agency (ESA) Neosat program for the Airbus Defence and Space Eurostar Neo and the Thales Alenia Space Spacebus Neo platforms.

1.3.1.2 Helicopter turbine engines and auxiliary power units

Key characteristics of the business sector

The helicopter turbine engine market is characterized by significant diversity in applications and end-users. With the exception of armed forces and certain specific civil applications, current helicopter fleets are small in size.

Some 49,000 helicopters were in service worldwide in 2018[1]. To meet growing demand and replace helicopters scheduled for dismantling or decommissioning, a total of around 35,000 helicopters are expected to be delivered over the next 20 years[1].

Helicopter engine size is determined mainly by airframe weight and mission type. Helicopters may have one, two or sometimes three engines.

The Group serves:

- government and semi-public applications: police, border control, medical and emergency services;
- civil applications: offshore oil industry, transportation, tourism and private ownership, and airborne work such as spraying and construction;
- military applications: transportation, attack and ground support, maritime patrol.

This diversity, coupled with the fact that engines are tightly integrated into the helicopter airframe, gives rise to a wide variety of engines and related versions.

The helicopter turbine engine market, like the civil aviation market, has two components:

- sale of turbine engines to helicopter manufacturers for installation in new airframes (original equipment);
- after-sales activities based on spare part, maintenance and repair contracts with operators, requiring a major global customer support network with local reach, given the large number of users and the helicopter's limited radius of action.

(1) Source: Safran.

The profile of a helicopter turbine engine program is extremely similar to that of a civil aircraft engine program as presented earlier in this section.

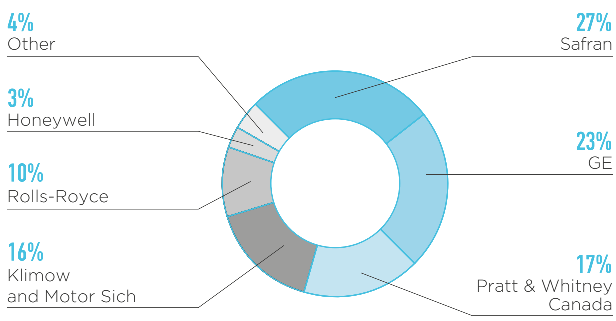
The airframe/engine pairing is often unique and at the origin of a new model. However, there is a trend toward multiple engine sizes among some helicopter manufacturers (offering a choice between two engines). This can also be seen where a helicopter is adapted for a specific purpose, thereby reintroducing competition to a given program.

There are fewer partnerships between engine manufacturers than in the civil aviation engine sector. The main partnership is MTRI (MTU Aero Engines, Safran Helicopter Engines, Rolls-Royce and Industria de Turbo Propulsores [ITP]), on the 1,450 shp[1] MTR390-E engine powering the Tiger. The growth of the helicopter market in emerging economies has also led Safran to develop other types of partnerships with consortiums of helicopter manufacturers claiming a role in the propulsion sector. This is the case with HAL (Hindustan Aeronautics Ltd.) in India and AVIC in China, which are becoming both customers and partners.

The majority of major Western aircraft manufacturing groups are also present in the helicopter turbine engine market: Safran, GE, Pratt & Whitney Canada, Rolls-Royce and Honeywell (United States).

Safran has also developed a range of auxiliary power units (APUs), based on turbine technology and featuring innovations developed through substantial technological investment and strategic partnerships.

MARKET SHARE: SALES OF HELICOPTER ENGINES, 2014-2018[2]



(1) Ascend – FlightGlobal.

Group products and programs

Most of Safran's helicopter engines are modular turbine units adaptable to civil and military helicopters. Modularity makes for more efficient maintenance programs. Safran helicopter engines are designed with a large additional power potential (up to 15%), which means they address a broad application spectrum. Through Safran Helicopter Engines, Safran covers all of the helicopter engine categories described below.

Auxiliary power units are non-propulsive systems that generate energy on an aircraft for powering onboard systems. Safran fields a range of auxiliary power units through Safran Power Units.

Turbine engines for light helicopters

For single-engine helicopters from 2 to 3 metric tons and twin-engine helicopters from 4 to 6 metric tons, Safran offers three engine families: Arrius (450 to 750 shp), Arriel (590 to more than 1,000 shp) and Arrano (1,100 to 1,300 shp).

Arrius engines and their derivatives power many civil helicopters from Airbus Helicopters (H120, H135), Kamov – Russian Helicopters (Ka-226T) and Bell (Bell 505 Jet Ranger X), along with military versions from Airbus Helicopters (Fennec) and Leonardo (A109 LUH – Light Utility Helicopter).

Arriel engines and their derivatives power helicopters manufactured by Sikorsky (S-76 C++), AVIC (AC311A, AC312) and Airbus Helicopters (H125, H130, H145, H155, AS365 N3+), as well as military models manufactured by Airbus Helicopters (H145M, AS565MBe, etc.). These engines have also been selected by Korea Aerospace Industries (KAI) to power its forthcoming LCH (Light Civil Helicopter) and LAH (Light Armed Helicopter).

The Arrano will consume 10% to 15% less fuel than the previous generation of engines in service today, meaning enhanced performance (range, payload) and a smaller environmental footprint. Airbus Helicopters selected the Arrano as the sole source for its twin-engine H160 helicopter (5.5 to 6 metric tons).

Turbine engines for medium-weight helicopters

For helicopters from 5 to 7 metric tons, Safran is present in the military market for combat helicopters, with the MTR390 (1,250 to 1,450 shp), developed jointly with Rolls-Royce and MTU Aero Engines, that powers the Airbus Helicopters Tiger, and the TM333 (900 to 1,100 shp) that powers Hindustan Aeronautics Ltd's Dhruv (India). A special development contract has been signed with Spain for a more powerful version of the MTR390 for the Tiger.

For helicopters from 5 to 8 metric tons, Safran's Ardiden range of engines covers power ratings from 1,400 to 2,000 shp. The Ardiden 1H1/Shakti powers the Dhruv and twin-engine light combat helicopters (LCHs) from Indian helicopter manufacturer Hindustan Aeronautics Ltd (HAL). HAL selected the Ardiden 1U variant to power its light utility helicopters (LUHs). The Ardiden 3G is designed for helicopters of up to 8 metric tons, and has already won orders from Kamov – Russian Helicopters for the Ka-62. In China, the Ardiden 3C/WZ16, which obtained EASA[3] certification in 2018, is continuing tests for use with the AC352 helicopter.

Turbine engines for heavy-lift helicopters

In the heavy-lift helicopters market, Makila turbine engines from 1,800 to 2,100 shp are used on helicopters including the H225/225M in the Airbus Helicopters Super Puma family.

The RTM322 turbine engine, which develops 2,100 to 2,600 shp, powers the NHIndustries NH90 helicopter and the Leonardo AW101 Merlin helicopter and Apache UK fighter helicopter.

The new range of high-power Aneto engines features advanced technologies developed under the Group's research work. This engine range, to include models with power ratings from 2,500 to more than 3,000 shp, has the advantage of offering 25% more power than existing units. The first 2,500 shp model, named Aneto-1K, was selected by Leonardo to power its twin-engine AW189K. This helicopter is set to come into commercial service in 2020, and certification of the Aneto-1K engine will be on track with this schedule.

(1) Shp: shaft horsepower.
(2) Tier-one entities.
(3) European Aviation Safety Agency.

New mobility concepts (VTOL/STOL), hybrid propulsion system

In 2018, Safran and Bell Helicopter (Textron group) announced a new partnership on the development of innovative hybrid electric propulsion systems for Bell's vertical take-off and landing (VTOL) vehicle. Through this partnership, Bell will manage aircraft design, development and production while Safran brings technical expertise in the development and production of new-generation hybrid propulsion system.

Spare parts and services for helicopter turbine engines

Following the example of its civil aviation activities, Safran has developed an international structure able to provide customers with local access to technical and sales support for their turbine engines, along with spare parts and services. Local coverage is provided through a worldwide network of repair centers (performing thorough maintenance) and service centers.

Auxiliary power units

The auxiliary power units developed by Safran meet the demanding requirements of the world's leading aircraft and helicopter manufacturers. Safran supplies a large fleet of civil and military aircraft and helicopters, including Alenia Aermacchi's M-346, Dassault Aviation's Rafale, BAE Systems' Hawk, NHIndustries' NH90 and Airbus Helicopters' H225M. Bombardier's Global 7500 business jets are also fitted with Safran auxiliary power units.

Safran has developed a new auxiliary power unit, the e-APU, specially designed and optimized to meet the needs of new-generation business jets and "more electric" helicopters. This system is used on the Leonardo AW189 helicopter.

In 2018, Safran and Boeing joined forces in a 50-50 joint venture handling design, manufacture and aftersales support for auxiliary power units (APUs), the aim being to develop a competitive offering on the APU market.

Safran also provides aftersales support for these high-technology systems.

1.3.1.3 Launch vehicles

Key characteristics of the business sector

This business sector comprises three main segments:

- the civil space industry, with launch vehicles for placing satellites in orbit;
- the military industry, with ballistic and tactical missiles;
- products, equipment and services for satellites and civil and military launch vehicles, as well as production of critical infrastructure (satellite integration center, remediation units, etc.), gas generators for vehicle airbag systems, and production of parts for the aerospace industry.

In the first two segments, development and engineering programs tend to be long and financed by institutional budgets, such as ESA[1] for civil space activities in Europe or national defense budgets for strategic operations. Tactical missile development is also financed by customer governments.

In the civil space industry, competition is quite intense. The main competitors of Arianespace (a subsidiary of ArianeGroup, itself a 50-50 joint venture with Airbus) in the market for commercial launch services are the US company Space X, with its Falcon 9 launch vehicle, and, to a lesser extent, the Russian Proton launch vehicle marketed by ILS (International Launch Services). The relevance of the forthcoming Ariane 6 launch vehicle becomes clear when considering that competition is set to intensify from 2020 due to the number of new launch vehicles currently under development. These new projects are run by other players, in the United States (New Glenn and Vulcan), Russia (Angara), India (GSLV), China (Long March 5 and Long March 7) and Japan (H3).

The military launch vehicle segment covers ballistic and tactical missiles:

- ballistic missiles are an essential component of national nuclear deterrent forces for countries possessing this capability. In Western Europe, France is the only country to develop its own ballistic missiles powered by solid-propellant engines. The main players in the ballistic missile segment are ArianeGroup in Europe and Lockheed Martin and Boeing in the United States;
- tactical missiles appear in all battlefield situations. They use various types of propulsion systems (solid propellant, turbojet and ramjet). Safran primarily covers the solid-propellant propulsion sector, through its stakes in Roxel (50-50 joint venture with MBDA) and ArianeGroup, and the turbojet propulsion sector, through Safran Power Units. Other main players in the sector of solid-propellant engines for tactical missiles are Nammo (Norway), Bayern Chemie (Germany), Avio (Italy), Aerojet Rocketdyne (United States), Orbital ATK (United States) Rocketsan (Turkey) and Denel (South Africa).

The third segment is purely commercial: products, equipment and services for the main satellite manufacturers, and gas generators for vehicle airbags.

Group products and programs

Safran covers the civil and military launch vehicle sector through ArianeGroup. ArianeGroup is the product of the joint ambition of Safran and Airbus to drive the European space industry to unrivaled heights, in a context of mounting international competition. It merges both partners' businesses and expertise in civil and military launch vehicles into a single, coherent entity.

Safran covers the sector of propulsion systems for tactical missiles and targets though Roxel and Safran Power Units.

Civil space industry

ArianeGroup is the prime contractor for the Ariane 5 launch vehicles developed by ESA, which involves coordinating an industrial network of more than 550 companies in 12 European countries. It manages the whole of the industrial chain, which covers plant and equipment, engine manufacture, integration of the individual stages, then integration of the whole launch vehicle in French Guiana. ArianeGroup is also prime contractor on the program for the forthcoming Ariane 6 launch vehicles, the first flight of which is expected in 2020. It contributes to the solid propulsion component of the Vega program, and to prime contractorship for the Russian Soyuz launch vehicle in French Guiana. Its Arianespace subsidiary, a front-line world player, takes charge of marketing and operation of these launch vehicles from the Guiana Space Center.

Through its subsidiary Eurockot, ArianeGroup also markets and operates the light space launcher Rockot.

(1) European Space Agency.

Ballistic missiles

In the military market, ArianeGroup takes part in the missiles program for France's fourth-generation ocean-going strategic nuclear force (M51). Following the M51.1 version, which came into operation in 2010, and M51.2, in 2016, the next development phase, M51.3, will adapt the M51 missile to the geopolitical context of the coming years.

Tactical missile propulsion

ArianeGroup assembles thrusters for the Mistral missile and the acceleration and tip-up system (SAB) on the MdCN[(1)] missile, for MBDA. It also develops technologies for forthcoming high-performance propulsion systems (modular propulsion, DACS[(2)], etc.) under national and international R&T contracts.

Safran covers the sector of solid-propellant engines for tactical missiles through Roxel, which develops and manufactures a large range of solid-propellant engines for tactical missiles of international renown (Milan, MICA[(3)], AASM[(4)], Exocet, Aster, Meteor, etc.).

Through Safran Power Units, the Group is a leading global player in jet engines for military applications (missiles and targets). Safran makes engines for missiles including the SCALP and RBS-15, and for the US targets MQM-107 for the US Air Force.

Products, equipment and services

ArianeGroup currently sells products, equipment and services in more than 50 countries, and is the supplier to the main satellite manufacturers, for products including propulsion systems, antenna reflectors and central tubes. It is also the supplier to a quarter of the European market and around 7% of the world market for gas generators in vehicle airbag systems[(5)].

Through its Pyroalliance subsidiary, ArianeGroup provides pyrotechnic equipment on a broad range of missiles (MdCN, SCALP, Aster, Exocet, MICA, IRIS-T[(6)], Crotale, Otomat, Marte, Eryx, etc.) and launch vehicles (Ariane and Vega).

Through its CILAS (Compagnie Industrielle des Lasers) subsidiary, ArianeGroup develops, engineers and manufactures systems coupling laser and precision optics technologies in high-tech military and civil applications.

ArianeGroup's Sodern subsidiary fields cutting-edge expertise in space instrumentation, optics and neutronics.

ArianeGroup's Nuclétudes subsidiary provides prime expertise in tests and engineering on ruggedization, for the protection of electronic systems and mechanical structures in harsh radiative and electromagnetic environments.

1.3.2 Aircraft Equipment

Safran's Aircraft Equipment business operates in three sectors:

LANDING AND BRAKING SYSTEMS

- Landing gear
- Wheels and brakes
- Electric taxiing
- Landing and braking control systems
- Services for landing gear, wheels and brakes and related systems

ENGINE SYSTEMS AND EQUIPMENT

- Nacelles and thrust reversers
- Power transmissions

ELECTRICAL SYSTEMS AND ENGINEERING

- Electricity generation and distribution
- Electrical interconnection systems (wiring)
- Ventilation systems and electric motors
- Engineering

This business covers the design, manufacture, sale, maintenance and repair of aircraft equipment, provision of related services and sale of spare parts. In 2018, a total of 24,505 Safran employees contributed to the development of this business.

The Group enjoys leading positions in each of its sectors in recent and prospective major short-, medium- and long-haul commercial aircraft programs and in helicopter programs.

Thanks to its technological expertise in a large number of aircraft equipment sectors, the Group is a preferred partner of airframers and is able to offer a comprehensive range of products and services. Safran is notably the sole comprehensive "ATA 32" supplier (landing gear + brakes + systems).

Safran's substantial capacity for innovation has enabled it to carve out either leading or major positions in its markets. Other players such as UTC (United States) and Honeywell are present in several sectors of the aircraft equipment market, whereas Liebherr (Germany), Spirit (United States), Moog (United States), Thales (France), Meggitt (United Kingdom), LATelec (France) and GKN (United Kingdom) specialize in only one or two specific sectors.

(1) *MdCN:* Missile de Croisière Naval *(naval cruise missile).*
(2) *Divert and Attitude Control System.*
(3) *Interception, combat and self-defense missile.*
(4) *Armement air-sol modulaire (Modular Air-to-Ground Weapon).*
(5) *Source: ArianeGroup.*
(6) *Infra Red Imaging System Tail/Thrust Vector-Controlled*

Safran has also formed a number of alliances and partnerships in the Aircraft Equipment sector, on an individual product and program basis.

Market characteristics are outlined individually below, for each business area.

1.3.2.1 Landing and braking systems

This business comprises three main product lines: landing gear, wheels and brakes, and landing and braking systems.

Safran has combined these operations within Safran Landing Systems. This organization is in response to market shifts toward more tightly integrated offerings addressing both airframers and airline companies.

Landing gear

Key characteristics of the business sector

The market for commercial aircraft landing gear is shared by Safran, UTC, Liebherr, Héroux-Devtek (Canada) and a handful of niche players positioned in specific market segments (business jets, helicopters, drones, etc.). Technology requirements are high, as landing gear must bear extreme loads during maneuvers on the ground: it must be light, compact and robust, while being fully adapted to and optimized for the aircraft's profile. The business model includes a long development period – which starts with the initial aircraft development phase – limited production volumes and regular service flows. Technological challenges include the use of new materials to improve the resistance and mass of parts, new, more eco-friendly production processes (including the elimination of chrome) and enhanced acoustics.

Group products and programs

Safran addresses the landing gear segment through Safran Landing Systems, which holds more than half the market[1] for commercial aircraft landing gear.

Safran designs, manufactures and provides after-sales services for landing gear for civil and military planes and helicopters of all sizes. It also handles integrated systems if requested by the customer, and provides the technical assistance, spare parts and repair services needed for its equipment.

Safran is worldwide leader[1] for landing gear structural units, having equipped a fleet of some 27,000 aircraft. The Group supplies the world's major airframers (including Airbus, Boeing, Bombardier and Dassault Aviation) and military and civil operators. Among the main commercial aircraft programs are the entire Airbus range, including the A350, and Boeing's 787 Dreamliner.

The Group also has a strong presence in military applications, where it equips the A400M, Rafale, Eurofighter Typhoon, F18 and V22 planes and helicopters from Airbus Helicopters, as well as in the business jet and regional jet markets (ATR, Bombardier, Dassault Aviation – Falcon, Sukhoi, Fokker, Piaggio, etc.).

Wheels and brakes

Key characteristics of the business sector

The present-day wheels and brakes market for commercial aircraft with 100 or more seats splits into two segments: aircraft with steel brakes (first-generation brakes), which in 2018 account for 22%[1] of commercial aircraft of 100 or more seats, and aircraft with carbon brakes, invented by Safran, which account for 78%[1]. The market for carbon brakes has developed rapidly since the 1980s, with the increase in air traffic and the gradual phase-out of steel brakes, replaced by carbon units. The wheels and brakes market is currently shared among four major global participants: Safran, UTC, Honeywell and Meggitt.

Group products and programs

Safran designs and manufactures wheels and carbon brakes for aircraft, and provides related aftersales services. It also provides electronic and electrohydraulic systems for aircraft braking, tire/brake/landing gear monitoring and landing gear steering systems.

Safran is a leading player in wheels and brakes, particularly for civil applications (on the A320ceo, A320neo, A330, A330neo, A340, A350, Boeing 737 NG, Boeing 737 MAX, Boeing 767, Boeing 777 and Boeing 787) and the military sector (on the A400M, Rafale, KC135 refueler and C-17 and KC-390 transport aircraft).

With almost 9,700 aircraft fitted with Safran wheels and carbon brakes, the Group holds more than half of the market[1] for aircraft with over 100 seats and fitted with carbon brakes. Given the size of the fleet equipped by Safran, 40% of which is less than five years old, the business model underpinning this activity contributes to strong revenue streams.

Electric taxiing

Safran continues development of electric taxiing, enabling aircraft to taxi at airports without having to use their main engines or call upon airport towing services. It primarily addresses economic and environmental challenges, such as reduction in kerosene consumption, CO_2 emissions and noise, and enables more fluid aircraft ground maneuvers.

In addition to Safran, two other companies are currently working on alternative electric taxiing systems.

Landing and braking control systems

Key characteristics of the business sector

This market includes braking systems, orientation systems, landing gear and door extension/retraction systems, and monitoring systems. The main participants are Safran and US companies UTC, GE and Crane Aerospace & Electronics (United States).

Group products and programs

Safran's operations in the landing and braking system segment mainly involve Safran Landing Systems. Customers include Airbus, for all its programs, Boeing for the 747-8, Embraer for its KC-390 military program, Gulfstream for its G650 program and Dassault Aviation for its Falcon (7X, 2000 and 900) and Rafale programs.

(1) Source: Safran.

In the landing and braking electronic control systems segment, Safran's position is buoyed by its technological advance in electric braking and its ability to propose to customers a comprehensive offering encompassing landing gear, wheels and brakes, and associated control systems.

Services for landing gear, wheels and brakes and related systems

Safran provides maintenance services for its own products and for competitor products on commercial aircraft with more than 100 seats, and, alone or in partnership, for regional jets and business jets.

To provide maintenance services for landing gear and landing and braking systems, Safran has developed regional repair centers in Mexico, the United Kingdom, France, Singapore and the United States, and will shortly be opening a center in China. Some of these repair centers are managed as joint ventures with partners such as Singapore Airlines Engineering Company, China Eastern Airlines and Dassault Falcon Jet.

1.3.2.2 Engine systems and equipment

Nacelles and thrust reversers

Key characteristics of the business sector

The nacelle is a complex piece of equipment which optimizes internal and external engine airflows, helps reduce noise and incorporates safety components. It is made up of an air inlet, a fairing, a thrust reverser and a nozzle. The thrust reverser, which reverses the engine's thrust to help brake the aircraft, represents more than half the value of the nacelle.

Today's market for aircraft engine nacelles splits into two main segments, addressed by:

- nacelle component manufacturers;
- nacelle integrators such as Safran, capable of supplying engine and airframers with complete nacelles. Nacelle research requires specific technical expertise in areas such as achieving acoustic, aerodynamic, thermal and mechanical performance through the intensive use of composite material and titanium technologies. Specifications vary with engine power and location (under the wings for airliners and regional jets, or at the rear of the fuselage for business jets).

Safran's main competitor on the integrated nacelles market is UTC.

Group products and programs

As a nacelle integrator, Safran designs, manufactures and provides aftersales support for aircraft engine nacelles through Safran Nacelles. On this market, the Group ranks second worldwide, with market share of more than 25%[1].

In the segment of nacelles for commercial aircraft with more than 100 seats, Safran enjoys a long-standing position as a manufacturer of complete nacelle systems and large thrust reversers for the Airbus A320ceo, A320neo, A330, A330neo and A380 platforms. Boeing selected Safran to supply titanium exhaust systems for the 777X. Safran also supplies nacelles for regional jets (Sukhoi Superjet 100, Embraer 170) and is a leading supplier of nacelles for top-end business jets (Dassault Aviation, Gulfstream, Bombardier, Cessna and Embraer), with a market share of 46%[1].

Safran is working in partnership with a GE subsidiary, Middle River Aircraft Systems (MRAS), on the development of the nacelle for the Airbus A320neo version powered by the LEAP-1A engine from CFM International. Furthermore, Nexcelle, an alliance entered into with GE in 2009 through its subsidiary MRAS, developed the COMAC C919 nacelle as part of the CFM International LEAP-1C "integrated propulsion system" package. This contract comes with an industrial cooperation agreement between Safran and the Chinese group AVIC. Nexcelle has also been selected by GE to supply the nacelle for its Passport engine on Bombardier Global 7500 business jets.

Services for nacelles and thrust reversers

Safran provides solutions to operators through its Customer Support and Services Division (CSSD), generating revenue in preventive maintenance programs, spare parts, services, maintenance and repair.

Mechanical power transmission systems

Key characteristics of the business sector

The mechanical power transmission market covers a range of applications, the main ones being accessory gearboxes (which deliver mechanical energy to engine accessories), reduction drives (which transfer power to the propeller blades on turboprop aircraft and are also used in turbofan engines with very high bypass ratios) and main transmission gearboxes (which transfer power to the blades on helicopters). The main participants in this market are the engine and helicopter manufacturers themselves, along with aerospace equipment suppliers such as the UTC, GE, KHI (Japan), Triumph (United States) and Northstar (UnitedStates).

Group products and programs

Safran's operations in the mechanical power transmission sector involve Safran Transmission Systems.

Safran designs, manufactures, markets and maintains a wide range of mechanical power transmission systems for civil and military aircraft engines and for helicopter engines. Recognized technical expertise in mechanical power transmission systems is harnessed to develop applications for the world's leading airframers and for Airbus Helicopters.

Aero Gearbox International (AGI), a 50-50 joint venture formed by Safran and Rolls-Royce in 2015, specializes in the design, development, production (and aftersales service) of power transmission systems for civil aircraft powered by Rolls-Royce engines. This company makes the power transmission systems for the Trent 7000 engines that power the Airbus A330neo and will have exclusive coverage of the whole range of Rolls-Royce's forthcoming civil aircraft engines, thus strengthening Safran's position among the leading players in this field.

Safran also makes the power transmission system for the Trent XWB that powers the new Airbus A350 XWB aircraft.

(1) Source: Safran.

1.3.2.3 Electrical systems and engineering

The shift toward more electric aircraft systems is a major and irreversible structural change undertaken by airframers to increase safety, reduce weight and volume, lower costs and simplify aircraft manufacture, assembly and maintenance.

Two recent trends in the aircraft electrical systems market afford Safran a rare opportunity for development:

- **the "more electric" aircraft**, as most of the hydraulic and pneumatic systems found in present-day aircraft are phased out by electrical systems. This change calls for a significant increase in the power ratings of onboard electricity generation and distribution systems, along with extremely high quality requirements for electrical signals;
- **electric hybridization**, with gas turbines backed by electric motors to reduce the aircraft's carbon footprint.

Safran has bolstered its legitimacy in electrical systems through substantial internal efforts in research and technology plus external growth operations. Safran Electrical & Power brings together all of Safran's electrical systems operations under a single dedicated unit:

- electrical interconnection systems;
- onboard electrical energy (generation and distribution);
- power electronics;
- maintenance and repair of electrical equipment;
- ventilation systems and electric motors;
- engineering, design and production services, especially for electrical systems.

Electrical power generation and distribution systems

Key characteristics of the business sector

The electrical systems market mostly covers power generation and distribution functions. This market is currently commanded by major participants such as UTC, Safran and Esterline (US). Only UTC and Safran field a comprehensive offering covering main and backup power generation, conversion, and primary and secondary distribution.

The power electronics market is more recent, arising directly from developments in electrically powered aircraft functions (electric thrust reversers, electric brakes, electric load control, etc.). UTC, Honeywell and Safran have expertise in this field.

Group products and programs

Safran covers these sectors through Safran Electrical & Power.

Examples of Safran's capacity for innovation in power electronics include ETRAS (Electrical Thrust Reverser Actuation System), the world's first electric control system for nacelles, developed on the A380, and EBAC (Electrical Braking Actuation Controller), on the Boeing 787. These major technological advances, along with Safran's engine and electrical wiring expertise, enable the Group to offer airframers innovative electrical aircraft systems for their forthcoming programs.

Safran also provides all emergency backup power and primary and secondary distribution systems for the Embraer KC-390 military transport aircraft program.

Electrical interconnection systems (wiring)

Key characteristics of the business sector

The Group is a leading worldwide supplier[1] in this market. Wiring and electrical interconnection systems mainly comprise electrical harnesses as well as main and secondary transformer stations and other electrical cabinets.

Much of the aircraft wiring market is still in the hands of airframers' internal departments. Safran's main rivals on the aircraft wiring market are GKN (United Kingdom), LATelec (France) and Ducommun LaBarge (United States).

Group products and programs

Safran's operations in the wiring and electrical interconnection system segment involve Safran Electrical & Power.

Safran provides electrical and layout design work in addition to harness production and installation support services at the airframer's site, for customers including Airbus, Boeing and COMAC. If requested, as on upgrade programs, Safran can take on the planning and onboard installation stages. This can – as with major programs such as the A380 and A350 – extend to an "end-to-end" service covering engineering, manufacture and installation support.

Ventilation systems and electric motors

Key characteristics of the business sector

Ventilation systems comprise various electrical, electronic, mechanical and pneumatic subsystems.

High-performance ventilation systems perform the following functions:

- management of air circulation in the cabin and cockpit;
- cooling of aircraft brakes on landing;
- cooling of avionics bays, which house systems including the main aircraft controllers (flight control systems, digital cockpit screens, etc.).

Safran, UTC and Honeywell are the main participants with expertise in this field.

Group products and programs

Through Safran Ventilation Systems, Safran designs, manufactures and markets ventilation systems for aircraft cabins and avionics, and brake cooling systems for commercial and military aircraft and helicopters.

Safran supplies all ventilation circuit equipment (valves, air filters, nozzles, heat exchangers, flowrate sensors, pressure sensors, etc.) along with the ventilation regulation and control system.

Safran has also developed a range of high-power-density electric motors and generators. These ENGINeUS engines meet customers' needs expressed on new markets including the VTOL[2] and hybrid propulsion sectors.

(1) Source: Safran.
(2) Vertical Take-Off and Landing.

Engineering

Key characteristics of the business sector

The engineering market is dependent on major development programs, some of which have reached completion (Airbus A350 and Boeing 787). This means that major aircraft and equipment manufacturers experience less need for prime engineering expertise.

At the same time, major aerospace customers are trimming back their supplier panels, and this gives rise to consolidation and opportunities for those suppliers that are selected.

Competitive edge on the engineering services market depends on the provider's capacity to accompany its customers on an international market, to offer offshore capabilities (with a pool of engineers located in low-cost countries such as India), to take responsibility for completing engineering work, to support process improvement and to develop and retain skills.

The Group's main competitors are leading French full-service engineering groups such as Alten and Altran, and French niche aviation engineering suppliers including Assystem and Aeroconseil.

Group products and programs

Safran is present in the engineering market through Safran Engineering Services. In Europe, North America, South America, Asia and North Africa, Safran provides engineering services in the aviation market and in related markets. Its expertise, focused on six broad areas (electrical systems architecture, aerostructures, mechanical systems, systems engineering, embedded systems and certification support), is used by various Group companies, chief among which ranks Safran Electrical & Power. Services are also provided to major aviation customers (Airbus Group, Boeing, Dassault Aviation, ArianeGroup) and land transport companies (Alstom, Renault).

For support in the design of new electrical system architectures, Safran's aircraft manufacturer customers see the expertise of Safran Engineering Services, backed by Safran Electrical & Power, as a determining factor.

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1.3.3 Defense

The Defense business can be broken down into two key sectors:

AVIONICS

- Flight control systems
- Onboard information systems/Data management and services
- Electronic equipment and onboard critical software
- Aerospace navigation and sensors
- High-performance optics

DEFENSE

- Optronics and sights
- Soldier modernization
- Navigation and sensors
- Seekers and guidance systems
- Drones

Safran is involved in major civil and defense programs, and is one of the world's leading providers of solutions and services in optronics & navigation, avionics, electronics and critical software. Prime expertise in these technologies enables Safran to offer armed forces, security forces and civil customers optimally cost-effective observation, decision-support and orientation solutions for land, sea, air and space applications. Safran also draws upon the expertise of its subsidiaries, located on all continents. In 2018, a total of 7,841 Safran employees contributed to the development of this business.

In avionics, Safran's customers include the leading aircraft and helicopter manufacturers, as well as airline companies, in particular Airbus, Airbus Helicopters, Dassault Aviation, Hindustan Aeronautics Ltd., Embraer, Bell, Leonardo and COMAC.

In defense, Safran's main partners and customers are governments (ministries or armed forces) and European groups such as Thales, Airbus, KNDS(1) (Netherlands), BAE Systems (United Kingdom), MBDA, Leonardo, Saab AB (Sweden), Dassault Aviation, Naval Group (France) and CMI (Belgium).

1.3.3.1 Avionics

Key characteristics of the business sector

Safran's avionics operations span five advanced-technology product lines: flight controls, onboard information systems, electronic equipment and critical software, aerospace navigation, and high-performance optics.

In addressing several different markets and platforms with common-core technology, Safran enhances competitive performance and optimizes its product portfolio. It offers a full range of systems and equipment for civil and military aircraft, helicopters, drones, telescopes and satellites. These systems and equipment enjoy wide recognition for performance and efficacy in key avionics functions: flight controls, guidance, navigation, onboard information, engine regulation, calibration, braking and landing controls, observation and maintenance.

Safran's main competitors in these businesses in France and abroad include: Thales, BAE Systems, UTC, Honeywell and Teledyne (United States).

(1) KMW+Nexter Defense Systems.

Group products and programs

Safran's avionics operations mainly involve Safran Electronics & Defense.

In the aeronautical sector, innovative systems developed by Safran contribute to pilot comfort, flight safety, navigation and aircraft performance. Safran is involved in the largest aircraft programs, including NH90 (NHIndustries), Caracal (Airbus Helicopters), A400M, A320ceo, A320neo, A380 and A350 (Airbus), Rafale and Falcon (Dassault Aviation) and 787 Dreamliner (Boeing). Building on its extensive expertise in flight data management, Safran also develops, through its Cassiopée data management services offering, high-performance solutions to optimize maintenance costs, reduce CO_2 emissions and fuel consumption and improve flight safety.

In the space and astronomy sector, Safran designs and produces high-precision optical systems for earth and space observation. These land-based or satellite-borne systems contribute to the success of major international scientific programs. Safran has also been selected by ArianeGroup to be the supplier for SpaceNaute, the inertial reference unit on the new ESA launch vehicle, Ariane 6.

Flight control systems

Safran is a leading player worldwide[1] in automatic pilot systems for civil and military helicopters, designed to aid the pilot and ensure maximum safety.

Safran develops flight control solutions for all types of aviation application (planes, helicopters, drones, etc.), meeting the strictest criteria on practicality, reliability and safety. From sensors through to actuators, the Safran solutions stand out for their efficacy and accommodate new, more electric, architectures.

With its automatic pilots, navigation systems, controllers, flight control actuators, electrical systems and thrust reversers, Safran contributes to many programs: helicopters such as the Airbus Helicopters H160 and NHIndustries NH90; and planes including the Airbus A350 XWB, A320neo and A220 family, the Embraer KC390 and the COMAC ARJ21 and C919.

In February 2019, Safran announced that it had finalized the acquisition of the ElectroMechanical Systems business from Collins Aerospace. This acquisition expands Safran's electrical actuation and flight control business lines. In particular, the acquisition enables Safran to reach critical mass in these sectors and to eventually enhance their competitiveness.

Onboard information systems/ Data management and services

Safran has developed flight-data recording systems (Aircraft Condition Monitoring System – ACMS) for airplanes and helicopters, along with automatic end-of-flight data transfer solutions, typically using WEFA (Wireless Extension For ACMS). These systems are fitted as original equipment on many civil airplanes from ATR, Embraer, Boeing and Airbus, and on many helicopters, through a Supplemental Type Certificate. Under Airbus prime contractorship, Safran also provides the secure gateway between the cockpit and the cabin information system for the A380 and A350.

Given the extensive fleet it equips among many airline companies, Safran is ideally placed for developing its Cassiopée data management service, which inputs recorded flight data to provide precious decision-support service in areas such as flight analysis (Flight Data Management – FDM) and optimization of fuel consumption (SFCO2®) and running and maintenance costs.

Electronics and critical software

Given the strategic importance of onboard electronics and critical software today, Safran vertically integrates these technologies through Safran Electronics & Defense. Safran Electronics & Defense subsidiaries in Canada, Asia and Europe offer good geographical reach to customers, for development projects and for repair and maintenance services.

Safran Electronics & Defense provides all Group companies with world-leading electronic equipment and critical software. It develops, produces, and maintains certified embedded computers for numerous systems, particularly in aviation (FADEC[2], thrust reversers, nacelles, landing gear, braking systems and flight control systems). With its partners, it has woven strong, balanced links through FADEC International (joint venture with BAE Systems) and FADEC Alliance (joint venture between GE and FADEC International).

Electronic equipment

Safran Electronics & Defense specializes in increasingly integrated electronic systems for harsh environments (temperature, vibration, etc.). It designs and produces onboard computers used in engine, flight, braking and landing gear control systems. Safran designs and installs electronic control systems for electromechanical actuators and for Safran Electrical & Power power converters[3] . In the space segment, Safran is conducting work on the electronic propellant flow-rate regulation demonstrator for the future Ariane 6 engines, and on electronic control systems for plasma thrusters. Safran's expertise in the production of electronic circuit boards and complex computers is maintained through a strong core of industrial excellence, particularly at its Fougères plant.

Onboard critical software

Safran Electronics & Defense develops the complex critical software used in Group onboard systems. Critical software is software that plays a crucial role in flight safety and must therefore comply with extremely demanding certification standards, as regards dependability in harsh environments.

Safran teams handle software specification, architecture, coding, verification, quality assurance, configuration management and certification, using modern software platforms that yield ever-higher efficiency.

Computer maintenance and repair

At its repair centers in France, the United States and Singapore, Safran Electronics & Defense performs maintenance of its own onboard computers along with systems from other Group and third-party manufacturers. It also maintains and repairs computers and electronic boards for many airline companies and air forces worldwide.

Aerospace navigation and sensors

Safran holds comprehensive expertise in inertial navigation technologies (mechanics, laser, fiber optics and resonant structure), the product of more than 70 years' experience in civil and military navigation systems for all environments. It also fields a range of sensors dedicated to its APIRS (Aircraft Piloting Inertial Reference System) heading and attitude system.

(1) Source: Safran.

(2) Full Authority Digital Engine Control.

(3) See section 1.3.2.3, "Electrical systems and engineering".

The SykNaute solution, designed for civil aviation, is an inertial navigation system with three HRGs[1] and three MEMS[2], in a hybrid configuration with navigation satellite sensors, offering low operating costs for Fly-by-Wire and PBN/RNP[3] architectures.

For its recognized capabilities, Safran was selected for the Rafale fighter (Dassault Aviation), A400M transport aircraft (Airbus) and Ariane 6 launch vehicle programs.

High-performance optics

Through its Safran Reosc subsidiary, Safran is a leading world player in the design, manufacture and integration of high-performance optical systems for observation in astronomy, space, large-scale laser and semiconductor industry applications.

Customer support

Safran's customer support in avionics extends to high value-added services, including repairs, equipment delivery and technical support. Customer satisfaction is sustained through continuous improvements in turnaround time (TAT) to achieve industry benchmark level and thereby ensure the best competitive performance in equipment availability. Given its highly varied worldwide avionics customer base, Safran may localize support services for closer contact with the customer. Customer support performance is a key issue, providing a long-term revenue source throughout the life cycle of an avionics product and developing customer loyalty, thereby influencing customer choices on new programs.

1.3.3.2 Defense

Key characteristics of the business sector

As part of military operations, armed forces need equipment that affords the highest degrees of precision and efficacy. The defense sector thus covers an extensive range of equipment and systems for air, land and sea applications, including soldier modernization systems, combat vehicle digitization, drone systems, night vision goggles and target identification systems, thermal cameras, seekers and weapon systems, gyrostabilized sighting and monitoring systems, navigation systems and periscopes and optronic masts for submarines.

Safran's main competitors in these businesses in France and abroad include: Thales, BAE Systems, Leonardo, Elbit (Israel), L-3 Wescam (Canada), FLIR Systems (United States) and Northrop Grumman (United States).

Group products and programs

Safran's operations in the defense sector mainly involve Safran Electronics & Defense businesses.

Safran covers the realtime sensor-to-shooter operational chain with embedded intelligence solutions for all land, sea and air settings, enhancing the operational performance of units in the field with support in surveillance, tactical support, information, navigation, orientation, observation, detection, fire direction and protection.

Optronics and sights

Portable optronic equipment

Safran is a leading European manufacturer of portable optronic equipment[4]. It offers a full range of hardware and systems for observation, surveillance, detection, pointing, identification and target designation, for use under day or night conditions. Its multi-purpose night-vision imagers, such as the JIM LR long-range multifunction imager and the JIM Compact™, are widely used in overseas operations by French and allied forces and are considered a global market benchmark.

Onboard systems

Safran equipment provides protection for land combat vehicles (tanks and light vehicles). Stabilized sighting is a key part of the performance of target identification and fire direction, under day or night conditions, including ambulant firing capability. Safran equips more than 7,000 land vehicles[4] in France and other countries (Leclerc, VBCI, BMP3, etc.) with its range of land vehicle sights, which includes PASEO.

In airborne optronics, Safran participates in major combat helicopter programs, such as Tiger, NH90, Cougar, Panther and Caracal. The STRIX and OSIRIS sighting systems meet requirements on exceptionally demanding operational conditions and guarantee the performance of the weapons systems. Euroflir gyrostabilized electro-optical systems provide valuable service in long-range observation and target location. They feature on new airborne intelligence systems including the Patroller drone, the Diamond-42 twin-engine aircraft (in cooperation with DCI) and the T-C350 aerostat from A-NSE.

In the naval field, Safran offers a full range of optronic surveillance, fire direction and self-protection systems for surface vessels, and has recognized expertise in optronic masts and periscopes for conventional and nuclear submarines. Safran contributes to many platforms, including the Charles-de-Gaulle aircraft carrier, the ANZAC, FREMM & Horizon frigates and the Scorpène and Agosta submarines. The new generation of nuclear combat submarines, the Barracuda class, will be equipped with Safran's periscope system using non-penetrative optronic masts.

Soldier modernization

Safran harnesses experience from the FELIN[5] program on soldier modernization in the French armed forces to offer innovative and modular solutions, such as the NeoFelis system, addressing the needs of various armed and security forces in France and further afield. It builds on this know-how to offer capacity kits focused on the key infantry combat functions of command, observation, protection and engagement.

Safran is also pushing ahead with innovation and R&T in areas such as mobility aids, with development of the exoskeleton, a wearable biomechanical and electronic structure that provides powered assistance to body movements. These technologies hold considerable potential in the military, civil security and industry sectors.

(1) Hemispherical resonator gyroscope.
(2) Micro Electro Mechanical Systems.
(3) Performance Based Navigation/Required Navigation Performance.
(4) Source: Safran.
(5) FELIN: Fantassin à équipements et liaisons intégrés *(infantrymen with integrated equipment and links).*

Navigation and sensors

An inertial navigation system continuously calculates the position, speed and attitude of a vehicle (aircraft, rocket, ship, submarine, land vehicle) using acceleration sensors (accelerometers) and rotation sensors (gyroscopes), without the need for external reference points other than the point of departure. This avoids dependence, for example, on a satellite navigation system such as GPS.

Safran is the world's leading inertial navigation specialist(1), with more than 70 years' expertise in the key underlying technologies (mechanical, thermal, laser, fiber optics, resonant structures, etc.).

It offers a wide range of inertial and stabilization systems covering all performance classes. This equipment offers high reliability, ultra high precision and extreme robustness, for dependable operation in the toughest environments.

The HRG Crystal gyroscope, a major innovation patented by Safran, is the highest-performance system of its kind on the market. Deliveries of this unit have already topped 150,000 units. Using this sensor, with its straightforward mechanism and proven technology, Safran develops new ultra-reliable and extremely compact inertial systems capable of addressing a very wide performance range for civil and military applications in space, air, land and sea environments.

Seekers and guidance systems

Safran couples know-how in optronics and inertial systems to offer infrared seekers for the main missiles used by the French army, including Mistral, MICA IR and MMP(2), as well as the French-British light anti-ship missile Sea Venom/ANL(3).

The AASM is a high-precision modular air-to-ground weapon that can be used in all conditions, day or night. It is currently in service on Rafale fighters belonging to the French air force and navy as well as in other international air forces. It comes in several versions and harnesses Safran expertise in many areas, including infrared and image processing technology, inertial components with hemispherical resonator gyro (HRG) and laser guidance. It has proved highly effective in many overseas operations.

Drones

Safran is active in drone systems through its expertise in critical function chains, namely navigation and flight control, image chain and data transmission. Safran tactical drone systems are used on a daily basis in day- and night-time operations.

For its experience in high-integrity drone flight control, Safran sits on the Civil Drone Commission set up by the French Directorate General for Civil Aviation (DGAC), along with other aerospace companies, SMEs in the sector and major contractors. The purpose of this commission is to organize and promote the civil drone industry in France by drawing up technological roadmaps for the development of safe civil usages.

The French Directorate General of Weapons Procurement (DGA) selected Safran's Patroller as the French army's tactical drone system in 2016.

Following on from its work on airborne drone development, Safran has also developed an autonomous off-road demonstration vehicle, the eRider, designed for logistics, convoy, perimeter protection, intelligence and reconnaissance missions. Efficient partnerships with innovative SMEs and civil institutions facilitate the agile development of the eRider concept with a view to producing the autonomous vehicles of the future.

Customer support

Safran's customer support includes high value-added services, including repairs, equipment delivery, technical support and training. They all strive toward the same goal: ensuring that equipment is in full working order at all times, a strategy primarily reflected in Global Support Package contracts.

1.3.4 Aerosystems

In 2018, a total of 13,869 Safran employees contributed to the development of this business, which comprises five main sectors.

SAFETY AND PROTECTION SYSTEMS

- Emergency evacuation systems
- Floats and rafts
- Emergency arresting systems
- Oxygen systems
- Parachutes and protections

ELECTRICAL SYSTEMS AND COCKPIT SOLUTIONS

- Electrical distribution and power generation systems
- Interconnect solutions
- Electrical actuators and motors
- Electrical systems and components
- Lighting solutions

CONTROL SYSTEMS

- Fuel and control systems
- Data systems
- Elastomer products and systems
- Composites

FLUID MANAGEMENT

- Water and waste management systems
- Fluid management systems
- Environment control systems
- Cabin controls

CONNECTED CABIN

- In-flight entertainment and connectivity solutions

(1) *Source: Safran.*
(2) *Medium-range missile.*
(3) *ANL:* Anti-Navire Léger *(light anti-ship missile).*

1.3.4.1 Aerosystems

Key characteristics of the business sector

Safran's Aerosystems business covers high-tech equipment and systems performing essential aircraft functions, and complete systems for ensuring in-flight and on-ground safety. It spans cutting-edge technologies in five product lines: safety systems, electrical systems and cockpit solutions, control systems, fluid management systems and in-flight entertainment solutions.

Most of this equipment and these systems are specified and selected by the airframer[1] at the onset of each new aircraft program. It is covered by airworthiness type certification granted by authorities such as EASA in Europe or FAA in the United States. This entails substantial investments at the onset of a program, offset by regular original equipment and spare parts revenues throughout the program lifespan. Some systems, however, such as in-flight entertainment solutions, are selected by operators[2].

Safran's main competitors in these businesses (French and international) include: UTC, EAM (United States), DART Aerospace (United States), Honeywell (United States), Cobham (United Kingdom), Parker Hannifin Corporation (United States), Eaton Corporation (United States), GE (United States), Diehl (Germany), Panasonic (Japan), Thales (France).

Group products and programs

Safran covers the aircraft aerosystems sector through Safran Aerosystems, which designs and manufacturers high-tech solutions to enhance aircraft performance and improve in-flight and on-ground safety.

Safety and protection systems

Safran supplies systems and equipment for ensuring aircraft safety on the ground and in flight.

Safran's expertise in safety and protection systems extends to emergency evacuation systems for civil and military aircraft (slides, lifejackets and rafts), inflatable safety products for helicopters (safety floats and life rafts), emergency ground arresting systems for military aircraft and commercial airports, oxygen systems and masks for the cockpit and passenger deck and parachutes and protection equipment for military and space missions.

Safran holds world leading[3] positions in most of these fields. Aware of the crucial importance of ensuring safety for aircraft passengers, crew and pilots, Safran offers its customers engineering, production, technical support and aftersales capabilities tailored to their requirements and constraints, worldwide.

Electrical systems and cockpit solutions

Safran is a major player in the "more electric" aircraft push, with its comprehensive range of systems for generating and distributing electrical power throughout the aircraft. It stands as world number-one[3] in primary electrical power distribution, equipping the majority of recent civil aviation programs, including the A220 and A350, the Boeing 787, the Embraer E-Jet E2 family and the future Irkut MC-21.

Electrical interconnection solutions are another field of Safran expertise. Individual components and complete systems alike are designed to withstand the harshest environments.

Safran offers a range of cockpit solutions for commercial, military and business aviation, and helicopters: cutting-edge equipment ensuring essential functions (switching, wheel-steering, etc.), wiper systems, and lighting solutions. It also covers cabin lighting solutions (ambient lighting, backlit information panels).

Safran supplies electromagnetic actuator systems for various applications (secondary flight controls, door opening and closing mechanisms, etc.), and seat actuators for pilots and business-class and first-class passengers in commercial planes.

Control systems

Safran offers a range of solutions for controlling on-board systems.

Fuel control, in flight and on the ground, is an important factor in the safety and efficiency of aviation operations. Safran is a major player in this field, offering fuel circulation and management and fuel-tank inerting systems.

Safran designs and manufactures a wide range of embedded measurement instruments for land, air and space vehicles, along with on-board data and video recording equipment for surveillance, pilot training and maintenance applications. It also designs and manufactures flight-test solutions for airframers and test centers and a range of equipment for communicating with satellites, for integrators, operators, space agencies and scientific missions.

Safran is recognized as a front-line supplier of ice detection and protection solutions for aircraft and helicopter manufacturers. These include a range pneumatic de-icers (mainly for aircraft wings) and thermoelectric de-icers (mainly for aircraft propeller blades), along with full de-icing solutions including probes, controllers and valves as well as the de-icer itself.

Safran also fields expert know-how in the design and manufacture of aircraft fuel systems and helicopters in particular, a specialty in which it has forged a very strong position by developing lightweight, flexible fuel tanks using its own specific mixes and doped fabrics.

Composite materials, another Safran technology specialty, are used for making lightweight parts and subassemblies in complex shapes, such as seat shells, evacuation slide containers and engine and nacelle parts.

(1) SFE (Supplier Furnished Equipment): equipment specified and purchased by the airframer, which offers operators one or more configurations from catalog.

(2) BFE (Buyer Furnished Equipment): equipment specified and purchased by the operator. For new equipment, fitting is usually delegated to the airframer.

(3) Source: Safran.

Fluid management

Safran offers customers prime expertise in the management of fluids (fuel, air, oil, water).

Various fluids are needed on board an aircraft, for passenger comfort (air conditioning, lavatories, etc.) as well as aircraft operation (fuel, pneumatic and hydraulic circuits, etc.). The waste products in the cabin must also be managed.

Safran is the world leader[(1)] in integrated on-board waste and water management systems, with expertise covering development, certification and aftersales support for systems of all degrees of complexity. Its solutions enjoy wide market recognition for innovation and extreme reliability.

Safran is also one of the world's leading designers and manufacturers of hydraulic components, high-pressure pipe systems and flexible couplings.

For passenger comfort, the air in the cabin must be filtered and temperature-controlled. Safran offers a comprehensive range of air conditioning components and systems for small business aircraft and helicopters.

Safran is also one of the world's leading suppliers of electronic cabin components covering a broad range of applications, including sanitary systems (taps, water heaters, lavatories), and water evacuation systems.

Connected cabin

With air passenger volumes on the rise, and intensifying market competition, in-flight entertainment is becoming an increasingly important customer appeal factor for airline companies. Safran's innovative RAVE™ (Reliable, Affordable and Very Easy) solution is an independent IFE (In-Flight Entertainment) system that simplifies the on-board network and provides passengers access to on-demand audio and video.

As well as offering passengers a content and activities catalog, Safran's RAVE system includes a WiFi connection for broadband Internet access and a data transmission network. It applies advanced technologies in lightweight low-electricity-consumption screens and storage solutions for all types of content. Other advantages include reduced cost of ownership and simplified maintenance.

Safran's RAVE in-flight entertainment solution has already been selected by more than 50 airline companies, including Lufthansa, Air France, All Nippon Airways (ANA) and China Southern.

Spare parts and services for aerosystems

Safran's dedicated aftersales organization for aerosystems primarily covers the sale of spare parts and the provision of maintenance, repair and overhaul (MRO) services.

1.3.5 Aircraft interiors

Aircraft Interiors is a vast field of operations, covering seats, cabin fittings, closets and flight-deck equipment.

Cabin equipment must meet demanding requirements on appearance and quality, because operators consider the aircraft interior as an important brand image factor. Whereas most aircraft systems are usually specified by the airframer[(2)], interior fittings for commercial aircraft are usually specified by operators[(3)]. In addressing these needs, equipment suppliers also ensure that their products comply with the requirements set by civil aviation authorities such as EASA (European Aviation Safety Agency) in Europe or FAA (Federal Aviation Administration) in the United States.

The Aircraft Interiors business breaks down into two key sectors:

CABINS

- Cabin interiors

SEATS

- Passenger seats
- Technical seats
- Helicopter seats

In 2018, a total of 19,662 Safran employees contributed to the development of this business.

(1) Source: Safran.

(2) SFE (Supplier Furnished Equipment): equipment specified and purchased by the airframer, which offers operators one or more configurations from catalog.

(3) BFE (Buyer Furnished Equipment): equipment specified and purchased by the operator. For new equipment, fitting is usually delegated to the airframer.

1.3.5.1 Cabins

Cabin interiors

Key characteristics of the business sector

The aircraft interiors market covers a large proportion of what passengers see and use in the aircraft: partitions, overhead bins, closets, lavatories, galley and catering equipment (inserts, trolleys), rest areas, containers. This market is driven both by the growth in air transportation and by the cabin interior policies of operators (airline and leasing companies) and maintenance centers.

Today's aircraft interiors market is dominated by a few world players, including airframers themselves, as with Boeing Interiors Responsibility Center (United States) and aircraft equipment manufacturers such as Safran, AVIC Cabin Systems (China), Diehl (Germany), UTC, JAMCO (Japan) and Bucher (Switzerland). Safran and UTC are the two main players covering the full spectrum of products and services expected by airframers and operators.

Group products and programs

Safran is one of the world leaders[(1)] in cabin interiors for commercial and business aircraft, with a market share of 22%[(2)], through Safran Cabin.

Safran designs, certifies and manufactures everything needed for OE and retrofit cabin equipment and fittings. Its expertise extends to high-technology molding, advanced composite material structures (such as pre-impregnated composite fibers, honeycomb composites, preformed composites and carbon composites), and cabin fitting panels. Safran also offers customers a range of galley and trolley equipment for on-board service (galleys and inserts, lightweight containers, trolleys, etc.).

In the business jets sector, Safran supplies complete interiors for the Honda HA-420 HondaJet (Japan), the Bombardier Challenger 650 and the Bombardier Global 5000, 6000 and 7500. Safran's cabin interiors for these aircraft combine complex wood inserts and veneers, high-gloss paint finishes and luxury leather linings.

In the regional jets sector, Safran supplies complete cabin interiors meeting the needs of operators flying Embraer (E-Jet and E-Jet E2), Bombardier (CRJ, QSeries) and Airbus (A220) planes. Safran will also be offering complete cabin interiors for the forthcoming MC-21 from Irkut (Russia), and MRJ from Mitsubishi Aircraft Corporation (Japan), currently under development.

Safran provides cabin interior equipment for short- and medium-haul aircraft: Boeing 737 NG and Boeing 737 Max (high-security cockpit doors, galley units and electric galley utensils). Safran's cabin interior teams also support ramp-up of the new Airbus short- and medium-haul program, A320neo, providing galleys, electric galley utensils, trolleys, cabin class partitions, closets and SpaceFlex equipment that combines galleys and lavatory units, enabling airline companies to increase the number of passenger seats. On COMAC's forthcoming single-aisle C919, Safran will be providing equipment including galleys and lavatory units.

In long-haul aircraft, Safran provides lavatory units, galleys and overhead bins on the Airbus A330neo, as well as the A330ceo. For the A350XWB aircraft, Safran supplies electric galley utensils, bars, electric waste compactors, lavatory units and cabin class dividers (partitions). Equipment supplied by Safran on the A380 program includes cabin fittings (including the stairs between the two decks), crew rest units, galleys and electric galley utensils. On the Boeing 787, Boeing 767 and Boeing 777, Safran supplies galleys and electric galley utensils.

Safran is an expert in luxury interior design for VIP aircraft in the single-aisle, short- to medium-haul (Boeing 737) and long-haul (Boeing 747, Boeing 777, Boeing 787) categories.

Safran Cabin also offers airline companies and freight operators robust and innovative cargo equipment (modular containers, pallets).

Spare parts and services for cabin interiors

To help customers ensure long service life in perfect condition for the products it supplies, Safran provides maintenance and retrofit support for aircraft cabin interiors. This is usually specified by the cabin interior policies of the operators concerned (airline and leasing companies), and maintenance centers. This business holds considerable growth potential for Safran.

1.3.5.2 Seats

Aircraft seats

Key characteristics of the business sector

Aircraft seats have to meet demanding requirements on appearance and quality, because airline companies consider them an important brand image factor enabling them to stand out from the competition in terms of service quality. The equipment supplier adapts seats to the specific needs expressed by each individual airline company, which means production runs tend to be smaller and diversity wider. To reduce aircraft fuel consumption, seat weight is a determining factor.

This market is driven both by the growth in air transportation and by airline companies' cabin interior policies.

In addition to Safran, the other major players in aircraft seats are UTC and Recaro (Germany).

Group products and programs

Safran is one the world leaders in aircraft seats, through Safran Seats. Safran holds a 30% share of the world market for commercial aircraft seats, with more than a million in service among more than 150 airline companies[(1)].

Safran expertise covers the whole seat manufacturing chain, from design and certification through to assembly. This expertise is applied to offer customers a full range of innovative and customized seats combining ergonomics, comfort, aesthetics and cabin space optimization, in terms of passenger and storage capacity, etc.

(1) Source: Safran.
(2) Source: Safran & Counterpoint Market Intelligence Ltd, Aircraft Interiors Review – 2017.

Passenger seats (economy, premium economy, business and first class)

Safran offers its customers a full range of passenger seats for fitting on a wide range of aircraft. The seats address specific airline company needs on passenger comfort and satisfaction, and what can be tight operating constraints on efficiency optimization.

With its wide range of seats and ability to offer made-to-measure solutions, Safran meets the needs of individual airline companies of all business models and aircraft user profiles (low-cost through to five-star, regional operators, etc.).

Technical seats

Safran expertise in technical seats for flight-deck personnel covers all the features, technologies and materials needed for developing technical seats that combine safety, quality and innovation.

Helicopter seats

Safran products meet the specific needs of the highly demanding helicopter seats market, integrating functions such as an energy absorption system for enhanced pilot and passenger safety along with innovative seat actuator systems.

Spare parts and services for seats

Safran offers worldwide sales and technical support throughout the service life of its seat products, meeting customer demand even in the most critical situations.

Safran service also covers cabin retrofits. Given the service life of aircraft seats (five to fifteen years) cabins will need retrofitting two or three times during the aircraft's career. As well as supplying the new seats, Safran also provides the expertise needed for certification of the new cabin configurations.

Safran also offers solutions meeting specific operator needs in areas such as personnel training, hours-flown support, reliability and maintenance analysis, annual orders and advance stocks.

1.4 COMPETITIVE POSITION

Safran covers international high-technology markets in aerospace and defense.

In all these fields, Safran faces competition from both global rivals and niche players in some markets.

The Group operates in the strictest observance of all applicable rules on competitive business practice in all of its host countries, complying with the specific measures governing competitive business practice in each market.

To mobilize sufficient resources and share the industrial risks involved in innovative and costly programs, participants in the aviation industry can form partnerships capable of developing new technologies, products and services. Accordingly, it is not unusual to find otherwise rival companies joining forces on certain aviation programs.

1.5 RESEARCH AND DEVELOPMENT

Safran is a high-technology group that offers high-value-added products and services. In aircraft engines and equipment, and in defense systems, technology and reliability requirements are high, consistent with the highly critical nature of the applications concerned. To meet these requirements, Safran harnesses highly specialized advanced expertise in many fields: mechanics, metals, composite materials, fuel and propulsion systems, aerodynamics, combustion, thermodynamics, electrics, electronics, sensors, signal processing, digital technologies, modeling and simulation. Research and technology (R&T) comprises all studies, research and technological demonstrations needed to develop expertise for a given product at the lowest possible risk and cost and within the shortest possible timeframe.

Further downstream, research and development (R&D) corresponds to product design, prototype manufacture, development tests and certification tests showing that the product meets customer specifications and applicable regulations.

The Innovation Department spans R&T and R&D to nurture the emergence of new developments using innovative concepts and help Group companies identify, produce and validate proof-of-concept demonstrators, thereby shortening development lead times to meet time-to-market targets.

Around 16% of Group employees are involved in R&D activities. Safran's R&T and innovation projects are guided by forward-looking considerations, and the substantial budgets they draw are in line with the Group's current or targeted positions in its markets. Research, technology, innovation and development are fundamental to the implementation of the Group's strategy, reflecting the importance given to preparing for the future and developing new products and programs.

Under Safran's R&T policy, each company in the Group determines its own research program and concentrates on its own objectives. In tandem, the Group is constantly working to develop technology synergies.

R&T operations are guided by roadmaps charting the strategic challenges faced by Group companies (competitive positioning sought at different timeframes, along with the corresponding technological demonstrations and fulfillment levers in terms of external partnerships and internal synergies). The roadmaps are analyzed on an annual basis by Group experts, who issue recommendations accordingly.

Safran Tech is the Group's R&T center, located at the Saclay high-tech cluster, France's largest science and technology campus, near Paris. The center's more than 450 employees are split into six units, covering energy & propulsion, materials & processes, sensor technologies & applications, electrical & electronic systems, signal & information processing and modeling & simulation.

Safran Tech also runs platforms specially equipped for developing next-generation materials and processes: Safran Composites, Safran Advanced Turbine Airfoils, Safran Additive Manufacturing and Safran Ceramics.

The Safran Tech center underlines the Group's resolve to intensify and pool R&T endeavors on major technological breakthroughs. Safran Tech opens a new dimension to the Group's R&T operations, with an emphasis on open innovation. Universities, public organizations, industrial partners and innovative startups work with Safran Tech teams in joint laboratories or on shared platforms, forming a creative, connected, top-level scientific campus open to the outside world.

Consolidation of the Aerosystems, Cabin and Seats businesses from Zodiac Aerospace brings complementary technological capabilities, especially in electrical equipment, materials and processes.

1.5.1 Major technological focuses

1.5.1.1 Aircraft engine technologies and new propulsion configurations

ARCHITECTURE AND PERFORMANCE

Propulsion performance objectives and acceptability requirements for future aircraft engines derive from work carried out through ACARE[(1)]. Relative to the year 2000, objectives are set for two dates: 2020 and 2050. For 2020, aircraft propulsion systems are to cut fuel consumption by 20%, pollutant emissions by 60% and noise levels by 50%. The Flightpath 2050 publication specifies reductions of 75% in greenhouse-gas emissions, 90% in nitrogen oxide (NOx) emissions and 65% in noise levels by 2050.

The Group's road map for the aircraft propulsion systems of the future, through its subsidiary Safran Aircraft Engines, incorporates two technology stages:

- the first stage is the LEAP turbofan engine, with a very high bypass ratio. For those modules under the responsibility of Safran Aircraft Engines in CFM International, this stage covers advanced technologies such as a highly innovative lightweight fan made from composite materials and a high-efficiency low-pressure turbine. The LEAP engine, which came into commercial operation in 2016, brings major improvements in line with the ACARE 2020 objective, particularly in terms of fuel consumption. It has been selected by Airbus for its A320neo, by Boeing for its 737 Max and by COMAC for its C919. R&T work is in progress on long-term continuous improvement in engine performance;
- the second stage is more ambitiously innovative, in line with Flightpath 2050, whose objectives call for breakthroughs in engine architecture through the exploration of developments such as the open rotor concept and faired architectures with very high bypass ratios. These have been addressed by advanced research under national and European programs outlined in the seventh FPRTD[(2)], and are to continue under the eighth FPRTD – Horizon 2020 (H2020). Specific initiatives here include the Clean Sky Joint Technology Initiative. Under this program, ground tests for Safran's open-rotor demonstrator have been carried out at the open-air test stand at its Istres facility in southern France.

Safran also cooperates with scientific and academic institutions on groundwork in future aircraft propulsion configurations. To this end, Safran founded the AEGIS chair with the ISAE-SupAero engineering school.

Helicopter turbine engines are subject to similar imperatives requiring reductions in fuel consumption and environmental impacts. Through its subsidiary Safran Helicopter Engines, Safran has undertaken ambitious technology programs to address future market needs. A number of technologies developed under the TECH800 program have been adopted on the Arrano engine, selected by Airbus Helicopters as the sole source for its new H160. The Group's technological progress strategy is backed by work in close liaison with all its customers to come up with innovative new engine integration developments such as hybrid power architecture concepts in drive systems. In 2018, Safran carried the first ground tests on a hybrid electric distributed propulsion system developed jointly across several Group companies. In this system, a turbo-generator (comprising a gas turbine driving a generator) is coupled to a bank of batteries. A new-generation power management system at the heart of the hybrid system distributes the electricity generated to

(1) *Advisory Council for Aeronautics Research in Europe.*
(2) *Framework Program for Research and Technological Development.*

power multiple electric motors, which turn propellers to provide propulsion. This kind of propulsion system should contribute to the emergence of new VTOL(1) and STOL(2) vehicles. Safran is targeting initial applications for these technologies from 2020, with market release by 2025.

Scenarios considering the emergence of hybrid or even fully electric propulsion are studied for smaller aircraft, "commuters" or vertical take-off and landing aircraft associated with new uses over short distances and in urban areas. Evaluations and simulations are also being carried out to examine how propulsion hybridization might contribute to developments in groundbreaking propulsion configurations for short- and medium-haul aircraft.

Materials and processes

The need to lighten planes, helicopters and their equipment has led to increased use of composite materials. Safran engines and equipment (whether nacelles, landing gear or brakes) are characterized by heavy mechanical loads and a more difficult environment than for other aircraft sections such as airframes. To develop its composite materials solutions, Safran set up the Safran Composites Center, now part of Safran Tech, with resources and expertise in organic matrix composites. Safran Ceramics, the center of competence for these technologies, opened in 2018, provides core expertise in thermostructural composites for aircraft engines, a major technological challenge addressed by substantial research efforts. This research, along with work on new metal alloys, and on high-performance coatings compliant with European REACh(3) regulations, is coordinated by the Safran Materials and Processes Department. The platform for developing new monocrystalline casting techniques with engine applications opened in early 2019.

Safran Seats, from Zodiac Aerospace, develops its technological lead in materials (plastics, composites, metals, fabrics, etc.) and implementation processes. One important innovation focus in recent years is on additive manufacturing. This brings new openings for the design of products that are safer, more comfortable, easier to use, easier to make, easier to operate, more reliable and lighter in weight, which also means more efficient in terms of energy consumption.

1.5.1.2 Electric technologies and new power configurations

The move continues toward increased use of electrical energy for aircraft systems and actuators. The movement, which started with the A380 and Boeing 787 programs, will be a defining characteristic of the next generation of short- and medium-haul aircraft. The ultimate aim is overall aircraft energy optimization, covering energy production and energy consumption, for both propulsive and non-propulsive functions. The breadth of its aircraft engine and equipment expertise allows Safran to explore a huge spectrum of solutions for making tomorrow's aircraft more competitive, in terms of performance, functionality and cost of ownership.

Expertise in aircraft electrical systems is rolled out through Safran Electrical & Power and Safran Aerosystems, giving the Group some of the best technologies in electricity generation, conversion, distribution and transmission and enabling it to adopt a whole-system approach to aircraft electricals.

Optimization involves investigation into all forms of electricity generation, from mechanical engine motion to auxiliary power units (APUs) in hybrid solutions combining turbines, fuel cells and batteries. This work involves several Group companies: Safran Electrical & Power, Safran Power Units, Safran Aircraft Engines and Safran Helicopter Engines. One of the units of the Safran Tech innovation center is dedicated to developing simulation systems for evaluating advanced global energy and propulsive architectures.

Safran is involved in several technology programs alongside airframers in a European or French context. Cooperation on these programs takes various forms:

- academic cooperation, with fifteen or so CNRS(4) laboratories and major research organizations such as ONERA(5) and CEA(6);
- industrial partnerships, such as with Alstom (France), Valeo (France) and Electricité de France (France), each recognized as technology leaders in their sectors.

1.5.1.3 Digital technologies and digital transformation

Industry 4.0

Design, production, maintenance and service tools and resources benefit from Safran's investments in digital solutions such as augmented reality, robotics, imaging, artificial intelligence and data use. These new applications significantly improve operational performance in terms of the cycle, cost and quality of high-tech products developed, manufactured and rolled out by the Group. Digital solutions also meet the demands of the Group's customers, partners and suppliers wishing to develop collaborative co-design strategies and optimize their supply chain and maintenance operations.

Automatic imaging solutions (based on machine learning) developed by Safran Tech to inspect complex parts are already used in the Group's plants.

Additive manufacturing

Additive manufacturing provides an opportunity to improve costs, cycles and performance for numerous engine and aircraft equipment components by reducing the number of parts and components and introducing new methods of optimizing design. Certification has already been obtained for parts including fuel injector nozzles and combuster swirlers for helicopter engines produced via selective laser melting, whereby an assembly of 15 components can be replaced by a single part. Safran Tech's Safran Additive Manufacturing unit has the resources to define different additive manufacturing processes for metallic materials. These resources, along with partnerships such as the one with Saclay's Additive Factory Hub and the specific program organization set up at Safran, help accelerate the development of these processes for their future use in serial production and repairs.

(1) Vertical Take-Off and Landing.
(2) Short Take-Off and Landing.
(3) Registration, Evaluation and Authorisation of Chemicals.
(4) National Center for Scientific Research.
(5) French National Aerospace Research Office.
(6) French Atomic Energy Commission.

Data processing

Innovation efforts are called for to address the growing role played by services in the Group's business. Techniques used to diagnose and forecast the condition of airplane and helicopter equipment and systems bring value for Safran product users, as regards both operational considerations (optimization of maintenance) and fleet management support (evaluation of residual value). To address this need, Safran is developing its Monitoring Services system for managing fleet equipment operating data.

Big data extraction techniques offer promising development opportunities. Here, the Safran Analytics teams at the Safran Tech site will be stepping up rollout of more agile services, better oriented to value creation for aircraft operators. Safran Analytics has designed and rolled out its own big data platforms to facilitate the Group-wide implementation of data analytics solutions. One of the first services implemented on analytics environments consists in rendering aircraft trajectory data. This allows Group companies to gain a better understand of how Safran products are used by customers, and thereby improve their performance.

Electronics, digital platforms and critical software

Given that onboard electronics technologies for harsh environments are a central feature of many Group products, Safran Electronics & Defense runs ambitious projects on controller architectures featuring more efficient processors, and on component packaging capable of withstanding the higher temperature environments of future aircraft systems. On systems engineering, Safran is working on process harmonization, and a modern software development workshop has been set up for Group-wide rollout.

1.5.1.4 Navigation and autonomy technologies

Air, land, sea, satellite and weapons navigation markets are constantly evolving and expanding: the integration of mobile units into cooperative groups, increasing autonomy requirements, and the required land-onboard continuum via secure links are drivers of renewed demand and associated technologies. Safran's approach relies strongly on breakthrough HRG(1) technology, whose characteristics make it possible to design and produce world-leading navigation equipment and weapons at competitive costs. Through its subsidiary Safran Electronics & Defense and the Safran Tech sensors unit, the Group continues with the development of MEMS-technology(2) accelerometers and gyrometers for portable geolocation applications. With its prime expertise in high-integrity navigation systems, Safran Electronics & Defense leads the field in drone navigation.

Safran Electronics & Defense harnesses advanced optronics and ICT(3) to develop innovations that will help the Group offer enhanced operational efficacy to armies, navies and air forces. Optronics needs range from imagers operating in one or more wavelength bands through to full image processing systems handling monitoring, detection, identification, fire control and self-protection. Integrated battlefield perception and soldier support solutions are developed using systems that couple infrared sensor and light intensification technologies with other functions such as geolocation and data analysis.

In its infrared sensors, Safran uses technologies from Sofradir, a joint venture with Thales. Interchange of infrared sensor technologies between the two partners enables Sofradir to offer one of the world's largest product ranges in this field. To extend its technological sources to other types of sensor and their integration in intelligent systems, Safran is working in partnership with Valeo on autonomous vehicle technologies. Safran and Valeo are also behind a research chair at the École des Mines engineering school in Paris, and run a joint laboratory at Magny-les-Hameaux in the Paris region.

The use of sensors and artificial intelligence in an integrated system resulted in eRider, an autonomous vehicle demonstrator for military applications which can transport infantry equipment on the ground and navigate autonomously. The demonstrator helped Safran Electronics & Defense win the Furious contract put out for tender by the French Directorate General of Weapons Procurement (DGA). This contract covers autonomous vehicles, two other smaller robots and a drone, and is designed to lay the groundwork for the integration of land robots into the French armed forces as part of the Scorpion modernization program.

1.5.2 Technical and scientific partnerships

In implementing its R&T strategy, Safran draws on partnerships providing it with scientific and technological expertise. Safran thereby meets the two prerequisites for success: it identifies known and latent market needs through customer contact, and it adopts an open approach to what is an increasingly complex and multidisciplinary scientific and technological environment.

In 2009, Safran created a scientific council, currently chaired by Professor Mathias Fink, which comprises nine leading international scientists bringing expertise in all the scientific disciplines underlying Group businesses. This council meets every three months and issues recommendations on the structure and quality of the Group's scientific partnerships.

For the first R&T levels, Safran has developed a network of scientific partners in France in the university and applied research sectors. Safran implements framework agreements with ONERA, CEA and CNRS, which offer access to the best in French scientific research. The Group has long-term partnerships

(1) Hemispherical resonator gyro.
(2) Micro Electro Mechanical Systems.
(3) Information and Communication Technologies.

with many research and higher education organizations, some of whose laboratories form valuable external research hubs. These partnerships also help Safran recruit leading talents: Safran finances work on around 180 training-through-research (CIFRE) and technology research diploma (DRT) courses, runs several international thematic networks on key issues in aerodynamics, combustion, noise reduction, mechanics, digital technology, etc., and backs five research chairs. Safran was actively involved in the foundation of three IRT centers(1). It is also a major participant in several competitiveness hubs, including System@tic, Aerospace Valley and ASTech.

Safran plays an active role in European Union bodies and programs. Since 2008, Safran has been closely involved in establishing the Clean Sky Joint Technology Initiative, bringing together the leading players in aviation R&D along with the European Commission in a demonstration program on airframes, engines and systems. In 2014, Safran worked to renew this public-private partnership through to 2024: Clean Sky 2 is now operational.

Safran takes part in many international cooperative research initiatives, with university laboratories in Europe, the United States, Singapore and India. Initiatives to support the Group's international development are also run in a number of countries investing in aerospace technologies, such as Brazil and Morocco.

Since 2017, R&T coordination between Safran and ArianeGroup comes under a research framework agreement enabling the two groups to organize interaction on scientific matters.

The intellectual property related to this cooperative work is defined contractually at the beginning of projects between partners. The general principle is that the intellectual property belongs to the partners who performed or co-financed the work, and, at the very least, Safran receives rights of use in its own field.

1.5.3 Innovation and intellectual property

Innovation is at the heart of Safran's strategy. The competitiveness of its products is largely based on the successful integration of technological innovation or adjustments, providing the customer with industry-leading performances. Safran's ability to produce breakthrough technological innovations is amply demonstrated across a huge breadth of sectors, such as electric taxiing, composite fan blades and hemispheric resonator gyros (HRGs). A proof-of-concept approach involving close liaison across Group companies affords an efficient and high-performance organizational structure for managing innovation, typified by the high-potential projects run by the Innovation Department. Safran also develops cooperative innovation with its suppliers and with startups working with the Group. The capacity to identify then implement efficient cooperative operations with outside partners helps Safran integrate best practices in order to offer innovative and mature solutions within short leadtimes.

The development of technical expertise is also key to preparing for the technological challenges of tomorrow. A process has been set up to determine companies' expertise needs Group-wide and thereby plan ahead for renewals and training of new experts.

Intellectual property is a fundamental component of Safran's asset portfolio. The development and protection of intellectual property is increasingly important given the growing trends toward market globalization and intensifying competition. Intellectual property responds to operational imperatives by strengthening and securing Safran's positions. The creative and innovative ability of teams, and the special attention given to protecting intellectual property, are demonstrated by the number of patents filed in 2018: more than 1,050 first patent applications worldwide in 2018, an level unprecedented in Safran's history. This places Safran among the front-runners for patents filed with INPI, the French patents office(2). In addition, for the past eight years, the Clarivate Analytics survey(3) has consistently ranked Safran among the world's hundred most innovative companies and research organizations. Overall, the Group's patents portfolio comprises close to 10,000 inventions and more than 40,000 intellectual property rights around the world, bolstering Safran's position in its areas of business.

In addition to patent protection, because of Safran's international reach and extensive partnership involvement, the Group gives great importance to ensuring close control over technology transfers and defining precise policy on the matter.

Some transfers are essential for market access reasons. Technologies for transfer, which do not belong to Safran's core technology portfolio, must be clearly identified, accurately valued, and covered by carefully structured long-term partnership arrangements. Under no circumstances may such partnerships restrict the Group's capacity for technological differentiation in the future.

Dependence

Safran has not identified any dependence on patents, licenses, industrial, commercial or financial contracts or new manufacturing processes likely to have a material impact on the Group.

There are risks of production delays and cost penalties for Safran in the event of supplier or partner shortcomings, as set out in section 4.3.2.1, "Supplier and partner risks".

(1) Technology research institutes formed under France's PIA Investments for the Future Program.
(2) Third in INPI ranking, March 2018 (for patents filed in France in 2017).
(3) Top 100 Global Innovator Report 2018 – Clarivate Analytics, January 2019.

1.5.4 Safran Corporate Ventures and relations with startups

Safran Corporate Ventures is a Safran subsidiary responsible for financing startups that have developed breakthrough technologies or business models in the aerospace and defense industries. In line with the Group's strategy on innovation and transformation, Safran Corporate Ventures seeks primarily to support innovative startups in the following fields:

- Industry 4.0 (non-destructive testing, augmented reality, Internet of Things for industry, robotics/cobotics, additive manufacturing and cybersecurity in industry);
- onboard components (critical onboard electronics, onboard software, connectivity, onboard energy, thermal management, electric hybridization and cybersecurity);
- new and advanced materials (nanotechnologies, surface treatment processes, composites, ceramics and advanced manufacturing processes);
- new services and business models (data analytics, on-demand aviation, new maintenance modes, co-design and collaborative engineering);
- passenger experience and connected cabins;
- new markets and platforms (civil drones, non-conventional vertical take-off and landing aircraft (VTOL) and new transportation modes).

Safran Corporate Ventures goes beyond financing to offer valuable development support to innovative and agile startups, working in close liaison with teams Group-wide:

- access to an international network of leading experts in Safran's areas of business;
- commercial and industrial exposure to Safran companies worldwide;
- implementation of commercial and development agreements with Safran entities.

Safran Corporate Ventures has invested in nine young high-tech companies since its formation in 2015. In 2018, the Group acquired stakes in the following companies through Safran Corporate Ventures:

- Turbotech, which develops a range of turbine engines for light aviation, based on innovative regenerative-cycle turbines[1];
- Oxis, which develops technologies and materials for battery cells and very-high-energy-density lithium-sulfur batteries.

In 2018, Safran Corporate Ventures also provided continued support to companies in its portfolio, through active participation in their operations:

- Kalray[2], which prior to stock market entry opened its capital to Alliance Ventures (the capital-risk fund of the Renault-Nissan-Mitsubishi Alliance) and Definvest (the French State investment fund specializing in strategic defense companies);
- Krono-Safe[3] and Diota[4], alongside new investors.

Links were strengthened with several companies in which Safran holds stakes in 2018, as with signature of a technological cooperation agreement between Cailabs[5] and Safran Electrical & Power. Throughout the year, some fifteen partnerships or demonstrators were set up through Safran Corporate Ventures action linking Group companies with start-ups.

(1) Regenerative-cycle technology seeks reductions in fuel consumption by using a heat exchanger to recover energy from the turbine's exhaust gas.

(2) Kalray is the European number-one in new-generation microprocessors for onboard critical systems.

(3) Krono-Safe develops realtime operating-system software for dependability-critical equipment in transportation (connected and autonomous vehicles), industry (internet of things), aerospace, defense and cyber-security.

(4) Diota is France's leading publisher of augmented reality software solutions for industry.

(5) Cailabs is a pioneer in breakthrough light shaping technology, protected by multiple patents. It designs and sells photonic components, modules and equipment for the telecom and industrial lasers markets.

1.5.5 Research and development expenditure

Including the portion funded by customers, the total expenditure on Research, Technology and Development (RTD) was approximately €1.5 billion in 2018, representing 7% of revenue. RTD operations in France amounted to €1.2 billion, representing 80% of overall RTD expenditure.

The self-funded RTD effort before research tax credit, of €1.2 billion (including €320 million for the businesses acquired from Zodiac Aerospace), represents 83% of total RTD expenditure, and breaks down as follows:

- development: 59% (aircraft programs, helicopter engines, defense, businesses acquired from Zodiac Aerospace);
- R&T: 34%;
- other: 7%.

(in € millions)	2017	2018
Total R&D	**(1,367)**	**(1,472)**
Portion of expenditure funded by customers	244	246
Self-funded RTD	**(1,123)**	**(1,226)**
% of revenue	*7.0%*	*5.8%*
Research tax credit	140	151
Self-funded RTD after research tax credit	**(983)**	**(1.075)**
Capitalized expenditure	345	320
Amortization and impairment of R&D expenditure[1]	(202)	(218)
Impact on recurring operating income	**(840)**	**(973)**
% of revenue	*5.3%*	*4.6%*

(1) Excluding non-recurring items.

Capitalized R&D was €320 million (including €64 million from Zodiac Aerospace) compared with €345 million in 2017. Excluding the businesses acquired from Zodiac Aerospace, capitalized R&D fell €89 million. Amortization and impairment of capitalized R&D was €218 million (including €31 million from the businesses acquired from Zodiac Aerospace) compared with €202 million in 2017.

The impact on recurring operating income of expensed R&D was €973 million (including €275 million for the businesses acquired from Zodiac Aerospace) compared with €840 million in 2017. Excluding the businesses acquired from Zodiac Aerospace, R&D expensed in recurring operating income fell €142 million.

1.6 INDUSTRIAL INVESTMENTS

1.6.1 Industrial policy and the factory of the future

Safran is an established industry reference and a major participant in its core businesses of aerospace and defense. Its aim is to supply its customers with increasingly advanced technological engines and equipment, meeting ever stricter safety standards, at a lower cost and with shorter timeframes.

This demand for performance and innovation, which is central to the success of Safran's products and services worldwide, is also present at the level of the Group's plants. The Group's companies, working with the Industrial Management Department, focus their investments and organization on adapting production sites, preparing for tomorrow's industrial challenges and developing competitive advantages: expertise in new production technologies, supply chain upgrades and upskilling.

Through its constant drive for innovation and excellence, Safran stands as one of Europe's leading groups in the concrete implementation of technologies and processes driving the digital transformation of industry. Under Safran's ongoing Factory of the Future project, 2018 saw the opening of 60 production lines (covering manufacturing, assembly and repair operations) implementing advanced digital solutions that now constitute Safran standard practice. These include:

- augmented reality: production-line applications of augmented reality, as in LEAP engine assembly, include accelerating operator learning and reducing the risks of operator error;
- BIM[1] technology: the E-ELT (European Extremely Large Telescope) mirror plant near Poitiers, France is the first Safran site to use digital-twin technology.

(1) Building Information Modeling: construction project processes for predictive maintenance of buildings.

At the same time, to step up development of technological solutions under its Factory of the Future program, Safran took part in CampusFab, an industry-of-the-future innovation hub near Paris. CampusFab is supported by a consortium of companies, government bodies and local administrations. It works in four main areas: flexible digital factories, physical operator assistance, process and test automation and cognitive operator assistance.

Advances in additive manufacturing provide a good example of Safran's expertise in factory-of-the-future technologies. Work on introducing products using additive manufacturing stepped up in 2018:

- certification of new parts and equipment for helicopter and aircraft engines and auxiliary power units, and ongoing industrial investments at Safran Aircraft Engines, Safran Helicopter Engines, Safran Aero Boosters and Safran Landing Systems;
- identification of target products on the markets addressed by Group companies;
- exploration of new product concepts, with demonstrators, aimed at weight reductions, performance improvements and significant reductions in the number of parts assembled.

To step up skills development and serial production releases in additive manufacturing, Safran will be centralizing its capabilities, with a 2019 campus factory project pooling research and production operations in this field Group-wide.

Safran's steadfast stance on innovation and excellence is also apparent in its supply chain transformation endeavor. Control over physical flows of parts and subassemblies is a key factor in production ramp-up for new products, and calls for considerable agility under high production output conditions. With this in mind, 26 supply-chain improvement projects were launched in 2018, including nine in connection with the integration of the new Cabin and Aerosystems entities, to increase customer satisfaction and reduce inventory levels and work-in-progress.

1.6.2 Main industrial investments

Including the businesses acquired from Zodiac Aerospace, industrial investments in 2018 amounted to €780 million.

These investments are intended to prepare the Group for substantial growth in business, and the industrial upgrades needed for new programs.

Geographical zone *(in € millions)*	2017	2018
France	472	488
Europe (excluding France)	83	84
Americas	131	135
Asia & Oceania	43	58
Africa & Middle East	11	15
TOTAL	**740**	**780**

Safran's industrial investments in 2018 targeted upgrade and renewal of production plant and industrial sites: Most (63%) industrial investments were made in France, on projects including:

- construction of the Safran Ceramics research center at the Haillan site. This unit, working on ceramic matrix composites, opened in November 2018;
- modernization of electronic cards manufacturing lines for Safran Electronics & Defense at the Fougères plant;
- extension to the Safran Filtration Systems plant in Nexon;
- construction of an Airfoils Advanced Solutions (joint venture between Safran Aircraft Engines and Air France KLM) compressor blade repair plant for the CFM56, GE90 and GP7200 engines, in Sar-et-Rosières.

Safran's other investments in France continue the policy of previous years:

- production ramp-up for LEAP, with investments at the Gennevilliers site for the manufacture of titanium fan-blade leading edges and the forge for rotating parts, and for machining equipment at the Evry-Corbeil site and the Creusot site;
- production ramp-up for the A320neo at Safran Nacelles in Le Havre;
- production capacity increase for carbon brakes at Safran Landing Systems site in Villeurbanne;
- upgrade for Safran Helicopter Engines Support & Services site in Tarnos;
- development of R&T capacity (additive manufacturing, analytics, composites and experimental castings).

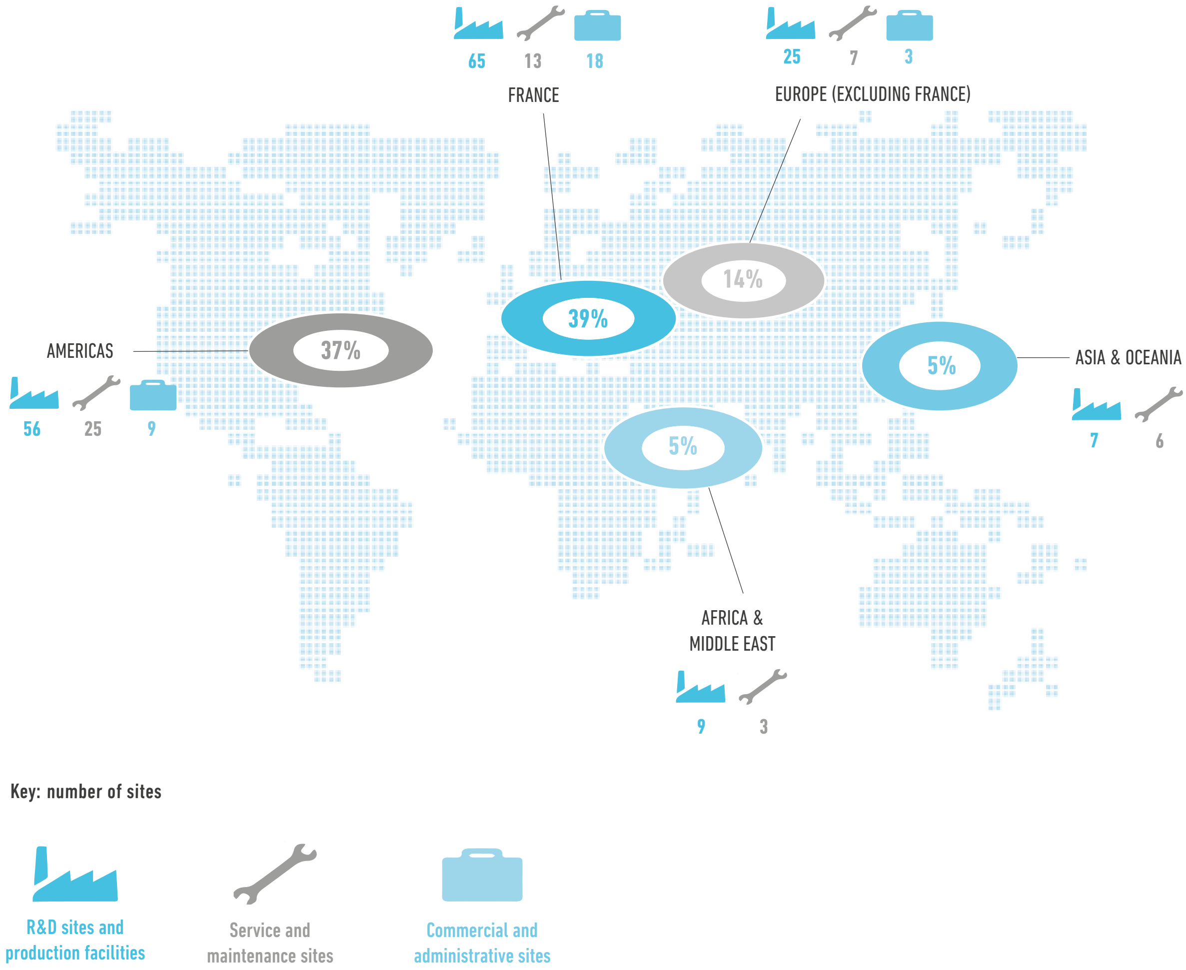
Safran's main investments outside of France were:

- production ramp-up for the LEAP engine, with:
  - industrial investments at Querétaro (Mexico) on composite fan blades and a new manufacturing line for aluminum OGVs (Outlet Guide Vanes),
  - production plant extension at the low-pressure turbine blade site in Sedziszow Malopolski (Poland),
  - extension to machining and assembly plant at the low-pressure parts and modules site in Suzhou (China);
- further production capacity increase at the Safran Landing Systems site in Walton (Kentucky, United States);
- construction of a new Safran Electrical & Power electrical wiring plant à Hyderabad (India);
- new Safran Cabin A330neo baggage hold unit in Grombalia (Tunisia);
- new Safran Seats composite seat shell manufacturing unit in Soliman (Tunisia).

1.7 SITES AND PRODUCTION PLANTS

Safran's headquarters are located in Paris, France.

The map below shows the Group's sites in each geographical region, broken down by the main type of site activity, at December 31, 2018. Figures and locations shown correspond to consolidated companies, as defined in section 3.1, Note 37.



Sites at December 31, 2018	Main activities at Safran sites: R&D/production	Service/ maintenance	Commercial/ administrative	Total sites[1]	Occupancy: Owner[2]	Tenant
Safran Aircraft Engines	14	13	3	**30**	12	18
Safran Helicopter Engines	7	9	-	**16**	7	9
Safran Ceramics	5	-	1	**6**	1	5
Safran Aero Boosters	2	-	-	**2**	1	1
Safran Landing Systems	10	10	1	**21**	13	8
Safran Electrical & Power	25	9	1	**35**	7	28
Safran Ventilation Systems	1	1	-	**2**	1	1
Safran Transmission Systems	2	-	-	**2**	2	-
Safran Nacelles	6	2	1	**9**	6	3
Safran Electronics & Defense	18	1	5	**24**	9	15
Safran Aerosystems	38	8	4	**50**	16	34
Safran Cabin	20	1	3	**24**	5	19
Safran Seats	11	-	1	**12**	1	11
Safran	2	-	6	**8**	4	4
Other	1	-	4	**5**	-	5
TOTAL	**162**	**54**	**30**	**246**	**85**	**161**

(1) Each site corresponds to a legal entity, covering one or more sites that may be used for tertiary, production, services or maintenance purposes.
(2) Including six sites under finance leases.

The Group owns its major and strategic production sites, and tends toward rental of its other sites.

The bulk of Group R&D work is carried out at its main production sites. For this reason, the table shows “R&D” and “production” in the same column.

Because of the diversity of Safran’s operations, the notion of “production capacity” does not apply.

The year 2018 was marked by the inclusion of Zodiac Aerospace’s real-estate assets and by two other major real-estate events:

- opening of the Safran Ceramics research center, working on ceramic matrix composites (CMC), at Haillan, near Bordeaux (France);
- opening of the third Safran/Albany composite blades plant, in Querétaro (Mexico).

Environmental factors liable to influence the Group's use of its property, plant and equipment are presented in section 5.3. The Group has drafted Health, Safety and Environment (HSE) guidelines that enable it to assess the compliance of its property, plant and equipment, and its operations, with HSE regulations. It also regularly conducts self-assessments and audits.

1.8 GROUP PURCHASING POLICY

Safran implements a purchasing policy capable of meeting its objective of excellence and competitiveness, in line with its industrial policy and in strict compliance with its corporate social responsibility (CSR) commitments.

Safran's purchasing policy focuses business on suppliers that meet its requirements and competitive performance challenges, that comply with the rules applicable to the aerospace and defense markets, and that are prepared to commit to long-term undertakings with Safran on a balanced, mutually beneficial basis.

The policy has four main focuses:

- build a supplier panel that:
  - meets Safran's present and future needs as regards cost, quality and leadtime performance,
  - enables Safran to provide its customers with innovative, value-creating solutions,
  - guarantees that Safran's CSR commitments will be cascaded down through the whole supplier chain;
- involve Safran suppliers in product development, enabling them to put forward their innovations and contribute their expertise and thereby effectively meet the expectations of the Group and its customers;
- promote methods, management standards and metrics common across all Group companies, to improve Safran's supplier performance monitoring and at the same time ensure good supplier relations;
- provide support to key Safran suppliers, helping them fortify their industrial organization and, by extension, their performance on Safran programs.

The policy is rolled out:

- in strict compliance with the principles of the Group's Ethical Guidelines and the best practices set out in its Responsible Supplier Relations Charter[1];
- in line with Safran's commitments to public authorities, professional organizations and other partners;
- based on constant cooperation with and among Group companies, and implementation by all Group purchasing teams of the One Safran practices in the Purchasing process.

Major events in 2018 were:

- implementation of Group purchasing policy and procedures at the three companies consolidated from Zodiac Aerospace: Safran Cabin, Safran Seat and Safran Aerosystems;
- completion of nine One Safran purchasing projects at Safran Aircraft Engines, Safran Landing Systems and Safran Electronics & Defense, and step-up for One Safran tools on implementation of best practices;
- Rollout of supply-chain vigilance plan on corruption prevention, human rights, HSE (health, safety, environment) and CSR challenges.

1.9 SAFRAN PERFORMANCE AND QUALITY POLICY

Safran pursues an ambitious quality policy targeting two main goals:

- customer satisfaction;
- continuous progress in performance.

This policy involves a permanent drive on innovation, continuous improvement and risk control. It is based on Group-wide methods and tools derived from shared experience and best practices across all Group companies. Rollout of the policy is now well under way, following the 2016 merger of Safran's central quality, progress and internal consulting teams, and the launch of the One Safran initiative.

One Safran seeks to simplify the Group's management system and at the same time implement an operational excellence program for major processes, with the aim of improving competitive performance and customer satisfaction. By 2018, more than 500 operational excellence projects had been launched and 300 completed, including more than 50 across the scope of businesses consolidated under the Zodiac Aerospace acquisition. Results are excellent, as regards both impact on performance and buy-in by teams in the field. One Safran is also beginning to yield benefits in terms of customer confidence.

Customer satisfaction performance continued to rise in 2018, with ongoing expression of confidence in and satisfaction with Safran teams' customer relations, attention and response times. Regular contact between Safran quality teams and major airframers has been set up to afford a more global vision of performance and joint action plans, in addition to the operational vision existing between individual Group companies and their customers.

Quality performance and policy draw on a deep-rooted Lean Sigma culture and on networks of quality, progress and business-line teams working together to fulfill the Group-wide quality vision: "to be the customer's preferred supplier". This Lean Sigma culture is also a major integration and transformation lever for the teams coming in from Zodiac Aerospace.

Work on the key focuses of the progress initiative, known as Safran+ since 2009 and enhanced with the arrival of One Safran, continued to bring performance improvements throughout the Group. To embed this improvement, Safran+ defines key areas for progress, sets targets and suggests possible methods. Safran+ is based on a network with centralized organization, and deployed within all of the Group's entities. This network allows for an array of improvement initiatives, either created by the Group and applicable to all of its companies, or created by the companies themselves for their own internal use. These initiatives may involve either continuous improvement or disruptive projects put forward and coordinated by the Group.

(1) *See section 5.1.6.3.*

Other permanent, cross-Group initiatives include:

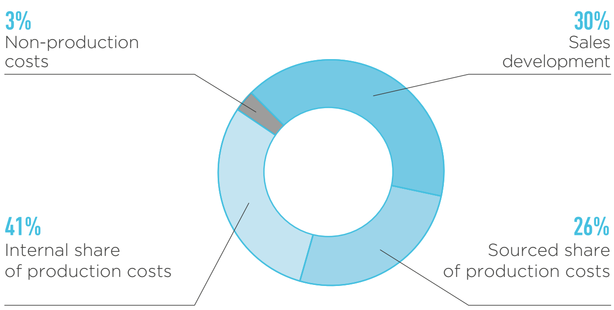
- participative innovation initiatives enabling employees in all sectors to put forward ideas for improving their companies' performance. More than 130,000 employee ideas were applied across all the Group's business sectors in 2018;
- Lean Sigma, with Green Belts, Black Belts and Master Black Belts driving the Group's transformation through a structured and standardized project management approach;
- visual management;
- QRQC[1], which has been rolled out across industrial and technical operations throughout all Group companies. Rollout of this method is ongoing.

Most projects target at least one of the following objectives:

- improving customer satisfaction;
- raising operating profit;
- reducing working capital.

Throughout the year, the managers concerned report on progress initiatives to Group Executive Management at biannual reviews carried out at two different sites per company.

The savings achieved by the Safran+ initiative in 2018 break down as follows:



(1) *Quick-Response Quality Control, a fast problem-solving management method that emphasizes constant vigilance and immediate response.*

REVIEW OF OPERATIONS IN 2018 AND OUTLOOK FOR 2019

2

IN BRIEF

2018 ADJUSTED KEY FIGURES

(in € millions)	Aerospace Propulsion 2017	Aerospace Propulsion 2018	Aircraft Equipment 2017	Aircraft Equipment 2018	Défense 2017	Défense 2018	Aerosystems 2017	Aerosystems 2018	Aircraft Interiors 2017	Aircraft Interiors 2018	Holding company and other 2017	Holding company and other 2018	Total 2017	Total 2018
Revenue	9,357	**10,452**	5,260	**5,395**	1,316	**1,386**	N/A	**1,785**	N/A	**2,014**	N/A	**18**	15,953	**21,050**
Recurring operating income (loss)	1,516	**1,929**	619	**770**	93	**118**	N/A	**266**	N/A	**20**	N/A	**(80)**	2,192	**3,023**
Profit (loss) from operations	1,476	**1,898**	605	**759**	79	**121**	N/A	**262**	N/A	**(16)**	(58)	**(116)**	2,102	**2,908**
Free cash flow(1)	1,158	**1,331**	328	**343**	105	**7**	N/A	**183**	N/A	**(107)**	(153)	**24**	1,438	**1,781**
Acquisitions of property, plant and equipment(2)	439	**385**	204	**214**	57	**65**	N/A	**43**	N/A	**40**	40	**33**	740	**780**
Self-funded R&D	754	**537**	237	**246**	132	**123**	N/A	**198**	N/A	**122**	N/A	**N/A**	1,123	**1,226**

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

(2) Net of proceeds from disposals.

BUSINESS HIGHLIGHTS IN 2018

AEROSPACE PROPULSION

- Engine deliveries hit a new record: 2,162 CFM56 and LEAP engines delivered, up 13.6% on 2017 (1,903 units).
- Order backlog of over 15,600 LEAP engines, representing over seven years of production at current production rates.
- EASA type-certification of the Arriel 2H engine, selected by the Chinese airframer Avic Harbin Aircraft Industry Group (subsidiary of the AVIC group(1)) for its AC312E helicopter.

(1) Aviation Industry Corporation of China.

DEFENSE

- Historic ramp-up of FADEC(1) control units for LEAP engines.
- inertial navigation units using HRG Crystal™ technology for naval applications.
- Selected by the DMO(2) in the Netherlands to supply more than 1,000 MOSKITO TI™ and Jim Compact imagers.

(1) Full Authority Digital Engine Control.
(2) Defense Material Organization.

AIRCRAFT EQUIPMENT

- Record deliveries of nacelles to power LEAP-1A engines, and of wiring shipsets and landing gear for the A320 family (A320ceo and A320neo).
- Signature of new contracts to fit over 1,000 aircraft with Safran carbon brakes.
- Launch of NacelleLife™, a new range of maintenance services for Safran nacelle systems.

AEROSYSTEMS

- Increase in deliveries of evacuation slides, particularly for the new A320neo, A350, Boeing 737 Max and Boeing 787 programs. Delivery of slide systems for the first Boeing 777X aircraft.
- Selected by Dassault Aviation to supply the entire fuel circulation, measurement and fuel tank inerting system for the future Falcon 6X business jet.
- Selected by a leading Middle Eastern carrier to supply RAVE(1) in-flight entertainment systems on its 50 future A321neo aircraft, and by a major European airline to equip the new cabin of its A350 and A330 aircraft in 2019 and the new cabin of its A380 aircraft as from 2020.

(1) Reliable, Affordable and Very Easy.

AIRCRAFT INTERIORS

- Selection of the *Atmosphere* cabin by America's Delta Airlines for its Bombardier CRJ900 aircraft.
- First commercial flight of the new First Class suites developed and marketed by Safran on an A380 aircraft operated by Singapore Airlines. These spacious suites include a flat individual bed.
- Signature of a partnership agreement with Airbus to develop and market sleeping facilities on the lower deck of its long-haul commercial aircraft.

2.1 COMMENTS ON THE GROUP'S PERFORMANCE IN 2018 BASED ON ADJUSTED DATA

2.1.1 Reconciliation of consolidated data with adjusted data

Foreword

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement in addition to its consolidated financial statements.

Readers are reminded that Safran:

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

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

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programs revalued at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group decided to restate:
  - the impact of purchase price allocations for business combinations, particularly amortization and depreciation charged against intangible assets and property, plant and equipment recognized or remeasured at the time of the transaction and amortized or depreciated over extended periods due to the length of the Group's business cycles, and the impact of remeasuring inventories, as well as
  - gains on remeasuring any previously held equity interests in the event of step acquisitions or asset contributions to joint ventures;

  Safran has also applied these restatements to the acquisition of Zodiac Aerospace with effect from 2018.
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
  - all mark-to-market changes on instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

Reconciliation of the consolidated income statement with the adjusted income statement

The impact of these adjustments on 2018 income statement items is as follows:

(in € millions)	2018 consolidated data	Currency hedging contracts		Business combinations		2018 adjusted data
		Remeasurement of revenue(1)	Deferred hedging gain (loss)(2)	Amortization of intangible assets from Sagem/ Snecma merger(3)	PPA impacts – other business combinations(4)	
Revenue	**21,025**	**25**	**-**	**-**	**-**	**21,050**
Other recurring operating income and expenses	(18,934)	(14)	(2)	56	640	(18,254)
Share in profit from joint ventures	189	-	-	-	38	227
Recurring operating income	**2,280**	**11**	**(2)**	**56**	**678**	**3,023**
Other non-recurring operating income and expenses	(115)	-	-	-	-	(115)
Profit from operations	**2,165**	**11**	**(2)**	**56**	**678**	**2,908**
Cost of debt	(67)	-	-	-	-	(67)
Foreign exchange gain	(351)	33	232	-	-	(86)
Other financial income and expense	(58)	-	-	-	-	(58)
Financial income (loss)	**(476)**	**33**	**232**	**-**	**-**	**211**
Income tax expense	(348)	(14)	(80)	(19)	(177)	(638)
Profit from continuing operations	**1,341**	**30**	**150**	**37**	**501**	**2,059**
Profit from discontinued operations and disposal gain	-	-	-	-	-	-
Loss for the period attributable to non-controlling interests	**(58)**	**(2)**	**-**	**(2)**	**(16)**	**(78)**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,283**	**28**	**150**	**35**	**485**	**1,981**

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedging 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. However, the use of the outstanding portfolio of currency derivatives held by Zodiac Aerospace at the acquisition date gave rise to the partial reclassification of changes in the fair value of currency hedges to financial income (loss) for a six-month transition 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 €232 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a negative €2 million) at December 31, 2018.

(3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem/Snecma merger.

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for a negative €601 million excluding deferred tax (see Note 4, "Scope of consolidation"") and cancellation of amortization/impairment of assets identified during other business combinations.

The impact of these adjustments in 2017 was as follows:

(in € millions)	2017 consolidated data(1)	Currency hedges: Remeasurement of revenue	Currency hedges: Deferred hedging gain (loss)	Business combinations: Amortization of intangible assets from Sagem-Snecma merger	Business combinations: PPA impacts - other business combinations	2017 adjusted data(1)
Revenue	**16,376**	**(423)**	**-**	**-**	**-**	**15,953**
Other recurring operating income and expenses	(14,002)	(40)	7	67	40	(13,928)
Share in profit from joint ventures	144	-	-	-	23	167
Recurring operating income	**2,518**	**(463)**	**7**	**67**	**63**	**2,192**
Other non-recurring operating income and expenses	(90)	-	-	-	-	(90)
Profit from operations	**2,428**	**(463)**	**7**	**67**	**63**	**2,102**
Cost of debt	(57)	-	-	-	-	(57)
Foreign exchange gain	3,071	463	(3,468)	-	-	66
Other financial income and expense	(2)	-	-	-	-	(2)
Financial income	**3,012**	**463**	**(3,468)**	**-**	**-**	**7**
Income tax expense	(1,660)	-	1,216	(39)	(2)	(485)
Profit from continuing operations	**3,780**	**-**	**(2,245)**	**28**	**61**	**1,624**
Profit from discontinued operations and disposal gain	831	-	-	-	-	831
Loss for the period attributable to non-controlling interests	**(61)**	**-**	**-**	**(1)**	**-**	**(62)**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**4,550**	**-**	**(2,245)**	**27**	**61**	**2,393**

(1) The consolidated data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017", in section 3.1).

Readers are reminded that only the consolidated financial statements set out in section 3.1 of this document are audited by the Group's Statutory Auditors. The consolidated financial statements include the revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information" in section 3.1.

Adjusted financial data other than the data provided in Note 5, "Segment information" in section 3.1 are subject to the verification procedures applicable to all of the information provided in this Registration Document.

2.1.2 Overview of the Group's performance in 2018

Adjusted income statement

(in € millions)	2017 adjusted data (published)	IFRS 15 impact*	2017 adjusted data	2018 adjusted data
REVENUE	**16,521**	**(568)**	**15,953**	**21,050**
Other income	278	2	280	321
INCOME FROM OPERATIONS	**16,799**	**(566)**	**16,233**	**21,371**
Change in inventories of finished goods and work-in-progress	227	(32)	195	343
Capitalized production	501	21	522	447
Raw materials and consumables used	(9,716)	239	(9,477)	(12,448)
Personnel costs	(4,363)	-	(4,363)	(5,671)
Taxes	(284)	-	(284)	(295)
Depreciation, amortization and increase in provisions, net of use	(966)	66	(900)	(822)
Asset impairment	(72)	12	(60)	62
Other recurring operating income and expenses	167	(8)	159	(191)
Share in profit from joint ventures	177	(10)	167	227
RECURRING OPERATING INCOME	**2,470**	**(278)**	**2,192**	**3,023**
Other non-recurring operating income and expenses	(90)	-	(90)	(115)
PROFIT FROM OPERATIONS	**2,380**	**(278)**	**2,102**	**2,908**
Cost of net debt	(57)	-	(57)	(67)
Foreign exchange gain (loss)	105	(39)	66	(86)
Other financial income and expense	(22)	20	(2)	(58)
FINANCIAL INCOME (LOSS)	**26**	**(19)**	**7**	**(211)**
PROFIT BEFORE TAX	**2,406**	**(297)**	**2,109**	**2,697**
Income tax expense	(542)	57	(485)	(638)
PROFIT FROM CONTINUING OPERATIONS	**1,864**	**(240)**	**1,624**	**2,059**
Profit from discontinued operations and disposal gain	823	8	831	-
PROFIT FOR THE PERIOD	**2,687**	**(232)**	**2,455**	**2,059**
Attributable to:				
> owners of the parent	2,623	(230)	2,393	1,981
• continuing operations	1,801	(238)	1,563	1,981
• discontinued operations	822	8	830	-
> Non-controlling interests	64	(2)	62	78
• continuing operations	63	(2)	61	78
• discontinued operations	1	-	1	-
Earnings per share from continuing operations attributable to owners of the parent (in €)				
Basic earnings per share	4.39	(0.58)	3.81	4.60
Diluted earnings per share	4.31	(0.57)	3.74	4.54
Earnings per share from discontinued operations attributable to owners of the parent (in €)				
Basic earnings per share	2.01	0.02	2.03	-
Diluted earnings per share	1.97	0.02	1.99	-

** Data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".*

Review of operations

Adjusted revenue

Safran's adjusted revenue was €21,050 million for 2018, up 32.0%, or €5,097 million, on 2017. Changes in scope had a net contribution of €3,781 million, of which €3,799 million related to the 10-month contribution of Zodiac Aerospace. The net impact of currency variations was a negative €338 million, reflecting a negative translation effect for non-euro revenues, principally US dollars, in the first half of 2018. The average USD/EUR spot rate was USD 1.18 to the euro in 2018 compared to USD 1.13 to the euro in 2017.

On an organic basis, revenue increased 10.4% as all activities contributed positively.

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Holding company and other	Total[1]
2017	**9,357**	**5,260**	**1,316**	**N/A**	**N/A**	**20**	**15,953**
2018	**10,452**	**5,395**	**1,386**	**1,785**	**2,014**	**18**	**21,050**
Reported growth	**11.7%**	**2.6%**	**5.3%**	**N/A**	**N/A**	**N/A**	**32.0%**
Impact of changes in the scope of consolidation	-0.1%	-	-	N/A	N/A	N/A	23.7%
Currency impact	-1.8%	-3.0%	-1.2%	N/A	N/A	N/A	-2.1%
Organic growth	**13.6%**	**5.6%**	**6.5%**	**N/A**	**N/A**	**N/A**	**10.4%**

(1) Data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

Adjusted recurring operating income

Adjusted recurring operating income was €3,023 million, up 37.9% compared to €2,192 million in 2017. This increase notably includes the 10-month contribution of €290 million from Zodiac Aerospace, as well as the positive currency impact of €175 million (the Group's hedged rate improved, at USD 1.18 for one euro in 2018 versus USD 1.21 for one euro in 2017). Recurring operating income margin stood at 14.4% of revenue compared with 13.7% in the same year-ago period. Profitability was up sharply for Aerospace Propulsion, Aircraft Equipment and Defense. Aircraft Interiors and Aerosystems activities performed in line with the guidance announced at the time of publication of the Group's earnings for first-half 2018.

One-off items, mainly related to the restructuring and remaining transaction costs related to the Zodiac Aerospace acquisition, as well as to the impairment of intangibles in relation with the termination of a program for €34 million, represented a negative €115 million in 2018:

(in € millions)	2017[1]	2018
Adjusted recurring operating income	**2,192**	**3,023**
% of revenue	*13.7%*	*14.4%*
Total one-off items	**(90)**	**(115)**
Capital gains and losses on disposals	23	-
Impairment reversal (charge)	(23)	(38)
Other infrequent and material non-operating items	(90)	(77)
ADJUSTED PROFIT FROM OPERATIONS	**2,102**	**2,908**
% of revenue	13.2%	13.8%

(1) Data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

Adjusted profit from operations

Adjusted profit from operations came in at €2,908 million in 2018, or 13.8% of revenue, versus €2,102 million (13.2% of revenue) in 2017. Adjusted profit from operations was impacted by €34 million in expenses on the Airbus Helicopters X6 program, the assets of which have been written down. Other one-off items represented an expense of €77 million compared to an expense of €90 million in 2017, and notably included transaction and integration costs related in particular to the Zodiac Aerospace acquisition.

Adjusted financial income (loss)

The Group reported an adjusted financial loss of €211 million in 2018, compared to adjusted financial income of €7 million in 2017. The caption includes the cost of unwinding discounts on certain assets and liabilities, mainly provisions and repayable advances, and the impact of any changes in the discount rates used. The cumulative impact of these non-cash items was an expense of €25 million in 2018 versus an expense of €16 million in 2017. Financial income in 2018 also includes a non-cash charge totaling €30 million arising on the translation of provisions denominated in US dollars (non-cash income of €56 million in 2017).

Adjusted income tax expense

Adjusted income tax expense increased from €485 million in 2017 to €638 million in 2018, representing an effective tax rate of 23.7% (22.9% in 2017). The fall in the effective tax rate is notably due to the impact of tax credits and to differences between the tax rate applicable to foreign entities and that applicable to the parent company (34.42%).

Adjusted profit attributable to owners of the parent

Adjusted profit attributable to owners of the parent was €1,981 million (basic earnings per share: €4.60; diluted earnings per share: €4.54), compared to adjusted profit per share attributable to the Group's continuing operations of €1,563 million in 2017 (basic earnings per share: €3.81; diluted earnings per share: €3.74). It includes:

- a net adjusted financial loss of €211 million, including the cost of debt representing €67 million;
- an adjusted tax expense of €638 million (23.7% effective tax rate).

2.1.3 Adjusted key figures by business

Summary of adjusted key figures by business

	Aerospace Propulsion		Aircraft Equipment		Defense		Aerosystems		Aircraft Interiors		Holding company and other		Total[1]	
(in € millions)	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017[1]	2018
Revenue	9,357	10,452	5,260	5,395	1,316	1,386	N/A	1,785	N/A	2,014	20	18	15,953	21,050
Recurring operating income (loss)	1,516	1,929	619	770	93	118	N/A	266	N/A	20	(36)	(80)	2,192	3,023
Profit (loss) from operations	1,476	1,898	605	759	79	121	N/A	262	N/A	(16)	(58)	(116)	2,102	2,908
Free cash flow[2]	1,158	1,331	328	343	105	7	N/A	183	N/A	(107)	(153)	24	1,438	1,781
Acquisitions of property, plant and equipment[3]	439	385	204	214	57	65	N/A	43	N/A	40	40	33	740	780
Self-funded R&D	754	537	237	246	132	123	N/A	198	N/A	122	N/A	N/A	1,123	1,226
Headcount[4]	23,969	24,536	24,471	24,505	7,578	7,841	N/A	13,869	N/A	19,662	2,306	2,226	57,542	92,639

(1) Data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".
(2) Free cash flow is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.
(3) Net of proceeds from disposals.
(4) Headcount at December 31.

As of January 1, 2018, the Group publishes information on any performance obligations not yet satisfied within the meaning of IFRS 15 (see section 3.1, Note 5). This information replaces data previously published on the order backlog which was prepared using different methods for all signed contracts.

Aerosystems and Aircraft Interiors data shown for 2018 include ten months of activity for Zodiac Aerospace, acquired by Safran on February 13 and consolidated with effect from March 1, 2018.

2.1.3.1 Aerospace Propulsion

Key figures (adjusted data)

	2017	2018	Year-on-year change
Quantities delivered			
> CFM56 engines	1,444	1,044	-28%
> LEAP engines	459	1,118	+144%
(in € millions)			
Revenue	9,357	10,452	+12%
Recurring operating income	1,516	1,929	+27%
Profit from operations	1,476	1,898	+29%
Free cash flow	1,158	1,331	+15%
Acquisitions of property, plant and equipment	439	385	-12%
Research and development			
Self-funded R&D	(754)	(537)	-29%
% of revenue	*8.1%*	*5.1%*	*-3.0 pts*
Research tax credit	58	58	N/A
Self-funded R&D after research tax credit	(696)	(479)	-31%
Capitalized expenditure	181	102	-44%
Amortization and impairment of R&D expenditure	(90)	(101)	+12%
Impact on profit from operations	(605)	(478)	-21%
% of revenue	*6.5%*	*4.6%*	*-1.9 pts*
Headcount	23,969	24,536	+2%

Aerospace Propulsion activities operate in three key sectors:

	% of business line revenue	
Sector	2017	2018
Civil aviation	77%	80%
Military aviation	11%	9%
Helicopter turbine engines	12%	11%

Review of Aerospace Propulsion operations in 2018

During 2018, orders and purchase commitments were received for 3,211 LEAP engines, with 15,620 engines still to be delivered at end-December 2018.

Revenue was €10,452 million, up 11.7% compared to €9,357 million in 2017. On an organic basis, revenue increased 13.6%, driven by narrowbody engine deliveries (LEAP and CFM56) and civil aftermarket activities.

Original equipment revenue rose 14.4% (in euros) in 2018. The total number of narrowbody engine deliveries increased 13.6% from 1,903 to 2,162 engines, driven by the LEAP production ramp-up. LEAP shipments grew to 1,118 engines in 2018 (including 377 engines in fourth-quarter 2018) from 459 in 2017, while CFM56 volumes ramped down to 1,044 engines in 2018 from 1,444 in 2017. Helicopter turbines original equipment sales contributed to growth thanks to higher volumes. Headwinds to revenue included lower shipments of high-thrust engine modules and military original equipment sales. In 2018, 23 M88 engines were delivered versus 33 in 2017.

Service revenue was up 9.8% in euro terms and represented a 57.3% share of 2018 sales. Organic growth was driven by civil aftermarket activities and helicopter turbine services, partially offset by lower military support activities.

Civil aftermarket revenue grew 12.2% in US dollar terms in 2018 thanks to rising spare part sales. In line with the trends highlighted upon publication of third-quarter 2018 revenue, civil aftermarket recorded growth of 5.5% in fourth-quarter 2018, reflecting seasonal changes in revenue recognition for service contracts.

Recurring operating income was €1,929 million, an increase of 27.2% compared to €1,516 million in 2017. Recurring operating margin grew from 16.2% to 18.5%.

Profitability benefited from civil aftermarket growth, the higher contribution of helicopter turbine activities, the lower expensed R&D and the improved EUR/USD hedge rate.

The CFM56-LEAP transition was a tailwind of €15 million to recurring operating income growth in 2018 compared with 2017. The transition impact in 2018 was more favorable than initially anticipated, reflecting additional sales of CFM56 engines, notably spare engines. LEAP cost of sales reduction was in line with expectations.

Lower military sales were a headwind to profitability.

Commercial and industrial developments

Civil aviation

Low-thrust engines for civil aircraft (regional and business jets)

Silvercrest (9,000-12,000 pounds of thrust)

This new-generation engine incorporates the very latest tried and tested technologies, enabling it to deliver best-in-class performances in the 9,000 to 12,000 pound category. Silvercrest was chosen by Cessna (Textron Aviation) for its future high-end large-cabin Citation Hemisphere business jet, which will have a range of up to 4,500 nautical miles (8,300 km).

During the year, US-based Netjets® announced that it had an option to purchase up to 150 future Cessna jets powered by Silvercrest engines.

Safran and Dassault Aviation reached an agreement regarding the compensation payable to Dassault Aviation for the termination of the engine program intended to equip the Falcon 5X. The amount of the compensation due is covered by provisions previously booked by the Group and will be paid over a three-year period starting in 2018.

Safran continued to develop this engine in 2018. Certification is expected to be obtained in 2022, in line with the aircraft manufacturer's schedule.

SaM146 (13,500 –17,800 pounds of thrust)

The SaM146 engine, developed in partnership with Russian engine manufacturer UEC Saturn, powers the Superjet 100 produced by Sukhoi (United Aircraft Corporation).

PowerJet is a joint venture set up by Safran Aircraft Engines and UEC Saturn to manage the engine program in terms of development, production, marketing and sales, and to provide customer support, maintenance, repair and overhaul services.

In all, 54 SaM146 propulsion systems were delivered in 2018 (versus 70 in 2017), and at the end of the year, SaM146 engines powering in-service Superjet 100 aircraft had clocked up over 1,000,000 flight hours.

Passport (13,000 – 18,000 pounds of thrust)

Through Safran Aero Boosters, Safran has a 7.4% share in Passport, the new GE engine program designed for the long-range (7,400 nautical miles, or 13,700 km) Bombardier Global 7500 business jet.

Fitted with Passport engines, the Global 7500 jet was certified in 2018 by the Canadian Ministry of Transport (Transport Canada) and by the Federal Aviation Administration (FAA) in the United States. The certification allowed Bombardier's new jet to enter into service at the end of 2018.

Mid-thrust engines for civil aircraft (short- to medium-haul aircraft)

CFM56 – LEAP

LEAP-1A is competing with Pratt & Whitney's PurePower PW1100G for the A320neo program. The LEAP-1B model was chosen as the sole engine for the Boeing 737 Max. The LEAP-1C model is the sole Western source for the propulsion system (engine plus nacelle) on COMAC's C919 aircraft.

Throughout 2018, Safran continued to develop its production capacity with a view to achieving a seamless transition from CFM56 to LEAP and meeting a ramp-up in production.

A total of 2,162 CFM56 and LEAP engines were delivered to airframers in 2018 (compared to 1,903 CFM56 and LEAP engines delivered in 2017):

- CFM International has recorded over 33,000 deliveries of CFM56 engines since the start of the program, including 1,044 during the year (1,444 CFM56 deliveries in 2017). CFM56 engines currently in service at 606 customers and operators had clocked up over 981 million flight hours at the end of 2018;
- the ramp-up of production for LEAP engines continued in 2018, with 1,118 engines delivered during the year in line with airframers (459 LEAP engines delivered in 2017). LEAP engines currently in service at 97 customers and operators had clocked up over 3.2 million flight hours at the end of 2018.

The LEAP engine continued to enjoy commercial success, with 3,211 firm orders and purchase commitments received in 2018. As of December 31, 2018, there was an order backlog of 15,620 LEAP engines to be delivered for the three A320neo, Boeing 737 Max and C919 programs, representing over seven years of production at current production rates. This success confirms CFM International as leader in the market for 100+ seater aircraft.

Spare part activities and service agreements

In 2018, Sichuan Services Aero Engine Maintenance Company (SSAMC)[1] inaugurated new facilities in Chengdu (China), bringing its maintenance, repair and inspection capabilities for CFM56 and LEAP engines to 300 units per year. These new facilities make this site – certified by the Civil Aviation Administration of China (CAAC), the US Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA) – the main maintenance hub for CFM engines in Asia.

(1) Joint venture 40%-owned by CFM International and 60%-owned by Air China.

New service agreements for LEAP engines were also signed in 2018, notably with airline companies British Airways and Iberia (IAG – International Airlines Group), La Compagnie Boutique Airline (Dreamjet SAS), Sky Airline, StarLux Airlines and Air Travel. These agreements offer LEAP engine customers a wide range of bespoke aftermarket services adapted to their particular business model and to fleet size and/or condition. They are also a long-term source of revenue for Safran.

High-thrust engines for civil aircraft (long-haul aircraft)

Deliveries of high-thrust engines declined in 2018, to 435 modules compared to 486 modules in 2017.

GE90

Safran has an interest of 23.7% in this GE program that currently enjoys a sole-source position on the Boeing 777, for which it delivered 96 compressor modules in 2018 (162 in 2017). The downturn in volumes delivered reflects the decrease in production of the Boeing 777 decided by Boeing in 2017 ahead of the aircraft's gradual replacement by the Boeing 777X as from 2020.

GE9X

Since 2014, Safran has participated in the development of GE's high-thrust GE9X engine that was chosen by Boeing as the exclusive powerplant on its new 777X long-haul aircraft. Tests continued for the certification of the GE9X engine in 2018, both on the ground and on a Boeing 747 used as a flying test bed. The engine is expected to enter into commercial service in 2020 in line with the airframer's schedule.

Safran has a stake of 11.2% in this program through Safran Aircraft Engines and Safran Aero Boosters.

Safran Aircraft Engines is responsible for the design and production of several critical parts of the engine:

- composite fan blades are manufactured by CFAN, its joint venture with GE based in San Marcos, Texas (United States);
- fan casings using 3D woven composite parts are produced through its partnership with Albany International;
- the exhaust casing is manufactured at the French plants of Safran Aircraft Engines, particularly FAMAT, a joint venture with GE based in Saint-Nazaire.

The low-pressure compressor and the fan disk are made by Safran Aero Boosters.

GP7200

Safran has a 17.5% interest in this engine program, which powers the A380, and delivered the latest high- and low-pressure compressor module in 2018 (nine modules delivered in 2017).

GEnx

Safran is a partner on the two GEnx engine programs, with a 7.7% interest in the GEnx-1B version powering the long-haul Boeing 747-8 and a 7.3% interest in the GEnx-2B version powering the Boeing 787 Dreamliner. Safran delivered 250 modules in 2018, 19 more than in 2017.

CF6 family – LM6000

A total of 88 modules for the CF6 engine family (powering certain A330 and Boeing 767 aircraft) and LM6000 gas turbines were delivered in 2018, compared to 84 in 2017. Safran's interest ranges from 10% to 19.4% in the CF6 engine program, and from 8.6% to 12% in the LM6000 gas turbine program.

Service agreements

Safran has been awarded service agreements by GE and Engines Alliance, respectively for high-thrust engines GE90 and GP7200. A number of new agreements for these engines were also signed, extended or renewed during the year.

Safran provides maintenance, repair and overhaul services for GE90's high- and low-pressure compressors, as well as the bulk of maintenance services for the GP7200's high-pressure compressor. The Group leverages its expertise, industrial capabilities and global network to offer operators continuous support and a comprehensive range of services.

Industrial operations

During the year, Safran and Albany inaugurated their third joint manufacturing plant making composite parts for LEAP engines in Querétaro, Mexico. This third joint plant is similar to and complements the two existing plants in Rochester (United States) and Commercy (France). The plant currently manufactures 3D woven composite fan blades for CFM International's LEAP engine.

Safran inaugurated its new low-pressure turbine blade facility in Poland during the year. This new Safran Aircraft Engines Poland facility is located in the heart of the industrial Aviation Valley near Rzeszow.

Military aviation

M88

A total of 23 engines were delivered for the Rafale fighter jet in 2018 (33 engines in 2017). The worldwide in-service fleet topped the 664,000 flight hours mark during the year.

In 2018 Safran continued its preliminary work authorized by the French Ministry of Armed Forces in 2017 for the future Rafale F4 standard. Technological advances proposed by Safran and selected by the French government essentially include a new M88 control unit with enhanced processing capacity and improved maintenance features (surveillance, recording, trouble-shooting and predictive maintenance). Safran was informed it had been awarded the F4-standard contract at the end of 2018.

TP400

A total of 82 engines were delivered in 2018 (compared to 90 in 2017), and as of December 31, 2018, the order backlog covered 344 engines for the A400M aircraft for Airbus Defence & Space.

ADOUR

A total of 12 Adour engines were delivered in 2018 for the BAE Systems Hawk trainer aircraft. At the end of 2018, the order backlog stood at 11 engines.

Atar

This engine program was boosted by the selection of the Mirage F1 fighter jet as an adversary plane[1] for US Air Force pilots in 2017, giving renewed impetus to sales of spare parts.

Helicopter turbines and auxiliary power units

Safran Helicopter Engines delivered 773 helicopter engines in 2018 compared to 672 in 2017.

Light helicopters

Developments in this segment continued apace throughout the year, with EASA type-certification obtained for Arriel 2H-type engines. In 2015, this engine was chosen to power the AC312E helicopter developed by Avic Harbin Aircraft Industry Group (a subsidiary of the AVIC group[2]). This new twin-turbine helicopter completed its maiden flight in 2016 in Harbin (China) in the airframer's facilities.

The Light Civil Helicopter (LCH) prototype developed by Korean Aerospace Industries (KAI) completed its maiden flight in 2018 powered by two Arriel 2L2 engines. The Arriel 2L2 engine was developed in partnership with Hanwha Aerospace, which will manufacture the engine under license in its Changwon plant in South Korea and will be responsible for all MRO. The engine should be certified in 2020 and is expected to come into service in 2022. The prototype of the military version of this helicopter (Light Armed Helicopter, or LAH), left the plant in 2018 and should complete its maiden flight in 2019.

To increase the attractiveness of Safran engines relative to engines developed by its competitors, in 2018 Safran announced a significant reduction in its direct maintenance costs for the Arriel 2D engine powering Airbus Helicopters' H125 and H130 (Ecureuil family). Safran could offer revised maintenance conditions thanks to the flight and maintenance data analysis strategy put in place by Safran Helicopter Engines. The Arriel 2D engine now has the lowest direct maintenance costs in its category.

The Arrano 1A engine, sole source on Airbus Helicopters' future twin-engine H160 helicopter, continued its ground and in-flight test program. Arrano 1A is expected to be certified in 2019, in line with its development schedule.

Medium-weight helicopters

In 2018, the Ardiden 3C engine obtained type-certification from EASA[3] and is expected to be certified by the CAAC[4] under its Chinese name WZ16 in 2019. The Ardiden 3C/WZ16 will be the first helicopter engine to be certified in parallel in both China and Europe. The result of close cooperation with China's CAPI and Dongan, members of the AECC[5] consortium, this program will allow Safran to benefit from opportunities offered by the growing Chinese helicopter market over the next decade. This engine will power the new French-Chinese AC352 helicopter, itself a product of a joint project between Airbus Helicopters and Chinese airframer HAIG, an AVIC subsidiary.

Heavy-lift helicopters

At the Heli-Expo trade show in Las Vegas (United States) in 2018, Airbus Helicopters announced that it had chosen the Aneto engine for its high-speed Racer (Rapid and Cost-Efficient Rotorcraft) demonstrator. The demonstrator will be equipped with two Aneto-1X engines, allowing it to reach a cruising speed of over 400 km/h. The Racer will be the first rotorcraft to feature Safran's Power Pack® Eco Mode configuration, which allows the pilot to "pause" one engine while in cruise mode, generating fuel savings of around 15% and greater autonomy. The "paused" engine can be automatically reactivated when necessary.

New mobility concepts (VTOL), hybrid propulsion system

In 2018, Safran and Bell Helicopter (Textron group) announced a new partnership on the development of innovative hybrid electric propulsion systems for Bell's vertical take-off and landing (VTOL) vehicle. Through this partnership, Bell will manage aircraft design, development and production while Safran brings technical expertise in the development and production of new-generation hybrid propulsion system. Safran completed a first ground demonstration of the system during the year, confirming the target of a maiden flight in 2020.

Helicopter turbine engine services

Based on a secure web portal and Safran's global network of technical and sales representatives, EngineLife® provides operators with assistance throughout the life of their helicopter engine. In 2018, the range of services offered by EngineLife was enhanced by:

- Expert Link, which allows operators to contact Safran experts through a secure live video feed. This new support service facilitates technical troubleshooting as well as the necessary maintenance for Safran helicopter engines;
- e-Spares, a new service that enables operators to order spare parts and tools for Safran helicopter maintenance online through the secure EngineLife web portal.

At the end of the year, around 5,200 engines were covered by service agreements for 500 civil and military customers.

Auxiliary power units

Safran manufactures the leading-edge SPU150[DA] and SPU300[BA] auxiliary power units (APUs). The SPU150[DA] is especially designed for midsize to super midsize business aircraft, and will power Dassault Aviation's future Falcon 6X business jet. The SPU300[BA] is designed for long-haul business jets and is fitted on Bombardier's Global 7500.

In 2018, Safran and Boeing teamed up to create Initium Aerospace, a 50-50 joint venture, to design, build and service auxiliary power units. Initium Aerospace will enable the companies to develop a more competitive offer on the APU market for commercial aircraft.

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(1) Plane acting as an opposing force in military wargames.
(2) Aviation Industry Corporation of China.
(3) European Aviation Safety Agency.
(4) Civil Aviation Administration of China.
(5) Aero Engine Corporation of China.

Services for auxiliary power units

During the year Safran rolled out PowerCare®, a new maintenance service for business jet auxiliary power units. Bombardier's Global 7500 business jet is the first PowerCare® customer.

Space vehicle propulsion systems

Confirming its position as baseline supplier to major players in the satellite segment, Safran's PPS® 5000 electric propulsion thrusters were chosen by Boeing for a commercial satellite program. Safran supplies the thruster and power processing unit, and takes technical responsibility for the underlying propulsion system. Thrusters were delivered in January 2019 and the satellite is expected to be launched in 2020.

This order marks Boeing's first use of Hall Effect thrusters on satellites, and confirms Safran's position as a baseline supplier to the world's leading manufacturers of commercial satellites.

Launch vehicles

Owned equally by Safran and Airbus, ArianeGroup brings together each company's activities and expertise in commercial and military launchers within a single, coherent entity. Through its subsidiary Arianespace, ArianeGroup can therefore offer a comprehensive range of launch services with its Ariane, Vega and Soyuz launch vehicles. Through its subsidiary Eurockot, ArianeGroup also markets and operates the light space launcher Rockot.

Ariane, Vega and Soyuz launchers

ArianeGroup is prime contractor for Ariane European space launchers and also contributes to the Vega launcher.

Since 1996, Arianespace has marketed the Russian Soyuz launcher through its subsidiary Starsem on the international market. Since 2011, following the agreement between the ESA and the Russian space agency Roskosmos, Arianespace is also responsible for the launch of Soyuz rockets from the Kourou Space Center (French Guiana).

Its world-leading subsidiary Arianespace is responsible for marketing and operating these three launch vehicles. Arianespace signed over half[1] of all commercial launcher contracts open on the global market in 2018, giving the company an order backlog of €4.2 billion at the end of the year, covering 54 launches: 18 Ariane 5 and Ariane 6 launches, 26 Soyuz launches and 10 Vega/Vega C launches.

Arianespace completed 11 successful launches and orbited 21 satellites from the Guiana Space Center in Kourou, French Guiana in 2018:

- the European heavy-lift launcher Ariane 5 successfully completed six lift-offs in 2018, including two major European missions for institutional customers (four Galileo satellites put into orbit and the BepiColombo probe placed on the way to planet Mercury);
- two Vega launches were successfully completed. These were the 12th and 13th successful launches for Vega since its first flight in 2012;
- Soyuz also performed three successful launches for commercial (SES[2]) and institutional (Eumetsat[3] and DGA[4]) customers.

Throughout 2018, the development program for the future Ariane 6 launcher continued on track and in line with the schedule, with a view to completing its first lift-off in 2020.

ArianeGroup, in charge of the development and integration of the future launcher, is targeting 14 Ariane 6 launches between 2020 and 2022, both for European institutional customers as well as the international commercial market. The launch manifest for the future European Ariane 6 launcher shows five launches for a total of 10 satellites.

Military industry

Regarding the naval component of France's nuclear deterrent, the development of the future M51.3 strategic missile continues in line with the development schedule, with the completion of the Preliminary System Design Review. Both types of third-stage thrusters were also successfully bench-tested.

Industrial operations

In 2018, Safran inaugurated its ceramic composites research facility hosting around 100 specialists and some 20 postgraduate students.

(1) Source: Arianespace.
(2) Société européenne des satellites.
(3) European Organisation for the Exploitation of Meteorological Satellites.
(4) French Directorate General of Weapons Procurement.

2.1.3.2 Aircraft Equipment

Adjusted key figures

(in € millions)	2017	2018	Year-on-year change
Revenue	5,260	5,395	+3%
Recurring operating income	619	770	+24%
Profit from operations	605	759	+25%
Free cash flow	328	343	+5%
Acquisitions of property, plant and equipment	204	214	+5%
Research and development			
Self-funded R&D	(237)	(246)	+38%
% of revenue	*4.5%*	*4.6%*	*+0.1 pts*
Research tax credit	45	46	N/A
Self-funded R&D after research tax credit	(192)	(200)	+4%
Capitalized expenditure	110	109	N/A
Amortization and impairment of R&D expenditure	(90)	(67)	-26%
Impact on profit from operations	(172)	(158)	-7%
% of revenue	*3.3%*	*2.9%*	*-0.4 pts*
Headcount	24,471	24,505	N/A

Safran's Aircraft Equipment business operates in three sectors:

	% of business line revenue	
Sector	2017	2018
Landing and aircraft systems	48%	46%
Engine systems and equipment	26%	29%
Electrical systems and engineering	26%	25%

Review of Aircraft Equipment operations in 2018

2018 revenue amounted to €5,395 million compared to €5,260 million in the same year-ago period. On an organic basis, revenue was up 5.6%.

Original equipment revenue grew 0.5% (or 3.6% organically) in 2018, mainly driven by rising volumes of nacelles. The ramp-up of nacelles for LEAP-1A-powered A320neo aircraft continued and reached 438 units in 2018 (235 units in 2017). A330neo nacelle deliveries started in second-half 2018 and amounted to 18 units over the full year. Higher sales of equipment (landing gear and wiring systems) for the Boeing 787 and the A320 family also contributed to original equipment growth. As indicated above, lower A380 volumes were a headwind to nacelles and wiring original equipment revenue.

Service revenue was up 7.1% (9.9% organically), driven by the higher contribution of carbon brakes as well as by nacelle and landing gear services.

Recurring operating income was €770 million, an increase of 24.4% compared to €619 million in 2017. Recurring operating margin improved very strongly from 11.8% to 14.3%. Higher volumes (notably in services) as well as significant cost reduction and productivity enhancement actions drove profitability growth. The improved EUR/USD hedge rate had a positive impact on profitability.

Commercial and industrial developments

Landing and aircraft systems

Landing gear

In all, 1,378 landing gear units were delivered by Safran in 2018 (compared to 1,315 units in 2017). A total of 648 units were delivered for the A320 family including the A320neo (590 in 2017), 65 units for the A330 including the A330neo (78 in 2017), and 80 units for the A350 (81 in 2017). Safran delivered 144 landing gear units in 2018 (134 in 2017) to meet the needs of the ramp-up in production of the Boeing 787.

Landing system maintenance and repair contracts were signed by Safran during the year, particularly for Vueling Airlines, Air Asia X, Jet Airways and China Eastern.

Wheels and brakes

New contracts were signed in 2018 to fit over 1,000 aircraft with Safran carbon brakes.

At the end of the year, with almost 9,700 aircraft equipped with Safran carbon brakes, the Group has a share of over 50% of the market[1] for 100+ seater commercial aircraft. The Group is the leader[1] on this market, particularly for the Airbus A320 (ceo and neo) and A350, as well as the Boeing 737 NG fitted with carbon brakes and Boeing 787.

Electric taxiing

In 2018, Safran and Airbus presented an electric taxiing system to airline companies for the A320 family. Garnering a favorable response from airlines, Airbus launched the E-taxi program and a first partnership agreement was signed between Safran and the airframer.

The preliminary design of the electric taxiing system has started and the system is expected to undergo an integration test on an aircraft in 2019 in cooperation with Airbus. The taxiing system is expected to be in service by 2022. Prospecting of airline companies continued during the year.

Landing and braking control systems

Further shipments of extension/retraction, steering, braking and monitoring systems for the A350 continued during the year in the context of a major ramp-up.

In 2018, an agreement was signed with Airbus to equip its A320 family with new braking and steering control systems (BSCS NG). Safran, the current supplier of these functions, will modify the existing system by upgrading the control units and improving braking performance. The new system is slated to enter into service in 2022 following an in-service assessment period.

In the field of innovation, Safran continues to offer its customers services that draw on the analysis of data from equipment and control systems so that it can offer preventive maintenance and therefore increase operational fleet availability, particularly for Airbus, in order to address the shift to more integrated equipment offers, for both airframers and airlines.

Engine systems and equipment

Nacelles and thrust reversers

Safran continued to develop its industrial capacities to meet the ramp-up of the LEAP-1A engine and offer its partner Middle River Aircraft System (MRAS), a GE subsidiary currently being bought out by ST Engineering, the support and services needed by airline companies. In 2018, Safran supplied 438 nacelles for the A320neo, 203 more than in 2017. This success resulted in Safran signing an extension to the contract with Airbus to supply nacelles for the A320neo aircraft powered by LEAP-1A engines.

A number of other decisive advances were made in 2018:

- flight tests continued for the three prototypes of COMAC's future short- and medium-haul C919 aircraft fitted with integrated propulsion systems (nacelle and LEAP-1C engine);
- the Safran nacelle fitted to the A330neo (Airbus A330 new engine option) began its first commercial flights;
- Bombardier's long-range Global 7500 business jet fitted with Safran nacelles and GE Passport engines entered into service;
- flight tests began for Safran exhaust systems fitted on the GE9X engine of the future Boeing 777X;
- agreements were signed with Lufthansa Technik, including maintenance for Trent 900 nacelles on A380 aircraft.

Nacelle services

In 2018, Safran announced the launch of NacelleLife™, the new range of maintenance services for its nacelles. NacelleLife offers a range of services based on the different stages in a nacelle's life. A dozen or so standard offers have been developed for each stage in the nacelle life cycle and each agreement signed will contain specific provisions to this effect. NacelleLife also draws on innovative solutions such as predictive maintenance. Safran signed 12 NacelleLife contracts in the year, notably with Avianca, Air Asia, British Airways, Corsair, China Southern and Lufthansa airlines for their fleet of LEAP-1A-powered A320neo, Trent 700-powered A330 and A380 aircraft.

Mechanical power transmission systems

Throughout the year, to meet the growing needs of the LEAP program, Safran continued to expand its specialist gears, casings and engine component production activities in Sędziszów (Poland).

An advanced version of the Accessory Gearbox (AGB) entered into service in 2018 on a Rolls-Royce Trent XWB-97k engine powering the extended A350 model. The ramp-up of this program continues apace, in line with the schedule of the airframer and engine manufacturer.

Lastly, Aero Gearbox International, the joint venture between Safran and Rolls-Royce, supplies the power transmission for the Trent 7000 engine fitted on the new A330neo, which entered into service at the end of 2018.

Industrial operations

On October 11 in Hamburg (Germany), the Group inaugurated a new, award-winning 8,000 sq.m. LEAP-1A nacelle assembly and integration plant for the Airbus A320neo. The plant is outfitted with industrial equipment designed to meet the challenge of high production rates.

Electrical systems and engineering

Power generation and distribution systems

At the Farnborough air show in the United Kingdom, Safran Electrical & Power unveiled its new ranges of electric generators and motors. Known respectively as GENeUS and ENGINeUS, these products offer superior performance and high output, thanks to the integration of power electronics, which increases power density. Targeting the market for more electric aircraft and hybrid or electric aircraft propulsion, GENeUS and ENGINeUS were chosen by Bell Helicopter for its demonstrator phases and are attracting keen interest from potential customers.

(1) Source: Safran.

Safran joined Boeing's ecoDemonstrator program designed to improve the environmental performance of commercial aircraft throughout their life cycle. The Group has supplied an innovative electrical channel to the program, incorporating a variable frequency generator which is 15% smaller and lighter than the system currently installed, resulting in energy savings of 60%. The flight tests program on a Boeing 777F cargo aircraft made satisfactory progress throughout the year.

Safran renewed several agreements in 2018 and was awarded a number of new contracts:

- at the Singapore air show in February, Safran renewed its agreement with Singapore Airlines to provide electrical equipment support services over the next 10 years for 19 Airbus A380s operated by the carrier. This agreement includes maintenance, access to pool service located in Singapore, and a door-to-door transportation service;
- Safran was chosen to supply the auxiliary power unit for Boeing and Saab's future T-X trainer aircraft designed for the US Armed Forces.

The Group's efforts were also recognized and rewarded by Airbus on several occasions during the year:

- for the second year running, Safran picked up the "Best Performer Gold" trophy from the Airbus SQIP (Supply Chain & Quality Improvement Program) team for its best-in-class performance in quality and delivery of spare parts;
- Safran also collected the "Customer Support Award" for its industry-leading customer support in its aftermarket activities for electrical power generation systems.

Electrical wiring interconnection systems (EWIS)

In 2018, Safran renewed several agreements and secured new contracts. The Group:

- renewed its contract with Dassault Aviation to supply electrical wiring interconnection systems for the Rafale fighter jet. Some of these systems will be manufactured at Safran's new Hyderabad facility in India;
- was selected by Dassault Aviation to supply electrical wiring interconnection systems for the Falcon 6X program, and to carry out the mid-life upgrade of the French army's Mirage 2000D fleet;
- renewed its contract with Spirit AeroSystems to supply harnesses for the Boeing 737 NG, Boeing 737 Max and Boeing 787 programs, and for the KC-767 military refueler;
- renewed several contracts to supply harnesses on US military programs.

The Group's efforts in terms of electrical wiring interconnection systems were also recognized and rewarded during the year:

- by Boeing, which gave Safran its "Performance Excellence Award"; and
- by helicopter manufacturer Sikorsky, which granted Safran "Elite Supplier Designation" as well as "Supplier of the Year Award" for its exceptional performance in quality, service and customer satisfaction.

Ventilation systems and electric motors

In 2018 Safran was selected by Textron Aviation to supply the nose bay cooling fan for the avionic cooling system on the future Cessna Denali single-engine turbojet for 8 to 11 passengers.

A preventive maintenance solution was introduced in cooperation with Airbus for avionic cooling systems on the A320. This feature, linked to an electronic card, helps airline companies reduce their maintenance costs. These cards began to be fitted onto the in-service fleet in 2018.

Engineering

In 2018, Safran was chosen by Airbus Defence & Space to supply a software component for EGNOS[(1)]. This new critical software development contract allows Safran to invest in the aerospace sector. Compatible with GPS systems (United States), GLONASS (Russia) and Galileo (European Union), EGNOS improves GPS performance using a network of 40 reference terrestrial stations.

In the second half of 2018, Safran, Alstom and IGE+XAO inaugurated a Center of Excellence dedicated to rail electrical systems. Based at Safran's Toulouse plant in France, this international Center of Excellence will develop innovative rail electrical systems, covering design to series manufacturing and operational maintenance.

Industrial operations

During the year, Safran announced that it had opened an electrical wiring interconnection systems plant in Hyderabad, in the Indian state of Telangana. This 4,000 sq.m. plant, slated for delivery in 2019, will meet both local demand and demand from European and US electrical wiring interconnection systems markets. It will house 250 employees and will benefit from the Group's cutting-edge industrial technologies, focusing on digitalization and standardization of operators' workstations.

(1) European Geostationary Navigation Overlay Service.

2.1.3.3 Defense

Adjusted key figures

(in € millions)	2017	2018	Year-on-year change
Revenue	1,316	1,386	+5%
Recurring operating income	93	118	+27%
Profit from operations	79	121	+53%
Free cash flow	105	7	N/D
Acquisitions of property, plant and equipment	57	65	+14%
Research and development			
Self-funded R&D	(132)	(123)	-7%
% of revenue	*10.0%*	*8.9%*	*-1.1 pts*
Research tax credit	37	35	-1%
Self-funded R&D after research tax credit	(95)	(88)	-7%
Capitalized expenditure	54	45	-17%
Amortization and impairment of R&D expenditure	(22)	(19)	-14%
Impact on profit from operations	(63)	(62)	-2%
% of revenue	*4.8%*	*4.5%*	*-0.3 pts*
Headcount	7,578	7,841	+3%

The Defense business operates in two key sectors:

	% of business line revenue	
Sector	2017	2018
Avionics	42%	42%
Defense	58%	58%

Review of Defense operations in 2018

Revenue was €1,386 million, up 5.3% compared to €1,316 million in 2017. On an organic basis, revenue increased by 6.5%.

Growth in military sales was driven by increases in guidance and sighting systems as well as by portable optronics (LTLM II contract in the United States). Avionics revenue was also up thanks to electronics (FADEC for LEAP), optics equipment for telescopes and support activities.

Recurring operating income was €118 million, an increase of 26.9% compared to €93 million in 2017. Recurring operating margin grew from 7.1% to 8.5%. Profitability benefited from growing volumes and the continuing implementation of production cost reductions.

Commercial and industrial developments

Avionics

Flight control systems

In 2018, the US army placed an order with Airbus Helicopters for 51 twin-engine Lakota UH-72A light helicopters featuring Safran avionic equipment. The equipment includes an autopilot system, the altitude and heading reference system (AHRS) and a data acquisition unit. This new order continues Safran's long partnership with Airbus Helicopters. Since 2005, the start date of the program, more than 423 Lakota UH-72 helicopters have been delivered featuring Safran avionic systems.

In February 2019, Safran announced that it had finalized the acquisition of the ElectroMechanical Systems business from Collins Aerospace. This acquisition expands Safran's electrical actuation and flight control business lines. In particular, the acquisition enables Safran to reach critical mass in these sectors and to eventually enhance their competitiveness.

Onboard information systems/Data management and services

The Cassiopée AGS (analysis ground station) system enables airline companies to analyze flight data from each aircraft (fuel consumption, wear of brakes and landing gear, time at taxiways, etc.) and to optimize both fleet management and operating costs. Cassiopée AGS also increases flight safety by detecting risk situations and anticipating technical incidents.

Thanks to Safran Cassiopée AGS, in 2018 All Nippon Airways (ANA) was the first airline in the world to have decided to connect its flight data management systems for its entire fleet to a cloud. This will give ANA better control of its fleet with information shared in real time, with simultaneous access to the software from different ANA databases across Japan.

Electronics and critical software

FADEC Alliance, a joint venture between GE and FADEC International (itself a joint venture between Safran and BAE Systems), supplies the new-generation FADEC 4 control units. The success of the FADEC[1] programs has been confirmed in light of the historic ramp-up of control units designed for the LEAP-1A and LEAP-1B engines.

In 2018, FADEC Alliance became the sole source for FADEC control units on all GE Aviation civil engines (aircraft and helicopters).

Safran was also chosen to develop the new FADEC system for Safran Aircraft Engines' M-88 model.

High-performance optics

During the year, Safran inaugurated the PRIMEO laboratory (Partnership for Research and Innovation in Emerging Materials for phOtonics) in Poitiers, France. This joint laboratory developed by Safran and Institut P' (a research facility created by the French National Center for Scientific Research (CNRS) and Poitiers University) aims to bring fundamental research and possible industrial applications closer together.

Defense

Optronics and sights

Land: During the year, Safran was awarded the STRONG contract for new-generation optic trajectography systems by the French Directorate General of Weapons Procurement (DGA), which will give the ground testing center in Bourges the data it needs to study missile and bomb trajectories in testing and classification phases.

In 2018 Safran announced that it had delivered its 100th PAVAM[2] precision module to Leonardo DRS for its JETS[3] targeting system. Chosen by the US army in 2016, PAVAM is an innovative True North Finder based on the HRG Crystal™ hemispherical resonator gyroscope.

Raytheon, Safran Electronics & Defense and Safran Optics 1 signed a letter of intent in 2018 to cooperate on the future generation of targeting systems for combat vehicles.

Sea: Safran's PASEO XLR (eXtra Long Range) sighting system was chosen by Naval Group for France's medium frigates (FTI). Five of the 4,000t-class ships will be delivered to the French navy as from 2023.

In 2018, Safran's Vigy Engage electro-optical sensor was chosen for the situational awareness system onboard the Royal Australian Navy's 12 future offshore patrol vessels. This success helps Safran deepen its footprint in Australia.

Soldier modernization

In 2018, Safran was awarded the contract to supply over 1,000 next-generation MOSKITO TI™ thermal imagers as part of an international competitive process launched by the Defense Material Organization (DMO[4]) of the Netherlands.

During the year, the Norwegian Defense Material Agency (NDMA) awarded Safran a contract to supply its MOSKITO TI™ and JIM Compact™ medium and long-range multifunction thermal imagers.

Selected in 2017 by the US army, deliveries of the first LTLM II[5] imagers began during the year and are progressing in line with the delivery schedule.

Lastly, Safran and Bull were chosen by the Directorate General of Weapons Procurement in France (DGA) to design and manufacture the new C2 (Command & Control) terminal for tactical infantry leaders equipped with FELIN, an integrated equipment suite used in combat.

Navigation and sensors

Land: At the Eurosatory defense fair, Safran unveiled Geonyx™, its new family of inertial navigation and pointing systems for land vehicles. Based on the HRG Crystal™ hemispherical resonating gyro, Geonyx™ signals a major step forward in terms of compact design, operational efficiency, integration and cost of ownership. A first framework contract has been signed with French weapons group Nexter. This contract will enable Safran to propose a new generation of inertial navigation and pointing systems in France and also for export.

Sea: In 2018, Safran rounded out its offer of inertial navigation systems with its new Argonyx™ and Black-Onyx™ ranges for surface vessels and submarines, respectively. Based on innovative HRG Crystal™ technology, these new systems signal a major step forward in terms of operational efficiency, product integration and cost of ownership.

During the year, Safran was chosen to upgrade Walrus-class non-nuclear attack submarines operated by the Royal Netherlands Navy with its integrated inertial navigation system (including Sigma 40 and the associated control units). Safran Electronics & Defense's Sigma 40 is the best-selling naval inertial navigation system in the world and is deployed by more than 40 navies worldwide on over 600 vessels.

Drones

Patroller UAV systems

The European Commission chose the OCEAN 2020 consortium, in which Safran plays a major role, for its Preparatory Action on Defense Research (PADR) program. This project aims to develop a technology demonstrator that will validate the concept of deploying a complete array of drone systems for surveillance in a maritime environment.

(1) Full Authority Digital Engine Control.
(2) Precision Azimut Vertical Angle Module.
(3) Joint Effects Targeting System.
(4) Defense Material Organization: body responsible for the maintenance and resale of material for the Dutch Armed Forces.
(5) Laser Target Locator Module II.

After having been awarded the contract for the tactical UAV[1] for the French army with Patroller in 2016, Safran began its classification program in 2018. Fitted with its flight control system, radar, Euroflir™ 410 gyrostabilized pod and data links, the drone made 125 flights during the year. Delivery of the first Patroller system to the French Armed Forces is slated for 2019.

Tactical land-based robot

A major land robotics initiative, the DGA's "Furious" Science and Technology (PST) project lays the groundwork for the future integration of land robots into the French Armed Forces, as part of phase II of the Scorpion modernization program. To fulfill this contract, Safran has sought assistance from small and medium-sized businesses, supported by academia. The project involves the development of three robot demonstrators, including the eRider autonomous vehicle.

2.1.3.4 Aerosystems

Adjusted key figures

(in € millions)	2017	2018	Year-on-year change
Revenue	N/A	1,785	N/A
Recurring operating income	N/A	266	N/A
Profit from operations	N/A	262	N/A
Free cash flow	N/A	183	N/A
Acquisitions of property, plant and equipment	N/A	43	N/A
Research and development			
Self-funded R&D	N/A	(198)	N/A
% of revenue	*N/A*	*11.1%*	*N/A*
Research tax credit	N/A	10	N/A
Self-funded R&D after research tax credit	N/A	(188)	N/A
Capitalized expenditure	N/A	43	N/A
Amortization and impairment of R&D expenditure	N/A	(23)	N/A
Impact on profit from operations	N/A	(168)	N/A
% of revenue	*N/A*	*9.4%*	*N/A*
Headcount	N/A	13,869	N/A

Review of Aerosystems operations in 2018

Aerosystems recorded revenue of €1,785 million. The organic growth in original equipment sales, notably for Electrical & Cockpit systems and Connected Cabin activities, was partially offset by lower services sales. Aerosystems recurring operating income was €266 million, representing 14.9% of sales. Adverse currency variations and higher R&D charged to the income statement were a headwind to profitability. Organic growth of sales contributed positively.

Commercial and industrial developments

Safety systems

Emergency evacuation systems

In 2018, deliveries of emergency slides for the new A320neo, A350, Boeing 737 Max and Boeing 787 programs continued apace amid a significant ramp-up. Between March 1 (the date on which Zodiac Aerospace's businesses were merged into those of Safran) and December 31, a total of 3,626 emergency slides were delivered for the A320 family (ceo and neo). Safran also delivered evacuation slide systems for the first Boeing 777X in 2018, expected to complete its maiden flight in 2019.

During the year, Safran also continued to provide maintenance and repair services for evacuation systems (slides, rafts, life vests) installed on numerous business (Dassault Aviation), commercial (Airbus, Boeing, COMAC, Embraer, Sukhoi) and military (Boeing, Lockheed Martin) aircraft.

Emergency arresting systems

Safran's EMASMAX® system safely stops an aircraft in an emergency runway overrun situation. This system is used on over 100 runways at 60 airports, mainly in the United States. In late 2018, the system's effectiveness was demonstrated once again when a medium-haul aircraft overran the runway at Burbank airport in the United States.

Oxygen systems

In 2018, new EROS® 40 series crew oxygen masks featuring an integrated SmartMike® microphone that helps to reduce breathing-related noise were delivered to US airframer Boeing for its new long-haul Boeing 777X aircraft. These masks were also selected for the future turboprop Cessna 408 SkyCourier and Dassault's Falcon 6X business jet.

(1) *Unmanned aerial vehicle.*

Safran also continued to replace crew oxygen masks for the US Air Force's tactical transport fleet (Boeing C-17 Globemaster III, Lockheed C-130 Hercules, Northrop Grumman E-8 Joint STARS, Boeing KC-135 Stratotanker, McDonnell Douglas KC-10 Extender and C-5 Galaxy).

Parachutes and protections

During the year, Safran continued to test the air drop system for special mission skydivers (*Système de Mise à Terre des Chuteurs OPérationnel* – SMT C-OPS) chosen by the Directorate General of Weapons Procurement (DGA) in France to upgrade the equipment of the French Armed Forces. This system will provide the French Armed Forces with the highest standard of tactical military parachute equipment in the world.

In 2018, Safran upgraded the tactical parachutes designed for the British Armed Forces and was chosen to supply the troop parachute system (*Ensemble de Parachutage du Combattant* – EPC) for the Italian Armed Forces.

During the year, Safran set up a rigorous ongoing improvement program for its parachute production in the United States, investing in industrial machinery and systems. At the end of 2018, these improvements were confirmed by an audit carried out by the Defense Contract Management Agency (DCMA).

Airstairs

In 2018, Safran obtained certification for Airstairs designed for the new Boeing 737 Max. The first one has been delivered to the US airframer. Airstairs is a retractable set of steps built into an aircraft, allowing airlines to board and disembark their passengers directly onto the tarmac without the need for ground support equipment. Boeing's P-8 Poseidon and 737 business jet already feature Airstairs.

Electrical systems and cockpit solutions

The Group clocked up a number of commercial achievements during the year:

- Safran's electricity distribution system and cockpit solutions were chosen by Dassault Aviation for its future Falcon 6X business jet;
- Safran's engine starter generator was selected by Boeing to power its aerial refueling drone MQ-25 Stingray, and by helicopter manufacturer Leonardo for its future AW249 attack helicopter;
- Safran's electrical wiring protection system was chosen by Airbus for the main landing unit of its new A330neo aircraft.

In 2018, Safran's electrical systems and cockpit solutions were also boosted by the ramp-up of recent programs (Boeing 787, A220, A350, Embraer E-Jet E2).

Safran also hit major development milestones on new aeronautical programs during the year, including the certification of the Bombardier Global 7500 business jet, development of a test bench for COMAC in China, and the upgrade of the electrical core of the Irkut MC21.

Control systems

Fuel and control systems

The year saw a string of commercial wins: Safran's fuel circulation, measurement and fuel tank inerting systems were selected by Dassault Aviation for its future Falcon 6X business jet, while Safran's fuel system was chosen by airframer Textron Aviation for a new aircraft under development.

In 2018, the new-generation in-flight refueling nacelle (NARANG) for Rafale refuelers currently used in naval aviation successfully completed its test flights. This paves the way for new orders from the French Armed Forces.

Lastly, the first inerting system for the new Embraer 190 E2 aircraft was certified during the year, and the first fuel sensors using Lisafe™ fiber optic technology were delivered for the Boeing 777X.

Telemetry and communications

A contract to supply telemetry (remote sensing) equipment was signed with ArianeGroup in 2018. Delivery of this equipment for the Ariane 6 launcher is slated to begin in 2019.

Fluid management

Water and waste management systems

In 2018, Safran's water and waste systems benefited from global growth in air transport as well as cabin retrofits under long-standing programs.

Leader[(1)] in the water and waste management market for commercial aircraft, Safran was boosted not only by the increase in fleets of new aircraft on which its water and waste systems were selected (such as for example on the A350, Boeing 787, A220 and Embraer E-Jet E2), but also by maintenance operations for the in-service fleet.

Cabin retrofit operations continued to develop during the year. Singapore Airlines notably awarded Safran a service contract to replace the water and waste management systems on its Boeing 777 fleet.

Fluid management

Safran boasts a full range of fluid management expertise, from hydraulic equipment, couplings and associated equipment to piping.

During the year, the Group benefited from the ramp-up in production rates for civil engines equipped with high-pressure and high-temperature piping systems, particularly for the LEAP engine. The Group obtained certification for its comprehensive range of flexible couplings for low-pressure systems onboard aircraft (air, water, waste, etc.), meeting the AS1650 industry standard and enabling the development of this business on the US market.

(1) Source: Safran.

Environment control systems

During the year, Safran's environmental control systems notched up a string of successes, being selected for four new programs developed by two airframers. This positions Safran as one of the leaders in environmental control systems for under 10-seater aircraft.

Connected cabin

Safran's innovative on-board entertainment and connectivity solutions enjoyed major commercial success in the year. A leading Middle Eastern airliner chose Safran's RAVE[1] in-flight entertainment system for its 50 future A321neo aircraft, while a major European carrier chose the RAVE in-flight entertainment system to equip the new cabins of its A350 and A330 aircraft in 2019 and the new cabin of its A380 aircraft as from 2020.

In 2018 Safran's RAVE system was included as original equipment on an A350 aircraft for the first time. This satellite-based entertainment system will offer passengers a wide choice of entertainment and information programs as well as broadband Internet access.

To support the technological advances associated with Safran's entertainment solutions, Safran entered into new partnership agreements with LG (South Korea) during the year to develop new individual screens and analytical tools.

2.1.3.5 Aircraft Interiors

Adjusted key figures

(in € millions)	2017	2018	Year-on-year change
Revenue	N/A	2,014	N/A
Recurring operating income	N/A	20	N/A
Loss from operations	N/A	(16)	N/A
Free cash flow	N/A	(107)	N/A
Acquisitions of property, plant and equipment	N/A	40	N/A
Research and development			
Self-funded R&D	N/A	(122)	N/A
% of revenue	*N/A*	*6.1%*	*N/A*
Research tax credit	N/A	2	N/A
Self-funded R&D after research tax credit	N/A	(120)	N/A
Capitalized expenditure	N/A	21	N/A
Amortization and impairment of R&D expenditure	N/A	(8)	N/A
Impact on profit from operations	N/A	(107)	N/A
% of revenue	*N/A*	*5.3%*	*N/A*
Headcount	N/A	19,662	N/A

Review of Aircraft Interiors operations in 2018

Aircraft Interiors recorded revenue of €2,014 million. Despite organic growth in Cabin, the performance remained negatively impacted by lower volumes in Seats. Aircraft Interiors recurring operating income was €20 million. The performance was driven by the first benefits of operational improvement plans and cost reduction programs. From March 1, 2017 to February 28, 2018, Aircraft Interiors recorded a loss of €112 million[2].

Commercial and industrial developments

Cabin

The new integrated *Atmosphere* cabin for Bombardier's regional CRJ aircraft was unveiled at the Farnborough air show in the United Kingdom. Developed together with the Canadian airframer, this new cabin interior has many advantages, including more spacious lavatories, an improved lounge area and full spectrum RGB cabin lighting. *Atmosphere* also allows each passenger to store a wheeled suitcase in the aircraft's overhead bins, reducing the amount of luggage to be checked in at the boarding gate. In 2018, *Atmosphere* was selected by America's Delta Air Lines for its Bombardier CRJ900 fleet.

The first new cabin interior designed by EZ Air (50/50 joint venture with Embraer) for the Embraer E-Jet was delivered and entered into service in 2018.

A partnership agreement was signed with European airframer Airbus during the first half of the year to develop and market lower-deck sleeping facilities for its long-haul commercial aircraft. Slated for delivery as from 2020, these sleeping facilities will enable airlines to improve passenger comfort while generating additional revenue.

(1) Reliable, Affordable and Very Easy.
(2) Before the application of IFRS 15.

In 2018, NUVO, a new range of electrical inserts, was marketed for both commercial aircraft and business jets. These inserts (oven, microwave, chillers, water boilers, espresso and coffee makers) strengthen the Group's position as one of the world's leading suppliers[1] of electrical inserts for aircraft.

Safran took a record order from the Ryanair carrier during the year to supply galleys for some 100 new Boeing 737 aircraft.

Seats

Safran hit several milestones during the year:

- the first Singapore Airlines A380 aircraft fitted with the airline's new First Class suites developed and manufactured by Safran made its first commercial flight. Located on the upper deck of the aircraft, these spacious suites feature a wide swivel armchair which reclines up to 45 degrees, as well as a separate flat bed. The beds in the first two suites on each side of the aisle can be converted into a double bed. The success of these suites led Singapore Airlines to be ranked first by Skytrax in its "Best in First Class" category for 2018;
- the German Design Award was given to Germany's Lufthansa which was first in the Transportation category for its new A350 Economy Class fitted with Safran seats;
- marketing began for several new products, including Z200 Economy Class seats for short- and medium-haul flights, Z400 seats for long-haul flights, and Skylounge Core Business Class seats, which were awarded the Janus label from the French Institute of Design. This label rewards Safran's best-in-class engineering and innovation in the aircraft seat segment.

Economy and Premium Economy Class passenger seats

The Z85 Economy Class seat for short and medium-haul flights continued to enjoy a favorable response from airlines, with orders taken for around 51,000 seats during the year, bringing the number of Z85 seats delivered since the product's launch in 2012 to over 100,000. A major European airline selected the Z85 Regional Economy Class seat for aircraft flying regional routes.

The low-cost carrier Ryanair once again chose the Z100 seat to retrofit a further 40 medium-haul Boeing 737 aircraft.

Business and First Class passenger seats

The Optima Business Class seat continues to make commercial inroads, with another order placed by a leading US airline for a customized version of Optima in a linefit and retrofit order regarding a further 79 Boeing 787, Boeing 767 and Boeing 777 aircraft. Optima was also chosen in a linefit order by one of Africa's biggest carriers for 10 of its A350s and by a major Middle Eastern airline for the retrofit of six of its Boeing 777 aircraft.

Still in the Business Class segment, the Cirrus seat was chosen by Air France for the retrofit of nine A380 aircraft, while Skylounge seating was chosen by a major Middle Eastern carrier in a linefit order regarding 45 new long-haul aircraft.

In all, between March 1 (the date on which Zodiac Aerospace's businesses were merged into those of Safran) and December 31, a total of 3,414 Business Class seats were delivered.

In the First Class segment, one of Asia Pacific's largest airlines chose Safran Seats to design and develop a bespoke suite for 21 Boeing 777X aircraft.

Industrial operations

As part of the restructuring of its operations in North America, Safran:

- centralized the production of lavatory cubicles for A350 aircraft at its Cypress (California, United States) and Herborn (Germany) sites;
- transferred seat-related activities for regional aircraft from its Rancho Cucamonga (California, United States) site to its Gainesville (Texas, United States) and Chihuahua (Mexico) plants.

A new plant located in Soliman, Tunisia, started up production of composites for Safran seat shells during the year.

(1) *Source: Safran.*

2.2 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 Consolidated income statement

The simplified consolidated income statement for the year ended December 31, 2018 presented below was taken directly from the consolidated financial statements included in section 3.1 of this Registration Document.

(in € millions)	2017[1]	2018	Year-on-year change
Revenue	**16,376**	**21,025**	**+28.4%**
Other operating income and expenses	(14,002)	(18,934)	
Share in profit from joint ventures	144	189	
Recurring operating income	**2,518**	**2,280**	**-9.5%**
Other non-recurring operating income and expenses	(90)	(115)	
Profit from operations	**2,428**	**2,165**	**-10.8%**
Financial income (loss)	3,012	(476)	
Income tax expense	(1,660)	(348)	
Profit from continuing operations	**3,780**	**1,341**	
Profit from discontinued operations and assets held for sale	831	-	
Loss for the period attributable to non-controlling interests	(61)	(58)	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**4,550**	**1,283**	

(1) Data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

Consolidated revenue

2018 revenue amounted to €21,025 million, an increase of 28.4% on 2017 (€16,376 million), which included Zodiac Aerospace's €3,775 million contribution to consolidated earnings for the 10 months of operations following its acquisition.

The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures (see section 2.1.1). Neutralizing the impact of foreign currency hedging in 2018 decreased consolidated revenue by €25 million. This year-on-year change in the revenue impact of foreign currency hedging results from movements in average exchange rates with regard to the effective hedging rates for the period on the portion of foreign currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate in 2018 was 1.18, against an annual average rate which was also 1.18, which explains the minimal impact of stripping out hedging from the calculation.

Year-on-year changes in revenue excluding the impact of adjusting items are analyzed below (see section 2.1.2).

Recurring operating income

Recurring operating income was €2,280 million in 2018 versus €2,518 million in 2017. The difference between recurring operating income and adjusted recurring operating income (see section 2.1.2), which came in at €3,023 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for business combinations, representing €56 million in relation to the May 2005 Sagem/Snecma business combination;
- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €678 million;
- a positive €11 million impact resulting from foreign currency hedging transactions.

Changes in adjusted recurring operating income are analyzed above (see section 2.1.2).

Profit from operations

Profit from operations was down 10.8% year-on-year to €2,165 million in 2018 from €2,428 million in 2017. Profit from operations includes recurring operating income of €2,280 million (€2,518 million in 2017) and other non-recurring items, representing an expense of €115 million (expense of €90 million in 2017).

Changes in profit from operations are analyzed above (see section 2.1.2).

Financial income

The Group reported a financial loss of €476 million in 2018 versus financial income of €3,012 million in 2017.

Two items account for the difference between consolidated and adjusted financial income for 2018 (see section 2.1.2):

- changes in the fair value of currency instruments hedging future cash flows, which had a positive impact of €232 million in 2018. This amount is recognized in full in financial income (loss) in the consolidated financial statements. However, the impact of changes in financial instruments hedging future cash flows is neutralized in the adjusted financial statements. These changes relate to volatility in the EUR/USD exchange rate, since the currency hedging portfolio was priced based on a year-end exchange rate of 1.15 at December 31, 2018, and 1.20 at December 31, 2017;
- the impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by the Group, representing a positive €33 million impact in 2018. This impact is recognized in financial income (loss) in the consolidated financial statements and within profit from operations (mostly in revenue) in the adjusted income statement.

Income tax expense

The Group reported income tax expense of €348 million in 2018, compared with income tax expense of €1,660 million in 2017.

Changes in the tax effect are primarily due to significant changes in the fair value of currency instruments hedging future cash flows, representing a negative impact of €232 million in 2018 recorded in financial income/loss (2017: positive impact of €3,468 million recorded in this caption).

Consolidated profit attributable to owners of the parent

This caption represented profit of €1,283 million for 2018 compared to profit of €4,550 million for 2017.

Changes in adjusted profit are analyzed above (see section 2.1.2).

2.2.2 Simplified consolidated balance sheet

The simplified consolidated balance sheet at December 31, 2018 presented below was taken directly from the consolidated financial statements included in section 3.1 of this Registration Document.

(in € millions)	2017[1]	2018
Assets		
Goodwill	1,831	5,173
Property, plant and equipment and intangible assets	9,114	14,211
Investments in equity-accounted companies	2,127	2,253
Other non-current assets	575	811
Derivatives (positive fair value)	582	753
Inventories and work-in-progress	3,954	5,558
Contract costs	261	470
Trade and other receivables	4,952	6,580
Contract assets	1,366	1,544
Other current assets	2,709	937
Cash and cash equivalents	4,914	2,330
TOTAL ASSETS	**32,385**	**40,620**
Equity and liabilities		
Total equity	9,648	12,301
Provisions	2,188	2,777
Borrowings subject to specific conditions	569	585
Interest-bearing financial liabilities	4,636	5,605
Derivatives (negative fair value)	805	1,262
Other non-current liabilities	682	1,664
Trade and other payables	4,409	5,650
Contract liabilities	9,090	10,453
Other current liabilities	358	323
TOTAL EQUITY AND LIABILITIES	**32,385**	**40,620**

(1) Data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

2.2.3 Change in consolidated net debt

The year-on-year change in the Group's net debt for 2017 and 2018 can be summarized as follows:

(in € millions)	2017	2018
Cash flow from operations	**2,061**	**3,098**
Change in working capital	691	(27)
Acquisitions of property, plant and equipment	(740)	(780)
Acquisitions of intangible assets	(225)	(183)
Capitalization of R&D expenditure	(349)	(327)
Free cash flow	**1,438**	**1,781**
Dividends paid	(372)	(721)
Divestments/acquisitions of securities and other	611	(4,623)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,677**	**(3,563)**
Net debt at January 1	(1,383)	294
Net debt at December 31	**294**	**(3,269)**

Cash flow from operations is calculated by taking profit or loss before tax and adjusting for income and expenses with no cash impact, for example net charges to depreciation, amortization and provisions, and changes in the fair value of financial instruments hedging future cash flows[1]). The Group's ability to finance working capital, acquisitions of property, plant and equipment and intangible assets and dividends out of operating activities rose by €1,037 million over the year, from €2,061 million in 2017 to €3,098 million in 2018.

Operations generated €1,781 million of free cash flow including Zodiac Aerospace activities over a 10-month period (59% of adjusted recurring operating income in 2018 compared to 66% in 2017), a rise of €343 million compared to the previous year. Free cash flow generation of €1,781 million essentially results from cash from operations of €3,098 million and a decrease of €27 million in working capital (related to the CFM56-LEAP transition and the consolidation of Zodiac Aerospace).

Dividends paid in the year correspond to the payment of €1.60 per share in respect of 2017.

Divestments/acquisitions of securities and other primarily relate to the Zodiac Aerospace acquisition.

The net debt position was €3,269 million at December 31, 2018, compared to €294 million at December 31, 2017.

At December 31, 2018, Safran had €2,330 million of cash and cash equivalents and €2,520 million of secured and undrawn facilities.

(1) See section 3.1, "Consolidated statement of cash flows".

2.3 COMMENTS ON THE PARENT COMPANY FINANCIAL STATEMENTS

2.3.1 Safran income statement

Safran's simplified income statement for the year ended December 31, 2018 presented below was taken directly from the parent company financial statements included in section 3.3 of this Registration Document.

(in € millions)	2017	2018
Revenue	552	728
Other operating income and expenses	(586)	(835)
Loss from operations	(34)	(107)
Financial income	1,225	1,644
Non-recurring items	25	4
Income tax benefit	144	164
PROFIT FOR THE YEAR	**1,360**	**1,705**

Revenue came in at €728 million in 2018 versus €552 million in 2017, and chiefly includes billings of general assistance services provided by the parent company to its subsidiaries, as well as specific amounts billed to certain subsidiaries (rent, employees, IT services) and miscellaneous services related to projects (research projects for example) managed by the parent company on behalf of all of its subsidiaries. The €176 million year-on-year increase in revenue in 2018 results primarily from general assistance services provided to subsidiaries.

Other operating income and expenses represented a net expense of €835 million in 2018 and a net expense of €586 million in 2017.

Safran reported a loss from operations of €107 million in 2018 and €34 million in 2017.

It reported financial income of €1,644 million in 2018 and €1,225 million in 2017. Financial income includes dividends received from subsidiaries totaling €1,865 million, compared to €1,262 million in 2017. This caption also includes a net interest expense of €177 million in 2018 (net interest expense of €3 million in 2017) and foreign exchange losses of €29 million (€36 million in foreign exchange losses in 2017).

Safran reported non-recurring income of €4 million in 2018 and €25 million in 2017.

Income tax represented a benefit of €211 million under the Group's tax consolidation regime in 2018 (€33 million in 2017). A net charge to the provision for the transfer of the tax saving relating to the French tax group from Safran to its loss-making subsidiaries was recognized in Safran's financial statements in an amount of €47 million in 2018 (net reversal of the provision amounting to €111 million in 2017).

On account of the above, profit for the year came in at €1,705 million, compared to €1,360 million in 2017.

2.3.2 Simplified balance sheet

Safran's simplified balance sheet at December 31, 2018 presented below was taken directly from the parent company financial statements included in section 3.3 of this Registration Document.

(in € millions)	2017	2018
Assets		
Non-current assets	12,946	18,437
Cash equivalents and marketable securities	4,829	2,141
Other current assets	2,446	4,381
TOTAL ASSETS	**20,221**	**24,959**
Equity and liabilities		
Share capital	8,289	10,625
Provisions	468	560
Borrowings	4,342	5,209
Other payables	7,122	8,565
TOTAL EQUITY AND LIABILITIES	**20,221**	**24,959**

The increase in share capital in 2018 reflects (i) profit for the year of €1,705 million and dividends paid in 2018 for €695 million, and (ii) recognition of €2,238 million in additional paid-in capital in respect of the subsidiary exchange offer for Zodiac Aerospace and the €38 million merger premium issued at the time of the Zodiac Aerospace merger. A €950 million share capital decrease was carried out by canceling treasury shares.

Changes in non-current assets chiefly result from the merger deficit on the Zodiac Aerospace transaction amounting to €5,995 million (see section 3.3, Note 1.2).

Changes in borrowings reflect an issue of €500 million in bonds and of €700 million in OCÉANE 2018-2023 convertible bonds, the redemption of OCÉANE 2016-2020 convertible bonds for €650 million, and a €180 million syndicated loan transferred to Safran at the time of the Zodiac Aerospace merger (see section 3.3, Note 3.9).

2.3.3 Other information

Supplier and customer payment periods

Pursuant to Article D.441-4 of the French Commercial Code *(Code de commerce)*, the table below shows outstanding invoices due and past due at the end of the reporting period:

	Article D.441-I.-1: Invoices received but not settled at December 31, 2018						Article D.441-I.-2: Invoices issued but not settled at December 31, 2018					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total (1 or more days)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total (1 or more days)
(A) Breakdown of past due payments												
Number of invoices concerned	-					115	-					228
Total amount of invoices concerned including VAT *(€)*	-	275,345	819,327	47,146	319,742	1,461,559	-	1,181,037	2,031,423	112,901	521,393	3,846,753
% total purchases in 2018 including VAT	-	0.06%	0.18%	0.01%	0.07%	0.32%						
% revenue in 2018 including VAT							-	0.17%	0.29%	0.02%	0.07%	0.54%
(B) Invoices excluded from (A) relating to disputed or unrecognized payables and receivables												
Number of invoices excluded						-						6
Total amount of invoices excluded *(€)*						-						126,991
(C) Reference payment terms used (contractual or statutory terms pursuant to Article L.441-6 or L.443-1 of the French Commercial Code)												
Reference payment terms used to calculate past due payments	☒ Contractual terms: *CONTRACTUAL TERMS* ❑ Statutory terms: (specify)						☒ Contractual terms: *CONTRACTUAL TERMS* ❑ Statutory terms: (specify)					

Non-deductible expenses

Non-deductible expenses (Article 223 *quater* and Article 39-4 of the French Tax Code *(Code général des impôts)* amounted to €0.2 million in 2018 (€0.1 million in 2017) and relate to the non-deductible portion of vehicle lease payments and depreciation.

Dividends

Dividends that have not been claimed within five years are time-barred and paid over to the French State in accordance with the applicable legislation.

Future dividends will depend on Safran's ability to generate profits, its financial position and any other factors deemed relevant by the Company's corporate governance bodies.

Details of previous dividend payments are included in the proposed appropriation of profit for 2018 and the five-year financial summary of the Company set out below.

Proposed appropriation of 2018 profit

The Board of Directors recommends appropriating profit for 2018 as follows:

Profit for 2018	€1,705,042,464.10
Retained earnings(1)	€1,515,812,333.94
Profit available for distribution	€3,220,854,798.04
Appropriation:	
Dividend	€793,097,670.82
Retained earnings	€2,427,757,127.22

(1) Including €14,576,710.40 corresponding to the 2017 dividend due on shares held in treasury at the dividend payment date and after allocating the amount of €949,785,671.12 representing the difference between the carrying amount of the 11,402,884 treasury shares canceled on December 17, 2018 and their nominal amount.

Accordingly, the dividend will be €1.82 per share and will be paid on May 29, 2019. The ex-dividend date will be May 27, 2019.

Individual shareholders domiciled for tax purposes in France are eligible for 40% tax relief on the full amount of their dividend pursuant to Article 158, 3-2° of the French Tax Code.

The dividends not payable on shares held in treasury will be credited to retained earnings.

The dividends paid for the past three years were as follows:

Year	Number of shares carrying dividends rights(1)	Net dividend per share	Total payout
2017	434,570,199	€1.60	€695,312,318.40(4)
2016	409,239,433(2)	€1.52	€626,602,111.28(5)
2015	416,410,610(3)	€1.38	€574,637,624.40(5)

(1) Total number of shares making up the Company's capital (443,680,643) less the number of Safran shares held in treasury at the dividend payment date.
(2) An interim dividend (€0.69) was paid on 415,845,481 shares and the remainder of the dividend (€0.83) was paid on 409,239,433 shares.
(3) An interim dividend (€0.60) was paid on 416,395,581 shares and the remainder of the dividend (€0.78) was paid on 416,410,610 shares.
(4) Subject to the flat-rate tax provided for under Article 200-A of the French Tax Code or, on a discretionary basis, tax levied at the progressive rate after the 40% tax relief provided for under Article 158, 3-2° of the French Tax Code.
(5) Fully eligible for the 40% tax relief provided for under Article 158, 3-2° of the French Tax Code.

Five-year financial summary of the Company

(in €)	2014	2015	2016	2017	2018
Capital at December 31					
Share capital	83,405,917	83,405,917	83,405,917	83,405,917	87,153,590.20
Number of ordinary shares outstanding	417,029,585	417,029,585	417,029,585	417,029,585	435,767,951
Financial results					
Profit before tax, statutory employee profit-sharing, depreciation, amortization and provisions	218,114,906	1,564,574,645	767,391,743	1,251,397,582	1,621,981,388
Income tax expense	(135,606,853)	(102,700,757)	(52,805,019)	(33,064,752)	(211,350,763)
Statutory employee profit-sharing for the fiscal year	-	-	-	-	-
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	654,303,872	1,648,209,397	969,870,638	1,359,762,344	1,705,042,464
Dividend payment	500,435,502	575,500,827	633,884,969	667,247,336	793,097,671
Per share data					
Profit after tax, statutory employee profit-sharing, but before depreciation, amortization and provisions					
> divided by the number of shares outstanding	0.85	4.00	1.97	3.08	4.21
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions					
> divided by the number of shares outstanding	1.57	3.95	2.33	3.26	3.91
Net dividend					
> per ordinary share outstanding	1.20	1.38	1.52	1.60	1.82
Employees					
Average number of employees during the fiscal year	1,370	1,519	1,577	1,624	1,774
Total payroll	124,923,990	133,628,961	140,807,877	145,288,974	173,747,142
Social security and other social welfare contributions	75,609,338	88,424,113(1)	88,550,754(2)	95,952,479(3)	114,279,525(4)

(1) Including €7.4 million in contributions paid to the insurer that manages the defined benefit pension plan.
(2) Including €5.0 million in contributions paid to the insurer that manages the defined benefit pension plan.
(3) Including €6.6 million in contributions paid to the insurer that manages the defined benefit pension plan.
(4) Including €2.3 million in contributions paid to the insurer that manages the defined benefit pension plan.

2.4 OUTLOOK FOR 2019

Compared with 2018 figures, Safran expects for 2019:

- at an estimated average spot rate of USD 1.18 to the euro in 2019 (as in 2018), adjusted revenue to grow in the range 7% to 9%, notably including the two additional months of contribution from Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities) in 2019 compared with 2018. Adjusted revenue to grow by around 5% on an organic basis;
- adjusted recurring operating income to grow in the low teens (at a hedged rate of USD 1.18 to the euro as in 2018);
- free cash flow to be around 55% of adjusted recurring operating income, a usual element of uncertainty being the rhythm of payments by State clients.

The guidance is based notably on the following assumptions:

- increase in aerospace original equipment deliveries and notably of military engines;
- civil aftermarket growth in the high single digits;
- CFM56-LEAP transition: overall negative impact on Propulsion adjusted recurring operating income variation in the range of €50 million to €100 million;
  - lower CFM56 original equipment volumes,
  - negative margin on LEAP deliveries;
- Aircraft Interiors: 2019 to be a transition year for sales as time is required for new orders to drive stronger revenue growth. Continuing improvement of recurring operating income margin;
- increase of self-funded R&D in the range of €150 million to €200 million;
  - negative impact on recurring operating income after activation and amortization of capitalized R&D;
- increase in investments in property, plant and equipment.

Factors with a potential impact on results

Major risk factors that could have an adverse impact on the Group's business, financial position or results of operations are described in chapter 4.

2.5 ACQUISITION OF ZODIAC AEROSPACE

Takover of Zodiac Aerospace by Safran

On February 6, 2018, the French financial markets authority (*Autorité des marchés financiers* – AMF) published the results of the initial Offer filed on December 6, 2017. At that date, Safran held around 88.23% of Zodiac Aerospace's share capital, given: (i) the 233,664,224 shares purchased within the scope of the offer, representing 79.74% of Zodiac Aerospace's share capital and 71.87% of its voting rights[1]; (ii) treasury shares held representing 4.31% of its share capital that were not tendered to the offer; and (iii) shares covered by the residual interest undertaking, representing around 4.18% of its share capital.

On February 13, 2018, the settlement date for the initial Offer, Safran obtained exclusive control of Zodiac Aerospace. On the same date, Safran issued 26,651,058 class A Preferred Shares in consideration for the 88,847,828 Zodiac Aerospace shares effectively tendered to the Subsidiary Exchange Offer.

On March 8, 2018, the AMF published the results of the Subsequent Offer (for the tender offer portion), which was designed to enable any Zodiac Aerospace shareholders who had not yet done so to tender their shares to the Offer. Safran therefore acquired 27,310,744 additional shares, bringing the total number of shares to 286,241,204, representing 97.67% of the share capital and at least 96.61% of the voting rights of Zodiac Aerospace.

On March 23, 2018, Zodiac Aerospace shares were delisted[2].

Merger of Zodiac Aerospace into Safran

As indicated in the 2017 Registration Document, Safran reserved the right to merge Zodiac Aerospace into the Group by any means in order to continue streamlining the structure of the new Group and help unlock the synergies expected from the combination.

On June 1, 2018, the governing bodies of Safran and Zodiac Aerospace, along with the employee representative bodies of each company, were informed of the planned merger of Zodiac Aerospace into Safran.

After the project was approved by Safran and Zodiac Aerospace's governing bodies, the merger agreement was signed on October 19, 2018 and subsequently approved by Safran's Extraordinary Shareholders' Meeting of November 27, 2018.

Completed on December 1, 2018 with retroactive effect for accounting and tax purposes on January 1, 2018[3], the merger involved the transfer of all Zodiac Aerospace assets and liabilities to Safran and the dissolution of Zodiac Aerospace.

Share capital increase

The holders of the 12,714,727 Zodiac Aerospace shares that had not been tendered to either the initial or subsequent offer[4] received 3,490,192 ordinary Safran shares with a par value of €0.20 each, created through the **€698,038.40 increase in the share capital of Safran**. These shares were allocated to non-controlling shareholders of Zodiac Aerospace in proportion to their ownership interest. A merger premium totaling €38 million was also recognized against other reserves.

All documents relating to Zodiac Aerospace's merger into Safran can be found on the Group's website[5].

(1) Based on share capital comprising 293,046,975 shares representing a maximum of 325,122,966 theoretical voting rights, given the cancellation of at least 51,484,780 double voting rights attached to Zodiac Aerospace shares held in registered form and tendered to the Offer.

(2) Implementation by Safran of a mandatory squeeze-out of Zodiac Aerospace's shares pursuant to Articles L.433-4 III of the French Monetary and Financial Code (Code monétaire et financier) and 237-14 et seq. of the AMF's General Regulations.

(3) In accordance with Article L.236-4 of the French Commercial Code.

(4) In accordance with Article L.236-3 of the French Commercial Code, the treasury shares held by Zodiac Aerospace and the Zodiac Aerospace shares already held by Safran were not exchanged.

(5) See https://www.safran-group.com/safran-zodiac/safran-zodiac.php and the preliminary documents for Safran's Annual General Meeting of November 27, 2018 https://www.safran-group.com/fr/finance/assemblee-generale/documents-preparatoires/Documents%20pr%C3%A9paratoires.

2.6 SUBSEQUENT EVENTS

In mid-February 2019, Airbus announced its decision to cease production of the A380. The final A380 deliveries are slated for 2021.

Tests carried out taking into consideration all of the assets and liabilities recognized in the balance sheet at end-2018 gave rise to a non-material impact on 2018 profit.

FINANCIAL STATEMENTS

3

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union at the date the consolidated financial statements were approved by the Board of Directors.

Simplified consolidated income statement

(in € millions)	2017	2018
Revenue	16,376	**21,025**
Recurring operating income	2,518	**2,280**
Profit from operations	2,428	**2,165**
Attributable profit	4,550	**1,283**

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

The parent company financial statements for the year ended December 31, 2018 have been prepared in accordance with the rules and regulations applicable in France pursuant to Regulation 2016-07 of November 4, 2016 issued by the French accounting standards-setter (*Autorité des normes comptables* – ANC) as well as the subsequent opinions and recommendations issued by the ANC.

Simplified parent company income statement

(in € millions)	2017	2018
Revenue	552	**728**
Profit from ordinary activities before tax	1,191	**1,537**
Profit for the year	1,360	**1,705**

IN ACCORDANCE WITH ARTICLE 28 OF REGULATION (EC) 809/2004 OF THE EUROPEAN COMMISSION, THE FOLLOWING INFORMATION IS INCORPORATED BY REFERENCE IN THIS REGISTRATION DOCUMENT:

- The consolidated and parent company financial statements for the year ended December 31, 2016 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2016 Registration Document filed with the AMF on March 30, 2017 under number D. 17-0275; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.
- The consolidated and parent company financial statements for the year ended December 31, 2017 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2017 Registration Document filed with the AMF on March 29, 2018 under number D. 18-0225; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Those sections of the 2016 and 2017 Registration Documents that are not incorporated by reference in this document are either considered no longer pertinent for investors or are dealt with in another section of the 2018 Registration Document.

3.1 GROUP CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

Consolidated income statement

(in € millions)	Note	2017*	2018
Revenue	**6**	**16,376**	**21,025**
Other income	7	280	321
Income from operations		**16,656**	**21,346**
Change in inventories of finished goods and work-in-progress		195	3
Capitalized production		522	447
Raw materials and consumables used	7	(9,449)	(12,440)
Personnel costs	7	(4,353)	(5,665)
Taxes		(284)	(295)
Depreciation, amortization and increase in provisions, net of use	7	(1,012)	(1,176)
Asset impairment	7	(60)	62
Other recurring operating income and expenses	7	159	(191)
Share in profit from joint ventures	15	144	189
Recurring operating income		**2,518**	**2,280**
Other non-recurring operating income and expenses	7	(90)	(115)
Profit from operations		**2,428**	**2,165**
Cost of net debt		(57)	(67)
Foreign exchange gain (loss)		3,071	(351)
Other financial income and expense		(2)	(58)
Financial income (loss)	**8**	**3,012**	**(476)**
Profit before tax		**5,440**	**1,689**
Income tax expense	9	(1,660)	(348)
Profit from continuing operations		**3,780**	**1,341**
Profit from discontinued operations and disposal gain	31	831	-
PROFIT FOR THE PERIOD		**4,611**	**1,341**
Attributable to:			
> owners of the parent		4,550	1,283
• *continuing operations*		*3,720*	*1,283*
• *discontinued operations*		*830*	-
> non-controlling interests		61	58
• *continuing operations*		*60*	*58*
• *discontinued operations*		*1*	-
Earnings per share from continuing operations attributable to owners of the parent *(in €)*	**10**		
Basic earnings per share		9.07	2.98
Diluted earnings per share		8.91	2.94
Earnings per share from discontinued operations attributable to owners of the parent *(in €)*	**10**		
Basic earnings per share		2.02	-
Diluted earnings per share		1.99	-

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

The data shown for 2018 include ten months of activity for Zodiac Aerospace, acquired by Safran on February 13 and consolidated with effect from March 1, 2018.

Consolidated statement of comprehensive income

(in € millions)	Note	2017*	2018
Profit for the period		**4,611**	**1,341**
Other comprehensive income			
Items to be reclassified to profit		**(495)**	**213**
Available-for-sale financial assets	14	(7)	-
Translation adjustments		(327)	230
Remeasurement of hedging instruments		138	(47)
Income tax related to components of other comprehensive income to be reclassified to profit		(40)	15
Share in other comprehensive income (expense) of equity-accounted companies to be reclassified to profit (net of tax)	15	(33)	15
Items related to discontinued operations to be reclassified to profit		(220)	-
Income tax on items related to discontinued operations to be reclassified to profit		(6)	-
Items not to be reclassified to profit		**34**	**35**
Actuarial gains and losses on post-employment benefits	24.c	43	46
Income tax related to components of other comprehensive income to be reclassified to profit		(7)	(7)
Share in other comprehensive income of equity-accounted companies not to be reclassified to profit (net of tax)		(2)	(4)
Items related to discontinued operations not to be reclassified to profit (net of tax)		-	-
Other comprehensive income (expense) for the period		**(461)**	**248**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4,150**	**1,589**
Attributable to:			
> owners of the parent		4,094	1,524
• *continuing operations*		*3,498*	*1,524*
• *discontinued operations*		*596*	-
> non-controlling interests		56	65
• *continuing operations*		*55*	*65*
• *discontinued operations*		*1*	-

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

The data shown for 2018 include ten months of activity for Zodiac Aerospace, acquired by Safran on February 13 and consolidated with effect from March 1, 2018.

In 2018, other comprehensive income relating to translation adjustments includes:

- €2 million in translation gains (€13 million in translation losses in 2017) 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;
- €228 million in translation gains (€314 million in translation losses in 2017) arising in the period on foreign operations.

In 2018, other comprehensive income resulting from the remeasurement of hedging instruments includes €47 million in translation losses (€138 million in translation gains in 2017) arising in the period on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market, classified as a hedge of the net investment in some of the Group's US operations (wholly effective hedge in both 2018 and 2017).

Other comprehensive income relating to equity-accounted companies (net of tax) includes (see Note 15, "Investments in equity-accounted companies"):

- €20 million in foreign exchange gains on foreign joint ventures (foreign exchange losses of €49 million in 2017) arising during the period;
- a negative amount of €5 million relating to cash flow hedges of joint ventures (positive amount of €16 million in 2017); and
- €4 million in actuarial losses on pension and similar obligations of joint ventures (actuarial losses of €2 million in 2017).

In 2017, items of comprehensive income related to discontinued operations to be reclassified to profit comprised pre-tax income of €220 million in unrealized translation gains reclassified to profit further to the disposal of the Security businesses and mainly relate to the US entities sold as part of this divestment. The related tax reclassified to profit represents income of €6 million.

Consolidated balance sheet

Assets

(in € millions)	Note	Jan. 1, 2017*	Dec. 31, 2017*	Dec. 31, 2018
Goodwill	11	1,864	1,831	5,173
Intangible assets	12	5,483	5,596	9,757
Property, plant and equipment	13	3,169	3,518	4,454
Non-current financial assets	14	382	324	416
Investments in equity-accounted companies	15	2,193	2,127	2,253
Non-current derivatives (positive fair value)	30	28	16	13
Deferred tax assets	9	1,478	251	391
Other non-current financial assets		-	-	4
Non-current assets		**14,597**	**13,663**	**22,461**
Current financial assets	14	147	2,113	185
Current derivatives (positive fair value)	30	582	566	740
Inventories and work-in-progress	16	3,754	3,954	5,558
Contract costs	17	258	261	470
Trade and other receivables	18	5,279	4,952	6,580
Contract assets	19	1,109	1,366	1,544
Tax assets	9	513	596	752
Cash and cash equivalents	20	1,926	4,914	2,330
Current assets		**13,568**	**18,722**	**18,159**
Assets related to discontinued operations	31	3,250	-	-
TOTAL ASSETS		**31,415**	**32,385**	**40,620**

3

Liabilities

(in € millions)	Note	Jan. 1, 2017*	Dec. 31, 2017*	Dec. 31, 2018
Share capital	22	83	83	87
Consolidated retained earnings	22	3,742	4,686	10,585
Net unrealized gains on available-for-sale financial assets	22	35	28	-
Profit for the period		1,908	4,550	1,283
Equity attributable to owners of the parent		**5,768**	**9,347**	**11,955**
Non-controlling interests		**287**	**301**	**346**
Total equity		**6,055**	**9,648**	**12,301**
Provisions	23	1,357	1,263	1,588
Borrowings subject to specific conditions	25	699	569	585
Non-current interest-bearing financial liabilities	26	2,392	3,246	3,384
Non-current derivatives (negative fair value)	30	-	-	7
Deferred tax liabilities	9	699	674	1,662
Other non-current financial liabilities	28	5	8	2
Non-current liabilities		**5,152**	**5,760**	**7,228**
Provisions	23	708	925	1,189
Current interest-bearing financial liabilities	26	945	1,390	2,221
Trade and other payables	27	3,951	4,409	5,650
Contract liabilities	19	8,874	9,090	10,453
Tax liabilities	9	179	214	210
Current derivatives (negative fair value)	30	4,375	805	1,255
Other current financial liabilities	28	357	144	113
Current liabilities		**19,389**	**16,977**	**21,091**
Liabilities related to discontinued operations	31	819	-	-
TOTAL EQUITY AND LIABILITIES		**31,415**	**32,385**	**40,620**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.1, "Opening impact at January 1, 2017" and Note 3.a.2, "Impact at December 31, 2017"). They do not include data for Zodiac Aerospace, which was acquired after December 31, 2017.

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Remeasurement of hedging instruments	Translation adjustments	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total
At December 31, 2016	**83**	**3,360**	**(99)**	**35**	**(235)**	**765**	**1,014**	**(479)**	**1,908**	**169**	**6,521**	**288**	**6,809**
Change in accounting policy (IFRS 15)	-	-	-	-	-	-	(753)	-	-	-	(753)	(1)	(754)
At January 1, 2017	**83**	**3,360**	**(99)**	**35**	**(235)**	**765**	**261**	**(479)**	**1,908**	**169**	**5,768**	**287**	**6,055**
Comprehensive income (expense) for the period	-	-	-	(7)	304	(756)	16	40	4,550	(53)[a]	4,094	56	4,150
Acquisitions/disposals of treasury shares	-	-	(8)	-	-	-	-	-	-	-	(8)	-	(8)
Dividends	-	-	-	-	-	-	(340)	-	-	-	(340)	(32)	(372)
Share buyback programs	-	-	(402)	-	-	-	208	-	-	-	(194)	-	(194)
Other movements, including appropriation of profit	-	-	-	-	-	-	1,902	6	(1,908)	27	27	(10)	17
At December 31, 2017*	**83**	**3,360**	**(509)**	**28**	**69**	**9**	**2,047**	**(433)**	**4,550**	**143**	**9,347**	**301**	**9,648**
Change in accounting policy (IFRS 9)	-	-	-	(28)	-	-	26	-	-	-	(2)	-	(2)
At January 1, 2018	**83**	**3,360**	**(509)**	**-**	**69**	**9**	**2,073**	**(433)**	**4,550**	**143**	**9,345**	**301**	**9,646**
Comprehensive income (expense) for the period	-	-	-	-	(47)	243	(5)	42	1,283	8[a]	1,524	65	1,589
Acquisitions/disposals of treasury shares	-	-	(14)	-	-	-	-	-	-	-	(14)	-	(14)
Dividends	-	-	-	-	-	-	(695)	-	-	-	(695)	(26)	(721)
OCÉANE bond 2018-2023	-	-	-	-	-	-	31	-	-	-	31	-	31
OCÉANE 2016-2020 bond redemption	-	-	15	-	-	-	(113)	-	-	-	(98)	-	(98)
Share buyback programs	(2)	(950)	428	-	-	-	-	-	-	-	(524)	-	(524)
Acquisition of Zodiac Aerospace[b]	6	2,238	-	-	-	-	162	-	-	-	2,406	-	2,406
Acquisition of non-controlling interests	-	38	-	-	-	-	(44)	-	-	-	(6)	6	-
Other movements, including appropriation of profit	-	-	-	-	-	-	4,550	-	(4,550)	(14)	(14)	-	(14)
AT DECEMBER 31, 2018	**87**	**4,686**	**(80)**	**-**	**22**	**252**	**5,959**	**(391)**	**1,283**	**137**	**11,955**	**346**	**12,301**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.1, "Opening impact at January 1, 2017" and Note 3.a.2, "Impact at December 31, 2017").

(a) See table below:

(in € millions)	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for 2017 (attributable to owners of the parent)	(7)	(46)	(53)
Comprehensive income (expense) for 2018 (attributable to owners of the parent)	(7)	15	8

(b) Including €2,244 million relating to the public exchange offer (see Note 4, "Scope of consolidation").

Consolidated statement of cash flows

(in € millions)		Note	2017*	2018
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit attributable to owners of the parent			4,550	1,283
Depreciation, amortization, impairment and provisions(1)			1,026	1,235
Share in profit (loss) from equity-accounted companies (net of dividends received)		15	(100)	(124)
Change in fair value of currency derivatives(2)		30	(3,608)	316
Capital gains and losses on asset disposals			(20)	12
Profit (loss) from discontinued operations and disposal gain (before tax)			(997)	-
Profit attributable to non-controlling interests			60	58
Other(3)			1,150	318
Cash flow from operations, before change in working capital			**2,061**	**3,098**
Change in inventories and work-in-progress		16	(280)	(393)
Change in operating receivables and payables(4)		18, 27, 30	890	(280)
Change in contract costs		17	10	2
Change in contract assets and liabilities		19	86	746
Change in other receivables and payables		18.27	(15)	(102)
Change in working capital			**691**	**(27)**
	TOTAL I(5)		**2,752**	**3,071**
II. CASH FLOW USED IN INVESTING ACTIVITIES				
Capitalization of R&D expenditure(6)		12	(349)	(327)
Payments for the purchase of intangible assets, net of proceeds(7)			(225)	(183)
Payments for the purchase of property, plant and equipment, net of proceeds(8)			(740)	(780)
Payments arising from the acquisition of investments or businesses, net(9)			(54)	(4,172)
Proceeds arising from the sale of investments or businesses, net			3,060	18
Proceeds (payments) arising from the sale (acquisition) of investments and loans(10)			(1,974)	1,950
	TOTAL II		**(282)**	**(3,494)**
III. CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Change in share capital – owners of the parent			-	-
Change in share capital – non-controlling interests			(4)	(1)
Acquisitions and disposals of treasury shares		22.b	(449)	(539)
Repayment of borrowings and long-term debt(11)		26	(66)	(1,895)
Increase in borrowings		26	1,058	1,480
Change in repayable advances		25	(25)	(10)
Change in short-term borrowings		26	449	(472)
Dividends and interim dividends paid to owners of the parent		22.e	(340)	(695)
Dividends paid to non-controlling interests			(32)	(26)
	TOTAL III		**591**	**(2,158)**
CASH FLOW FROM OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	**TOTAL IV**		**14**	**-**
CASH FLOW USED IN INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS	**TOTAL V**		**(52)**	**-**
CASH FLOW USED IN FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS	**TOTAL VI**		**(198)**	**-**
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	**TOTAL VII**		**(17)**	**(3)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III+IV+V+VI+VII**		**2,808**	**(2,584)**
Cash and cash equivalents at beginning of period			1,926	4,914
Cash and cash equivalents of discontinued operations at beginning of period			180	-
Cash and cash equivalents at end of period		20	4,914	2,330
Cash and cash equivalents of discontinued operations at end of period			-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**2,808**	**(2,584)**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(1) Including in 2018: depreciation and amortization for €1,209 million (€788 million in 2017), impairment for €19 million (€60 million in 2017) and additions to provisions for €45 million (reversals of provisions for €178 million in 2017).

(2) Including in 2018: a positive €274 million arising on currency derivatives (negative €3,604 million in 2017) (see Note 30, "Management of market risks and derivatives").

(3) Including in 2018: deferred tax expense of €80 million arising on changes in the fair value of currency derivatives (deferred tax income of €1,216 million in 2017), and €340 million relating to the remeasurement of inventories (see Note 16, "Inventories and work-in-progress").

(4) Including in 2018: net premiums on currency options for €1 million (see Note 30, "Management of market risks and derivatives"), shown on the balance sheet under current derivatives with a negative fair value (net premiums paid for €50 million in 2017).

(5) Including in 2018: €531 million in taxes paid (€582 million in 2017), of which €87 million in interest paid (€72 million in 2017) and €26 million in interest received (€24 million in 2017).

(6) Including in 2018: capitalized interest of €7 million (€11 million in 2017).

(7) Including in 2018: €169 million in disbursements for acquisitions of intangible assets (€241 million in 2017), €10 million in proceeds from disposals (€31 million in 2017) and changes in amounts payable on acquisitions of non-current assets representing a negative €24 million (a positive €13 million in 2017).

(8) Including in 2018: €797 million in disbursements for acquisitions of property, plant and equipment (€786 million in 2017), changes in amounts payable on acquisitions of non-current assets representing a negative €5 million (positive €22 million in 2017), €26 million in proceeds from disposals (€24 million in 2017), and changes in amounts receivable on disposals of non-current assets representing a negative amount of €4 million.

(9) Including the acquisition of Zodiac Aerospace for €4,092 million (amount paid as part of the tender offer net of cash and cash equivalents acquired).

(10) Including in 2018: the transfer to cash and cash equivalents of €2,000 million in money market funds pledged during the tender offer for Zodiac Aerospace and previously classified under other financial assets (see Note 14, "Current and non-current financial assets").

(11) Including in 2018: repayment of the €250 million Zodiac Aerospace hybrid loan (see Note 26, "Interest-bearing financial liabilities").

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

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

The Board of Directors' meeting of February 26, 2019 adopted and authorized for issue the 2018 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders' Meeting.

NOTE 1 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 (available from http://ec.europa.eu/finance/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 2018

- IFRS 9, "Financial Instruments";
- IFRS 15, "Revenue from Contracts with Customers";
- Amendments to IFRS 2, "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions;
- Amendments to IAS 40, "Investment Property" – Transfers of Investment Property;
- Annual Improvements to IFRSs published in December 2016 (2014-2016 cycle);
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration".

The impacts resulting from the application of IFRS 9 and IFRS 15 are detailed in Note 3, "Change in accounting policy".

Other standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2018 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, 2018:

None.

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

- IFRS 16, "Leases";
- IFRS 17, "Insurance Contracts";
- Amendments to IAS 1, "Presentation of Financial Statements" and to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material;
- Amendments to IAS 19, "Employee Benefits" – Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28, "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 28, "Investments in Associates and Joint Ventures", and IFRS 10, "Consolidated Financial Statements" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3, "Business Combinations" – Definition of a Business;
- Amendments to IFRS 9, "Financial Instruments" – Prepayment Features with Negative Compensation;
- Annual Improvements to IFRSs published in December 2017 (2015-2017 cycle);
- IFRIC 23, "Uncertainty over Income Tax Treatments".

Except for IFRS 16, the amendment to IFRS 9 and interpretation IFRIC 23, these new standards, amendments and interpretations have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even if early adoption were permitted by the texts concerned.

Regarding IFRS 16, "Leases", the Group's leases have been identified and will now be managed in a dedicated software program which will determine the restatements to be made in light of the new standard. IFRS 16 will be applied using the "modified retrospective" approach at January 1, 2019, whereby the impact of first-time application of the new standard will be recorded against equity at that date. Accordingly, the comparative 2018 data included in the 2019 financial statements will not be restated.

To date, the simulations performed indicate that the first-time application of IFRS 16 should lead to an increase of around €0.5 billion in lease liabilities against a corresponding right-of-use asset to be recorded for a virtually equivalent amount. Accordingly, the impact of the new standard on equity is not expected to be material.

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

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

b) Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

Acquisitions of shares that give the Group sole control over an entity will be recognized in accordance with the policies governing business combinations described in Note 1.c.

Intragroup transactions

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

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

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

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

c) Business combinations

The Group applies the revised IFRS 3.

Acquisition method

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

- identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value;
- where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments). This option is available for all business combinations based on a case-by-case analysis of each transaction;
- acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred;

- any contingent consideration relating to business combinations (earn-out clauses) is measured at fair value at the acquisition date. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. The cost of the combination, including where appropriate the estimated fair value of any contingent consideration, is finalized within the 12 months following the acquisition (measurement period). Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss. Only items that should have been taken into account at the date of the combination but for which the acquirer did not hold all of the relevant information at that date can give rise to an adjustment in the purchase price consideration.

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

Goodwill

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

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

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

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

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs), as described in Note 1.l. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 1.l. Impairment is taken to profit or loss and may not be reversed.

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

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

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

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

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

e) Translation methods

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

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

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

Note 1.v. discusses the net investment hedge set up by the Group for some of its foreign operations.

f) Translation of foreign currency transactions and foreign currency derivatives

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

At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any resulting foreign exchange gains and losses are recognized in "Financial income (loss)" for the period, except for translation differences relating to a financial instrument designated as a net investment hedge, which are reported in other comprehensive income (see Note 1.v). Advances and downpayments paid or received, prepaid expenses and deferred income continue to be recorded on the balance sheet at the initial amount for which they were recognized.

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

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency-denominated purchases. The Group's forex hedging policy along with the forward currency contracts and options it uses are described in Note 30, "Management of market risks and derivatives".

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

g) Income from operations

The main customer contract types identified within the Group are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When a contract is onerous, the Group recognizes a loss on delivery commitments (Note 1.r).

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

Sales of installed base maintenance and support contracts

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

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

Revenue is recognized if:

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

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

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

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable (Note 1.r).

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

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

Sales of time and materials service contracts

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

They represent a single performance obligation.

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

Sales of contracts with multiple elements

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

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

In general, for these contracts:

- the specific development work or customization assignments for a given contract and customer do not represent a separate performance obligation since the development and customization are inseparable from serial production. Costs associated with the development and installation are initially recognized in assets within contract costs if they are recoverable, and subsequently expensed over the contract term;
- financing received from the customer for the development work or customization assignment is recognized as revenue as and when the various performance obligations under the contract are satisfied;
- revenue generated on the serial production and service portion of the contract is recognized either on delivery of the goods, or on a percentage-of-completion basis (cost-to-cost method), depending on the nature of the performance obligation.

Sales of studies

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

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

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

- a contract asset denotes Safran's right to consideration in exchange for goods or services that it has transferred, when that right is conditioned on something other than the passage of time. Contract assets mainly include amounts relating to revenue recognized on a percentage-of-completion basis where Safran does not have the right to immediately bill the customer. A contract asset is written down, where appropriate, using the simplified impairment model set out in IFRS 9 (Note 1.m);
- a contract liability denotes Safran's obligation to transfer goods or services to a customer for which it has received consideration in cash or in kind. Contract liabilities include advances and downpayments received, deferred income and concession liabilities;
- contract costs include costs to fulfill contracts that do not fall within the scope of other standards (IAS 16, IAS 38 and IAS 2 in particular) and costs to obtain contracts paid to third parties (commission, etc.).

h) Current and deferred tax

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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

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

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

The CICE tax credit introduced to boost competitiveness and employment in France is also recognized in "Other income" as it is treated as an operating subsidy.

i) Earnings per share

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

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

j) Intangible assets

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

Intangible assets acquired in a business combination

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

- intangible assets recognized at the time of the 2005 Sagem-Snecma merger and on the acquisition of Rolls Royce's stake in the RTM322 program and classified under "Aircraft programs" are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;
- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangible assets acquired), notably Zodiac Aerospace, are amortized over the estimated useful life of each identified intangible asset (1 to 23 years).

Separately acquired intangible assets

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

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

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

Research and development costs

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

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

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

Capitalization of development expenditures ceases as soon as the product to which the expenditures relate is brought into service.

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

Intangible assets are tested for impairment in accordance with the methods set out in Note 1.l.

k) Property, plant and equipment

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

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

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

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the reduction of the debt in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

The gross amount of items of property, plant and equipment is depreciated over the expected useful life of their main components, mainly using the straight-line method.

If the transfer of ownership at the end of a finance lease term is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the item of property, plant and equipment is depreciated over the shorter of its useful life and the term of the lease.

The main useful lives applied are as follows:

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

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.l.

l) Impairment of non-current assets

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

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

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

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

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

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

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

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

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

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

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

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

m) Equity investments, loans and receivables

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

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

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

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

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

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

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

On a collective assessment basis, the allowance for expected credit losses is calculated for amounts owed by all customers except those rated A3 or A- (depending on the rating agency) or higher, for which no allowance is recognized on a collective basis. This collective assessment is made based on changes in an indicator reflecting airline company profits, since airline companies represent the Group's main risk exposure among customers ranked A3 or A- or below.

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

n) Inventories and work-in-progress

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

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

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

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

o) Cash and cash equivalents

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

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

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

p) Treasury shares

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

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

q) Share-based payment

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

In accordance with IFRS 2, Share-based Payment, these arrangements are measured at fair value taking into account any lock-up period for shares granted. The fair value of equity-settled instruments is determined at the grant date. The fair value of cash-settled instruments is revised up to the date of payment. These employee benefits represent personnel costs and are recognized on a straight-line basis over the period during which the rights vest, with an offsetting entry to consolidated retained earnings for equity-settled plans and to liabilities for cash-settled plans.

r) Provisions

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

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

Provisions for losses on completion and losses arising on delivery commitments

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

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

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

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

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

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

Provisions for financial guarantees on sales

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

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

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

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

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

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

Provisions for standard and operating warranties

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

s) Post-employment benefits

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

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

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

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

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

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

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

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

t) Borrowings subject to specific conditions

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

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

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

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

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

u) Interest-bearing financial liabilities

On initial recognition, interest-bearing financial liabilities are measured at the fair value of the amount received, less any directly attributable transaction costs. Besides the specific conditions applicable to hedge accounting (Note 1.v), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

v) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates, and more marginally, to risks of changes in interest rates. The derivatives used can include forward currency contracts and currency options or interest rate swaps. The Group's market risk management policy is described in Note 30, "Management of market risks and derivatives".

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

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

The accounting principles applicable to foreign currency derivatives used to hedge foreign exchange risk are set out in Note 1.f.

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

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

w) Sale of receivables

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

x) Structure of the consolidated balance sheet

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

y) Recurring operating income

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

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

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

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

NOTE 2 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.

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 anticipate the impact of volatility and lack of visibility in the global economic environment and particularly in certain Group segments. These analyses are regularly reviewed by management.

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

a) Estimates relating to programs and contracts

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

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

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

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

- **impairment of non-current assets:** goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.l. The recoverable amount of these assets is generally determined using cash flow forecasts based on the key assumptions described above;
- **capitalization of development expenditures:** the conditions for capitalizing development expenditures are set out in Note 1.j. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts drawing on the key assumptions described above. 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 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 using the main assumptions discussed above.

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

b) Provisions

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

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

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

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

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

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

c) Post-employment benefits

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

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

d) Trade and other receivables

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

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

e) Allocation of the cost of business combinations

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

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

Acquisition of Zodiac Aerospace:

The following methods were used to measure the intangible assets acquired:

- customer relationships: the multi-period excess earnings method, which takes into account cash flows less a return attributable to the other assets;
- technology: royalties-based method;
- trademarks: royalties-based method assuming an indefinite useful life.

Property, plant and equipment and software were measured based on their replacement cost.

Operating items were measured at market value.

f) Disputes and litigation

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 35, "Disputes and litigation").

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

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

NOTE 3 CHANGE IN ACCOUNTING POLICY

a) Application of IFRS 15

The Group has applied IFRS 15, "Revenue from Contracts with Customers" with effect from January 1, 2018.

Contract assets and liabilities are new balance sheet captions resulting from the application of IFRS 15.

- A contract asset denotes Safran's right to consideration in exchange for goods or services that it has transferred, when that right is conditioned on something other than the passage of time. Contract assets mainly include amounts relating to revenue recognized on a percentage-of-completion basis where Safran does not have the right to immediately bill the customer. These sums were previously recognized within trade receivables.
- A contract liability denotes Safran's obligation to transfer goods or services to a customer for which it has received consideration from the customer. Contract liabilities include advances and downpayments received, deferred income and concession liabilities previously classified within trade and other payables.

In accordance with IAS 8, since this represents a change in accounting policy, comparative information for the prior period is presented in the 2018 consolidated financial statements showing the impact of the "full retrospective" application of IFRS 15.

The impacts of this change in accounting policy on the 2017 consolidated financial statements are the following:

a.1) Impact at January 1, 2017

Opening balance sheet at January 1, 2017

ASSETS

(in € millions)	Jan. 1, 2017 (published)	IFRS 15 impact	Jan. 1, 2017 (restated)
Goodwill	1,864	-	1,864
Intangible assets	5,178	305	5,483
Property, plant and equipment	3,169	-	3,169
Non-current financial assets	382	-	382
Investments in equity-accounted companies	2,175	18	2,193
Non-current derivatives (positive fair value)	28	-	28
Deferred tax assets	1,351	127	1,478
Non-current assets	**14,147**	**450**	**14,597**
Current financial assets	147	-	147
Current derivatives (positive fair value)	592	(10)	582
Inventories and work-in-progress	4,247	(493)	3,754
Contract costs	-	258	258
Trade and other receivables	6,252	(973)	5,279
Contract assets	-	1,109	1,109
Tax assets	513	-	513
Cash and cash equivalents	1,926	-	1,926
Current assets	**13,677**	**(109)**	**13,568**
Assets held for sale	3,234	16	3,250
TOTAL ASSETS	**31,058**	**357**	**31,415**

EQUITY AND LIABILITIES

(in € millions)	Jan. 1, 2017 (published)	IFRS 15 impact	Jan. 1, 2017 (restated)
Share capital	83	-	83
Consolidated retained earnings	4,495	(753)	3,742
Net unrealized gains on available-for-sale financial assets	35	-	35
Profit for the period	1,908	-	1,908
Equity attributable to owners of the parent	**6,521**	**(753)**	**5,768**
Non-controlling interests	**288**	**(1)**	**287**
Total equity	**6,809**	**(754)**	**6,055**
Provisions	1,706	(349)	1,357
Borrowings subject to specific conditions	699	-	699
Non-current interest-bearing financial liabilities	2,392	-	2,392
Non-current derivatives (negative fair value)	-	-	-
Deferred tax liabilities	987	(288)	699
Other non-current financial liabilities	5	-	5
Non-current liabilities	**5,789**	**(637)**	**5,152**
Provisions	1,558	(850)	708
Current interest-bearing financial liabilities	945	-	945
Trade and other payables	10,242	(6,291)	3,951
Contract liabilities	-	8,874	8,874
Tax liabilities	179	-	179
Current derivatives (negative fair value)	4,385	(10)	4,375
Other current financial liabilities	357	-	357
Current liabilities	**17,666**	**1,723**	**19,389**
Liabilities held for sale	794	25	819
TOTAL EQUITY AND LIABILITIES	**31,058**	**357**	**31,415**

a.2) Impact at December 31, 2017

Consolidated income statement for 2017

(in € millions)	2017 (published)	IFRS 15 impact	2017 (restated)
Revenue	**16,940**	**(564)**	**16,376**
Other income	278	2	280
Income from operations	**17,218**	**(562)**	**16,656**
Change in inventories of finished goods and work-in-progress	227	(32)	195
Capitalized production	501	21	522
Raw materials and consumables used	(9,709)	260	(9,449)
Personnel costs	(4,353)	-	(4,353)
Taxes	(284)	-	(284)
Depreciation, amortization and increase in provisions, net of use	(1,078)	66	(1,012)
Asset impairment	(72)	12	(60)
Other recurring operating income and expenses	167	(8)	159
Share in profit from joint ventures	154	(10)	144
Recurring operating income	**2,771**	**(253)**	**2,518**
Other non-recurring operating income and expenses	(90)	-	(90)
Profit from operations	**2,681**	**(253)**	**2,428**
Cost of net debt	(57)	-	(57)
Foreign exchange gain	3,143	(72)	3,071
Other financial income and expense	(22)	20	(2)
Financial income (loss)	**3,064**	**(52)**	**3,012**
Profit before tax	**5,745**	**(305)**	**5,440**
Income tax expense	(1,716)	56	(1,660)
Profit from continuing operations	**4,029**	**(249)**	**3,780**
Profit from discontinued activities and disposal gain	823	8	831
PROFIT FOR THE PERIOD	**4,852**	**(241)**	**4,611**
Attributable to:			
> owners of the parent	4,790	(240)	4,550
• *continuing operations*	*3,968*	*(248)*	*3,720*
• *discontinued operations*	*822*	*8*	*830*
> non-controlling interests	62	(1)	61
• *continuing operations*	*61*	*(1)*	*60*
• *discontinued operations*	*1*	-	*1*
Earnings per share from continuing operations attributable to owners of the parent *(in €)*			
Basic earnings per share	9.67	(0.60)	9.07
Diluted earnings per share	9.50	(0.59)	8.91
Earnings per share from assets held for sale attributable to owners of the parent *(in €)*			
Basic earnings per share	2.00	0.02	2.02
Diluted earnings per share	1.97	0.02	1.99

Consolidated statement of comprehensive income for 2017

(in € millions)	2017 (published)	IFRS 15 impact	2017 (restated)
Profit for the period	**4,852**	**(241)**	**4,611**
Other comprehensive income			
Items to be reclassified to profit	**(517)**	**22**	**(495)**
Available-for-sale financial assets	(7)	-	(7)
Translation adjustments	(211)	(116)	(327)
Remeasurement of hedging instruments	-	138	138
Income tax related to components of other comprehensive income to be reclassified to profit	(40)	-	(40)
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	(33)	-	(33)
Items related to discontinued operations to be reclassified to profit (net of tax)	(220)	-	(220)
Income tax on items related to discontinued operations to be reclassified to profit	(6)	-	(6)
Items not to be reclassified to profit	**34**	**-**	**34**
Actuarial gains and losses on post-employment benefits	43	-	43
Income tax related to components of other comprehensive income not to be reclassified to profit	(7)	-	(7)
Share in other comprehensive income of equity-accounted companies not to be reclassified to profit (net of tax)	(2)	-	(2)
Other comprehensive income (expense) for the period	**(483)**	**22**	**(461)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4,369**	**(219)**	**4,150**
Attributable to:			
> owners of the parent	4,312	(218)	4,094
• *continuing operations*	*3,716*	*(218)*	*3,498*
• *discontinued operations*	*596*	-	*596*
> non-controlling interests	57	(1)	56
• *continuing operations*	*56*	*(1)*	*55*
• *discontinued operations*	*1*	-	*1*

Consolidated balance sheet at December 31, 2017

ASSETS

(in € millions)	Dec. 31, 2017 (published)	IFRS 15 impact	Dec. 31, 2017 (restated)
Goodwill	1,831	-	1,831
Intangible assets	5,241	355	5,596
Property, plant and equipment	3,518	-	3,518
Non-current financial assets	324	-	324
Investments in equity-accounted companies	2,119	8	2,127
Non-current derivatives (positive fair value)	16	-	16
Deferred tax assets	142	109	251
Non-current assets	**13,191**	**472**	**13,663**
Current financial assets	2,113	-	2,113
Current derivatives (positive fair value)	566	-	566
Inventories and work-in-progress	4,496	(542)	3,954
Contract costs	-	261	261
Trade and other receivables	6,371	(1,419)	4,952
Contract assets	-	1,366	1,366
Tax assets	596	-	596
Cash and cash equivalents	4,914	-	4,914
Current assets	**19,056**	**(334)**	**18,722**
TOTAL ASSETS	**32,247**	**138**	**32,385**

EQUITY AND LIABILITIES

(in € millions)	Dec. 31, 2017 (published)	IFRS 15 impact	Dec. 31, 2017 (restated)
Share capital	83	-	83
Consolidated retained earnings	5,420	(734)	4,686
Net unrealized gains on available-for-sale financial assets	28	-	28
Profit for the period	4,790	(240)	4,550
Equity attributable to owners of the parent	**10,321**	**(974)**	**9,347**
Non-controlling interests	**303**	**(2)**	**301**
Total equity	**10,624**	**(976)**	**9,648**
Provisions	1,497	(234)	1,263
Borrowings subject to specific conditions	569	-	569
Non-current interest-bearing financial liabilities	3,246	-	3,246
Non-current derivatives (negative fair value)	-	-	-
Deferred tax liabilities	1,022	(348)	674
Other non-current financial liabilities	8	-	8
Non-current liabilities	**6,342**	**(582)**	**5,760**
Provisions	1,906	(981)	925
Current interest-bearing financial liabilities	1,390	-	1,390
Trade and other payables	10,822	(6,413)	4,409
Contract liabilities	-	9,090	9,090
Tax liabilities	214	-	214
Current derivatives (negative fair value)	805	-	805
Other current financial liabilities	144	-	144
Current liabilities	**15,281**	**1,696**	**16,977**
TOTAL EQUITY AND LIABILITIES	**32,247**	**138**	**32,385**

Consolidated statement of cash flows for 2017

(in € millions)		2017 (published)	IFRS 15 impact	2017 (restated)
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit attributable to owners of the parent		4,790	(240)	4,550
Depreciation, amortization, impairment and provisions		1,080	(54)	1,026
Share in profit (loss) from equity-accounted companies (net of dividends received)		(110)	10	(100)
Change in fair value of currency derivatives		(3,608)	-	(3,608)
Capital gains and losses on asset disposals		(20)	-	(20)
Profit (loss) from discontinued operations (before tax)		(990)	(7)	(997)
Profit attributable to non-controlling interests		62	(2)	60
Other		1,206	(56)	1,150
Cash flow from operations, before change in working capital		**2,410**	**(349)**	**2,061**
Change in inventories and work-in-progress		(308)	28	(280)
Change in operating receivables and payables		561	329	890
Change in contract costs		-	10	10
Change in contract assets and liabilities		-	86	86
Change in other receivables and payables		63	(78)	(15)
Change in working capital		**316**	**375**	**691**
	TOTAL I	**2,726**	**26**	**2,752**
II. CASH FLOW USED IN INVESTING ACTIVITIES				
Capitalization of R&D expenditure		(286)	(63)	(349)
Payments for the purchase of intangible assets, net of proceeds		(262)	37	(225)
Payments for the purchase of property, plant and equipment, net of proceeds		(740)	-	(740)
Payments arising from the acquisition of investments or businesses, net		(54)	-	(54)
Proceeds arising from the sale of investments or businesses, net		3,060	-	3,060
Proceeds (payments) arising from the sale (acquisition) of investments and loans		(1,974)	-	(1,974)
	TOTAL II	**(256)**	**(26)**	**(282)**
III. CASH FLOW FROM FINANCING ACTIVITIES				
Change in share capital – owners of the parent		-	-	-
Change in share capital – non-controlling interests		(4)	-	(4)
Acquisitions and disposals of treasury shares		(449)	-	(449)
Repayment of borrowings and long-term debt		(66)	-	(66)
Increase in borrowings		1,058	-	1,058
Change in repayable advances		(25)	-	(25)
Change in short-term borrowings		449	-	449
Dividends and interim dividends paid to owners of the parent		(340)	-	(340)
Dividends paid to non-controlling interests		(32)	-	(32)
	TOTAL III	**591**	**-**	**591**
CASH FLOW FROM OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	**TOTAL IV**	**14**	**-**	**14**
CASH FLOW USED IN INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS	**TOTAL V**	**(52)**	**-**	**(52)**
CASH FLOW USED IN FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS	**TOTAL VI**	**(198)**	**-**	**(198)**
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	**TOTAL VII**	**(17)**	**-**	**(17)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III+IV+V+VI+VII**	**2,808**	**-**	**2,808**
Cash and cash equivalents at beginning of period		1,926	-	1,926
Cash and cash equivalents of discontinued operations at beginning of period		180	-	180
Cash and cash equivalents at end of period		4,914	-	4,914
Cash and cash equivalents of discontinued operations at end of period		-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,808**	**-**	**2,808**

2017 segment information

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue (published)	9,741	5,415	1,345	16,501	20	16,521	419	-	16,940
IFRS 15 impact	(384)	(155)	(29)	(568)	-	(568)	4	-	(564)
Revenue (restated)	**9,357**	**5,260**	**1,316**	**15,933**	**20**	**15,953**	**423**	**-**	**16,376**
Recurring operating income (published)	1,729	682	95	2,506	(36)	2,470	431	(130)	2,771
IFRS 15 impact	(212)	(64)	(2)	(278)	-	(278)	25	-	(253)
Recurring operating income (restated)	**1,517**	**618**	**93**	**2,228**	**(36)**	**2,192**	**456**	**(130)**	**2,518**
Gross operating working capital (published)	(215)	1,284	317	1,386	(178)	1,208	-	-	1,208
IFRS 15 impact	(2,182)	(738)	(80)	(3,000)	2	(2,998)	-	-	(2,998)
Gross operating working capital (restated)	**(2,397)**	**546**	**237**	**(1,614)**	**(176)**	**(1,790)**	**-**	**-**	**(1,790)**
Segment assets (published)	15,003	5,993	2,151	23,147	3,107	26,254	-	-	26,254
IFRS 15 impact	(248)	207	71	30	-	30	-	-	30
Segment assets (restated)	**14,755**	**6,200**	**2,222**	**23,177**	**3,107**	**26,284**	**-**	**-**	**26,284**

(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 (published)	3,214	4,366	5,259	2,468	1,214	16,521	419	16,940
IFRS 15 impact	(470)	8	(39)	(5)	(62)	(568)	4	(564)
Revenue by location of customers (restated)	**2,744**	**4,374**	**5,220**	**2,463**	**1,152**	**15,953**	**423**	**16,376**
Non-current assets by location (published)	9,885	1,509	993	259	63	-		12,709
IFRS 15 impact	305	56	2	-	-	-		363
Non-current assets by location (restated)	**10,190**	**1,565**	**995**	**259**	**63**	**-**		**13,072**

3

b) Application of IFRS 9

The Group has applied IFRS 9 with effect from January 1, 2018 using the "limited retrospective" approach. At this date, the first-time application of IFRS 9 financial asset impairment requirements had a negative impact of €4 million on consolidated equity before tax (negative impact of €2 million after tax).

The other requirements of IFRS 9 had no impact on the amount of consolidated equity at January 1, 2018.

b.1) Reconciliation of IAS 39 and IFRS 9 financial asset categories

Financial assets

IAS 39 categories *(in € millions)*	Loans and receivables	Financial assets at fair value (through profit or loss)	Financial assets available for sale (through equity)	Assets held to maturity	Total
Carrying amount at Dec. 31, 2017	**11,200**	**1,875**	**226**	**-**	**13,301**
Reclassifications		226	(226)		-
Carrying amount at Jan. 1, 2018*	**11,200**	**2,101**	**-**	**-**	**13,301**
IFRS 9 categories	Amortized cost	Fair value through profit or loss	Fair value through equity (OCI) to be reclassified**	Fair value through equity (OCI) not to be reclassified**	Total

(*) Before the first-time application of IFRS 9 financial asset impairment requirements.
(**) OCI: other comprehensive income.

Non-consolidated investments (€226 million at December 31, 2017) previously classified in the IAS 39 "available-for-sale" category are now classified in the IFRS 9 "fair value through profit or loss" category. This is because:

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

The transition from IAS 39 to IFRS 9 categories had no impact on the carrying amount of the financial assets in the balance sheet and therefore on the amount of consolidated equity.

Due to non-consolidated investments now being classified within the "fair value through profit or loss" category, the available-for-sale financial assets reserve (€28 million at December 31, 2017) was reclassified to "Other reserves" at January 1, 2018.

b.2) Impairment of financial assets and contract assets

The table below shows the pre-tax impact of IFRS 9 on the impairment of trade and other receivables and contract assets at January 1, 2018:

(in € millions)	Trade and other receivables	Contract assets
Carrying amount at Dec. 31, 2017* (before applying IFRS 9)	**4,952**	**1,366**
IFRS 9 impact – Impairment	(3)	(1)
Carrying amount at Jan. 1, 2018 (after applying IFRS 9)	**4,949**	**1,365**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

Trade receivables and contract assets are written down using the IFRS 9 simplified impairment approach, as they generally fall due in the short term.

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

On a collective assessment basis, the allowance for expected credit losses is calculated for amounts owed by all customers except those rated A3 or A- (depending on the rating agency) or higher, for which no allowance is recognized on a collective basis. This collective assessment is made based on changes in an indicator reflecting airline company profits, since airline companies represent the Group's main risk exposure among customers ranked A3 or A- or below.

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

IFRS 9 had no impact on impairment for other financial assets at January 1, 2018.

b.3) Hedging

Safran is not affected by the new IFRS 9 requirements on hedge accounting.

NOTE 4 SCOPE OF CONSOLIDATION

Main changes in the scope of consolidation in 2018

Acquisition of Zodiac Aerospace

Safran filed a Tender Offer for Zodiac Aerospace's shares on December 7, 2017, which was declared compliant by the AMF on December 21, 2017.

The settlement of the initial Offer took place on February 13, 2018 and accordingly:

- an amount of €3,620 million was paid to Zodiac Aerospace shareholders in consideration for the 144,816,396 Zodiac Aerospace shares tendered or carried over to the Principal Tender Offer;
- a total of 26,651,058 Safran preferred shares were issued at a price of €84.18 in consideration for the 88,847,828 Zodiac Aerospace shares effectively tendered to the Subsidiary Exchange Offer.
- Accordingly, Safran's share capital increased by €6 million from €83 million to €89 million, with an issue premium of €2,238 million.

The Offer was reopened from February 19, 2018 to March 2, 2018 to enable Zodiac Aerospace shareholders who had not yet done so to tender their shares to the Offer. In the United States, the Tender Offer was open only to qualified investors. Outside of France, it was not open in any jurisdiction where authorization for the offer would be required.

Following the settlement of the subsequent offer, Safran acquired 27,310,744 Zodiac Aerospace shares (95.58% of the capital) for €683 million.

The required conditions being fulfilled, Safran made a request to the AMF for a mandatory squeeze-out of Zodiac Aerospace shares, following which it acquired a further 6,809,584 shares.

The mandatory squeeze-out was executed at the same price as that of the Offer, i.e., €25 per Zodiac Aerospace share (net of all expenses), representing a total amount of €171 million.

Upon completion of these operations, Safran held 267,784,552 Zodiac Aerospace shares, while non-controlling shareholders held 4.42% of the remaining share capital.

The date on which Safran acquired Zodiac Aerospace (February 13, 2018) is the date on which Safran obtained control of Zodiac Aerospace and the date of the first-time consolidation of Zodiac Aerospace in Safran's financial statements. To simplify matters, Zodiac Aerospace's activities are consolidated in Safran's financial statements as from March 1, 2018, except for certain major transactions that were carried out between these two dates to adjust Zodiac's financing structure.

The acquisition balance sheet used to calculate consolidation goodwill is based on Zodiac Aerospace's consolidated balance sheet at March 1, 2018.

3

Purchase price accounting

Zodiac Aerospace's identifiable assets and liabilities were measured at their fair value on the date on which Safran acquired control of the company.

The allocation of the Zodiac Aerospace purchase price to the assets acquired and liabilities assumed is as follows:

(in € millions)	Fair value at acquisition date
Intangible assets	4,308
Property, plant and equipment	696
Inventories	1,419
Other current and non-current assets and liabilities	(604)
Net debt	(1,289)
Deferred tax liabilities	(924)
Net assets	**3,606**
Purchase price for 95.58% of shares (A)	**6,727**
Share of identifiable assets acquired and liabilities assumed (95.58%) (B)	**3,447**
GOODWILL (A)-(B)	**3,280**

Goodwill was allocated to cash-generating units (CGUs) as follows:

Aerosystems	1,690
Cabin	825
Seats	765

Merger of Zodiac Aerospace into Safran

On October 19, 2018, Safran and Zodiac Aerospace signed a merger agreement regarding the planned merger of Zodiac Aerospace into Safran. This operation represents a further step in the strategy to streamline the new group's structure.

The planned transaction was submitted to and approved by Safran's Extraordinary Shareholders' Meeting on November 27, 2018.

The effective date of the merger was December 1, 2018.

As consideration for the non-controlling shareholders of Zodiac Aerospace, Safran created 3,490,192 ordinary shares with a par value of €0.20. This represented a capital increase of €0.7 million and a merger premium of €38 million, recorded against consolidated other reserves.

Zodiac Aerospace's contribution to the Group's consolidated performance

Zodiac Aerospace's contribution to the Group's consolidated performance based on its activity in the ten months following the acquisition is as follows:

(in € millions)	2018
Revenue	3,775
Recurring operating loss*	(335)
Recurring operating income excluding the impact of the purchase price allocation	266

(*) Including the negative impact of remeasuring assets at fair value as part of the Zodiac Aerospace purchase price accounting for €601 million.

If the Group had purchased Zodiac Aerospace on January 1, 2018, Zodiac's contribution to the Group's consolidated performance based on its activity in the 12 months following the acquisition would have been:

- revenue of €4,506 million;
- a consolidated recurring operating loss of €310 million, including a negative purchase price accounting impact of €601 million, i.e., consolidated recurring operating income of €291 million excluding the impact of purchase price accounting.

Main changes in the scope of consolidation in 2017

Sale of the Security businesses

Safran announced on April 7, 2017, that it had finalized the sale of Morpho Detection LLC, Morpho Detection International LLC and other detection assets to Smiths Group PLC for an enterprise value of USD 710 million. The divested companies were deconsolidated as from that date.

On May 31, 2017, Safran finalized the disposal of its identity and security businesses to Advent International for an enterprise value of €2.4 billion. The divested companies were deconsolidated as from that date.

These transactions generated a disposal gain of €824 million after tax in 2017, recognized in "Profit from discontinued operations" (€832 million restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers").

Safran granted vendor warranties as part of these disposals (see Note 34.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation").

Structil

On October 2, 2017, Safran Ceramics and Mitsubishi Chemical Corporation finalized the sale of all shares and voting rights attached to the share capital of Structil, which they held at 80.05% and 19.95% respectively, to the Hexcel group. Structil specializes in high-performance carbon-fiber composite materials for the aerospace industry and other high-tech industries.

In Safran's consolidated financial statements, the sale of shares and land for €38 million generated a capital gain of €25 million, net of selling costs. This is recognized in "Non-recurring operating income" (see Note 7, "Breakdown of the main components of profit from operations").

Safran granted a vendor warranty as part of this disposal (See Note 34.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation").

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"). Since the acquisition of a controlling interest in Zodiac Aerospace in February 2018, Safran has had five operating segments, 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 systems for commercial aircraft, military transport, training and combat aircraft, rocket engines, civil and military helicopters, tactical missiles and drones. This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

Aircraft Equipment

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, engine systems and associated equipment such as thrust reversers and nacelles, and mechanical power transmission systems. The Group is also present at the different stages of the electrical power generation cycle, associated engineering services, and ventilation systems. Aircraft Equipment also includes maintenance, repair and related services and the sale of spare parts.

Defense

Defense includes all businesses serving naval, land and aviation defense industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defense applications.

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, and air surveillance systems), as well as defense equipment and systems.

Aerosystems

The Aerosystems business, acquired as a result of the Zodiac Aerospace acquisition, primarily includes civil and military operations for the supplier-furnished equipment (SFE) market, whose direct customers are mainly manufacturers of aircraft, helicopters and spacecraft. The Group designs, develops, manufactures and markets evacuation systems, emergency arresting systems, protective parachutes and oxygen systems, electrical power management systems and actuators, elastomer systems and technologies, onboard control and fuel systems, fluid and water & waste management systems, as well as in-flight entertainment and connectivity (IFEC).

Aircraft Interiors

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

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 following tables 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 section 2.1).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, "Accounting policies"), except for the restatements made in respect of adjusted data (see section 2.1).

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

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

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

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

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

Quantified segment information for 2017 and 2018 is presented in the following tables.

Following the acquisition of Zodiac Aerospace on February 13 2018 (consolidated with effect from March 1, 2018), the Group now reports on two additional segments: Aerosystems and Aircraft Interiors.

At December 31, 2018

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**10,452**	**5,395**	**1,386**	**1,785**	**2,014**	**21,032**	**18**	**21,050**	**(25)**	**-**	**21,025**
Recurring operating income (loss)[1]	**1,929**	**770**	**118**	**266**	**20**	**3,103**	**(80)**	**3,023**	**(9)**	**(734)**	**2,280**
Other non-recurring operating income and expenses	(31)	(11)	3	(4)	(36)	(79)	(36)	(115)	-	-	(115)
Profit (loss) from operations	**1,898**	**759**	**121**	**262**	**(16)**	**3,024**	**(116)**	**2,908**	**(9)**	**(734)**	**2,165**
Free cash flow	**1,331**	**343**	**7**	**183**	**(107)**	**1,757**	**24**	**1,781**	**-**	**-**	**1,781**
Gross operating working capital	**(2,607)**	**754**	**287**	**546**	**722**	**(298)**	**(164)**	**(462)**	**-**	**-**	**(462)**
Segment assets	**15,926**	**6,683**	**2,383**	**5,351**	**4,277**	**34,620**	**2,092**	**36,712**	**-**	**-**	**36,712**
(1) o/w depreciation, amortization and increase in provisions, net of use	*(413)*	*(225)*	*(71)*	*(87)*	*27*	*(769)*	*(53)*	*(822)*	*2*	*(356)*	*(1,176)*
o/w asset impairment	*15*	*(30)*	*12*	*27*	*38*	*62*	*-*	*62*	*-*	*-*	*62*

In 2018, Zodiac Aerospace's contribution to recurring operating income was €290 million, while its contribution to free cash flow was €92 million, taking into account amounts relating to the acquired scope included within "Holding company and other".

At December 31, 2017*

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**9,357**	**5,260**	**1,316**	**-**	**-**	**15,933**	**20**	**15,953**	**423**	**-**	**16,376**
Recurring operating income (loss)	**1,516**	**619**	**93**	**-**	**-**	**2,228**	**(36)**	**2,192**	**456**	**(130)**	**2,518**
Other non-recurring operating income and expenses	(40)	(14)	(14)	-	-	(68)	(22)	(90)	-	-	(90)
Profit (loss) from operations[1]	**1,476**	**605**	**79**	**-**	**-**	**2,160**	**(58)**	**2,102**	**456**	**(130)**	**2,428**
Free cash flow	**1,158**	**328**	**105**	**-**	**-**	**1,591**	**(153)**	**1,438**	**-**	**-**	**1,438**
Gross operating working capital	**(2,397)**	**546**	**237**	**-**	**-**	**(1,614)**	**(176)**	**(1,790)**	**-**	**-**	**(1,790)**
Segment assets[2]	**14,755**	**6,200**	**2,222**	**-**	**-**	**23,177**	**3,107**	**26,284**	**-**	**-**	**26,284**
(1) o/w depreciation, amortization and increase in provisions, net of use	*(583)*	*(220)*	*(78)*	*-*	*-*	*(881)*	*(19)*	*(900)*	*(7)*	*(105)*	*(1,012)*
o/w asset impairment	*(42)*	*(27)*	*9*	*-*	*-*	*(60)*	*-*	*(60)*	*-*	*-*	*(60)*

(2) The increase in Holding company and other segment assets in 2017 is mainly due to the reclassification of €2,000 million in money market funds (SICAV de trésorerie) which were pledged during the tender offer for Zodiac Aerospace. These money market funds could not be classified under cash and cash equivalents during the offer period due to their usage restriction (see Note 20, "Cash and cash equivalents").

(*) The consolidated data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017).

Revenue (adjusted data)

(in € millions)	2017*	2018
Aerospace Propulsion		
Original equipment and related products and services	3,810	4,371
Services	5,453	5,985
Sales of studies	55	61
Other	39	35
Sub-total	**9,357**	**10,452**
Aircraft Equipment		
Original equipment and related products and services	3,375	3,467
Services	1,670	1,788
Sales of studies	77	58
Other	138	82
Sub-total	**5,260**	**5,395**
Defense		
Sales of equipment	863	921
Services	330	346
Sales of studies	122	117
Other	1	2
Sub-total	**1,316**	**1,386**
Aerosystems		
Sales of equipment	N/A	1,112
Services	N/A	627
Other	N/A	46
Sub-total	**N/A**	**1,785**
Aircraft Interiors		
Sales of equipment	N/A	1,486
Services	N/A	491
Other	N/A	37
Sub-total	**N/A**	**2,014**
Holding company and other		
Sales of studies and other	20	18
Sub-total	**20**	**18**
TOTAL	**15,953**	**21,050**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

The data shown for 2018 include ten months of activity for Zodiac Aerospace, acquired by Safran on February 13 and consolidated with effect from March 1, 2018.

3

Information by geographic area

At December 31, 2018

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	3,314	5,018	7,729	3,472	1,517	21,050	(25)	21,025
%	16%	24%	37%	16%	7%			
Non-current assets by location[(1)]	16,218	1,717	3,268	327	107			21,637
%	75%	8%	15%	2%	0%			

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

The data shown for 2018 include ten months of activity for Zodiac Aerospace, acquired by Safran on February 13 and consolidated with effect from March 1, 2018.

At December 31, 2017*

(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	2,744	4,374	5,220	2,463	1,152	15,953	423	16,376
%	17%	27%	33%	16%	7%			
Non-current assets by location[(1)]	10,190	1,565	995	259	63			13,072
%	78%	12%	8%	2%	0%			

(*) The consolidated data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017).
(1) Excluding financial assets, derivatives and deferred tax assets.

As in the previous year, Safran carried out sales with three major customers during 2018:

- Airbus group: sales of original equipment engines for aircraft and helicopters for the Aerospace Propulsion operating segment; landing and braking systems, wiring and electrical connection systems and nacelles for the Aircraft Equipment operating segment; navigation systems, flight control systems and flight-data recording systems for the Defense operating segment; major products for the Aerosystems operating segment; and cabin interiors and seats for the Aircraft Interiors segment;
- Boeing group: sales of original equipment engines for aircraft for the Aerospace Propulsion operating segment; landing and braking systems, wiring and electrical connection systems for the Aircraft Equipment operating segment, major products for the Aerosystems operating segment; and cabin interiors and seats for the Aircraft Interiors operating segment;
- General Electric group: sales of fleet maintenance spare parts for the Aerospace Propulsion operating segment, and mainly seats for the Aircraft Interiors operating segment.

NOTE 6 REVENUE

The data shown for 2017 do not include data for Zodiac Aerospace, which was acquired after December 31, 2017.

Breakdown of revenue by business

2018

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services							
Sales of original equipment and other equipment	4,376	3,460	920	1,100	1,483	-	11,339
After-sales support	5,991	1,785	345	620	490	-	9,231
Studies, research and development (RTDI)	61	58	117	-	-	7	243
Other	35	82	2	45	37	11	212
TOTAL REVENUE	**10,463**	**5,385**	**1,384**	**1,765**	**2,010**	**18**	**21,025**
Timing of revenue recognition							
At a point in time	9,000	4,951	1,034	1,671	1,907	18	18,581
Over time	1,463	434	350	94	103	-	2,444
TOTAL REVENUE	**10,463**	**5,385**	**1,384**	**1,765**	**2,010**	**18**	**21,025**

2017*

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services							
Sales of original equipment and other equipment	3,936	3,443	868	-	-	-	8,247
After-sales support	5,633	1,704	332	-	-	-	7,669
Studies, research and development (RTDI)	57	78	123	-	-	8	266
Other	40	141	1	-	-	12	194
TOTAL REVENUE	**9,666**	**5,366**	**1,324**	**-**	**-**	**20**	**16,376**
Timing of revenue recognition							
At a point in time	8,222	4,973	955	-	-	18	14,168
Over time	1,444	393	369	-	-	2	2,208
TOTAL REVENUE	**9,666**	**5,366**	**1,324**	**-**	**-**	**20**	**16,376**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, “Revenue from Contracts with Customers” (see Note 3.a.2, “Impact at December 31, 2017”).

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 specified in contracts or aircraft programs as well as contractual financing received from customers to develop these products.

> After-sales support, which includes deliveries of spare parts and maintenance contracts

As these sales are contingent on repairs and maintenance requested by airline companies, they are included within services and volumes that are less predictable since they depend on the condition of fleets.

> Sales of studies, research and development

Contracts are drawn up for all such development work, which represents separate performance obligations. This category relates to specific work carried out for a given project or program.

> Other

In terms of revenue recognition, it should be noted for each of these business sectors 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 and Aircraft Equipment segments.

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

Remaining performance obligation

(in € millions)	One year or less	More than one year	Total
Performance obligations still to be satisfied at Dec. 31, 2018	12,200	28,362	40,562
Performance obligations still to be satisfied at Dec. 31, 2017	9,239	22,706	31,945

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

NOTE 7 BREAKDOWN OF THE MAIN COMPONENTS OF PROFIT FROM OPERATIONS

Other income

(in € millions)	2017*	2018
Research tax credit(1)	140	151
Competitiveness and employment tax credit (CICE)	41	45
Other operating subsidies	78	96
Other operating income and expenses	21	29
TOTAL	**280**	**321**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(1) Including €5 million in connection with additional research tax credits in respect of 2017, included in 2018 income (€8 million in respect of 2016 included in 2017 income).

Raw materials and consumables used

This caption breaks down as follows for the period:

(in € millions)	2017*	2018
Raw materials, supplies and other	(2,828)	(4,915)
Bought-in goods	(121)	(35)
Changes in inventories	83	50
Contract costs	(10)	(2)
Sub-contracting	(4,389)	(4,582)
Purchases not held in inventory	(444)	(424)
External service expenses	(1,740)	(2,532)
TOTAL	**(9,449)**	**(12,440)**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Personnel costs

(in € millions)	2017	2018
Wages and salaries	(2,666)	(3,551)
Social security contributions	(1,115)	(1,460)
Statutory employee profit-sharing	(144)	(170)
Optional employee profit-sharing	(161)	(172)
Additional contributions	(64)	(78)
Corporate social contribution	(77)	(84)
Other employee costs	(126)	(150)
TOTAL	**(4,353)**	**(5,665)**

Consolidated companies (excluding jointly controlled companies) had an average of 83,769 full-time equivalent employees in 2018 versus an average of 55,238 in 2017. Average employee numbers in 2018 include Zodiac Aerospace employees over a ten-month period.

Depreciation, amortization and increase in provisions, net of use

(in € millions)	2017*	2018
Net depreciation and amortization expense		
> intangible assets	(368)	(654)
> property, plant and equipment	(420)	(555)
Total net depreciation and amortization expense(1)	**(788)**	**(1,209)**
Net increase in provisions	**(224)**	**33**
DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE	**(1,012)**	**(1,176)**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €56 million in 2018 and €67 million in 2017; during recent acquisitions: €39 million in 2018 and €40 million in 2017; during the acquisition of Zodiac Aerospace: €261 million in 2018.

Asset impairment

(in € millions)	Impairment expense		Reversals	
	2017*	2018	2017*	2018
Property, plant and equipment and intangible assets	(74)	(19)	4	5
Financial assets	(44)	(8)	2	3
Contract costs	-	(1)	12	12
Inventories and work-in-progress	(503)	(605)	493	684
Receivables	(44)	(42)	36	40
Contract assets	-	(8)	58	1
TOTAL	**(665)**	**(683)**	**605**	**745**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Other recurring operating income and expenses

(in € millions)	2017*	2018
Capital gains and losses on asset disposals	2	(8)
Royalties, patents and licenses	(26)	(12)
Losses on irrecoverable receivables	(7)	(13)
Other operating income and expenses(1)	190	(158)
TOTAL	**159**	**(191)**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(1) Including €25 million in 2018 and €136 million in 2017 relating to the revised repayment probability for borrowings subject to specific conditions (see Note 1.t and Note 25, "Borrowings subject to specific conditions").

Other non-recurring operating income and expenses

(in € millions)	2017	2018
Capital gains on asset disposals	23	-
Impairment net of reversals on intangible assets	(23)	(38)
Other non-recurring items	(90)	(77)
TOTAL	**(90)**	**(115)**

At December 31, 2018, the Group analyzed the situation of assets assigned to the X6 program following the termination of the contract with Airbus Helicopter by mutual agreement. As a result of its analysis, the Group wrote down the full amount of intangible assets specifically assigned to the development of this engine, representing €34 million. Other impairment losses taken against intangible assets chiefly relate to a program in the Aircraft Equipment sector.

Other non-recurring items mainly reflect transaction, integration and restructuring costs for €77 million, relating essentially to the Zodiac Aerospace acquisition.

In 2017, capital gains totaling €23 million on asset disposals resulted primarily from the sale of Structil (see Note 4, "Scope of consolidation").

The Group also decided to analyze the situation of the assets associated with the Falcon 5X program following Dassault Aviation's announcement on December 13, 2017 that it had decided to initiate proceedings to terminate the Silvercrest contract, leading to the cancellation of the Falcon 5X program. These analyses led the Group to write down assets it had specifically committed to this program for an amount of €23 million. As a reminder, the intangible assets relating specifically to the development of the Silvercrest engine and certain other specific assets relating to this program were written down in full for an amount of €654 million in 2015.

"Other non-recurring items" include €61 million in transaction and integration costs, particularly those relating to Safran's tender offer for Zodiac Aerospace's share capital (see Note 4, "Scope of consolidation"), and the payment of €29 million in respect of an arbitral award (see Note 35, "Disputes and litigation").

NOTE 8 FINANCIAL INCOME (LOSS)

(in € millions)	2017*	2018
Financial expense on interest-bearing financial liabilities	(81)	(95)
Financial income on cash and cash equivalents	24	28
Cost of net debt	**(57)**	**(67)**
Gain (loss) on foreign currency hedging instruments	3,469	(232)
Foreign exchange gains and losses	(454)	(89)
Net foreign exchange gains (losses) on provisions	56	(30)
Foreign exchange gain (loss)	**3,071**	**(351)**
Gain or loss on interest rate hedging instruments	4	-
Capital gains or losses on financial asset disposals	16	-
Change in the fair value of assets at fair value through profit or loss	-	4
Impairment of available-for-sale financial assets	(2)	-
Impairment of loans and other financial receivables	-	1
Dividends received	3	1
Other financial provisions	(2)	(1)
Interest component of IAS 19 expense	(12)	(14)
Impact of discounting	(16)	(26)
Other	7	(23)
Other financial income and expense	**(2)**	**(58)**
FINANCIAL INCOME (LOSS)	**3,012**	**(476)**
of which financial expense	**(567)**	**(510)**
of which financial income	**3,579**	**34**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

2017 figures do not include data for Zodiac Aerospace, which was acquired after December 31, 2017.

In 2018, the €232 million loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to cash flows that will be recognized in profit or loss in future periods. This loss results chiefly from the change in the EUR/USD closing exchange rate (1.15 at December 31, 2018 versus 1.20 at December 31, 2017).

The €89 million foreign exchange loss includes:

- a €33 million foreign exchange loss, reflecting the loss on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange loss reflects the fact that the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.18 for €1) proved less favorable than the actual EUR/USD exchange rate observed during the period;
- a net foreign exchange loss of €56 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

In 2018, "Other financial income and expense" includes an expense of €16 million recorded following the redemption of the OCÉANE 2016-2020 convertible bonds, representing the difference between the portion of the redemption price allocated to the OCÉANE liability component and the carrying amount of this component (see Note 26, "Interest-bearing financial liabilities").

NOTE 9 INCOME TAX

Income tax expense

Income tax expense breaks down as follows:

(in € millions)	2017*	2018
Current income tax benefit (expense)	(515)	(425)
Deferred tax benefit (expense)[1]	(1,145)	77
TOTAL TAX BENEFIT (EXPENSE)	**(1,660)**	**(348)**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(1) Including €78 million in deferred tax income in 2018 arising on fair value adjustments to currency hedging derivatives (deferred tax expense of €1,198 million in 2017).

Effective tax rate

The effective tax rate breaks down as follows:

(in € millions)	2017*	2018
Profit before tax (A)	**5,440**	**1,689**
Standard tax rate applicable to the parent company	34.43%	34.43%
Tax expense at standard rate	**(1,873)**	**(582)**
Impact of permanent differences	22	9
Impact of research and CICE tax credits	61	64
Impact of different tax rates (France/international)	54	42
Impact of unrecognized tax	10	-
Impact of tax on dividends paid by Safran	76	-
Impact of changes in tax rates on deferred taxes	90	12
Impact of joint ventures	49	67
Impact of other items	(149)	40
Current income tax benefit (expense) recognized in profit or loss (B)	**(1,660)**	**(348)**
EFFECTIVE TAX RATE (B)/(A) *in %*	**30.51%**	**20.60%**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

In France, the Finance Law for 2017 introduced a gradual decrease in the income tax rate from 33.33% to 25% (34.34% to 25.83% including additional income tax contributions) through to 2022. Deferred tax assets and liabilities have therefore been calculated on this basis.

Tax credits represent €80 million and reduce the effective tax rate.

The difference between the income tax rate applicable to foreign entities and the 34.43% rate applicable to the parent company gives rise to €42 million in tax income for the year, thereby automatically improving the effective tax rate.

Deferred tax assets and liabilities

Deferred tax assets (liabilities) in the balance sheet

(in € millions)	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2017*	**251**	**674**	**(423)**
Deferred taxes recognized in profit or loss[1]	78	1	77
Deferred taxes recognized directly in equity	18	21	(3)
Reclassifications	-	-	-
Foreign exchange differences	1	2	(1)
Changes in scope of consolidation	43	964	(921)
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2018	**391**	**1,662**	**(1,271)**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").
(1) Including €78 million in deferred tax income in 2018 arising on fair value adjustments to currency hedging derivatives (deferred tax expense of €1,198 million in 2017).

Deferred tax asset bases

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(4,908)	(8,933)
Inventories	791	657
Current assets/liabilities	2,565	1,796
Financial assets/liabilities	246	400
Provisions	26	1,264
Tax adjustments	(530)	(615)
Losses carried forward and tax credits	225	785
TOTAL DEFERRED TAX ASSET BASES	**(1,585)**	**(4,646)**
Total gross deferred tax balance (A)	**(452)**	**(1,223)**
Total unrecognized deferred tax assets (B)	**(29)**	**48**
TOTAL NET DEFERRED TAXES RECOGNIZED (A)-(B)	**(423)**	**(1,271)**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

(in € millions)	Assets	Liabilities	Net
Net tax assets (liabilities) at December 31, 2017*	**596**	**214**	**382**
Movements during the period	13	(54)	67
Current taxes recognized directly in equity	-	(15)	15
Changes in scope of consolidation	128	58	70
Foreign exchange differences	13	8	5
Other movements	2	(1)	3
NET TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2018	**752**	**210**	**542**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

NOTE 10 EARNINGS PER SHARE

	Index	2017*	2018
Numerator *(in € millions)*			
Profit for the period attributable to owners of the parent	(a)	4,550	1,283
Profit from continuing operations attributable to owners of the parent	(i)	3,720	1,283
Profit from discontinued operations attributable to owners of the parent	(j)	830	-
Denominator *(in shares)*			
Total number of shares	(b)	417,029,585	435,767,951
Number of treasury shares held	(c)	7,742,624	1,439,723
Number of shares excluding treasury shares	(d)=(b-c)	409,286,961	434,328,228
Weighted average number of shares (excluding treasury shares)	(d’)	410,241,043	430,911,810
Potentially dilutive ordinary shares	(e)	7,277,205	5,423,821
Weighted average number of shares after dilution	(f)=(d’+e)	417,518,248	436,335,631
Ratio: earnings per share from continuing operations *(in €)*			
Basic earnings per share	(k)=(i*1million)/(d’)	9.07	2.98
Diluted earnings per share	(l)=(i*1million)/(f)	8.91	2.94
Ratio: earnings per share from discontinued operations *(in €)*			
Basic earnings per share	(m)=(j*1million)/(d’)	2.02	-
Diluted earnings per share	(n)=(j*1million)/(f)	1.99	-

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, “Revenue from Contracts with Customers” (see Note 3.a.2, “Impact at December 31, 2017”).

At December 31, 2018, potentially dilutive ordinary shares essentially comprise shares that may be issued if all of the bonds convertible and/or exchangeable for new and/or existing shares issued by the Group (OCÉANE 2018-2023: see Note 22.c, “Convertible bond issues”) are converted.

The calculation of earnings per share in 2018 includes:

- the issuance of 26,651,058 Class A Preferred Shares on February 13, 2018 to the shareholders of Zodiac Aerospace who tendered their shares to the subsidiary exchange offer. The Class A Preferred Shares carry dividend rights as from their date of issuance;
- the capital increase resulting from the issuance of 3,490,192 shares upon the merger of Zodiac Aerospace into Safran on December 1, 2018;
- the capital decrease carried out on December 17, 2018 by canceling 11,402,884 treasury shares.

NOTE 11 GOODWILL

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2017 Net	Changes in scope of consolidation	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	Dec. 31, 2018 Net
Safran Aircraft Engines	392	-	-	-	-	392
Safran Helicopter Engines	307	-	-	-	-	307
Safran Aero Booster	47	-	-	-	-	47
Other	1	-	-	-	-	1
Total Aerospace Propulsion	**747**	**-**	**-**	**-**	**-**	**747**
Safran Nacelles	213	-	-	-	-	213
Safran Engineering Services	78	-	-	-	(2)	76
Safran Landing Systems	190	-	-	-	-	190
Safran Ventilation Systems	10	-	-	-	-	10
Safran Electrical & Power	464	-	-	-	7	471
Total Aircraft Equipment	**955**	**-**	**-**	**-**	**5**	**960**
Safran Electronics & Defense	129	-	-	-	3	132
Total Defense	**129**	**-**	**-**	**-**	**3**	**132**
Aerosystems	-	1,690	-	-	-	1,690
Cabin	-	825	-	-	54	879
Seats	-	765	-	-	-	765
Total Zodiac Aerospace	**-**	**3,280**	**-**	**-**	**54**	**3,334**
TOTAL	**1,831**	**3,280**	**-**	**-**	**62**	**5,173**

Annual impairment tests

The Group tests goodwill for impairment each year.

The Group performed annual impairment tests on the cash-generating units (CGUs) presented above, by comparing their value in use with their net carrying amount.

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

- expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at 10 years but may be extended for businesses with longer development and production cycles;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions. These projections and assumptions are based on the Group's medium-term plan for the next four years, while projections and assumptions beyond this period are based on management's best case long-term scenario;
- the value in use of CGUs is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year in the long-term plan;
- the growth rate used to calculate terminal value was set at 1.5% for the Defense CGU (unchanged from 2017) and at 2% for the Aerospace Propulsion and Aircraft Equipment CGUs (unchanged from 2017) and for the Aerosystems and Cabin and Seats CGUs;
- the average USD exchange rate adopted is 1.18 for years 2019 to 2021 and 1.30 thereafter. These exchange rate assumptions were used for forecasting during the first half of the year, and take into account the foreign currency hedging portfolio (see Note 30, "Management of market risks and derivatives");
- the benchmark post-tax discount rate used is 7.5% (unchanged from 2017) and is applied to post-tax cash flows.

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized as a result of the annual impairment tests in 2017.

A sensitivity analysis was carried out in respect of the Group's main goodwill balances, by introducing the following changes to the main assumptions:

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

In 2018 as in 2017, the above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances.

NOTE 12 INTANGIBLE ASSETS

Intangible assets break down as follows:

(in € millions)	Dec. 31, 2017* Gross	Dec. 31, 2017* Amortization/ impairment	Dec. 31, 2017* Net	Dec. 31, 2018 Gross	Dec. 31, 2018 Amortization/ impairment	Dec. 31, 2018 Net
Aircraft programs	2,350	(1,450)	900	2,351	(1,550)	801
Development expenditures	4,814	(1,508)	3,306	5,981	(2,000)	3,981
Commercial agreements and concessions	661	(98)	563	735	(121)	614
Software	547	(467)	80	646	(545)	101
Trademarks	-	-	-	703	-	703
Commercial relationships	198	(80)	118	1,933	(213)	1,720
Technology	83	(25)	58	1,375	(157)	1,218
Other	715	(144)	571	806	(187)	619
TOTAL	**9,368**	**(3,772)**	**5,596**	**14,530**	**(4,773)**	**9,757**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2017*	**9,368**	**(3,772)**	**5,596**
Capitalization of R&D expenditure(1)	327	-	327
Capitalization of other intangible assets	48	-	48
Acquisitions of other intangible assets	121	-	121
Disposals and retirements	(15)	8	(7)
Amortization	-	(654)	(654)
Impairment losses recognized in profit or loss	-	(51)	(51)
Reclassifications	(1)	1	-
Changes in scope of consolidation	4,596	(288)	4,308
Foreign exchange differences	86	(17)	69
AT DECEMBER 31, 2018	**14,530**	**(4,773)**	**9,757**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").
(1) Including €7 million in capitalized interest on R&D expenditure at December 31, 2018 (€11 million at December 31, 2017).

Research and development expenditure recognized in recurring operating income for the period totaled €1,124 million including amortization (€980 million in 2017). This amount does not include the research tax credit recognized in the income statement within "Other income" (see Note 7, "Breakdown of the other main components of profit from operations").

Amortization recognized in the year includes €239 million relating to the remeasurement of intangible assets within the scope of the Zodiac Aerospace acquisition, €56 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €39 million relating to assets identified as part of other business combinations.

As a result of the impairment tests carried out at December 31, 2018, the Group wrote down intangible assets assigned to the X6 program in an amount of €34 million, as well as intangible assets relating mainly to an Aircraft Equipment program in an amount of €4 million (see Note 7, "Breakdown of the other main components of profit from operations").

As a result of the impairment tests carried out at December 31, 2017, assets that the Group had specifically committed to the Falcon 5X program were written down in an amount of €23 million (see Note 7, "Breakdown of the other main components of profit from operations"), while intangible assets relating to an Aircraft Equipment program were written down in an amount of €34 million.

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

	Dec. 31, 2017			Dec. 31, 2018		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	204	-	204	247	-	247
Buildings	1,624	(750)	874	2,080	(935)	1,145
Technical facilities, equipment and tooling	4,711	(3,127)	1,584	5,743	(3,647)	2,096
Assets in progress, advances	750	(76)	674	784	(68)	716
Site development and preparation costs	51	(30)	21	60	(33)	27
Buildings on land owned by third parties	90	(31)	59	85	(36)	49
Computer hardware and other equipment	459	(357)	102	637	(463)	174
TOTAL	**7,889**	**(4,371)**	**3,518**	**9,636**	**(5,182)**	**4,454**

Movements in property, plant and equipment can be analyzed as follows:

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2017	**7,889**	**(4,371)**	**3,518**
Internally produced assets	80	-	80
Additions[(1)]	723	-	723
Disposals and retirements	(167)	137	(30)
Depreciation[(2)]	-	(555)	(555)
Impairment losses recognized in profit or loss	-	(10)	(10)
Reclassifications	(25)	23	(2)
Changes in scope of consolidation	1,067	(371)	696
Foreign exchange differences	69	(35)	34
AT DECEMBER 31, 2018	**9,636**	**(5,182)**	**4,454**

(1) Including €6 million in assets held under finance leases.
(2) Including €22 million relating to the remeasurement of property, plant and equipment as part of the Zodiac Aerospace acquisition.

Assets held under finance leases and recognized in property, plant and equipment break down as follows:

	Dec. 31, 2017			Dec. 31, 2018		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairmentt	Net
Land	16	-	16	16	-	16
Buildings	235	(67)	168	244	(79)	165
Technical facilities, equipment and tooling	18	(8)	10	18	(9)	9
Site development and preparation costs	10	(3)	7	11	(3)	8
Buildings on land owned by third parties	18	(2)	16	18	(1)	17
Computer hardware and other equipment	20	(20)	-	20	(20)	-
TOTAL	**317**	**(100)**	**217**	**327**	**(112)**	**215**

NOTE 14 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets include:

	Dec. 31, 2017			Dec. 31, 2018		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments	N/A	N/A	226	N/A	N/A	300
Other financial assets	2,298	(87)	2,211	385	(84)	301
TOTAL	**N/A**	**N/A**	**2,437**	**N/A**	**N/A**	**601**

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

Other financial assets are measured at amortized cost.

The Group reviewed the value of its other financial assets in order to determine whether any items needed to be written down based on available information.

No material write-downs were recognized in 2018.

Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Loans to non-consolidated companies	108	122
Loans to employees	31	33
Deposits and guarantees	2,007	12
Other	65	134
TOTAL	**2,211**	**301**
Non-current	**98**	**116**
Current	**2,113**	**185**

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2017	**2,211**
Increase	93
Decrease	(2,042)
Impairment (reversals/additions)	3
Effect of changes in foreign exchange rates	1
Reclassifications	(21)
Changes in scope of consolidation	56
AT DECEMBER 31, 2018	**301**

The decrease in other financial assets is mainly due to the transfer to cash and cash equivalents of €2,000 million in money market funds which were pledged during the tender offer for Zodiac Aerospace. These money market funds could not be classified under cash and cash equivalents during the offer period due to their usage restriction (see Note 20, “Cash and cash equivalents”).

NOTE 15 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, 2017*	Dec. 31, 2018
ArianeGroup	1,557	1,605
Other joint ventures	570	648
TOTAL	**2,127**	**2,253**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

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

(in € millions)	
At December 31, 2017*	**2,127**
Share in profit from ArianeGroup	83
Share in profit from other joint ventures	106
Dividends received from joint ventures	(65)
Changes in scope of consolidation	2
Foreign exchange differences	29
Other movements	(29)
AT DECEMBER 31, 2018	**2,253**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

The Group's off-balance sheet commitments with joint ventures are described in Note 33, "Related parties".

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

- Airbus Safran Launchers (ASL), which changed corporate name to ArianeGroup on July 1, 2017: launchers;
- Shannon Engine Support Ltd: leasing of CFM56 and Leap engines, modules, equipment and tooling to airline companies;
- ULIS: manufacture of uncooled infrared detectors;
- SOFRADIR: manufacture of cooled infrared detectors;
- Safran Martin-Baker France: manufacture of ejectable seating;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;
- SAIFEI: electrical wiring;
- Fadec International LLC: digital engine control systems;
- Xi'an Cea Safran Landing Systems Co., Ltd: landing gear maintenance;
- EZ Air Interior Ltd: cabin interiors.

ArianeGroup is the Group's sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Non-current assets	1,134	1,303
Current assets	5,360	6,626
of which: cash and cash equivalents	*807*	*507*
Non-current liabilities	(496)	(688)
of which: non-current financial liabilities	*(31)*	*(137)*
Current liabilities	(6,448)	(7,513)
of which: current financial liabilities	*(36)*	*(28)*
Non-controlling interests	7	14
Net assets of ArianeGroup (excl. goodwill and PPA) – attributable to owners of the parent (based on a 100% interest)	**(457)**	**(286)**
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(229)	(143)
Purchase price allocation, net of deferred taxes	609	572
Safran equity share – Net assets of ArianeGroup	**381**	**429**
Goodwill	**1,176**	**1,176**
CARRYING AMOUNT OF INVESTMENT IN ARIANEGROUP	**1,557**	**1,605**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

(in € millions)	2017*	2018
Profit for the period attributable to owners of the parent	**199**	**241**
Other comprehensive income	28	(10)
Total comprehensive income attributable to owners of the parent	**227**	**231**
Safran equity share – Profit for the period	99	120
Amortization of purchase price allocation, net of deferred taxes	(44)	(37)
Deferred tax rate change	21	-
Safran equity share in profit of ArianeGroup	**76**	**83**
Safran equity share – Other comprehensive income	14	(9)
Safran equity share in comprehensive income of ArianeGroup	**90**	**74**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

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

(in € millions)	2017*	2018
Profit from continuing operations	68	106
Other comprehensive income	(49)	20
TOTAL COMPREHENSIVE INCOME	**19**	**126**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

NOTE 16 INVENTORIES AND WORK-IN-PROGRESS

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

(in € millions)	Dec. 31, 2017* Net	Dec. 31, 2018 Net
Raw materials and supplies	532	1,221
Finished goods	2,083	2,662
Work-in-progress	1,284	1,608
Bought-in goods	55	67
TOTAL	**3,954**	**5,558**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

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

(in € millions)	Gross	Impairment	Net
At December 31, 2017*	**4,725**	**(771)**	**3,954**
Movements during the period[(1)]	53	-	53
Net impairment expense	-	79	79
Reclassifications	-	1	1
Changes in scope of consolidation	1,772	(348)	1,424
Foreign exchange differences	60	(13)	47
AT DECEMBER 31, 2018	**6,610**	**(1,052)**	**5,558**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(1) Including a negative amount of €340 million relating to the cancellation of the impact of remeasuring inventories at the time of the Zodiac Aerospace acquisition.

NOTE 17 CONTRACT COSTS

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

	Dec. 31, 2017*			Dec. 31, 2018**		
(in € millions)	Gross value	Amort./ impairment	Net	Gross value	Amort./ impairment	Net
Costs to obtain contracts	-	-	-	-	-	-
Costs to fulfill contracts	335	(74)	261	532	(62)	470
CONTRACT COSTS	**335**	**(74)**	**261**	**532**	**(62)**	**470**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(**) The data shown for 2018 do not include data for Zodiac Aerospace for a gross amount of €203 million and a net amount of €203 million.

NOTE 18 TRADE AND OTHER RECEIVABLES

(in € millions)	Dec. 31, 2017* Net	Movements during the period	Impairment/ reversal	Changes in scope of consolidation	Reclassifications	Change in accounting policy (IFRS 9)	Effect of changes in foreign exchange rates	Dec. 31, 2018 Net
Operating receivables	**4,305**	**779**	**(5)**	**745**	**(3)**	**(3)**	**31**	**5,849**
Debit balances on trade payables/advance payments to suppliers	415	47	-	9	1	-	-	472
Trade receivables	3,885	730	(5)	734	(4)	(3)	31	5,368
Operating current accounts	1	1	-	-	-	-	-	2
Employee-related receivables	4	1	-	2	-	-	-	7
Other receivables	**647**	**(3)**	**-**	**86**	**1**	**-**	**-**	**731**
Prepayments	34	10	-	42	2	-	1	89
VAT receivables	537	(9)	-	28	(1)	-	-	555
Other State receivables	11	14	-	7	-	-	-	32
Other receivables	65	(18)	-	9	-	-	(1)	55
TOTAL	**4,952**	**776**	**(5)**	**831**	**(2)**	**(3)**	**31**	**6,580**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

The table below shows changes in trade and other receivables:

(in € millions)	Gross	Impairment	Net
At December 31, 2017*	**4,101**	**(216)**	**3,885**
Short-term changes	730	-	730
Net impairment	-	(5)	(5)
Reclassifications	(7)	-	(7)
Changes in scope of consolidation	765	(31)	734
Foreign exchange differences	32	(1)	31
AT DECEMBER 31, 2018	**5,621**	**(253)**	**5,368**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

Trade and other receivables fall due as shown below:

(in € millions)	Carrying amount at Dec. 31	Not past due	Past due at year-end (in days)					Total past due
			< 30	31-90	90-180	181-360	> 360	
At December 31, 2017*								
Trade receivables	3,885	3,440	106	136	60	31	112	445
AT DECEMBER 31, 2018								
Trade receivables	5,368	4,415	539	198	100	33	83	953

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

In both 2018 and 2017, the Group sold trade receivables as part of an agreement described in further detail in Note 26, "Interest-bearing financial liabilities". Under IFRS, these receivables must be removed from the balance sheet.

NOTE 19 CONTRACT ASSETS AND LIABILITIES

Contract assets can be analyzed as follows:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Contract assets, gross	1,370	1,555
Impairment	(4)	(11)
CONTRACT ASSETS, NET	**1,366**	**1,544**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

Changes in contract assets in 2018 can be analyzed as follows:

(in € millions)	
At December 31, 2017*	**1,366**
Change in accounting policy (IFRS 9)	(1)
Reclassification of contract assets in trade and other receivables	(486)
Changes relating to revenue recognized over time	559
Other changes	79
Business combinations	31
Impairment	(7)
Foreign exchange differences	3
AT DECEMBER 31, 2018	**1,544**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

Contract liabilities can be analyzed as follows:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Advances and downpayments received	4,561	5,080
Deferred income	3,161	3,905
Other contract liabilities	1,368	1,468
TOTAL	**9,090**	**10,453**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Deferred income mainly includes funding received for development work and service contracts that has not yet been recognized in revenue.

Changes in contract liabilities in 2018 can be analyzed as follows:

(in € millions)	
At December 31, 2017*	**9,090**
Increase in amounts received net of revenue recognized in the period	3,388
Revenue recognized in the period and included in the opening balance	(2,545)
Other changes	33
Business combinations	465
Foreign exchange differences	22
AT DECEMBER 31, 2018	**10,453**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

NOTE 20 CASH AND CASH EQUIVALENTS

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Money-market funds	1,293	5
Short-term investments	2,077	1,250
Sight deposits	1,544	1,075
TOTAL	**4,914**	**2,330**

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

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2017	**4,914**
Movements during the period	(2,963)
Changes in scope of consolidation	382
Foreign exchange differences	(3)
AT DECEMBER 31, 2018	**2,330**

Changes in cash and cash equivalents in 2018 notably include the payment made as part of the tender offer for Zodiac Aerospace, representing an outflow of €4,474 million, and the transfer to cash and cash equivalents of money market funds which were pledged during the Zodiac Aerospace tender offer, representing an inflow of €2,000 million. These money market funds could not be classified under cash and cash equivalents during the offer period due to their usage restriction (see Note 14, "Current and non-current financial assets").

NOTE 21 SUMMARY OF FINANCIAL ASSETS

The following table presents the carrying amount of the Group's financial assets at December 31, 2017 and December 31, 2018:

	Carrying amount				
	At amortized cost	At fair value			Total
At December 31, 2017* *(in € millions)*	Amortized cost (A)	Fair value through profit or loss/Available-for-sale financial assets (B)	Fair value through equity (OCI) to be reclassified (C)	Fair value through equity (OCI) not to be reclassified (D)	= A+B+C+D
Non-current financial assets					
Non-consolidated investments		226			226
Non-current derivatives (positive fair value)		16			16
Other non-current financial assets	98				98
Sub-total non-current financial assets	**98**	**242**	**-**	**-**	**340**
Other current financial assets	2,113				2,113
Current derivatives (positive fair value)		566			566
Trade receivables	3,885				3,885
Operating current accounts and other receivables	66				66
Cash and cash equivalents	3,621	1,293			4,914
Sub-total current financial assets	**9,685**	**1,859**	**-**	**-**	**11,544**
TOTAL FINANCIAL ASSETS	**9,783**	**2,101**	**-**	**-**	**11,884**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

	Carrying amount				
	At amortized cost	At fair value			Total
At December 31, 2018 *(in € millions)*	Amortized cost (A)	Fair value through profit or loss (B)	Fair value through equity (OCI) to be reclassified (C)	Fair value through equity (OCI) not to be reclassified (D)	= A+B+C+D
Non-current financial assets					
Non-consolidated investments		300			300
Non-current derivatives (positive fair value)		13			13
Other non-current financial assets	116				116
Sub-total non-current financial assets	**116**	**313**	**-**	**-**	**429**
Other current financial assets	185				185
Current derivatives (positive fair value)		740			740
Trade receivables	5,380				5,380
Operating current accounts and other receivables	45				45
Cash and cash equivalents	2,325	5			2,330
Sub-total current financial assets	**7,935**	**745**	**-**	**-**	**8,680**
TOTAL FINANCIAL ASSETS	**8,051**	**1,058**	**-**	**-**	**9,109**

Impairment of financial assets/ Credit risk exposure

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

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

Reclassification of financial assets

The Group did not reclassify any financial assets between the "amortized cost" and "fair value" categories in either 2018 or 2017.

Fair value of financial assets

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

Safran uses the fair value hierarchy set out in IFRS 13 to determine the classification of financial assets at fair value:

- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets;
- Level 3: unobservable inputs.

At December 31, 2017, the Group carried the following financial assets at fair value:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments	-	-	226	226
Derivatives (positive fair value)	-	582	-	582
Cash and cash equivalents	1,293	-	-	1,293
TOTAL	**1,293**	**582**	**226**	**2,101**

At December 31, 2018, the Group carried the following financial assets at fair value:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments	-	-	300	300
Derivatives (positive fair value)	-	753	-	753
Cash and cash equivalents	5	-	-	5
TOTAL	**5**	**753**	**300**	**1,058**

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2018 or 2017.

Offsetting of financial assets and financial liabilities

At December 31, 2017 *(in € millions)*	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) – (D)
Derivatives (positive fair value)	582	-	582	508	74

(1) See Note 30, "Management of market risks and derivatives".

At December 31, 2018 *(in € millions)*	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) – (D)
Derivatives (positive fair value)	753	-	753	725	28

(1) See Note 30, "Management of market risks and derivatives".

The tables above show the financial assets for which an offsetting agreement exists with respect to financial liabilities.

The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2018 or 2017, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offset agreement but not offset comprise a portion of the Group's derivatives with a negative fair value, since amounts can only be offset if they relate to the same counterparty.

NOTE 22 CONSOLIDATED SHAREHOLDERS' EQUITY

a) Share capital

At December 31, 2018, Safran's share capital was fully paid up and comprised 435,767,951 shares, each with a par value of €0.20.

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

b) Breakdown of share capital and voting rights

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

December 31, 2017

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Private investors	320,032,130	76.74%	336,208,280	66.12%
French State	58,393,131	14.00%	116,786,262	22.97%
Employees(2)	30,861,700	7.40%	55,471,370	10.91%
Treasury shares	7,742,624	1.86%	-	-
TOTAL	**417,029,585**	**100.00%**	**508,465,912**	**100.00%**

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

December 31, 2018

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Private investors	356,388,863	81.78%	371,363,962	71.05%
French State	47,983,131	11.01%	95,966,262	18.36%
Employees(2)	29,956,234	6.88%	55,338,194	10.59%
Treasury shares	1,439,723	0.33%	-	-
TOTAL	**435,767,951**	**100.00%**	**522,668,418**	**100.00%**

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

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

The 1,439,723 treasury shares have no voting rights.

At December 31, 2018, the total number of shares includes the 26,651,058 preferred shares issued on February 13, 2018 in consideration for the 88,847,828 Zodiac Aerospace shares tendered to the subsidiary exchange offer, as well as the 3,490,192 ordinary shares issued at the time of the Zodiac Aerospace merger on December 1, 2018. It also reflects the capital decrease carried out on December 17, 2018 by canceling 11,402,884 treasury shares.

Treasury shares

The number of treasury shares has decreased since December 31, 2017 following:

- the purchase of 118,644 shares under the Group's liquidity agreement, net of shares sold;
- the purchase of 5,158,309 shares in connection with the implementation of the share buyback program;
- the delivery of 6,081 shares under the multi-year share compensation plan;
- the conversion of 170,889 OCÉANE 2016-2020 convertible bonds into shares (see Note 22.c, "Convertible bond issues");
- the cancellation of 11,402,884 treasury shares.

On June 15, 2017, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations, at a maximum purchase price of €95 per share. This authorization was renewed by the Shareholders' Meeting of May 25, 2018, which set the maximum purchase price at €118 per share. A new authorization to purchase shares was granted by the Shareholders' Meeting of November 27, 2018, providing for a maximum purchase price of €140 per share, in order to reflect changes in the Safran share price since the last authorization was granted.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, the Company purchased 2,624,833 shares for €273 million, and sold 2,506,189 shares for €260 million. At December 31, 2018, 314,000 shares were held in connection with the liquidity agreement.

On May 24, 2017, Safran announced that it intended to buy back up to €2,300 million in shares over a two-year period, starting as soon as its tender offer for Zodiac Aerospace had been completed. Since the offer was completed on March 23, 2018 following the mandatory squeeze-out of Zodiac Aerospace shares, Safran signed:

- a share purchase agreement with an investment services firm on March 27, 2018 for an initial buyback tranche of up to €230 million;
- a share purchase agreement with a different investment services firm on June 29, 2018 for a second tranche of up to €400 million.

At December 31, 2018, two tranches had been completed, concerning the purchase of 5,158,309 shares for €522 million. These shares were subsequently canceled within the scope of the capital decrease of December 17, 2018.

Acting on the recommendations of the Appointments and Compensation Committee, at its July 29, 2015 meeting, the Board of Directors decided to introduce a multi-year variable compensation system in the form of the 2015 Performance Unit plan, designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over several years. This multi-year compensation plan applied to the Chief Executive Officer and other members of Safran's Executive Committee. A total of 6,081 shares were distributed in connection with this plan in 2018.

c) Convertible bond issues

OCÉANE 2016-2020 bond issue

On January 8, 2016, Safran issued 7,277,205 bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) for a total nominal amount of €650 million.

The bonds do not carry any coupon.

OCÉANE convertible bonds are deemed a hybrid instrument comprising an equity and a liability component.

The effective annual interest rate on the liability component is 1.50% including issuance fees.

On October 30, 2018, Safran exercised the early redemption option, resulting in the redemption of 7,093,116 OCÉANE bonds (97.47% of the initial issue), representing a nominal amount of €634 million (see Note 26, "Interest-bearing financial liabilities"). The bulk of the remaining OCÉANE bonds had been converted into Safran shares at a rate of one share per bond. A tiny portion of bonds was redeemed at par.

The Group had no further OCÉANE 2016-2020 bonds outstanding at December 31, 2018.

OCÉANE 2018-2023 bond issue

On June 21, 2018, Safran issued 4,996,431 bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) for a total nominal amount of €700 million.

The bonds do not carry any coupon.

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

The bonds come with an early redemption option that the issuer may trigger if the share price exceeds 130% of par value and that the bearer may trigger in the event of a change of control.

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

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

After deducting issuance fees, a total of €653 million was recognized under interest-bearing financial liabilities, which corresponds to the discounted value of cash flows from a similar bond with no conversion rights (see Note 26, "Interest-bearing financial liabilities").

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

The option component recognized in equity was valued at €44 million on the issue date, or €31 million after the deferred tax impact (see the consolidated statement of changes in shareholders' equity).

d) Dividend distribution

A dividend payout of €1.60 per share in respect of 2017 was approved and paid in 2018, representing a total amount of €695 million.

At the Shareholders' Meeting to be held on May 23, 2019 to approve the financial statements for the year ended December 31, 2018, the Board of Directors will recommend a dividend payment of €1.82 per share in respect of 2018, representing a total payout of €793 million.

NOTE 23 PROVISIONS

Provisions break down as follows:

(in € millions)	Dec. 31, 2017*	Additions	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus	Changes in scope of consolidation	Other	Dec. 31, 2018
Performance warranties	637	617	(166)	-	(190)	130	9	1,037
Financial guarantees	5	1	(2)	-	(1)	-	-	3
Post-employment benefits	813	75	(96)	-	(2)	133	(47)	876
Sales agreements and long-term receivables	392	167	(296)	-	(79)	76	6	266
Provisions for losses on completion and losses arising on delivery commitments	72	49	(56)	-	(10)	145	1	201
Disputes and litigation	39	13	(18)	-	(6)	24	(1)	51
Other	230	133	(67)	-	(21)	70	(2)	343
TOTAL	**2,188**	**1,055**	**(701)**	**-**	**(309)**	**578**	**(34)**	**2,777**
Non-current	**1,263**							**1,588**
Current	**925**							**1,189**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

On September 6, 2018, Safran and Dassault Aviation reached an agreement regarding the compensation payable to Dassault Aviation for the termination of the Silvercrest engine program intended to equip the Falcon 5X.

The provision recognized in this respect in the Group's 2017 consolidated financial statements was written back in full against accrued expenses.

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

(in € millions)	Dec. 31, 2018
Net additions recognized in profit from operations	-
Net additions recognized in financial income (loss)	(45)
TOTAL	**(45)**

NOTE 24 POST-EMPLOYMENT BENEFITS

The Company has various obligations under defined benefit plans, retirement termination benefits and other commitments, mainly in France, the United States and the United Kingdom. The accounting treatment applied to these commitments is detailed in Note 1.s.

a) Presentation of post-employment benefits

France

Defined benefit pension plans

The Group closed a defined benefit supplementary pension plan at December 31, 2017 and froze all conditional entitlements at December 31, 2016.

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

The closure of this plan is part of a change in supplementary pension arrangements for Group executive managers, with the introduction of an "Article 83" supplementary defined benefit plan (mandatory collective plan) and an "Article 82" defined contribution plan (voluntary collective plan) as from January 1, 2017.

Retirement termination benefits

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

Other long-term benefits

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

United Kingdom

Defined benefit pension plans

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

Rest of the world

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

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

b) Financial position

(in € millions)	Dec. 31, 2017	Dec. 31, 2018	France	United Kingdom	Rest of the world
Gross obligation	1,467	1,554	699	545	310
Plan assets	665	691	14	503	174
Provision recognized in the accounts	**813**	**876**	**685**	**55**	**136**
> Defined benefit pension plans	201	180	16	55	109
> Retirement termination benefits	568	644	622	-	22
> Long-service bonuses and other employee benefits	44	52	47	-	5
RECOGNIZED NET PLAN ASSETS	**(11)**	**(13)**	**-**	**(13)**	**-**

(in € millions)	Dec. 31, 2017	Dec. 31, 2018	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,467	1,554	858	644	52
Plan assets	665	691	691	-	-
Provision recognized in the accounts	**813**	**876**	**180**	**644**	**52**
RECOGNIZED NET PLAN ASSETS	**(11)**	**(13)**	**(13)**	**-**	**-**

The increase in the gross obligation results from the following conflicting impacts:

- an increase in the obligation relating to the consolidation of the Zodiac Aerospace group, which had a benefit obligation of €152 million at December 31, 2018;
- a decrease of €44 million in the obligation following changes in the financial assumptions (discount and inflation rates) used to determine the benefit obligation in the United Kingdom.

The value of plan assets also increased following the consolidation of Zodiac Aerospace, which had plan assets of €22 million at December 31, 2018.

The cost of the Group's pension obligations in 2017 and 2018 can be analyzed as follows:

(in € millions)	2017	2018
Current service cost	(55)	(57)
Actuarial gains and losses recognized (on other long-term benefits)	(1)	2
Plan implementation, amendment and settlement	3	(4)
Plan administration costs	(1)	-
Total operating component of the pension expense	**(54)**	**(59)**
Interest cost on the net benefit obligation	(12)	(14)
Total financing component of the pension expense	**(12)**	**(14)**
TOTAL	**(66)**	**(73)**

The Group expects to pay a total of €33 million into its defined benefit pension plans in 2019.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	2017	1.40%	2.60%
	2018	**1.50%**	**2.90%**
Inflation rate	2017	1.75%	3.20%
	2018	**1.75%**	**3.25%**
Rate of annuity increases	2017	1.00%	3.20%
	2018	**1.00%**	**3.25%**
Rate of future salary increases	2017	1.12%-5.00%	N/A
	2018	**1.12%-5.00%**	**N/A**
Retirement age	2017	Managerial: 64/65 years	65 years
		Non-managerial: 62/65 years	
	2018	**Managerial: 64/65 years**	**65 years**
		Non-managerial: 62/65 years	

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

Sensitivity analysis

An increase or decrease of 0.5% in the main assumptions would have the following impacts on the amount of the gross benefit obligation at December 31, 2018:

(in € millions)		
Sensitivity (basis points)	**-0.50%**	**+0.50 %**
Discount rate	117	(109)
Inflation rate	(52)	53
Rate of future salary increases	(49)	51

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

c) Change in the gross benefit obligation and plan assets

Change in gross benefit obligation

(in € millions)	2017	2018	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
GROSS BENEFIT OBLIGATION AT BEGINNING OF PERIOD	**1,513**	**1,467**	**855**	**568**	**44**
A. Pension expense					
Current service cost	55	57	13	39	5
Actuarial gains and losses recognized (on other long-term benefits)	1	(2)	-	-	(2)
Plan implementation, amendment and settlement	(3)	4	4	-	-
Interest cost	28	30	21	8	1
Total expense recognized in the income statement	**81**	**89**	**38**	**47**	**4**
B. Actuarial gains and losses arising in the period on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	(23)	(3)	1	(4)	-
Actuarial gains and losses resulting from changes in financial assumptions	11	(63)	(52)	(11)	-
Experience adjustments	(9)	6	(7)	13	-
Total revaluation recognized in other comprehensive income for the period	**(21)**	**(60)**	**(58)**	**(2)**	**-**
C. Other items					
Employee contributions	1	2	2	-	-
Benefits paid	(74)	(96)	(46)	(46)	(4)
Changes in scope of consolidation	(1)	154	69	77	8
Other movements	-	-	-	-	-
Foreign exchange differences	(32)	(2)	(2)	-	-
Total other items	**(106)**	**58**	**23**	**31**	**4**
GROSS BENEFIT OBLIGATION AT END OF PERIOD	**1,467**	**1,554**	**858**	**644**	**52**
Average weighted term of pension plans	15	15	18	11	9

Change in fair value of plan assets

(in € millions)	2017	2018	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	**646**	**665**	**665**	**-**	**-**
A. Income					
Interest income on plan assets	16	16	16	-	-
Plan administration costs	(1)	-	-	-	-
Total income recognized in the income statement	**15**	**16**	**16**	**-**	**-**
B. Actuarial gains and losses arising in the period on post-employment plans					
Return on plan assets (excluding interest income component)	21	(12)	(12)	-	-
Total revaluation recognized in other comprehensive income for the period	**21**	**(12)**	**(12)**	**-**	**-**
C. Other items					
Employee contributions	1	2	2	-	-
Employer contributions	45	43	43	-	-
Benefits paid	(38)	(43)	(43)	-	-
Changes in scope of consolidation	-	23	23	-	-
Other movements	(1)	-	-	-	-
Foreign exchange differences	(24)	(3)	(3)	-	-
Total other items	**(17)**	**22**	**22**	**-**	**-**
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**665**	**691**	**691**	**-**	**-**

d) Asset allocation

	United Kingdom % allocation at		Other European countries % allocation at	
	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Shares	33.88%	14.47%	19.22%	27.65%
Bonds and debt instruments	28.98%	41.88%	60.78%	58.65%
Property	7.10%	7.56%	7.80%	7.50%
Mutual funds and other diversified funds	27.98%	35.13%	0.00%	0.65%
Cash and cash equivalents	2.06%	0.96%	2.69%	2.15%
Other	0.00%	0.00%	9.51%	3.40%

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

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

The Group's investment policy for pension funds in the UK combines safe harbor investments (in monetary funds, government bonds, bond funds), to secure the medium-term funding of obligations, with riskier investments such as in equity funds and real estate funds, whose expected profitability over the long term guarantees the financial stability of the plans.

e) Contributions to defined contribution plans

The expense for 2018 in respect of defined contribution plans amounts to €296 million (€224 million in 2017), including the expense for Zodiac Aerospace as from March 1, 2018.

These contributions relate to statutory pension plans and defined contribution supplementary pension plans.

NOTE 25 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption mainly includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2017	**569**
New advances received	26
Advances repaid	(36)
Sub-total: changes with a cash impact	**(10)**
Cost of borrowings and discounting	28
Foreign exchange differences	(1)
Changes in scope of consolidation	24
Adjustments to the probability of repayment of advances(1)	(25)
Sub-total: changes with no cash impact	**26**
AT DECEMBER 31, 2018	**585**

(1) See Note 7, "Breakdown of the main components of profit from operations".

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

NOTE 26 INTEREST-BEARING FINANCIAL LIABILITIES

Breakdown of interest-bearing financial liabilities:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Bond issue	1,209	1,517
OCÉANE convertible bond	622	657
Senior unsecured notes in USD	1,006	906
Finance lease liabilities	140	121
Long-term borrowings	269	183
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**3,246**	**3,384**
Bond issue	-	499
Senior unsecured notes in USD	-	135
Finance lease liabilities	26	27
Long-term borrowings	258	322
Accrued interest not yet due	15	19
Current interest-bearing financial liabilities, long-term at inception	**299**	**1,002**
Commercial paper	850	973
Short-term bank facilities and equivalent	241	246
Current interest-bearing financial liabilities, short-term at inception	**1,091**	**1,219**
Total current interest-bearing financial liabilities (less than 1 year)	**1,390**	**2,221**
TOTAL INTEREST-BEARING FINANCIAL LIABILITIES(1)	**4,636**	**5,605**

(1) The fair value of interest-bearing financial liabilities amounts to €5,698 million (€4,710 million at December 31, 2017).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2017	**4,636**
Increase in long-term borrowings at inception (excluding finance lease liabilities)	1,480
Decrease in long-term borrowings at inception(1)	(1,895)
Change in short-term borrowings	(472)
Sub-total: changes with a cash impact	**(887)**
Increase in finance lease liabilities	6
Accrued interest	(4)
Changes in scope of consolidation	1,420
Reclassification of the Zodiac hybrid loan	250
Foreign exchange differences	58
OCÉANE 2016-2020 bond redemption(2)	175
Option component of the OCÉANE 2018-2023 bond(3)	(44)
Change in the fair value of borrowings hedged with interest rate instruments(4)	(12)
Reclassifications and other	7
Sub-total: changes with no cash impact	**1,856**
AT DECEMBER 31, 2018	**5,605**

(1) Including a repayment of €250 million on the Zodiac hybrid loan and the redemption of OCÉANE 2016-2020 bonds for €803 million.
(2) This amount relates to the loss recognized in the year further to the redemption of OCÉANE 2016-2020 bonds (€16 million included in "Financial income (loss)" in respect of the liability component of the bonds and €175 million recognized in equity in respect of the equity component), and a €16 million loss in respect of the conversion of the OCÉANE bond into Safran shares).
(3) See Note 22.c, "Convertible bond issues".
(4) See Note 30, "Management of market risks and derivatives".

Analysis by maturity:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Maturing in:		
1 year or less	1,390	2,221
More than 1 year and less than 5 years	2,552	2,688
Beyond 5 years	694	696
TOTAL	**4,636**	**5,605**

Analysis by currency:

	Dec. 31, 2017		Dec. 31, 2018	
(in millions of currency units)	Currency	EUR	Currency	EUR
EUR	3,450	3,450	4,502	4,502
USD	1,384	1,154	1,249	1,091
CAD	-	-	1	1
Other	N/A	31	N/A	11
TOTAL		**4,636**		**5,605**

Analysis by type of interest rate:

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

	Total		Non-current				Current			
	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017		Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2018	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	2,912	3,320	1,892	3.17%	2,131	2.75%	1,020	0.10%	1,189	0.30%
Floating rate	1,724	2,285	1,354	0.33%	1,254	0.32%	370	0.56%	1,031	0.20%
TOTAL	**4,636**	**5,605**	**3,246**	**1.99%**	**3,385**	**1.85%**	**1,390**	**0.22%**	**2,220**	**0.25%**

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

	Total		Non-current				Current			
	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017		Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2018	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,823	2,202	805	1.97%	1,014	1.29%	1,018	0.10%	1,189	0.30%
Floating rate	2,813	3,403	2,441	1.62%	2,371	2.09%	372	0.56%	1,031	0.20%
TOTAL	**4,636**	**5,605**	**3,246**	**1.71%**	**3,385**	**1.85%**	**1,390**	**0.22%**	**2,220**	**0.25%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Cash and cash equivalents (A)	4,914	2,330
Interest-bearing financial liabilities (B)	4,636	5,605
Fair value of interest rate derivatives hedging borrowings (C)	16	6
TOTAL (A) - (B) + (C)	**294**	**(3,269)**

Safran's issue of USD 1.2 billion in senior unsecured notes on the US private placement market on February 9, 2012 was maintained in US dollars and no currency swaps were taken out in this respect. Changes in the euro value of this issue had a negative impact of €47 million on the Group's net debt at December 31, 2018. Since this issue is classified as a net investment hedge, the offsetting entry was a reduction in consolidated equity (see the consolidated statement of comprehensive income).

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Net debt	294	(3,269)
Total equity	9,648	12,301
GEARING RATIO	**N/A**	**26.58%**

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Main long-term borrowings at inception

> On February 9, 2012, Safran issued USD 1.2 billion in senior unsecured notes on the US private placement market, which included:
- USD 155 million of 7-year notes due February 2019 at a 3.70% fixed-rate coupon (tranche A);
- USD 540 million of 10-year notes due February 2022 at a 4.28% fixed-rate coupon (tranche B);
- USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon (tranche C).

A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.

The issue's initial fixed-rate interest came out at 4.61% in 2018 after taking account of interest rate derivatives.

> 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. The issue's fixed-rate interest came out at 1.22% in 2018 after taking account of interest rate swaps.

- Issuance on June 28, 2017 of floating-rate bonds for a total amount of €1 billion in two tranches:
  - €500 million of two-year bonds due June 2019 at a fixed-rate coupon of 3-month Euribor +30 basis points (floor at 0%), issued at 100.059% of par (tranche 1);
  - €500 million of four-year bonds due June 2021 at a fixed-rate coupon of 3-month Euribor +57 basis points (floor at 0%), issued at 100% of par (tranche 2).

  These bonds have been maintained at variable rates.
- Issuance on July 13, 2018 of 2-year floating-rate bonds at 3-month Euribor +33 basis points (0% coupon floor) for €500 million (maturing in July 2020). The bonds were issued at 100% of par.
- Bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) on June 21, 2018 for a nominal total amount of €700 million. These bonds do not carry a coupon and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0.00%. Unless converted, redeemed or bought back and canceled prior to maturity, the OCÉANE bonds are redeemable at par on June 21, 2023. The effective annual interest rate on the liability component of the OCÉANE bonds is 1.40% including issuance fees (see Note 22.c, "Convertible bond issues").
- Euro placement ("Euro PP") in the form of a syndicated loan with an original maturity of seven years, contracted by the former Zodiac Aerospace group on March 10, 2016 and falling due on March 10, 2023, on which €180 million was outstanding at December 31, 2018 at an adjustable rate of 3.302%. This loan for an initial amount of €230 million also included a €50 million floating-rate tranche which the Group chose to repay early on March 20, 2018.
- European Investment Bank (EIB) borrowings: €75 million (€112.5 million at December 31, 2017). These borrowings bear floating-rate interest indexed to 3-month Euribor +73 basis points and are repayable in equal yearly installments between December 17, 2013 and December 17, 2020.
- Employee savings financing under the Group employee savings plan: €362.8 million (€351.2 million at December 31, 2017).

  The maximum maturity is five years and the amount falling due within one year is €227.7 million. The interest rate is set annually and indexed to the 5-year French treasury bill rate (BTAN), i.e., 0.722% for 2018 and 0.70% for 2017.
- Seven-year *Schuldschein* loan set up by the former Zodiac Aerospace group on July 25, 2013 and maturing in July 2020, breaking down as follows:
  - fixed-rate tranche at 3.605%: on July 25, 2018, €95 million was repaid ahead of maturity by the former Zodiac Aerospace group and simultaneously replaced by a liability in the form of Negotiable European Medium Term Notes taken out by Safran with the same lenders for the same amount, under the same financial conditions and with the same residual maturity. Following this transaction, only €4 million of the fixed-rate tranche remains outstanding;
  - floating-rate tranche of €53.5 million, bearing interest at 6-month Euribor +220 basis points: this tranche was repaid ahead of maturity by the former Zodiac Aerospace group on July 25, 2018.
- Safran Helicopter Engines real estate lease financing contract: €18.3 million (€24 million at December 31, 2017), of which €6 million was due within one year. The lease bears fixed-rate interest of 4.7% and expires in November 2021.
- Safran University real estate lease financing contract: €35 million (€39 million at December 31, 2017), of which €4 million was due within one year. The lease bears floating-rate interest and expires in October 2026.
- Safran R&T Center real estate lease financing contract: €36.7 million (€36 million at December 31, 2017), of which €5 million was due within one year. The lease bears floating-rate interest and expires in February 2026.

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

- Safran had issued bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) on January 8, 2016 for a nominal amount of €650 million. These bonds were coming due on December 31, 2020. The bonds did not carry a coupon and were offered at an issue price representing 104% of par, or a gross negative yield to maturity of 0.78%. On October 30, 2018, Safran redeemed 97.47% of these bonds through a reverse bookbuilding process. The settlement date for the redemption was November 7, 2018. The redeemed OCÉANE, along with the associated conversion rights, were canceled pursuant to the terms and conditions of the bonds. On December 31, 2018, pursuant to the terms and conditions of the bonds, Safran redeemed ahead of maturity, in cash and at par, all outstanding OCÉANE bonds that it had not purchased or that had not been converted at that date, after having informed the bondholders of its intention.

Main short-term borrowings

- Commercial paper: €973 million (€850 million at December 31, 2017).

  This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.
- Financial current accounts with joint ventures: €198 million (€93 million at December 31, 2017). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

Sale of receivables without recourse

Net debt at both December 31, 2018 and December 31, 2017 does not include trade receivables sold without recourse, relating mainly to CFM Inc.

This confirmed facility for USD 2,450, to be reduced to USD 1,350 million in mid-January 2019 and then to USD 1,150 million in mid-March 2019, was renewed in December 2018 through to December 2019 by a syndicate of seven banks led by Crédit Agricole CIB (USD 2,350 million at December 31, 2017). It had been drawn in an amount of USD 2,147 million at December 31, 2018 (USD 1,074 million at 50%) versus USD 1,862 million (USD 931 million at 50%) at December 31, 2017.

NOTE 27 TRADE AND OTHER PAYABLES

(in € millions)	Dec. 31, 2017*	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2018
Operating payables	**3,908**	**405**	**731**	**31**	**24**	**5,099**
Credit balances on trade receivables	464	204	35	1	19	723
Trade payables	2,229	175	485	24	7	2,920
Current operating account	3	(1)	-	-	(1)	1
Employee-related liabilities	1,212	27	211	6	(1)	1,455
Other liabilities	**501**	**(28)**	**78**	**4**	**(4)**	**551**
State aid, accrued payables	18	6	-	-	-	24
State, other taxes and duties	224	(50)	23	1	-	198
Deferred income	110	(5)	-	-	-	105
Other	149	21	55	3	(4)	224
TOTAL	**4,409**	**377**	**809**	**35**	**20**	**5,650**

(*) The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Trade and other payables fall due as shown below:

(in € millions)	Total	Less than 12 months	More than 12 months
Operating payables	5,099	5,059	40
Other liabilities	551	519	32
TOTAL	**5,650**	**5,578**	**72**

NOTE 28 OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

(in € millions)	Dec. 31, 2017	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Other	Dec. 31, 2018
Payables on purchases of property, plant and equipment and intangible assets	147	(29)	-	-	(1)	117
Payables on purchases of investments	5	(356)	349	-	-	(2)
TOTAL	**152**	**(385)**	**349**	**-**	**(1)**	**115**
Non-current	**8**					**2**
Current	**144**					**113**

Movements during the period in the "Payables on purchases of investments" line reflect:

- the initial put option granted to Zodiac Aerospace non-controlling shareholders for €339 million in the context of the public tender offer for this entity; and
- the cancellation of this put option following the merger of Zodiac Aerospace SA into Safran SA on December 1, 2018.

These liabilities are not included in the Group's net financial position at December 31, 2018.

NOTE 29 SUMMARY OF FINANCIAL ASSETS

The following table presents the carrying amount of the Group's financial liabilities at December 31, 2017 and December 31, 2018:

At December 31, 2017

(in € millions)	Carrying amount		
	Financial liabilities at amortized cost[1]	Financial liabilities at fair value	Total
Borrowings subject to specific conditions	569		569
Non-current interest-bearing financial liabilities	3,246		3,246
Current interest-bearing financial liabilities	1,390		1,390
Trade payables	2,229		2,229
Payables on purchases of investments	5	-	5
Payables on purchases of property, plant and equipment and intangible assets	147		147
Current operating accounts	3		3
Non-current derivatives (negative fair value)		-	-
Current derivatives (negative fair value)		805	805
TOTAL FINANCIAL LIABILITIES	**7,589**	**805**	**8,394**

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represents €18 million at December 31, 2017.

At December 31, 2018

(in € millions)	Carrying amount		
	Financial liabilities at amortized cost[1]	Financial liabilities at fair value	Total
Borrowings subject to specific conditions	585		585
Non-current interest-bearing financial liabilities	3,384		3,384
Current interest-bearing financial liabilities	2,221		2,221
Trade payables	2,920		2,920
Payables on purchases of investments	(2)	-	(2)
Payables on purchases of property, plant and equipment and intangible assets	117		117
Current operating accounts	1		1
Non-current derivatives (negative fair value)		7	7
Current derivatives (negative fair value)		1,255	1,255
TOTAL FINANCIAL LIABILITIES	**9,226**	**1,262**	**10,488**

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represents €6 million at December 31, 2018.

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

In both 2018 and 2017, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

	Dec. 31, 2017		Dec. 31, 2018	
(in € millions)	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	569	N/A	585	N/A
Interest-bearing financial liabilities[1]	4,636	4,710	5,605	5,698

(1) This fair value measurement relates to Level 2 in the fair value hierarchy (see Note 21, "Summary of financial assets").

Safran uses the fair value hierarchy described in Note 21, "Summary of financial assets" to determine the classification of financial liabilities at fair value.

The Group carried the following financial liabilities at fair value at December 31, 2017:

(in € millions)	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	805	-	805
TOTAL	**-**	**805**	**-**	**805**

The Group carried the following financial liabilities at fair value at December 31, 2018:

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

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2018 or 2017.

Offsetting of financial liabilities and financial assets

At December 31, 2017

(in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) – (D)
Derivatives (negative fair value)	805	-	805	508	297

(1) See Note 30, "Management of market risks and derivatives".

At December 31, 2018

(in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) – (D)
Derivatives (negative fair value)	1,262	-	1,262	725	537

(1) See Note 30, "Management of market risks and derivatives".

The tables above show the financial liabilities for which an offsetting agreement exists with respect to financial assets.

The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2018 or 2017, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offsetting agreement but not offset comprise a portion of the Group's derivatives with a positive fair value, since amounts can only be offset if they relate to the same counterparty.

NOTE 30 MANAGEMENT OF MARKET RISKS AND DERIVATIVES

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

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

	Dec. 31, 2017		Dec. 31, 2018	
(in € millions)	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	**16**	**-**	**13**	**(8)**
Fixed-for-floating interest rate swaps	16	-	13	(8)
Foreign currency risk management	**566**	**(805)**	**740**	**(1,254)**
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	135	(349)	87	(361)
Currency option contracts	431	(455)	653	(893)
TOTAL	**582**	**(805)**	**753**	**(1,262)**

Foreign currency risk management

Most revenue earned in the civil aviation sector is denominated in US dollars, which is the benchmark currency used in the industry. The net excess of revenues over expenses for these activities totaled USD 8.9 billion for 2018.

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

Hedging policy

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

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

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

Management policy

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

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and the combination of optional instruments with or without barriers.

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, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators and the combination of optional instruments with or without barriers.

Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2017				Dec. 31, 2018			
(in millions of currency units)	Fair value[1]	Notional amount[1]	Less than 1 year	1 to 5 years	Fair value[1]	Notional amount[1]	Less than 1 year	1 to 5 years
Forward exchange contracts	**(215)**				**(273)**			
Short USD position	(164)	10,253	10,203	50	(338)	3,911	3,911	-
Of which against EUR	*(165)*	*10,097*	*10,097*	-	*(333)*	*3,861*	*3,861*	-
Long USD position	(16)	(1,069)	(869)	(200)	47	(1,201)	(301)	(900)
Of which against EUR	*(14)*	*(851)*	*(651)*	*(200)*	*42*	*(1,151)*	*(251)*	*(900)*
Short USD position against GBP	-	-	-	-	-	-	-	-
Short EUR position against GBP	-	-	-	-	-	(17)	(17)	-
Short EUR position against CAD	7	16	3	13	3	47	(2)	49
Long ZAR position against EUR	-	-	-	-	-	-	-	-
Long THB position against USD	-	-	-	-	-	-	-	-
Long CZK position against USD	-	-	-	-	-	-	-	-
Long MXN position against EUR	-	-	-	-	31	(12,176)	(1,872)	(10,304)
Long PLN position against EUR	-	(40)	(40)	-	-	-	-	-
Long MXN position against USD	(42)	(4,000)	(2,650)	(1,350)	(16)	(1,150)	(1,150)	-
Currency option contracts	**(24)**				**(241)**			
USD put purchased	309	13,795	12,795	1,000	482	22,454	17,454	5,000
USD call purchased	23	(4,160)	(2,800)	(1,360)	95	(1,700)	(1,700)	-
USD call sold	(239)	29,859	25,867	3,992	(870)	47,084	37,384	9,700
USD put sold	(175)	(6,520)	(3,800)	(2,720)	(14)	(4,238)	(4,238)	-
EUR put purchased	7	300	300	-	18	420	420	-
EUR call sold	(4)	600	600	-	(4)	840	840	-
Accumulators – sell USD[2]	10	774	-	774	58	1,014	126	888
Accumulators – buy USD[2]	44	(2,580)	(2,580)	-	-	-	-	-
Accumulators – buy GBP[2]	1	(541)	(541)	-	(1)	(400)	(400)	-
Accumulators – buy CAD[2]	-	-	-	-	(5)	(400)	(400)	-
TOTAL	**(239)**				**(514)**			

(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, the €275 million decrease in the fair value of foreign currency derivatives between December 31, 2017 and December 31, 2018 reflects a €274 million decrease in the fair value of currency hedging instruments not yet unwound at December 31, 2018 and a €1 million decrease in net premiums.

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).

As previously noted, Zodiac Aerospace applied hedge accounting, which was discontinued as of the acquisition date.

Exposure and sensitivity to foreign currency risk

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

(in USD millions)	Dec. 31, 2017	Dec. 31, 2018
Total assets excluding derivatives	2,078	2,982
Total liabilities excluding derivatives	(2,621)	(3,059)
Derivatives hedging balance sheet positions[1]	(819)	(1,114)
NET EXPOSURE AFTER THE IMPACT OF DERIVATIVES HEDGING BALANCE SHEET POSITIONS	**(1,362)**	**(1,191)**

(1) Notional amount.

Assets and liabilities excluding derivatives primarily consist of operating receivables and payables denominated in USD in the balance sheets of Group subsidiaries whose functional currency is the euro, and unsecured notes issued by Safran on the US private placement market for USD 1.2 billion.

In addition to this net exposure, the Group has EUR/USD currency derivatives hedging revenue net of future purchases. These had a negative fair value of USD 590 million, compared to a total negative fair value of USD 617 million for EUR/USD currency derivatives at December 31, 2018 (negative fair value of USD 272 million and USD 258 million, respectively, at December 31, 2017).

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

Impact on balance sheet positions *(in € millions)*	Dec. 31, 2017 USD		Dec. 31, 2018 USD	
Closing rate	1.20		1.15	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.14	1.26	1.09	1.20
Impact recognized through profit or loss (before tax)	(501)	(51)	(1,653)	633
Impact recognized through equity (before tax)	(54)	49	(56)	50

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;
- cash flow risk 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 euro interest rate risk

An interest rate swap was 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, 2017 Fair value	Notional amount *(€)*	Less than 1 year	1 to 5 years	More than 5 years	Dec. 31, 2018 Fair value	Notional amount *(€)*	Less than 1 year	1 to 5 years	More than 5 years
Interest rate swaps										
Fixed-for-floating	12	200	-	-	200	13	200	-	-	200
TOTAL	**12**					**13**				

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Change in fair value of hedging instrument	(5)	-
Change in fair value of hedged item	5	-
IMPACT OF FAIR VALUE EUR INTEREST RATE HEDGES ON FINANCIAL INCOME (LOSS)	**-**	**-**

Exposure to euro interest rate risk before and after hedging:

Dec. 31, 2017 *(in € millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	871	349	883	1,347	1,754	1,696
Other financial assets	-	2,109	-	70	-	2,179
Cash and cash equivalents	24	4,556	-	-	24	4,556
Net exposure before hedging	**847**	**(6,316)**	**883**	**1,277**	**1,730**	**(5,039)**
Derivatives[1]	-	-	(200)	200	(200)	200
Net exposure after hedging	**847**	**(6,316)**	**683**	**1,477**	**1,530**	**(4,839)**

(1) Notional amount.

Dec. 31, 2018 *(in € millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	1,029	1,003	1,222	1,248	2,251	2,251
Other financial assets	173	7	48	31	221	38
Cash and cash equivalents	125	1,657	-	-	125	1,657
Net exposure before hedging	**731**	**(661)**	**1,174**	**1,217**	**1,905**	**556**
Derivatives[1]	-	-	(200)	200	(200)	200
Net exposure after hedging	**731**	**(661)**	**974**	**1,417**	**1,705**	**756**

(1) Notional amount.

Exposure to USD interest rate risk

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market (USPP) has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate. These swaps are eligible for fair value hedge accounting.

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 2,175 million and a term of up to 12 months, and were taken out on behalf of a joint arrangement 50%-owned by the Group. This transaction gives rise to a floating-rate borrower/fixed-rate lender swap for a nominal amount of USD 1,088 million after elimination of intragroup items. The swaps are not eligible for hedge accounting. The aim of these transactions is to fix the borrowing cost applicable to the customer.

Two fixed-rate borrower/floating-rate lender swaps were also set up for a total nominal amount of USD 160 million and a term of up to 11 months, in connection with two assignments of trade receivables in favor of two of the Group's subsidiaries. These swaps are not eligible for hedge accounting.

	Dec. 31, 2017					Dec. 31, 2018				
(in € millions)	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
USD interest rate swaps										
Fixed-for-floating	4	1,525	480	540	505	(6)	2,133	1,088	540	505
Floating-for-fixed	-	960	960	-	-	(2)	2,335	2,335	-	-
TOTAL	**4**					**(8)**				

Changes in the fair value of the hedging instrument and hedged item within the scope of the hedge of the senior unsecured notes issue are recognized in "Financial income (loss)" as follows:

(in € millions)	2017	2018
Change in fair value of hedging instrument	(7)	(11)
Change in fair value of hedged item	7	11
IMPACT OF FAIR VALUE USD INTEREST RATE HEDGES ON FINANCIAL INCOME (LOSS)	**-**	**-**

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2017 *(in USD millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	154	21	1,209	-	1,363	21
Other financial assets	2	1	7	-	9	1
Cash and cash equivalents	87	189	-	-	87	189
Net exposure before hedging	**65**	**(169)**	**1,202**	**-**	**1,267**	**(169)**
Derivatives[1]	480	(480)	(1,045)	1,045	(565)	565
Net exposure after hedging	**545**	**(649)**	**157**	**1,045**	**702**	**396**

(1) Notional amount.

Dec. 31, 2018 *(in USD millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	180	28	1,041	-	1,221	28
Other financial assets	-	1	44	-	44	1
Cash and cash equivalents	79	362	-	-	79	362
Net exposure before hedging	**101**	**(335)**	**997**	**-**	**1,098**	**(335)**
Derivatives[1]	1,247	(1,247)	(1,045)	1,045	202	(202)
Net exposure after hedging	**1,348**	**(1,582)**	**(48)**	**1,045**	**1,300**	**(537)**

(1) Notional amount.

Sensitivity to interest rate risk

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

Interest rate assumptions used *(in € millions)*	Dec. 31, 2017	Dec. 31, 2018
Interest rate assumptions used	+1%	+1%
Impact on profit or loss (before tax)	45	(3)
Impact on equity (before tax)	-	-

Counterparty risk management

The Group is exposed to counterparty risk on the following:

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

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

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

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

Within the scope of its civil and military aviation businesses, the Group may be exposed to late payments from its customers, particularly sovereign customers, and this could affect its ability to meet its free cash flow targets.

Note 18, "Trade and other receivables" provides a breakdown of trade receivables by maturity.

Liquidity risk management

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

Since the Group has an undrawn, confirmed liquidity line at December 31, 2018, it is relatively insensitive to liquidity risk. This €2,520 million line was set up in December 2015 and expires in December 2020. It includes two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

A number of financial covenants apply to the EIB borrowings set up in 2010 (see Note 26, "Interest-bearing financial liabilities").

The following two ratios apply:

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

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market (see Note 26, "Interest-bearing financial liabilities").

The following covenant applies to the euro private placement ("Euro PP") in the form of a syndicated loan, set up by Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years (see Note 26, "Interest-bearing financial liabilities"):

- net debt/EBITDA <3.5.

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

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

NOTE 31 DISCONTINUED OPERATIONS

There were no discontinued operations in 2018. All of the businesses in the Group's Security sector were sold in 2017.

The vendor warranties granted in connection with these disposals are presented in Note 34.b., "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation".

In accordance with IFRS 5, "Profit from discontinued operations" as presented in the consolidated income statement for 2017 includes the contribution of discontinued operations up to the finalization date of each of the disposals (i.e., three months for the detection businesses, five months for the identity and security businesses), the disposal gain net of disposal costs and the associated tax effect:

(in € millions)	2017*	2018
Revenue	748	-
Recurring operating income	39	-
Profit (loss) for the period	**(1)**	**-**
Post-tax disposal gain on detection and security businesses	832	-
Profit from discontinued operations and disposal gain	**831**	**-**
Attributable to:		
> owners of the parent	830	-
> non-controlling interests	1	-

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

Other comprehensive income relating to discontinued operations and reclassified to profit at the disposal date are presented separately in the consolidated statement of comprehensive income.

NOTE 32 INTERESTS IN JOINT OPERATIONS

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

- CFM International Inc. and CFM International SA: coordination of the CFM56 and LEAP engine programs with General Electric and program marketing;
- Famat: manufacture of large casings subcontracted by Safran Aircraft Engines and General Electric;
- Matis: manufacture of aircraft wiring;
- CFAN: production of composite fan blades for turbo engines;
- Propulsion Technologies International: engine repair and maintenance.

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Current assets	114	109
Non-current assets	167	171
Current liabilities	180	165
Non-current liabilities	25	22
Operating income	72	102
Operating expenses	(44)	(70)
Financial income (loss)	(8)	(13)
Income tax expense(1)	(43)	(1)
Profit (loss) for the period	(24)	18
Other comprehensive income (expense)	(11)	3
Comprehensive income (expense)	(35)	21
Cash flow from operating activities(2)	20	17
Cash flow used in investing activities	(13)	(10)
Cash flow used in financing activities(2)	(6)	(1)

(1) Including an expense of €35 million in 2017 in connection with the tax on repatriated profits at CFM Inc. (see Note 9, "Income tax").
(2) See Note 26, "Interest-bearing financial liabilities" – trade receivables factoring programs at CFM Inc.

NOTE 33 RELATED PARTIES

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

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

Data for 2017 do not include Zodiac Aerospace, which was acquired after the end of the reporting period.

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

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Sales to related parties other than joint ventures	3,176	4,246
Purchases from related parties other than joint ventures	(61)	(82)

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Amounts receivable from related parties other than joint ventures	1,352	2,153
Amounts payable to related parties other than joint ventures	2,447	3,082

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Commitments to related parties other than joint ventures(1)	2,158	2,073

(1) See Note 34.a, "Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities".

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

The following transactions were carried out with joint ventures:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Sales to joint ventures	441	269
Purchases from joint ventures(1)	(106)	(82)

(*) The data published for first-half 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").
(1) Mainly with Shannon Engine Support Limited.

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Amounts receivable from joint ventures	160	173
Amounts payable to joint ventures	20	4

(*) The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017").

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Commitments given to joint ventures(2)	131	152

(2) See Note 15, "Investments in equity-accounted companies".

Management compensation

Management executives comprise members of the Board of Directors and Executive Management, as well as any persons with the power to take management decisions with regard to Safran's strategy and future development, or with regular access to inside information directly or indirectly concerning the Group.

Management executives comprise the 17 members of the Board of Directors, including the Chairman of the Board and the Chief Executive Officer, as well as the officers considered as having the power to take management decisions with regard to Safran's strategy and future development, or with regular access to inside information concerning Safran (five directors meeting these criteria between January 1, 2017 and October 31, 2018, and four directors between November 1, 2018 and December 31, 2018).

All compensation and benefits awarded to members of the Board of Directors and to members of Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Short-term benefits(1)	10.4	11.1
Post-employment benefits	0.8	1.2
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	2.0	3.5

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

The Company's total post-employment benefit commitments and other long-term benefit commitments in respect of management executives as recorded in the balance sheet amounted to €12.5 million at December 31, 2018 and €12 million at December 31, 2017.

NOTE 34 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

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

Commitments given and contingent liabilities

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Purchase commitments on intangible assets	95	55
Purchase commitments on property, plant and equipment	363	346
Guarantees given in connection with the performance of operating agreements	3,590	5,364
Operating lease commitments	317	641
Financial guarantees granted on the sale of Group products	29	30
Other commitments given	369	421
TOTAL	**4,763**	**6,857**

Guarantees given in connection with the performance of operating agreements

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

Guarantees granted to Airbus are shown within "Guarantees granted to related parties" in Note 33, "Related parties".

The increase in this caption in 2018 reflects new partnerships signed by the Group, in particular with an aircraft manufacturer in the area of auxiliary power units (APU).

Operating lease commitments

Commitments under operating leases can be analyzed as follows:

	Dec. 31, 2017	Dec. 31, 2018	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	317	641	111	332	198
TOTAL	**317**	**641**	**111**	**332**	**198**

Financial guarantees granted on the sale of Group products

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

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 35 million at December 31, 2018 (USD 35 million at December 31, 2017), or €30 million (€29 million at December 31, 2017). 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 12 million at December 31, 2018 (USD 20 million at December 31, 2017), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 23, "Provisions").

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

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs (see Note 2.b, "Provisions", and Note 23, "Provisions"). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized beyond contractual liability limits, if any.

In the absence of an agreement between the parties, some of these claims may give rise to litigation, the most significant of which are indicated in Note 35, "Disputes and litigation".

Commitments received

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Commitments received from banks on behalf of suppliers	18	13
Completion warranties	21	17
Endorsements and guarantees received	3	21
Other commitments received	96	157
TOTAL	**138**	**208**

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.

Vendor warranties given

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Vendor warranties given[1]	333	331

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

Vendor warranties received

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Vendor warranties received	-	-

Vendor warranties granted in connection with the disposal of the Security businesses (see Note 4, "Scope of consolidation")

In connection with the sale of the identity and security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at December 31, 2018, as well as a specific indemnity capped at BRL 200 million (€45 million at December 31, 2018) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

In connection with the sale of the detection businesses on April 7, 2017, Safran granted Smiths Group PLC a vendor warranty valued at USD 73 million (€64 million at December 31, 2018).

In connection with the sale of Structil on October 2, 2017, Safran Ceramics granted the Hexcel group a vendor warranty valued at €37 million at December 31, 2018.

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

Commitments received in respect of financing relate to:

- the unused portion of the trade receivables factoring facility requiring deconsolidation of the receivables concerned (see Note 26, "Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit line (see Note 30, "Management of market risks and derivatives").

NOTE 35 DISPUTES AND LITIGATION

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

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.

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

> On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim against Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings claiming damages against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. The lawsuits are still in progress, with the claimant having notified the joint defendants at the end of the year of its intention to broaden the scope of its action before the Court.

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

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

NOTE 36 SUBSEQUENT EVENTS

In mid-February, Airbus announced its decision to cease production of the A380. The final A380 deliveries are slated for 2021.

Tests carried out taking into consideration all of the assets and liabilities recognized in the balance sheet at end-2018 gave rise to a non-material impact on 2018 profit.

NOTE 37 LIST OF CONSOLIDATED COMPANIES

		2017		2018	
	Country	Consolidation method	% interest	Consolidation method	% interest
Safran SA	**France**		**Parent company**		
Aerospace Propulsion					
Safran Aircraft Engines	France	FC	100.00	FC	100.00
CFAN	United States	JO	50.00	JO	50.00
CFM International SA	France	JO	50.00	JO	50.00
CFM International, Inc.	United States	JO	50.00	JO	50.00
CFM Materials LP	United States	EQ	50.00	EQ	50.00
Famat	France	JO	50.00	JO	50.00
Fan Blade Associates, Inc.	United States	FC	100.00	FC	100.00
Safran Aero Composite	France	FC	100.00	FC	100.00
Safran Aerospace Composites, LLC	United States	FC	100.00	FC	100.00
Shannon Engine Support Limited	Ireland	EQ	50.00	EQ	50.00
Safran Aircraft Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engines Poland	Poland	FC	100.00	FC	100.00
Safran Aircraft Engine Services Americas	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engine Services Morocco	Morocco	FC	51.00	FC	51.00
Safran MDS, SA de CV	Mexico	FC	100.00	FC	100.00
Snecma Participations	France	FC	100.00	FC	100.00
Snecma Participations, Inc.	United States	FC	100.00	FC	100.00
Safran Aircraft Engine Services Brussels	Belgium	FC	100.00	FC	100.00
Safran Aircraft Engines Suzhou Co, Ltd	China	FC	100.00	FC	100.00
Safran Aircraft Engines Guiyang	China	FC	90.00	FC	90.00
Propulsion Technologies International, LLC	United States	JO	50.00	JO	50.00
Safran Aero Boosters	Belgium	FC	67.19	FC	67.19
Safran Test Cells, Inc.	United States	FC	67.19	FC	67.19
Safran Aero Boosters Programs, LLC	United States	FC	67.19	FC	67.19
Safran Aero Boosters, Inc.	United States	FC	67.19	FC	67.19
Safran Helicopter Engines	France	FC	100.00	FC	100.00
Safran Power Units	France	FC	100.00	FC	100.00
Safran Power Units San Diego, LLC	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Asia Pte. Ltd	Singapore	FC	100.00	FC	100.00
Safran Helicopter Engines Australia Pty Ltd	Australia	FC	100.00	FC	100.00
Safran Moteurs d'Hélicoptères Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Helicopter Engines Brasil Industria e Comercio do Brasil Ltda	Brazil	FC	100.00	FC	100.00
Safran Helicopter Engines Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Helicopter Engines Tianjin Co. Ltd	China	FC	100.00	FC	100.00
Safran Helicopter Engines UK Limited	United Kingdom	FC	100.00	FC	100.00
Safran Helicopter Engines USA, Inc.	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Helicopter Engines South Africa	South Africa	FC	100.00	FC	100.00
Roxel France	France	EQ	50.00	EQ	50.00
Roxel Limited	United Kingdom	EQ	50.00	EQ	50.00
Roxel	France	EQ	50.00	EQ	50.00
ArianeGroup Holding	France	EQ	50.00	EQ	50.00

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

	Country	2017 Consolidation method	2017 % interest	2018 Consolidation method	2018 % interest
Aircraft Equipment					
Safran Nacelles	France	FC	100.00	FC	100.00
Safran Nacelles Limited	United Kingdom	FC	100.00	FC	100.00
Safran Nacelles Morocco	Morocco	FC	100.00	FC	100.00
Safran System Aerostructures	France	FC	100.00	FC	100.00
Safran Landing Systems	France	FC	100.00	FC	100.00
Aero Precision Repair & Overhaul Company, Inc.	United States	EQ	50.00	EQ	50.00
Safran Landing Systems Services Dinard	France	FC	100.00	FC	100.00
Safran Landing Systems Kentucky, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Wheel & Brake Services, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Malaysia Sdn. Bhd.	Malaysia	FC	100.00	FC	100.00
Safran Landing Systems Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Landing Systems UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems México SA de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Américas SA de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Singapore Pte. Ltd	Singapore	FC	60.00	FC	60.00
Safran Landing Systems Services Miami, Inc.	United States	FC	100.00	FC	100.00
Safran Landing Systems Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems Services Querétaro SA de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Holdings Singapore Pte. Ltd	Singapore	FC	100.00	FC	100.00
Xi'an Cea Safran Landing Systems Co., Ltd(1)	China	-	-	EQ	50.00
Safran Filtration Systems	France	FC	100.00	FC	100.00
Safran Landing Systems Suzhou Co., Ltd	China	FC	100.00	FC	100.00
Safran Electrical & Power	France	FC	100.00	FC	100.00
Aerosource Inc.	United States	FC	100.00	FC	100.00
Safran Electrical & Power Chihuahua SA de CV	Mexico	FC	100.00	FC	100.00
Safran Engineering Services GmbH	Germany	FC	100.00	FC	100.00
Labinal Investments, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power USA, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power Morocco SA	Morocco	FC	100.00	FC	100.00
Safran Electrical & Power Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Safran Electrical & Power India Private Limited(1)	India	-	-	FC	100.00
Matis Aerospace	Morocco	JO	50.00	JO	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India Pvt Ltd	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Safran Engineering Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Electrical & Power UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Power USA, LLC	United States	FC	100.00	FC	100.00
Safran Ventilation Systems	France	FC	100.00	FC	100.00
Safran Ventilation Systems USA, LLC	United States	FC	100.00	FC	100.00
Shanghai SAIFEI Aviation EWIS Manufacturing Co., Ltd	China	EQ	49.00	EQ	49.00
Safran Transmission Systems	France	FC	100.00	FC	100.00
Safran Transmission Systems Poland S.p. Z.o.o.	Poland	FC	100.00	FC	100.00
Safran Martin-Baker France	France	EQ	50.00	EQ	50.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.
(1) Consolidated in 2018.

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	Country	2017 Consolidation method	2017 % interest	2018 Consolidation method	2018 % interest
Defense					
Safran Electronics & Defense	France	FC	100.00	FC	100.00
Optics 1, Inc.	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Services Asia Pte Ltd	Singapore	FC	60.00	FC	60.00
Safran Electronics & Defense Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Electronics & Defense Avionics USA, LLC	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Germany GmbH	Germany	FC	100.00	FC	100.00
Sofradir	France	EQ	50.00	EQ	50.00
ULIS	France	EQ	50.00	EQ	50.00
Safran Vectronix AG	Switzerland	FC	100.00	FC	100.00
Sagem USA, Inc.	United States	FC	100.00	FC	100.00
Fadec International, LLC	United States	EQ	50.00	EQ	50.00
Safran Reosc	France	FC	100.00	FC	100.00
Safran Colibrys SA	Switzerland	FC	100.00	FC	100.00
Aerosystems*					
IDD Aerospace Corp.	United States	-	-	FC	100.00
Zodiac Hydraulics	France	-	-	FC	100.00
Zodiac Fluid Equipment	France	-	-	FC	100.00
Zodiac Equipments Tunisie	Tunisia	-	-	FC	100.00
Zodiac Aero Electric	France	-	-	FC	100.00
Zodiac Data Systems Inc.	United States	-	-	FC	100.00
Zodiac Data Systems GmbH	Germany	-	-	FC	100.00
Zodiac Data Systems	France	-	-	FC	100.00
Zodiac Aerospace Maroc	Morocco	-	-	FC	100.00
Mag Aerospace Industries, LLC	United States	-	-	FC	100.00
JBR Technologies, LLC	United States	-	-	FC	100.00
Zodiac Data Systems Investment	France	-	-	FC	100.00
Pacific Precision Products Mfg.	United States	-	-	FC	100.00
Pioneer Aerospace Corporation	United States	-	-	FC	100.00
Avox Systems Inc.	United States	-	-	FC	100.00
MTA Plateforme d'Essais SAS	France	-	-	FC	100.00
Icore International, Inc.	United States	-	-	FC	100.00
Zodiac Interconnect UK Limited	United Kingdom	-	-	FC	100.00
Innovative Power Solutions LLC	United States	-	-	FC	100.00
TriaGnoSys GmbH	Germany	-	-	FC	100.00
Systems And Software Enterprises, LLC	United States	-	-	FC	100.00
Cantwell Cullen & Company, Inc.	Canada	-	-	FC	100.00
Air Cruisers Company, LLC	United States	-	-	FC	100.00
Enviro Systems, Inc.	United States	-	-	FC	100.00
Evac GmbH	Germany	-	-	FC	100.00
Safran Aerosystems	France	-	-	FC	100.00
Engineered Arresting Systems Corporation	United States	-	-	FC	100.00
Zodiac Aerotechnics	France	-	-	FC	100.00
Zodiac Aero Duct Systems	France	-	-	FC	100.00
Zodiac Actuation Systems	France	-	-	FC	100.00
Zodiac Services Americas LLC	United States	-	-	FC	100.00
Zodiac Aerospace Services Asia	Singapore	-	-	FC	100.00
Zodiac Aerospace Services UK Limited	United Kingdom	-	-	FC	100.00
Zodiac Aerospace Services Europe	France	-	-	FC	100.00
Zodiac Aerospace Services Middle East - DWC - LLC	United Arab Emirates	-	-	FC	100.00
IN-Services Asia Limited	Hong Kong	-	-	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.
(*) Acquired on February 13, 2018 (consolidated with effect from March 1, 2018).

	Country	2017 Consolidation method	2017 % interest	2018 Consolidation method	2018 % interest
Aircraft Interiors*					
Zodiac Aerospace Germany Investment GmbH	Germany	-	-	FC	100.00
The Richards Corporation	United States	-	-	FC	100.00
Sell GmbH	Germany	-	-	FC	100.00
Driessen Aerospace Group NV	Netherlands	-	-	FC	100.00
Northwest Aerospace Technologies, Inc.	United States	-	-	FC	100.00
Driessen Aircraft Interior Systems, Inc.	United States	-	-	FC	100.00
Greenpoint Technologies, Inc.	United States	-	-	FC	100.00
Zodiac Fal Support France SARL	France	-	-	FC	100.00
Zodiac Galleys Europe SRO	Czech Republic	-	-	FC	100.00
EZ Air Interior Limited	Ireland	-	-	EQ	50.00
Zodiac Cabin & Structure Support LLC	United States	-	-	FC	100.00
Zodiac Composite Monuments Tunisie	Tunisia	-	-	FC	100.00
Safran Cabin, Inc.	United States	-	-	FC	100.00
Aerodesign de Mexico SA	Mexico	-	-	FC	100.00
Zodiac Cabin Interiors Europe	France	-	-	FC	100.00
C&D Aerospace Canada Co	Canada	-	-	FC	100.00
C&D Brasil Limitada	Brazil	-	-	FC	100.00
Driessen Aircraft Interior Systems USA, Inc.	United States	-	-	FC	100.00
Zodiac Aircatering Equipment (Thailand) Ltd	Thailand	-	-	FC	100.00
Zodiac Aircatering Equipment Europe BV	Netherlands	-	-	FC	100.00
Zodiac Aircargo Equipment Ltd	Thailand	-	-	FC	100.00
Zodiac Aircargo Equipment Europe BV	Netherlands	-	-	FC	100.00
Heath Tecna Inc.	United States	-	-	FC	100.00
Safran Seats GB Investment Limited	United Kingdom	-	-	FC	100.00
Seats California LLC	United States	-	-	FC	100.00
Zodiac Aerospace Equipo de Mexico	Mexico	-	-	FC	100.00
Safran Seats USA LLC	United States	-	-	FC	100.00
Zodiac Seats Tunisie	Tunisia	-	-	FC	100.00
Safran Seats Santa Maria LLC	United States	-	-	FC	100.00
Safran Seats GB Limited	United Kingdom	-	-	FC	100.00
Safran Seats	France	-	-	FC	100.00
Holding co. and other					
Établissements Vallaroche	France	FC	100.00	FC	100.00
Safran Ceramics	France	FC	100.00	FC	100.00
Safran UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran USA Inc.	United States	FC	100.00	FC	100.00
Société de réassurance Vallaroche SA	Luxembourg	FC	100.00	FC	100.00
Zodiac US Corporation*	United States	-	-	FC	100.00
Zodiac Aerospace*(1)	France	-	-	FC	100.00
Zodiac Aerospace Information Systems*	France	-	-	FC	100.00
Zodiac Engineering*	France	-	-	FC	100.00
Galli Participations*	France	-	-	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.
(*) Acquired on February 13, 2018 (consolidated with effect from March 1, 2018).
(1) Merged into Safran SA on December 1, 2018.

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NOTE 38 AUDIT FEES

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

	Ernst & Young				Mazars				TOTAL			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(in € millions)	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
A) Statutory audit services												
A.1) Safran (issuer)	0.83	2.22	17%	29%	0.79	0.89	17%	18%	1.62	3.11	17%	25%
A.2) Subsidiaries	2.92	5.26	61%	67%	2.77	3.39	60%	70%	5.69	8.65	60%	68%
Sub-total	**3.75**	**7.48**	**78%**	**96%**	**3.56**	**4.28**	**77%**	**88%**	**7.31**	**11.76**	**77%**	**93%**
B) Other services												
B.1) Safran (issuer)	0.86	0.10	18%	1%	0.94	0.31	20%	7%	1.80	0.41	19%	3%
B.2) Subsidiaries	0.21	0.22	4%	3%	0.13	0.25	3%	5%	0.34	0.47	4%	4%
Sub-total	**1.07**	**0.32**	**22%**	**4%**	**1.07**	**0.56**	**23%**	**12%**	**2.14**	**0.88**	**23%**	**7%**
TOTAL	**4.82**	**7.80**	**100%**	**100%**	**4.63**	**4.84**	**100%**	**100%**	**9.45**	**12.64**	**100%**	**100%**

Statutory audit fees

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

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

Fees for other services

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

3.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

This is a free translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Safran SA,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Safran SA for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 3, "Change in accounting policy" to the consolidated financial statements, which describes the impacts on the financial statements of the first-time application of IFRS 15, "Financial Instruments" and IFRS 9, "Revenue from Contracts with Customers".

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of revenue and margins under support-by-the-hour contracts

Notes 1, 1.g, 2.a and 6 to the consolidated financial statements

Risk identified

The Group has entered into support-by-the-hour engine maintenance contracts with certain customers spanning several years.

As described in Notes 1.g and 2.a to the consolidated financial statements, the margin on these contracts is recognized on a percentage-of-completion basis. Expenses are recognized based on contract costs incurred, and revenue to be recognized is measured by management based on the estimated contract margin on completion. A provision is set aside for any losses on completion as soon as such losses are foreseeable.

Forecast contract margins are regularly revised by management. This method requires an estimate of results on completion using future cash flow forecasts that take into account contractual inputs and commitments as well as other factors inherent to the contract based on historical and/or forecast data. This method also requires the use of estimates used to determine the contract's stage of completion.

We deemed the recognition of revenue and margins on support-by-the-hour contracts to be a key audit matter given the sensitivity of margins on completion to the estimates and assumptions used by management.

How our audit addressed this risk

In Group subsidiary Safran Aircraft Engines, which accounts for the most significant support-per-flight-hour contracts, we:

- analyzed the procedures for forecasting contract revenue and contract costs on completion;
- tested the key controls relating to costs incurred on contracts and to revenue recognition;
- reviewed the consistency of the technical model enabling the in-flight behavior of the engine to be assessed and the engine servicing schedule to be determined, based on historical data;
- for each major contract, met with the management controllers responsible for monitoring the contract business plans, and reviewed estimates of contract revenue and costs on completion, including the degree of uncertainty applied, in particular by comparing the costs incurred to date with previous estimates;
- for the most significant contracts, analyzed any changes in contracts and the reflection of those changes in the business plans;
- reviewed, on a test basis, the existence of costs incurred used as the basis to calculate the percentage of completion of these significant contracts;
- reviewed the consistency of the accounting treatment used to record these contracts with IFRS 15.

Contract liabilities: performance warranties and provisions for sales contracts

Notes 1.r, 2.a, 2.b and 23 to the consolidated financial statements

Risk identified

As part of its contractual relations, the Group may recognize liabilities for contractual guarantee commitments given in respect of warranties or claims received from customers:

- Provisions for performance warranties recognized under liabilities cover probable future payments under the various performance warranties granted by the Group to its customers in respect of equipment sold. They are calculated based on technical files or on a statistical basis taking into account the estimated frequency and probable cost of repairs.
- Provisions for sales contracts correspond to provisions booked further to customer claims or when the Group is exposed to contractual penalties. Provisions reflect management's best estimates using available information, past experience and, in some cases, estimates by independent experts.

We deemed this issue to be a key audit matter given the significance of the amounts in question, the complexity of the assumptions underlying the estimates, and the degree of judgement required of management in calculating these provisions.

How our audit addressed this risk

We reviewed the procedures implemented by management to identify and list all risks relating to contractual commitments.

For each material risk identified, we reviewed the analysis of the risk by management, along with the corresponding documentation and any written consultations from external advisors, where appropriate. Our work involved:

- meeting with managers of the main programs to assess the exhaustiveness of provisions recognized in light of the known quality risks; and
- for material risks, reviewing with management the main causes and planned corrections for the technical issues identified;
- assessing the appropriateness of the approach used by management to estimate the amount of provisions to be recognized in respect of these risks;
- reconciling the assumptions used to determine warranty commitments with the technical files and historical data;
- reconciling the estimated cost of repairs used to estimate warranty commitments with observed historical data;
- analyzing the arithmetic accuracy of the calculations made and reconciling the input data with contractual data, where appropriate;
- reviewing the consistency with IFRS 15 of the accounting treatment used to record identified contractual liabilities;
- reconciling the amounts recognized with respect to customer claims with the requests made by those customers, and the estimates made by management.

We also analyzed the appropriateness of the disclosures concerning contract liabilities provided in the notes to the consolidated financial statements.

Measurement and completeness of foreign currency derivatives

Notes 1.f, 1.v and 30 to the consolidated financial statements

Risk identified

Most of the revenue generated in the aerospace segment is denominated in US dollars. The net excess of revenues over expenses for these activities totaled USD 8.9 billion for 2018. To protect its operating profitability against fluctuations in the EUR/USD exchange rate, the Group's policy is to hedge its USD exposure using foreign currency derivatives and to maintain the exchange rate above a guaranteed hedged rate over a period of four years.

The main derivatives used in this respect are forward sales and foreign currency options (accumulators and a combination of optional instruments with or without barriers). Options are used to improve the guaranteed hedged rate with a view to protecting the Group's economic performance.

In the balance sheet, the derivatives portfolio is carried at fair value in accordance with IFRS 9, and represented an amount of €740 million in assets and €1,253 million in liabilities in the consolidated financial statements at December 31, 2018. Most derivatives are traded over-the-counter and no quoted prices are available. Consequently, they are measured using models commonly used by pricing services.

In the income statement, the Group does not apply hedge accounting as defined by IFRS 9 given the nature of the instruments used. Consequently, all changes in the fair value of foreign currency derivatives during the year are included in financial income (loss). In 2018, the amount recorded in financial income (loss) was €275 million.

We deemed the measurement of foreign currency derivatives to be a key audit matter given the material impacts on the Group's consolidated financial statements, the complexity of the valuation models used and the volume of instruments negotiated.

How our audit addressed this risk

We reviewed Safran SA's forex strategy and assessed whether the information given in this regard in Note 30 to the consolidated financial statements was appropriate.

As part of our familiarization with the Group's internal control procedures, we analyzed the procedures put in place by management for approving, contracting and booking market transactions. We also tested the effectiveness of key IT controls for the applications used by the Cash Management department, including the interface with the accounting teams.

In order to assess the appropriate accounting for foreign currency derivatives, we:

- checked the Company's reconciliation between Safran SA's derivatives portfolio and information received from bank counterparties, in order to ensure that all transactions were documented;
- checked that there was no material discrepancy between the value of the derivatives estimated by Safran SA and the values sent by the bank counterparties;
- carried out a counter-valuation of the derivatives portfolio.

Intangible asset impairment tests (goodwill and other intangible assets)

Notes 1.c, 1.j, 1.l, 2.a, 11 and 12 to the consolidated financial statements

Risk identified

In the context of its creation and development, the Group has carried out acquisitions resulting in the recognition of goodwill and intangible assets relating to aerospace programs. The Group also capitalizes development costs when it can be demonstrated that they meet the requisite criteria, as described in Note 1.l to the consolidated financial statements.

Goodwill is tested for impairment at the level of each cash-generating unit (CGU) at least annually and whenever there is an indication that it may be impaired. At the end of each annual reporting period, management also performs impairment tests on assets allocated to programs (aerospace programs and capitalized development costs) before they begin to be depreciated/amortized, or if events or circumstances indicate a risk of impairment.

The recoverable amounts of these assets are chiefly determined by discounting the future cash flows expected to arise from the CGUs, projects or programs to which the assets tested relate.

At December 31, 2018, the total amount of goodwill represented €5,173 million, while total intangible assets represented €9,757 million, including €3,981 million relating to capitalized development costs.

We deemed the value of these intangible assets to be a key audit matter given their significance in the consolidated financial statements and because the calculation of their recoverable amount requires management to use major estimates and assumptions.

How our audit addressed this risk

We reviewed the basis for implementing these impairment tests. In particular, our work consisted in:

- reconciling the elements included in the carrying amount of each cash-generating unit (CGU) and each program with the net assets recognized in the balance sheet;
- analyzing the appropriateness of the assumptions underlying the estimates used by management to forecast its future cash flows, in particular by reconciling:
  - the volumes and production rates associated with the products sold in light of information and forecasts provided by the main contractors and management's long-term market analyses,
  - the EUR/USD exchange rate assumptions with market data,
  - the growth rates used to forecast future cash flows with available independent analyses,
  - the various inputs used to calculate the weighted average cost of capital of each CGU with the rate of return demanded by market participants for similar activities;
- comparing the analyses performed by management to ascertain the sensitivity of value in use to reasonably possible changes in the main assumptions used;
- comparing the consistency of past and future cash flows with management's most recent estimates, as presented to the Board of Directors during the budget process.

We also ensured that the disclosures provided in Notes 1.c, 1.j, 1.l, 2.a, 11 and 12 to the consolidated financial statements were appropriate.

Determination of assets acquired and liabilities assumed recognized in connection with the acquisition of Zodiac Aerospace

Notes 1.c, 1.j, 2.a, 2.e, 4, 11 and 12 to the consolidated financial statements

Risk identified

Safran filed a Tender Offer for Zodiac Aerospace's shares on December 7, 2017, which was declared compliant by the AMF on December 21, 2017.

On February 13, 2018, Safran obtained control of Zodiac Aerospace for a purchase price of €6.7 billion, significantly expanding its aircraft equipment activities.

With the support of a valuation specialist, the Company determined the fair value of the identifiable assets acquired and liabilities assumed of Zodiac Aerospace at the acquisition date, in accordance with IFRS 3.

Goodwill determined within the scope of the Zodiac Aerospace purchase price accounting amounted to €3,280 million, and was allocated to three cash-generating units.

We deemed that the determination of the fair value of the assets and liabilities recognized within the scope of the Zodiac Aerospace purchase price allocation to be a key audit matter, given the significance of the amounts in question and the estimates required to determine in particular the fair value of technologies and customer relationships, as well as the measurement of Zodiac Aerospace's liabilities and contingent liabilities.

How our audit addressed this risk

We reviewed the basis for implementing the purchase price allocation. In particular, our work consisted in:

- taking note of the identifiable assets acquired and liabilities and contingent liabilities assumed to determine whether they meet the recognition criteria set out in IFRS 3;
- analyzing the methods used to determine the fair value of Zodiac Aerospace's property, plant and equipment and intangible assets;
- analyzing the appropriateness of the assumptions underlying the estimates used by management to determine the fair value of Zodiac Aerospace's assets and liabilities at the acquisition date, especially:
  - as regards intangible assets relating to "technologies" and "brands", we assessed the royalty rates used,
  - as regards intangible assets relating to "customers", we assessed the proportion of forecast revenue taken into account in valuing these assets with regard to total revenues (in particular for aftermarket revenue);
- reviewing the definition of the CGUs and the allocation of goodwill by management;
- performed arithmetic controls on the various valuations carried out;
- analyzed the consistency of the purchase price allocation taken as a whole, and of the resulting residual goodwill.

We also ensured that the disclosures provided in Notes 1.c, 1.j, 2.a, 2.e, 4, 11 and 12 to the consolidated financial statements were appropriate.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

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

We attest that the information pertaining to the Group provided in the management report includes the consolidated non-financial information statement required under Article L.225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Safran SA by the Annual General Meeting held on May 28, 2008 for Mazars and on May 27, 2010 for ERNST & YOUNG et Autres.

As at December 31, 2018, MAZARS and ERNST & YOUNG et Autres were in the 11th year and 9th year of total uninterrupted engagement respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Courbevoie, March 27, 2019

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres		MAZARS	
Jean-Roch Varon	Nicolas Macé	Gaël Lamant	Christophe Berrard

3.3 PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2018

Parent company income statement at December 31, 2018

(in € millions)	Note	2017	2018
Operating income			
Revenue	4.1	552	728
Operating expense transfers	4.2	42	20
Reversal of depreciation, amortization and provisions		24	17
Other income		13	26
Operating income (1)		**631**	**791**
Operating expenses			
Cost of goods sold in the year:			
> Raw materials		(2)	(1)
> Sub-contracting purchases		(4)	(12)
> Purchases not held in inventory and supplies		(17)	(19)
> External service expenses		(314)	(455)
Taxes and duties other than income tax		(21)	(24)
Payroll costs:			
> Wages and salaries		(145)	(174)
> Social security contributions		(96)	(114)
Charges to depreciation, amortization, provisions and impairment:			
> Charges to depreciation, amortization and impairment of non-current assets		(33)	(38)
> Charges to provisions for contingencies and losses		(31)	(59)
Other expenses		(2)	(2)
Operating expenses (2)		**(665)**	**(898)**
Loss from operations (1)-(2)		**(34)**	**(107)**
Financial income		1,318	1,943
Financial expenses		(93)	(299)
Financial income	**4.3**	**1,225**	**1,644**
Profit from ordinary activities before tax		**1,191**	**1,537**
Non-recurring income		78	31
Non-recurring expenses		(53)	(27)
Non-recurring income	**4.4**	**25**	**4**
Income tax benefit	4.6	33	211
Movements in provisions set aside to cover income taxes of loss-making subsidiaries	4.6	111	(47)
PROFIT FOR THE YEAR		**1,360**	**1,705**

Parent company balance sheet at December 31, 2018

Assets

(in € millions)	Note	Dec. 31, 2017	Dec. 31, 2018 Gross carrying amount	Dec. 31, 2018 Depreciation, amortization and impairment	Dec. 31, 2018 Net
Intangible assets	**3.1**	**22**	**149**	**121**	**28**
> Other intangible assets		22	149	121	28
Property, plant and equipment	**3.1**	**104**	**248**	**136**	**112**
Financial assets	**3.1**	**12,820**	**18,449**	**152**	**18,297**
> Equity investments		10,103	17,991	55	17,936
> Other financial assets		2,717	458	97	361
Total non-current assets		**12,946**	**18,846**	**409**	**18,437**
Payments on account	3.2	6	3	-	3
Trade receivables	3.2	27	73	-	73
Other receivables	3.2	460	605	1	604
Group current accounts	3.2	1,753	3,466	3	3,463
Marketable securities	3.3	3,425	1,331	-	1,331
Cash at bank and in hand	3.3	1,404	810	-	810
Prepayments	3.5	68	19	-	19
Total current assets		**7,143**	**6,307**	**4**	**6,303**
Redemption premiums	3.6	1	-	-	-
Unrealized foreign exchange losses	3.6	131	219	-	219
TOTAL ASSETS		**20,221**	**25,372**	**413**	**24,959**

Equity and liabilities

(in € millions)	Note	Dec. 31, 2017	Dec. 31, 2018
Share capital	3.7	83	87
Other equity	3.7	6,822	8,811
Tax-driven provisions	3.7	24	22
Profit for the year	**3.7**	**1,360**	**1,705**
Total equity		**8,289**	**10,625**
Provisions for contingencies and losses	**3.8**	**468**	**560**
Bond issue	3.9	1,850	2,400
USD senior unsecured notes issue	3.9	1,001	1,048
Other loans and borrowings	3.9	1,491	1,761
Group current accounts	3.9	5,994	7,380
Payments on account received	3.9	-	6
Trade payables	3.9	205	188
Other liabilities	3.9	771	830
Deferred income	3.11	21	4
Financial liabilities, operating payables and miscellaneous liabilities		**11,333**	**13,617**
Unrealized foreign exchange gains	3.12	131	157
TOTAL EQUITY AND LIABILITIES		**20,221**	**24,959**

Parent company statement of cash flows

(in € millions)		2017	2018
I. CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		1,360	1,705
Non-cash income and expenses			
Depreciation, amortization, impairment and provisions		(75)	128
Capital gains and losses on asset disposals		(17)	14
Cash flow from operations, before change in working capital		**1,268**	**1,847**
Net change in current accounts[(1)]		2,978	65
Net change in other receivables and payables		(17)	(202)
Change in working capital		**2,961**	**(137)**
	TOTAL I	**4,229**	**1,710**
II. CASH FLOW USED IN INVESTING ACTIVITIES			
Payments for purchases of intangible assets and property, plant and equipment, net of proceeds		(21)	(23)
Payments for purchases of equity investments and other financial assets, net of proceeds[(2)]		(2,161)	(3,128)
	TOTAL II	**(2,182)**	**(3,151)**
III. CASH FLOW FROM (USED IN) FINANCING ACTIVITIES			
Dividends paid to shareholders		(340)	(695)
Interim dividend		-	-
Increase in borrowings		50	95
Repayment of borrowings and long-term debt		(40)	(708)
New bond issue		1,000	1,200
Bond redemption		-	(637)
Change in long-term borrowings[(3)]		(138)	47
Change in short-term borrowings		430	(955)
Changes in scope of consolidation		-	5
	TOTAL III	**962**	**(1,648)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III**	**3,009**	**(3,089)**
Opening cash and cash equivalents		1,820	4,829
Cash contributed in connection with the Zodiac Aerospace merger		-	401
Closing cash and cash equivalents		4,829	2,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,009**	**(3,089)**

(1) Classified in operating items in view of the nature of the Company's operations.
(2) Including €2 billion in money market funds (SICAV) pledged in 2017 during the tender offer for Zodiac Aerospace, reclassified to other financial assets and used for this purpose in 2018 (see Note 3.1, "Intangible assets, property, plant and equipment and financial assets").
(3) Impact resulting from the translation into euros of USD senior unsecured notes at the closing exchange rate.

Notes to the parent company financial statements

CONTENTS

FOREWORD

The data set out below are an integral part of the parent company financial statements. They are expressed in millions of euros unless otherwise indicated.

The 2018 financial year spans 12 months.

Safran may also be referred to as "the Company" in these notes.

The total balance sheet at December 31, 2018 prior to the appropriation of profit represents €24,958,816,394.57.

Accounting profit for 2018 represents €1,705,042,464.10.

NOTE 1 ACTIVITY OF THE COMPANY AND 2018 HIGHLIGHTS

1.1 Activity of the Company

As the Group's parent company, Safran performs the following functions for the Group companies:

- it holds and manages shares in the main Group subsidiaries;
- it steers and develops the Group, determining: Group strategy; research and technology (R&T) policy; sales policy; legal and financial policy; human resources policy; personnel training, retraining and skills matching by Safran University; communications; and oversight of operations;
- it provides:
  - support on legal, taxation and financial matters, essentially in the following areas: cash pooling as part of the management of advances and investments between Safran and each Group company; currency risk management policy as part of efforts to protect companies and reduce uncertainty regarding the economic performance of operating subsidiaries resulting from fluctuations in exchange rates (mainly USD); and tax consolidation in jurisdictions where Safran is liable for the entire income tax charge, additional income tax contributions and the annual minimum tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, and
  - services within the scope of Shared Services Centers in the following areas: payroll administration and management, recruitment, non-production purchases, IT, and some accounting services.

1.2 2018 highlights

Merger of Zodiac Aerospace into Safran

Safran filed a tender offer for Zodiac Aerospace's shares on December 7, 2017, which was declared compliant by the AMF on December 21, 2017.

The settlement of the initial offer took place on February 13, 2018 and accordingly:

- an amount of €3,620 million was paid to Zodiac Aerospace shareholders in consideration for the 144,816,396 Zodiac Aerospace shares tendered or carried over to the principal tender offer;
- a total of 26,651,058 Safran preferred shares were issued at a price of €84.18 million in consideration for the 88,847,828 Zodiac Aerospace shares effectively tendered to the subsidiary exchange offer.

Accordingly, Safran's share capital increased by €6 million from €83 million to €89 million, with an issue premium of €2,238 million.

The offer was reopened from February 19, 2018 to March 2, 2018 to enable Zodiac Aerospace shareholders who had not yet done so to tender their shares to the offer. In the United States, the Tender offer was open only to qualified investors. Outside of France, it was not open in any jurisdiction where authorization for the offer would be required.

Following the settlement of the subsequent offer, Safran acquired 27,310,744 Zodiac Aerospace shares for €683 million.

The required conditions being fulfilled, Safran made a request to the AMF for a mandatory squeeze-out of Zodiac Aerospace shares, following which it acquired a further 6,809,584 shares.

The mandatory squeeze-out was executed at the same price as that of the offer, i.e., €25 per Zodiac Aerospace share (net of all expenses), representing a total amount of €171 million.

Upon completion of these operations, and after 255,000 shares had been tendered by minority shareholders, Safran held 268,039,552 Zodiac Aerospace shares, or 91.36% of its share capital.

On October 19, 2018, Safran and Zodiac Aerospace signed an agreement for the merger of Zodiac Aerospace into Safran, as announced on June 1, 2018. This allows Safran to continue streamlining the structure of the new Group.

The merger agreement was submitted to and approved by Safran's Extraordinary Shareholders' Meeting on November 27, 2018 as regards all of its provisions, pursuant to which Zodiac would transfer to Safran, for the purposes of it being merged into Safran, all of its goods, rights and obligations and its assets and liabilities. The merger agreement notably specifies:

- a retroactive effective date for the merger of January 1, 2018 for tax and accounting purposes;
- an effective date for the merger of December 1, 2018;
- a carrying amount of €854 million for the net assets transferred by Zodiac;
- consideration paid for the net assets transferred based on an exchange ratio of 0.2745 of an ordinary Safran share for one Zodiac share.

Pursuant to the exchange ratio, Safran created 3,490,192 ordinary shares with a par value of €0.20, representing a capital increase of €0.7 million.

The merger premium totaled €38 million, representing the difference between:

a) the portion of the carrying amount of the net assets transferred corresponding to the Zodiac Aerospace shares not already held by Safran or by Zodiac Aerospace; and
b) the nominal amount of Safran's capital increase.

The merger premium was recorded on Safran's balance sheet as a credit entry to a liabilities account reflecting the rights of all Safran shareholders.

A technical merger deficit was recognized in an amount of €5,995 million, resulting from the difference between:

- the carrying amount of the Zodiac Aerospace shares held by Safran at the date of the merger; and
- the portion of the carrying amount of the net assets transferred by Zodiac Aerospace corresponding to the Zodiac shares held by Safran at the date of the merger.

This technical merger deficit was recognized under financial assets.

OCÉANE 2018-2023 bond

On June 21, 2018, Safran issued 4,996,431 bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) for a total nominal amount of €700 million.

The bonds do not carry any coupon.

Issue of €500 million in two-year bonds paying floating-rate interest

On July 5, 2018, Safran issued €500 million in two-year floating-rate bonds. These bonds carry a coupon at 3-month Euribor +33 bps (0% floor) and were issued at 100% of par.

The settlement date for the issue was July 13, 2018.

The funds raised will be used by Safran for general corporate purposes.

OCÉANE 2016-2020 bond

On January 8, 2016, Safran issued 7,277,205 bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) for a total nominal amount of €650 million.

On October 30, 2018, Safran redeemed 97.47% (€633,557,121.12) of the bonds initially issued, through a reverse bookbuilding process carried out on the same day.

The OCÉANE 2020 bonds were redeemed at a price of €113.33 per bond, corresponding to the arithmetic mean of the daily volume-weighted average Safran share price (ISIN FR0000073272) on the regulated Euronext market in Paris between October 30, 2018 and November 2, 2018 inclusive, plus a premium of €0.90 per OCÉANE 2020 bond.

The settlement date for the redemption was November 7, 2018. The redeemed OCÉANE 2020 were canceled pursuant to the terms and conditions of the bonds.

On December 31, 2018, pursuant to the terms and conditions of the bonds, Safran redeemed ahead of maturity, in cash and at par, all outstanding OCÉANE 2020 bonds that it had not purchased or that had not been converted at that date, after having informed the bondholders of its intention. These bonds were redeemed at €89.32 per bond.

Capital reduction by canceling treasury shares

The Board of Directors' meeting of November 27, 2018 decided to cancel 11,402,884 treasury shares, representing a reduction of €2,280,576.80 in Safran's share capital.

These shares had been purchased by Safran within the scope of its share buyback programs and had been intended for cancellation. The effective date of the cancellation was December 17, 2018.

NOTE 2 ACCOUNTING POLICIES

2.1 Accounting rules and methods

Standards applied

The parent company financial statements for the year ended December 31, 2018 have been prepared in accordance with the rules and regulations applicable in France pursuant to Regulation 2016-07 of November 4, 2016 and subsequent opinions and recommendations of the French accounting standards-setter (*Autorité des normes comptables* – ANC).

The financial statements have been prepared on a going concern basis using the accrual and consistency methods, in accordance with the basic principle of prudence and with the general rules for preparing and presenting parent company financial statements, in order to provide a true and fair view of the Company.

Unless otherwise stated, accounting items are carried at historical cost.

For reporting periods beginning on or after January 1, 2018, the Company applies ANC Regulation 2017-01 on mergers and similar transactions.

2.2 Intangible assets

All intangible assets are valued at purchase cost.

The gross cost of intangible asset items is amortized over the expected useful life of these assets using the straight-line method:

- patents and licenses are amortized over the shorter of the period of legal protection and period of effective use;

- application software is carried at purchase cost plus any development costs incurred in order to bring it into operation, and is amortized on a straight-line basis over a period of one to five years.

Research and development costs are recorded as expenses in the period in which they are incurred.

2.3 Property, plant and equipment

As required by the applicable accounting regulations (CRC Regulation 2004-06 issued by the Accounting Standards Committee), since January 1, 2005 property, plant and equipment have been depreciated over their useful lives.

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

Purchase cost comprises the purchase price, ancillary fees and all costs directly attributable to bringing the asset to the location and condition ready for its intended use.

Assets purchased in a foreign currency are translated into euros at the exchange rate prevailing on the transaction date.

Assets produced by the Company are recorded at production cost.

In compliance with CRC Regulation 2004-06, significant components of certain assets such as buildings whose useful lives differ from that of the asset as a whole are recognized and depreciated separately. Interest accrued on borrowings during the development and construction phases is not included as part of the cost of the assets concerned.

Depreciation

The main useful lives applied to property, plant and equipment are as follows:

> buildings	15 to 40 years
> building improvements, fixtures and fittings	10 years
> office furniture	6 years and 8 months
> office equipment	6 years and 8 months
> vehicles	4 years
> technical installations, equipment, industrial tools and other	3 to 10 years

Property, plant and equipment are depreciated on a straight-line or declining-balance basis.

Impairment

If there is evidence that an asset may be impaired at year-end, the Company performs an impairment test. The Company considers external indications of impairment such as events or changes in the market environment with an adverse impact on the entity that occurred during the reporting period or will occur in the near future, along with internal indications of impairment such as obsolescence or significant changes in the way in which an asset is used.

Impairment is recognized in the income statement when the recoverable amount of the asset falls below its carrying amount. Recoverable amount is the higher of fair value and value in use.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell. Value in use is based on the present value of expected future cash flows, calculated using a benchmark discount rate which reflects the Group's weighted average cost of capital.

2.4 Financial assets

Financial assets are recorded at purchase price.

Treasury shares

Within the scope of the share buyback program set up for purposes other than for remittance to employees, the treasury shares purchased are included in other financial assets.

Impairment is recognized when the carrying amount (average share price over the 20 last trading days of the month of the year-end) is lower than the purchase price.

However, if the shares purchased are intended to be canceled, no impairment is charged against the securities included in financial assets.

Equity investments

The 2007 French Finance Act introduced a tax treatment for equity investment acquisition expenses requiring their capitalization (inclusion in the cost price of securities) and amortization over a period of five years by way of accelerated tax depreciation.

Therefore, in accordance with the opinion issued by the CNC Urgent Issues Taskforce (*Comité d'urgence*) on June 15, 2007, the Company elected for a change in tax option from January 1, 2007, whereby the gross carrying amount of equity investments purchased after this date corresponds to the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of five years.

Where the recoverable amount of equity investments is less than their carrying amount, impairment is recognized for the amount of the difference.

The fair value of equity investments is calculated:

- based on their average stock market price for the month preceding the year-end for listed investments;
- based on their share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes; or
- based on the intrinsic value of equity, reflecting the present value of the expected future cash flows (enterprise value), less debt where appropriate, for other equity investments.

Provisions are recorded in respect of loans and other financial assets when their recovery is uncertain.

For reporting periods beginning on or after January 1, 2016, the Company applies ANC Regulation 2015-06 of November 23, 2015 on the accounting treatment of technical merger deficits.

The merger deficit is tested annually for impairment. In the event that any of the underlying equity investments are sold, the portion of the deficit allocated to the investment concerned will be released to the income statement.

2.5 Receivables and payables

Receivables and payables are recorded at nominal value.

Impairment in value is recognized on receivables where their recoverable amount is less than their carrying amount.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate prevailing at the transaction date.

Receivables and payables in foreign currencies are translated into euros at the exchange rate prevailing at year-end, while any resulting translation gains or losses are recorded under unrealized foreign exchange gains or losses. A provision is set aside for any unrealized foreign exchange losses at December 31, unless the losses are offset by potential gains in the same currency and over the same period.

On August 20, 2014, the Company set up a net investment hedge relating to one of its US subsidiaries using debt denominated in US dollars (unsecured notes issued on the US private placement market).

2.6 Marketable securities

Marketable securities are measured as described below:

- the gross value of marketable securities reflects their purchase price excluding ancillary fees;
- when the fair value of marketable securities, determined based on their value in use and their probable trading value, is less than their gross carrying value, impairment is recognized for the amount of the difference. The fair value of listed securities is determined based on their average stock market price for the month preceding the year-end.

Treasury shares

Treasury shares are recorded at purchase cost. Fair value is equal to the lower of purchase cost and the average stock market price for the month preceding the year-end. Impairment is recorded when the purchase cost exceeds the average stock market price. However, the following specific accounting rules apply for stock option and free share plans or any other type of employee share ownership plan:

- when shares are earmarked for a specific stock option plan whose exercise is considered probable, an additional calculation is performed for each plan. A contingency provision is recorded when the option exercise price is less than the fair value;
- when shares are allocated to a specific free share plan, their carrying amount corresponds to either (i) the purchase price of the shares if they were allocated to the plan as from its inception, or (ii) the carrying amount of the shares at the date they are reclassified if they are allocated to the plan subsequent to their acquisition. These shares are not measured at fair value due to the underlying commitment to grant them to employees, which is covered by a provision recorded under liabilities in the balance sheet.

2.7 Cash at bank and in hand

This caption consists mainly of bank accounts held by the Company.

Foreign-currency denominated liquid assets held at year-end are translated into euros at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded in financial income and expenses.

2.8 Tax-driven provisions

Increases in standard depreciation and amortization rates for intangible assets and/or property, plant and equipment, as permitted by the tax authorities to encourage investment, are considered as "accelerated tax depreciation/amortization" and are recorded in tax-driven provisions in equity.

Provisions for accelerated tax depreciation/amortization are also recorded in respect of equity investment acquisition expenses.

2.9 Provisions for contingencies and losses

A provision is recognized when the Company has a present obligation and it is likely or certain that this obligation will give rise to an outflow of economic resources with no equivalent consideration in return.

Provisions for contingencies and losses are recognized as described below:

- provisions for contingencies are set aside based on the risk known at the end of the current reporting period. The amount of the provision reflects the amount of any damages claimed or estimated based on the progress of proceedings and on the opinion of the Company's legal counsel;
- provisions for losses relate mainly to:
  - the expense relating to the refund of tax savings made on loss-making subsidiaries, and
  - employee benefit obligations (see Note 2.9.1).

Employee benefit obligations

The Company has various obligations under defined benefit plans, the most important of which are described below:

The Company's obligations for end-of-career bonuses payable pursuant to the metallurgy industry collective bargaining agreement or company agreements are covered by provisions.

Managerial-grade staff are also covered by a supplementary defined contribution plan as well as a defined benefit retirement plan.

These obligations are recognized and measured in accordance with ANC Recommendation 2013-02 on the recognition and measurement of employee benefit obligations. All obligations under defined benefit plans are measured by an independent actuary.

Where appropriate, the impact of changes in actuarial assumptions underlying the calculation of post-employment benefits (end-of-career bonuses and top-hat retirement plans) is spread over the expected average remaining working lives of employees in accordance with the corridor method. Any liabilities not covered by a provision (actuarial differences and unrecognized past service costs) are recorded in off-balance sheet commitments.

All components of the net periodic pension cost (service cost, amortization of actuarial gains and losses, impacts of plan amendments, interest cost and return on plan assets) are recorded in the income statement.

2.10 Financial instruments

Foreign currency hedges

Given the high number of foreign-currency denominated transactions carried out by certain subsidiaries, Safran manages foreign currency risk on behalf of these companies by hedging forecast commercial transactions using forwards and options.

The fair value of financial instruments set up by Safran to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran foreign exchange guarantee is recorded in the balance sheet.

The fair value of financial instruments used to hedge future transactions denominated in foreign currencies is not recorded in the balance sheet.

Premiums paid and received on options are initially recorded in the balance sheet and then released to the income statement on maturity or expiration of the options.

Foreign currency gains and losses arising on these transactions along with hedging gains and losses transferred to subsidiaries are recorded as foreign exchange gains and losses.

Interest rate hedges

The Company may use interest rate swaps to hedge its exposure to changes in interest rates.

2.11 Revenue

Revenue recognized by the Company mainly arises from the provision of services and general assistance provided to the Group's subsidiaries.

Recurring services are billed on a monthly basis.

2.12 Non-recurring income

The Company uses the definition of non-recurring items laid down in the French General Chart of Accounts as defined by ANC Regulation 2016-07 of November 4, 2016.

In particular, non-recurring items include capital gains and losses arising on the sale of non-current assets.

2.13 Income tax and tax consolidation in France

The Company elected for the Group tax consolidation regime set out in articles 223-A to 223-Q of the French Tax Code (*Code général des impôts*), and a tax consolidation group was set up by Safran SA, registered in Paris under number RCS 562 082 909 on January 1, 2005.

In fiscal 2018, the tax consolidation group included the following companies:

- Safran (head of the tax group)
- Établissements Vallaroche
- Lexvall 22
- Lexvall 24
- Lexvall 25
- Lexvall 26
- Lexvall 27
- Safran Aero Composite
- Safran Aircraft Engines
- Safran Ceramics
- Safran Corporate Ventures
- Safran Electrical & Power
- Safran Electronics & Defense
- Safran Engineering Services
- Safran Filtration Systems
- Safran Helicopter Engines
- Safran International Resources
- Safran Landing Systems
- Safran Landing Systems Services Dinard
- Safran Transmission Systems
- Safran Nacelles
- Safran Power Units
- Safran Reosc
- Safran System Aerostructures
- Safran Ventilation Systems
- Snecma Participations
- SSI
- Vallaroche Conseil

In accordance with the tax consolidation agreements entered into between Safran and its subsidiaries, each subsidiary in the tax group records in its accounts the amount of tax that it would have paid on a stand-alone basis. Any tax savings or additional liabilities arising as a result of tax consolidation are recorded by Safran in its capacity as head of the tax group.

Any tax savings arising on the use of tax losses of subsidiaries in the tax consolidation group are recorded in Safran's income statement and neutralized by way of a provision. This provision is released to profit or loss when prior year losses are used by the consolidated subsidiary or when they become time-barred and may no longer be used by the subsidiary concerned.

NOTE 3 NOTES TO THE BALANCE SHEET

3.1 Intangible assets, property, plant and equipment and financial assets

Gross carrying amount

Movements in non-current assets break down as follows:

(in € millions)	Dec. 31, 2017	Acquisitions, contributions, creations, increases	Reclassifications	Sales, spin-offs, decreases	Changes in scope of consolidation	Dec. 31, 2018
Concessions, patents, licenses, software and similar rights	109	11	2	(15)	39	146
Intangible assets in progress	2	-	(2)	(7)	10	3
Intangible assets	**111**	**11**	**-**	**(22)**	**49**	**149**
Land	6	-	-	-	1	7
Buildings	96	3	3	-	10	112
Installations, equipment and tools	26	1	3	(1)	-	29
Other property, plant and equipment	60	3	1	(1)	15	78
Property, plant and equipment in progress	15	12	(7)	-	-	20
Payments on account	-	2	-	-	-	2
Property, plant and equipment	**203**	**21**	**-**	**(2)**	**26**	**248**
Financial investments(1)(2)	10,159	6,810	-	(20)	1,042	17,991
Loans to equity investments(3)	223	34	-	(20)	34	271
Other long-term investments	78	-	-	-	-	78
Loans	15	-	-	(2)	-	13
Other financial assets(4)	2,479	595	-	(2,979)	1	96
Financial assets	**12,954**	**7,439**	**-**	**(3,021)**	**1,077**	**18,449**
TOTAL NON-CURRENT ASSETS	**13,268**	**7,471**	**-**	**(3,045)**	**1,152**	**18,846**

(1) In accordance with ANC Regulation 2015-06, the merger deficit has been classified within financial investments as a result of its allocation to unrealized capital gains on equity investments for an amount of €9,064 million. The merger deficit breaks down as follows:
- the Snecma/Sagem merger for €3,069 million, including Safran Nacelles (€185 million), Safran Landing Systems (€172 million), Safran Electronics & Defense (€31 million), Safran Electrical & Power and Safran Engineering Services (€214 million), Safran Aircraft Engines (€2,098 million), Safran Aero Boosters (€164 million), Safran Helicopter Engines and Safran Power Units (€205 million).
- the Safran/Zodiac Aerospace merger for an amount of €5,995 million, allocated to Galli Participations shares.
2) The increase in financial investments is attributable to the acquisition of Zodiac Aerospace shares for €6,810 million. Decreases mainly reflect the disposal of Snecmasat to Lexvall 26 for €9 million and the redemption of the capital of Aerofund II and Aerofund III for €8 million and €2 million, respectively. Changes in the scope of consolidation correspond to shares held by Zodiac Aerospace for €1,857 million, the recognition of the merger deficit recorded on the merger of Zodiac Aerospace into Safran for €5,995 million, and the elimination of Zodiac Aerospace shares for €6,810 million.
(3) Changes in loans to equity investments solely reflect grants and repayments of intragroup loans.
(4) The increase in this caption mainly reflects the purchase of treasury shares for €522 million and investments with maturities of more than three months for €72 million. Decreases mainly correspond to money-market funds pledged for €2 billion in connection with the Zodiac Aerospace acquisition, and the cancellation of treasury shares as part of a capital decrease for €952 million.

Depreciation and amortization

(in € millions)	Dec. 31, 2017	Additions	Reversals	Changes in scope of consolidation	Dec. 31, 2018
Concessions, patents, licenses, software and similar rights	89	18	(8)	22	121
TOTAL INTANGIBLE ASSETS	**89**	**18**	**(8)**	**22**	**121**
Land	1	-	-	-	1
Buildings	48	6	-	8	62
Installations, equipment and tools	9	3	-	-	12
Other property, plant and equipment	41	10	(1)	11	61
TOTAL PROPERTY, PLANT AND EQUIPMENT	**99**	**19**	**(1)**	**19**	**136**

Asset impairment

(in € millions)	Dec. 31, 2017	Additions	Reversals	Changes in scope of consolidation	Dec. 31, 2018
Impairment of financial assets	134	14	(10)	14	152
Impairment of current assets	2	-	(1)	3	4
TOTAL	**136**	**14**	**(11)**	**17**	**156**

List of subsidiaries and investments

Disclosures provided in accordance with Article R.123-197-2 of the French Commercial Code

(in € millions)[1] Company	Business line	Share capital	Equity other than share capital and profit	% voting rights	% share capital held
A. Detailed information on subsidiaries and associates whose gross carrying amount exceeds 1% of Safran's share capital (i.e., €0.8 million)					
1. Subsidiaries (more than 50%-owned)					
a) French companies					
> ArianeGroup Holding (SIREN: 519032171, Paris, France)[3]	Holding company	374.1	3,308.3	50.0	50.0
> Établissements Vallaroche (SIREN: 542028154, Paris, France)	Holding company	15.6	(1.8)	100.0	100.0
> Galli Participations (SIREN: 402112403, Paris, France)	Holding company	332.3	1,522.5	100.0	100.0
> Safran Aircraft Engines (SIREN: 414815217, Paris, France)	Propulsion	154.1	329.2	97.4	97.4
> Safran Ceramics (SIREN: 440513059, Le Haillan, France)	Propulsion	0.1	14.3	100.0	100.0
> Safran Electrical & Power (SIREN: 301501391, Blagnac, France)	Aircraft Equipment	12.5	21.4	96.8	96.8
> Safran Electronics & Defense (SIREN: 480107911, Boulogne-Billancourt, France)	Defense	372.9	117.2	95.5	95.5
> Safran Helicopter Engines (SIREN: 338481955, Bordes, France)	Propulsion	38.8	166.4	100.0	100.0
> Safran Landing Systems (SIREN: 712019538, Velizy-Villacoublay, France)	Aircraft Equipment	83.7	396.8	100.0	100.0
> Safran Nacelles (SIREN: 352050512, Gonfreville-l'Orcher)	Aircraft Equipment	56.7	39.8	88.5	88.5
> Safran Transmission Systems (SIREN: 692015217, Colombes, France)	Aircraft Equipment	36.8	17.1	100.0	100.0
> Safran Ventilation Systems (SIREN 710802547, Blagnac, France)	Aircraft Equipment	1.3	14.7	100.0	100.0
b) Foreign companies					
> Safran Aero Boosters[3]	Propulsion	54.9	11.6	67.2	67.2
> Safran China[3]	Holding company	2.7	0.3	100.0	100.0
> Safran Electrical Power UK Ltd[3]	Aircraft Equipment	256.8	(89.6)	100.0	100.0
> Safran Maroc[3]	Defense	1.8	(0.3)	100.0	100.0
> Safran Serviços de Suporte de Programas Aeronauticos[3]	Aircraft Equipment	0.2	0.1	100.0	100.0
> Safran UK Ltd	Holding company	18.1	6.5	100.0	100.0
> Safran USA Inc.	Holding company	0.0[2]	1,656.2	100.0	100.0
> Zodiac Equipments Tunisie	Aerosystems	2.0	19.8	99.9	99.9
> Zodiac Seats Tunisie	Aircraft Interiors	3.7	(0.6)	100.0	100.0
> Zodiac Composite Monuments Tunisie	Aircraft Interiors	3.1	0.2	99.9	99.9
> Zodiac Aerospace Services Middle East	Aerosystems	1.0	0.4	100.0	100.0
2. Investments (10%- to 50%-owned)					
a) French companies					
> Corse Composites Aéronautiques[3]	Aircraft Equipment	1.7	45.5	24.8	24.8
> Eurotradia International[3]	Aircraft Equipment	3.0	34.3	11.2	11.2
> FCPR Aerofund II	Investment fund	75.0		16.6	16.6
> FCPR Aerofund III	Investment fund	167.0		18.0	18.0
> Mobiwire[3]	Communications	2.0	(0.9)	10.6	10.6
B. Summary information concerning other subsidiaries and investments					
1. Subsidiaries (more than 50%-owned)					
a) French companies					
b) Foreign companies					
2. Investments (10%- to 50%-owned)					
a) French companies					
b) Foreign companies					

(1) For foreign companies, share capital, equity, revenue and profit amounts were translated into euros at the exchange rate prevailing at December 31, 2018.
(2) Additional paid-in capital of US-based entities is shown under "Equity other than share capital and profit".
(3) Situation at December 31, 2017.

Carrying amount of investments								
Gross	Net	Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2018 revenue	2018 profit	Dividends received by Safran in 2018	Receivables	Liabilities
1,510.9	1,510.9			10.0	113.3	26.1		156.0
62.8	27.0				(1.8)		25.8	
1,847.2	1,847.2			6.7	4.9		6.3	0.3
195.4	195.4		13.0	8,956.6	669.1	604.8	14.5	3,562.9
40.3	40.3			29.1	(1.4)	41.6	126.6	49.5
185.6	185.6		425.0	621.5	57.6	69.3	41.1	11.9
595.0	595.0		129.8	1,352.7	31.3	682.3	3.8	172.8
539.0	539.0		0.4	846.2	(174.6)	56.3	142.4	52.9
560.5	560.5		2.1	1,907.7	211.6	201.6	347.5	21.2
924.2	924.2		829.7	1,447.7	48.5	36.1	360.3	16.3
163.8	163.8		102.4	477.9	96.3	85.2	1.0	22.6
41.2	41.2			117.7	8.4	8.5	3.1	23.7
115.6	115.6			787.1	486.9	48.6	0.7	671.9
2.5	2.5			15.7	1.3		1.8	0.8
275.1	275.1		34.9	139.4	10.7			46.2
1.8	1.6			1.3	0.1			0.2
1.5	1.0			0.1				0.2
40.0	24.3			5.1	(0.4)			0.4
1,774.3	1,774.3		160.4	12.8	62.0		0.1	1,105.1
2.0	2.0			68.6	8.6			3.1
3.7	3.7			90.7	6.0		35.7	0.0
3.1	3.1			22.9	1.4		6.3	
0.7	0.7			68.5	(6.9)		35.7	0.1
1.0	1.0			67.5	1.4			
2.1	2.1			29.9	(5.0)			
4.8	4.8							
27.8	27.8							
1.0	0.0			91.9	1.5			
0.1	0.1					3.8		
2.3	1.4						1.2	1.4
0.5	0.5							

3.2 Receivables

Receivables break down as follows at December 31, 2018:

(in € millions)	Gross carrying amount at Dec. 31, 2018	Less than 1 year	Between 1 and 5 years	More than 5 years
Payments on account made on outstanding orders	3	3	-	-
Trade receivables	73	73	-	-
Operating receivables	**76**	**76**	**-**	**-**
Miscellaneous receivables	605	605	-	-
Group current accounts	3,466	3,466	-	-
Prepayments	19	19	-	-
Unrealized foreign exchange losses	219	219	-	-
Other receivables	**4,309**	**4,309**	**-**	**-**
Impairment	(1)	(1)	-	-
TOTAL	**4,384**	**4,384**	**-**	**-**

3.3 Marketable securities, cash at bank and in hand

This caption breaks down as follows:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Marketable securities	3,425	1,331
Cash at bank and in hand	1,404	810
MARKETABLE SECURITIES, CASH AT BANK AND IN HAND	**4,829**	**2,141**

Marketable securities comprise:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Treasury shares	69	84
Other securities	3,356	1,247
TOTAL	**3,425**	**1,331**

Treasury shares

	Dec. 31, 2017	Purchase	Sale	Dec. 31, 2018
Number of shares	1,313,960	2,624,833	(2,512,270)	1,426,523(*)
Gross value *(in € millions)*	69	273	(258)	84
Impairment *(in € millions)*	-	-	-	-
NET VALUE *(in € millions)*	**69**	**-**	**-**	**84**
(*) Including:				
> Shares earmarked for employees				1,112,523
> Shares held under a liquidity agreement				314,000

The Company's trading in its own shares was carried out under the liquidity agreement managed by Oddo Corporate Finance.

Other securities

Other securities include short-term money market investments and term deposits with liquid exit options exercisable at no cost within three months, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

3.4 Accrued income

In accordance with the accrual principle, accrued income is recorded in the following asset headings:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Loans to equity investments	-	1
Trade receivables	19	61
Other receivables	2	5
TOTAL	**21**	**67**

3.5 Prepayments

Prepayments amounted to €19 million at December 31, 2018 and chiefly concerned expenses on IT maintenance agreements and insurance costs.

3.6 Unrealized foreign exchange losses and redemption premiums

Unrealized foreign exchange losses represented €219 million at December 31, 2018, and primarily result from the translation into euros of foreign currency borrowings, loanss and current accounts at the 2018 year-end exchange rate.

3.7 Equity

Share capital

At December 31, 2018, Safran's share capital was fully paid up and comprised 435,767,951 shares, each with a par value of €0.20, including:

- 409,116,893 ordinary shares with a par value of €0.20;
- 26,651,058 preferred shares with a par value of €0.20.

The Safran share (ISIN code: FR0000073272/Ticker symbol: SAF) is listed continuously on Compartment A of the Eurolist market of Euronext Paris and is eligible for the deferred settlement service.

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

December 31, 2017

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Private investors	320,032,130	76.74%	336,208,280	66.12%
French State	58,393,131	14.00%	116,786,262	22.97%
Employees(2)	30,861,700	7.40%	55,471,370	10.91%
Treasury shares	7,742,624	1.86%	-	-
TOTAL	**417,029,585**	**100.00%**	**508,465,912**	**100.00%**

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

December 31, 2018

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Private investors	356,388,863	81.78%	371,363,962	71.05%
French State	47,983,131	11.01%	95,966,262	18.36%
Employees(2)	29,956,234	6.88%	55,338,194	10.59%
Treasury shares	1,439,723	0.33%	-	-
TOTAL	**435,767,951**	**100.00%**	**522,668,418**	**100.00%**

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

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

The 1,439,723 treasury shares have no voting rights.

Changes in shareholders' equity

(in € millions)	Dec. 31, 2017	Appropriation of 2017 profit	Increase	Decrease	Dec. 31, 2018
Share capital(1)	83	-	6	(2)	87
Additional paid-in capital(2)	3,290	-	2,276	(2)	5,564
Legal reserve	8	-	-	-	8
Tax-driven reserves	302	-	-	-	302
Other reserves(3)	1,421	-	-	-	1,421
Retained earnings(4)	1,801	665	-	(950)	1,516
Tax-driven provisions(5)	24	-	3	(5)	22
2017 profit	1,360	(1,360)	-	-	-
2018 profit	-	-	1,705	-	1,705
TOTAL	**8,289**	**(695)(6)**	**3,990**	**(959)**	**10,625**

(1) Capital increase of €6 million, including €5 million resulting from the exchange offer for Zodiac Aerospace and €1 million resulting from the merger of Zodiac Aerospace into Safran.
(2) Increase of €2,276 million in additional paid-in capital, including €2,238 million resulting from the exchange offer for Zodiac Aerospace and €38 million resulting from the merger of Zodiac Aerospace into Safran.
(3) Including €85 million in reserves hedging treasury shares held at December 31, 2018.
(4) Decrease of €950 million owing to the capital reduction carried out by cancelling treasury shares.
(5) Increase of €3 million, including €1 million in Zodiac Aerospace accelerated tax depreciation/amortization booked against the merger premium.
(6) Outstanding 2017 dividend paid in 2018.

3.8 Tax-driven provisions and provisions for contingencies and losses

Movements in tax-driven provisions can be analyzed as follows:

(in € millions)	Dec. 31, 2017	Additions	Reversals surplus	Reversals utilized	Changes in scope of consolidation	Dec. 31, 2018
Accelerated tax depreciation/amortization	12	2	-	(5)	1	10
Accelerated tax depreciation/amortization (share acquisition fees)	12	-	-	-	-	12
TOTAL TAX-DRIVEN PROVISIONS	**24**	**2**	**-**	**(5)**	**1**	**22**

Provisions for contingencies and losses can be analyzed as follows:

(in € millions)	Dec. 31, 2017	Additions	Reversals surplus	Reversals utilized	Changes in scope of consolidation	Dec. 31, 2018
Foreign exchange losses	7	9	-	(7)	-	9
Disputes and litigation	14	11	-	(6)	-	19
Contingency provisions	**21**	**20**	**-**	**(13)**	**-**	**28**
Retirement benefits and similar obligations	22	7	-	(8)	3	24
Income tax - loss-making subsidiaries, under-capitalization(1)	396	71	(5)	(20)	-	442
Other	29	41	-	(4)	-	66
Loss provisions	**447**	**119**	**(5)**	**(32)**	**3**	**532**
TOTAL	**468**	**139**	**(5)**	**(45)**	**3**	**560**
Loss from operations		59	-	(18)		
Financial income		9	-	(7)		
Non-recurring income		71	(5)	(20)		
TOTAL		**139**	**(5)**	**(45)**		

(1) See Note 4.6, "Income tax expense".

Employee benefit obligations

The main assumptions used to calculate the Company's employee benefit obligations were as follows:

	Dec. 31, 2017	Dec. 31, 2018
Discount rate	1.40%	1.50%
Inflation rate	1.75%	1.75%
Expected return on plan assets	1.40%	1.50%
Rate of future salary increases	1.12% -5.00%	1.12% -5.00%
Probable retirement age of managerial-grade staff	64 years	64 years
Probable retirement age of non managerial-grade staff	62 years	62 years
Mortality tables used	INSEE 2013-2015	INSEE 2013-2015

The table below shows movements in employee benefit obligations:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018	Defined benefit pension plans	Retirement termination benefits
Present value of obligation	60	56	21	35
Fair value of plan assets	(3)	(9)	(9)	-
Funding shortfall	**57**	**47**	**12**	**35**
> *o/w provision*	*60*	*56*	*21*	*35*
> *o/w plan assets*	*(3)*	*(9)*	*(9)*	-
Unrecognized actuarial gains and losses and past service costs	(38)	(34)	(20)	(14)
Benefit obligations covered by a provision in the balance sheet	**19**	**13**	**(8)**	**21**
Current service cost	4	4	2	2
Interest cost	1	-	-	-
Amortization of actuarial gains and losses	(1)	4	3	1
Special events	-	2	-	2
Expense	**4**	**10**	**5**	**5**
Benefits paid	(13)	(15)	(13)	(2)
PROVISION CHARGE/(REVERSAL)	**(9)**	**(5)**	**(8)**	**3**

Defined benefit pension plans

The Group closed a defined benefit supplementary pension plan at December 31, 2017 and froze all conditional entitlements at December 31, 2016.

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

The closure of this plan is part of a change in supplementary pension arrangements for Group executive managers, with the introduction of an "Article 83" supplementary defined benefit plan (mandatory collective plan) and an "Article 82" defined contribution plan (voluntary collective plan) as of January 1, 2017.

Retirement termination benefits

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

3.9 Financial liabilities, operating payables and other liabilities

Movements in these items can be analyzed as follows:

(in € millions)	Total at Dec. 31, 2018	Less than 1 year	Between 1 and 5 years	More than 5 years
Bond issue	2,400	500	1,700	200
USD senior unsecured notes issue	1,048	135	472	441
Miscellaneous loans and borrowings:				
> Deposits and guarantees received	2	-	-	2
> Other loans and borrowings	1,740	1,289	451	-
> Accrued interest	19	19	-	-
Financial liabilities	**5,209**	**1,943**	**2,623**	**643**
Group current accounts	7,380	7,380	-	-
Payments on account received	6	6	-	-
Trade payables	158	158	-	-
Amounts payable on non-current assets	30	17	13	-
Other liabilities	830	764	36	30
Deferred income	4	1	3	-
Unrealized foreign exchange gains	157	157	-	-
Operating payables and miscellaneous liabilities	**8,565**	**8,483**	**52**	**30**

Financial liabilities

Bond issue

- On April 11, 2014, Safran issued €200 million worth of 10-year bonds to French investors, maturing on April 11, 2024. The interest rate on these bonds was hedged by a floating-rate swap on 3-month Euribor.

  The issue's initial fixed-rate interest came out at 1.22% in 2018 after taking account of interest rate derivatives.
- On June 28, 2017, Safran issued floating-rate bonds for a total amount of €1 billion in two tranches:
  - €500 million of 2-year bonds (maturing in June 2019) paying a fixed coupon set at 3-month Euribor +30 basis points (0% floor), comprising tranche 1. This tranche was issued at 100.059% of par;
  - €500 million of 4-year bonds (maturing in June 2021) paying a fixed coupon set at 3-month Euribor +57 basis points (0% floor), comprising tranche 2. This tranche was issued at 100% of par.
- On July 13, 2018, Safran issued €500 million of 2-year bonds (maturing in July 2020) paying a floating-rate coupon set at 3-month Euribor +33 basis points (0% floor). The bonds were issued at 100% of par.

OCÉANE bonds

- Safran had issued bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) on January 8, 2016 for a nominal amount of €650 million. These bonds fell due on December 31, 2020. The bonds did not carry a coupon and were offered at an issue price representing 104% of par, or a gross negative yield to maturity of 0.78%. On October 30, 2018, Safran redeemed 97.47% of these bonds following a reverse bookbuilding process carried out on the same date. The settlement date for the redemption was November 7, 2018. The redeemed OCÉANE, along with the associated conversion rights, were canceled pursuant to the terms and conditions of the bonds. On December 31, 2018, pursuant to the terms and conditions of the bonds, Safran redeemed ahead of maturity, in cash and at par, all outstanding OCÉANE bonds that it had not purchased or that had not been converted at that date, after having informed the bondholders of its intention.
- On June 21, 2018, Safran issued bonds convertible into and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) for a total nominal amount of €700 million. These bonds do not carry a coupon and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0.00%. Unless converted, redeemed or bought back and canceled prior to maturity, the OCÉANE bonds are redeemable at par on June 21, 2023.

USD senior unsecured notes issue

On February 9, 2012, Safran issued USD 1.2 billion in senior unsecured notes on the US private placement market (i.e., €1,001 million at the December 31, 2017 exchange rate), which included:

- USD 155 million of notes due February 2019 at a 3.70% coupon (tranche A);
- USD 540 million of notes due February 2022 at a 4.28% coupon (tranche B);
- USD 505 million of notes due February 2024 at a 4.43% coupon (tranche C).

A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.

The issue's initial fixed-rate interest came out at 4.61% in 2017 after taking account of interest rate derivatives.

Other borrowings

- On March 10, 2016, Zodiac Aerospace set up a placement in the form of a syndicated loan with an original maturity of seven years, falling due on March 10, 2023, on which €180 million was outstanding at December 31, 2018 at an adjustable rate of 3.302%. This loan for an initial amount of €230 million also included a €50 million floating-rate tranche which the Group chose to repay early on March 20, 2018.

> On July 25, 2013, Zodiac Aerospace set up a 7-year Schuldschein loan maturing in July 2020, breaking down as follows:
- fixed-rate tranche at 3.605%: on July 25, 2018, €95 million was repaid ahead of maturity by the former Zodiac Aerospace group and simultaneously replaced by a liability in the form of Negotiable European Medium Term Notes taken out by Safran with the same lenders for the same amount, under the same financial conditions and with the same residual maturity. Following this transaction, only €4 million of the fixed-rate tranche remains outstanding;
- floating-rate tranche of €53.5 million, bearing interest at 6-month Euribor +220 basis points: this tranche was repaid ahead of maturity by the former Zodiac Aerospace group on July 25, 2018.

3.10 Accrued expenses

Accrued expenses are included in the following liability headings:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Other bond issues	14	15
Bank borrowings	-	3
Miscellaneous loans and borrowings	-	-
Trade payables	134	117
Taxes and payroll costs	73	84
Amounts payable on non-current assets	20	12
Other liabilities	7	7
TOTAL	**248**	**238**

3.11 Deferred income

Deferred income amounted to €4 million at December 31, 2018.

Deferred income included rent-free periods to be recognized on a straight-line basis over the terms of the leases until 2021.

3.12 Unrealized foreign exchange gains

Unrealized foreign exchange gains amounted to €157 million at December 31, 2018.

They primarily resulted from the translation into euros of foreign currency loans and current accounts at the 2018 year-end exchange rate.

NOTE 4 NOTES TO THE INCOME STATEMENT

The data for 2017 do not include figures for Zodiac Aerospace, since the effective date of the merger for tax and accounting purposes is January 1, 2018.

4.1 Revenue

(in € millions)	2017	2018
General assistance	170	260
Administrative and financial services	82	106
R&T services	154	167
Group projects	2	2
IT services	121	130
Seconded employees	9	9
Real estate income	14	16
Other	-	38
TOTAL	**552**	**728**

4.2 Expense transfers

Expense transfers in the period amounted to €20 million and mainly concerned expenses rebilled to Group subsidiaries.

4.3 Financial income and expenses

Financial income and expenses break down as follows:

(in € millions)	2017	2018
Dividends received and other investment income	1,262	1,865
Interest and similar income	45	68
Impairment of equity investments	3	2
Other reversals of provisions for financial items	8	8
Foreign exchange gains	-	-
Financial income	**1,318**	**1,943**
Impairment of equity investments	(1)	(6)
Other charges to provisions for financial items	(8)	(19)
Interest and similar expenses	(48)	(245)
Foreign exchange losses	(36)	(29)
Financial expenses	**(93)**	**(299)**
FINANCIAL INCOME	**1,225**	**1,644**

A breakdown of dividends is provided in the table of subsidiaries and investments.

Other movements in provisions for financial items mainly relate to the provision for foreign exchange losses.

Net interest expense in 2018 primarily includes an expense of €170 million booked at the time of the OCÉANE 2020 bond redemption.

For the purpose of providing a meaningful comparison, foreign exchange gains and losses are presented on a single line of the income statement for the same fiscal year.

4.4 Non-recurring items

Non-recurring items can be analyzed as follows:

(in € millions)	2017	2018
Change in tax-driven provisions	5	3
Income from non-capital transactions	1	1
Income from capital transactions	64	11
Expenses on non-capital transactions	(5)	(5)
Expenses on capital transactions	(42)	(19)
Net charges to provisions and expense transfers	2	13
NON-RECURRING INCOME	**25**	**4**

4.5 Statutory employee profit-sharing

No employee profit-sharing expenses were recognized in either 2018 or 2017.

4.6 Income tax expense

2018 Group relief

The application of tax consolidation in France led to the recognition of a net tax benefit totaling €211 million in the 2018 parent company financial statements (2017: net tax benefit of €43 million).

This breaks down as:

- tax income of €272 million arising on the payment of tax by consolidated subsidiaries as though they had been taxed on a stand-alone basis; and
- a tax expense of €61 million resulting from the consolidated tax expense of €232 million, partially offset by €171 million in tax credits.

Provisions set aside to cover income taxes of loss-making subsidiaries

Safran refunds the tax savings arising due to the use of tax losses of subsidiaries when the subsidiaries return to profit. A provision is set aside in the Company's financial statements in this respect.

A net amount of €47 million was accrued to this provision in 2018.

Other

The CICE tax credit amounted to €1 million in respect of both 2018 and 2017.

Non-deductible expenses (Article 223 *quater* and Article 39-4 of the French Tax Code) amounted to €0.2 million in 2018 (€0.1 million in 2017) and relate to the non-deductible portion of vehicle lease payments and depreciation.

NOTE 5 OTHER INFORMATION

5.1 Off-balance sheet commitments and contingent liabilities

Commitments given

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Commitments given by Safran to third parties on behalf of its subsidiaries	1,361	3,216
Commitments given by Safran to customs authorities on behalf of its subsidiaries	13	12
Vendor warranties given	291	288
Actuarial gains and losses	40	35
Other commitments given	101	165
TOTAL[1]	**1,806**	**3,716**
(1) Of which related parties.	*1,676*	*3,527*

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Commitments given to third parties relate mainly to guarantees granted by Safran to customers and principals (essentially aircraft manufacturers), in which Safran provides 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.

The increase in this caption in 2018 reflects new partnerships signed by the Group, in particular with an aircraft manufacturer in the area of auxiliary power units (APU).

In connection with the sale of the identity and security businesses, on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at December 31, 2018, as well as a specific indemnity capped at BRL 200 million (€45 million at December 31, 2018) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

In connection with the sale of the detection businesses on April 7, 2017, Safran granted Smiths Group PLC a vendor warranty valued at USD 73 million (€64 million at December 31, 2018).

Commitments received

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Other commitments received	74	129
TOTAL	**74**	**129**

Commitments received chiefly comprise a first-demand guarantee granted by Safran Aircraft Engines in respect of one of its subsidiaries for €60 million, and a guarantee relating to a purchase commitment for a building in an amount of €62 million.

Finance lease liabilities

The Company entered into two real estate finance leases for the Safran University campus and for the Safran Tech site in 2014.

			Theoretical charges to depreciation		
(in € millions)	Value at inception	Carrying amount at Dec. 31, 2016	Current period	Cumulative	Net
Land	9	9	-	-	9
Buildings	97	94	4	17	77
TOTAL	**106**	**103**	**4**	**17**	**86**

	Lease payments made		Lease payments outstanding			Residual purchase price
(in € millions)	Current period	Cumulative	Less than 1 year	1 to 5 years	More than 5 years	(as per the lease)
Land	-	-	-	-	9	n/m
Buildings	10	38	10	40	23	-
TOTAL	**10**	**38**	**10**	**40**	**32**	**-**

Financial and hedging instruments

Safran holds derivative financial instruments including forward contracts, swaps and options which are used for the purposes of all Group companies to hedge (i) highly probable future transactions, determined on the basis of the order backlog and budget forecasts, and (ii) the net balance sheet position of foreign-currency denominated trade receivables and payables of subsidiaries.

As part of the cash pooling agreement entered into between Safran and its subsidiaries, Safran grants its subsidiaries a foreign exchange guarantee under which it commits to buying or selling net foreign currency surpluses or requirements at a guaranteed annual exchange rate. The guaranteed rates are based on worst-case scenarios and Safran undertakes to repay its subsidiaries any gain resulting from the difference between the actual traded rates and the communicated guaranteed rates, based on the currency and net volumes. These exchange rate gains are repaid at least annually.

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2017				Dec. 31, 2018			
(in millions of currency units)	Fair value(1)	Notional amount(1)	Less than 1 year	Between 1 and 5 years	Fair value(1)	Notional amount(1)	Less than 1 year	Between 1 and 5 years
Forward exchange contracts	**(215)**				**(273)**			
Short USD position	(164)	10,253	10,203	50	(338)	3,911	3,911	-
Of which against EUR	*(165)*	*10,097*	*10,097*	*-*	*(333)*	*3,861*	*3,861*	*-*
Long USD position	(16)	(1,069)	(869)	(200)	47	(1,201)	(301)	(900)
Of which against EUR	*(14)*	*(851)*	*(651)*	*(200)*	*42*	*(1,151)*	*(251)*	*(900)*
Short EUR position against GBP	-	-	-	-	-	(17)	(17)	-
Short EUR position against CAD	7	16	3	13	3	47	(2)	49
Long MXN position against EUR	-	-	-	-	31	(12,176)	(1,872)	(10,304)
Long PLN position against EUR	-	(40)	(40)	-	-	-	-	-
Long MXN position against USD	(42)	(4,000)	(2,650)	(1,350)	(16)	(1,150)	(1,150)	-
Currency option contracts	**(24)**				**(241)**			
USD put purchased	309	13,795	12,795	1,000	482	22,454	17,454	5,000
USD call purchased	23	(4,160)	(2,800)	(1,360)	95	(1,700)	(1,700)	-
USD call sold	(239)	29,859	25,867	3,992	(870)	47,084	37,384	9,700
USD put sold	(175)	(6,520)	(3,800)	(2,720)	(14)	(4,238)	(4,238)	-
EUR put purchased	7	300	300	-	18	420	420	-
EUR call sold	(4)	600	600	-	(4)	840	840	-
Accumulators – sell USD(2)	10	774	-	774	58	1,014	126	888
Accumulators – buy USD(2)	44	(2,580)	(2,580)	-	-	-	-	-
Accumulators – buy GBP(2)	1	(541)	(541)	-	(1)	(400)	(400)	-
Accumulators – buy CAD(2)	-	-	-	-	(5)	(400)	(400)	-
TOTAL	**(239)**				**(514)**			

(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.

As mentioned in Note 2 on accounting policies, only premiums paid and received on options are recorded in Safran's balance sheet. The Company does not recognize the fair value of derivative instruments in its balance sheet, except for those set up to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran SA foreign exchange guarantee.

EUR interest rate risk management

An interest rate swap was 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 had a fair value of €13 million at December 31, 2018.

USD interest rate risk management

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market (USPP) has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate.

These swaps had a negative fair value of €7 million at December 31, 2018.

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 2,175 million and a term of up to 12 months, and were taken out on behalf of an entity 50%-owned by Safran. Consequently, Safran took out an interest rate swap with the entity for the same nominal amount on the same date to convert the fixed rate to a floating rate. Accordingly, Safran has no exposure to interest rate risk on these swaps, as their fair values, which were not material at December 31, 2018, cancel each other out.

Liquidity risk management

Since the Group has an unused, confirmed liquidity line at December 31, 2018, it is relatively insensitive to liquidity risk.

At December 31, 2018, the unused, confirmed liquidity line amounted to €2,520 million. It was set up in December 2015 and matures in December 2020, with two successive one-year extension options. As both these options have been exercised, the line is currently set to expire in December 2022. It is not subject to any financial covenants.

A number of financial covenants apply to the EIB borrowings set up in 2010.

The following two ratios apply:

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

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market.

The terms "net debt", "EBITDA" and "total equity" used in connection with the EIB borrowings and senior unsecured notes issued on the US private placement market and applied in respect of consolidated data relating to Safran and its subsidiaries, are defined as follows:

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

5.2 Disputes and litigation

Safran is party to regulatory, legal or arbitration proceedings arising in the ordinary course of its operations. Safran is also party to claims, legal action and regulatory proceedings outside the scope of its ordinary operations. The most important are described below.

The amount of the provisions booked is based on the level of risk for each case as assessed by Safran, and largely depends on the assessment of the merits of the claims and opposing arguments. However, it should be noted 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.

On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim with Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings for reimbursement of overcharges against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. The lawsuits are still in progress, with the claimant having notified the joint defendants at the end of the year of its intention to broaden the scope of its action before the Court. Accordingly, at the date of this report, it is not possible to evaluate the potential financial risk.

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

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5.3 Average headcount

Safran's headcount can be analyzed as follows:

	2017	2018
Engineers and managerial-grade staff	1,356	1,502
Technicians, administrative personnel and supervisors	268	272
TOTAL HEADCOUNT	**1,624**	**1,774**

5.4 Management compensation

Management executives comprise members of the Board of Directors and Executive Management, as well as any persons with the power to take management decisions with regard to Safran's strategy and future development, or with regular access to inside information directly or indirectly concerning the Group.

Management executives comprise the 17 members of the Board of Directors, including the Chairman of the Board and the Chief Executive Officer, as well as the officers considered as having the power to take management decisions with regard to Safran's strategy and future development, or with regular access to inside information concerning Safran (five directors meeting these criteria between January 1, 2017 and October 31, 2018, and four directors between November 1, 2018 and December 31, 2018).

All compensation and benefits awarded to members of the Board of Directors and to members of Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

(in € millions)	2017	2018
Short-term benefits	10.4	11.1
Post-employment benefits(1)	2.0	1.5
Termination benefits	-	-
Other long-term benefits	2.0	5.2
TOTAL	**14.4**	**17.8**

(1) Data measured in accordance with CNC Recommendation 2003-R-01 authorizing the application of the corridor method (see Note 2.9.1) which differs from the measurement method used in the IFRS consolidated financial statements subsequent to the mandatory application of the revised IAS 19 from January 1, 2013 (the corridor method is no longer permitted under IFRS).

The Company's total post-employment commitments in respect of management executives amounted to €12.5 million at December 31, 2018 and €12.0 million at December 31, 2017.

5.5 Statutory Auditors' fees

In accordance with the disclosure requirement set out in Decree no. 208-1487 of December 30, 2008, fees billed by the Company's Statutory Auditors for their audit of the 2018 financial statements totaled €3,115,000, while fees billed for other work came to €409,000.

5.6 Subsequent events

In implementing its share buyback program, on May 24, 2017 Safran announced that it intended to buy back €2.3 billion worth of its own ordinary shares over a two-year period, starting as soon as its tender offer for Zodiac Aerospace had been completed.

To date, Safran has already bought back 11.4 million shares worth €1.22 billion.

On January 10, 2019, Safran signed a share purchase agreement with an investment services provider for a new tranche. Under the terms of this agreement, Safran agrees to purchase a maximum amount of €600 million in shares by May 10, 2019 at the latest. The unit purchase price shall not exceed the maximum price of €140 set by the Ordinary and Extraordinary Shareholders' Meeting of November 27, 2018.

3.4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2018

This is a free translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Safran SA,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Safran SA for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Measurement of equity investments

Note 2.4 to the financial statements

At December 31, 2018, equity investments carried in the balance sheet represented a net amount of €17,936 million, the largest balance sheet item.

Equity investments are carried at cost on initial recognition and may be impaired based on their fair value. The fair value of equity investments is calculated:

- based on their average stock market price for the month preceding the year-end for listed investments;
- based on their share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes; or
- based on the intrinsic value of equity, reflecting the present value of the expected future cash flows (enterprise value), less debt where appropriate, for unlisted investments.

We deemed the measurement of equity investments to be a key audit matter, due to the inherent uncertainties and in particular, the likelihood of achieving the forecasts included in the fair value measurement.

How our audit addressed this risk

Our work involved reviewing the measurement approach adopted by management along with any quantitative inputs, as well as the assumptions on which management's estimates were based.

In particular:

- for approaches based on the share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes, we reconciled the net equity used in the calculation with the net equity recorded in the financial statements of the entities concerned, and analyzed any adjustments made to equity;
- for approaches based on the intrinsic value of equity, we obtained the cash flow forecasts for the investments concerned and assessed their consistency with the business plans drawn up by management, reviewed the growth rate used to calculate forecast cash flows, and analyzed the discount rate applied to the estimated future cash flows.

We also reviewed the arithmetic accuracy of any calculations made to determine the fair value of the equity investments.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to shareholders with respect to the financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information given with respect to the payment terms referred to in Article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to compensation and benefits received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code (*Code de commerce*), we have verified their compliance with the source documents communicated to us. Based on our work, we have no observation to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the Shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Safran SA by the Annual General Meeting held on May 28, 2008 for Mazars and on May 27, 2010 for ERNST & YOUNG et Autres.

As at December 31, 2018, MAZARS and ERNST & YOUNG et Autres were in the 11th year and 9th year of total uninterrupted engagement respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Courbevoie, March 27, 2019

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres		**MAZARS**	
Jean-Roch Varon	Nicolas Macé	Gaël Lamant	Christophe Berrard

RISK FACTORS

4

IN BRIEF

RISK MANAGEMENT

The diversity of the Group's businesses and its many sites across the globe expose Safran to a variety of risks that could have a material impact on its earnings, image and share price. These risks are identified as part of an enterprise risk management system.

Safran's internal control system rounds out this approach. It is designed to provide reasonable assurance that the Group's business sectors comply with the applicable requirements and, by extension, that the risks covered by the internal control framework are adequately managed.

RISK FACTORS

This chapter presents the main risks that could impact the Group's businesses and financial position as of the date this Registration Document was filed. The risks identified by Safran as material are grouped into a limited number of categories and ranked by their degree of criticality. Criticality of risks is assessed in terms of likelihood of occurrence and potential impact. The features of the main action plans that Safran deems to be adapted to managing these risks are also disclosed.

RISKS RELATING TO THE ENVIRONMENT IN WHICH THE GROUP OPERATES

- Risks relating to changes in the **competitive landscape**
- **Financial market** risks
- **Legal and regulatory** risks

RISKS RELATING TO GROUP BUSINESS SECTORS

- **Operational** risks
- Risks relating to **the Group's development**
- **Human resources** risks

Other risks not yet identified or risks whose occurrence the Group believes will not have a material adverse impact could also exist at the date of this Registration Document.

The information set out below is based on assumptions and forecasts that may, by nature, prove inaccurate.

INSURANCE

Key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local regulatory insurance requirements.

4.1 RISK MANAGEMENT

4.1.1 Methodology

Safran's risk management system helps the Group deal with the requirements for certifying products and services to be used in airline and aerospace operations. It also enables it to keep abreast of the Group's global operational and financial challenges. Aircraft programs are generally based on long cycles involving costly research and development and related capital expenditure. Most of these programs have useful lives of up to 40 years and profitability is measured in the medium or long term. The Group's Enterprise Risk Management (ERM) effectively enhances Safran's profitability.

This system is now sufficiently mature to be able to identify the Group's major risk exposures, quantify their impact on the achievement of objectives, ensure that adequate measures are implemented to bring exposure to an acceptable level and thus contribute directly to the Group's strategic objectives.

Moreover, the principles of enterprise risk management (ERM) are consistent with the recommendations of the French financial markets authority (*Autorité des marchés financiers - AMF*), the provisions of the AFEP-MEDEF Corporate Governance Code (as revised in June 2018), and professional standards (COSO ERM).

It is deployed across all of its businesses in accordance with the governance rules applicable to the Group's different divisions and entities.

Risk management draws on a methodological approach common to all entities and rolled out through a network of experts.

The risk management policy falls under the responsibility of each entity and of the central corporate departments, and is embedded in all of Safran's organizational processes.

Each risk factor identified is analyzed and forms the basis for various risk scenarios charted along three axes: impact, probability of occurrence and level of control.

The impact and probability of each risk are assessed in terms of their direct and indirect potential impact on the Group's businesses based the most realistic, worst-case scenario allocated to the risk. The level of control, essential in characterizing the risk and the way it is to be managed, is then determined.

Risks are managed through action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability, particularly involving regularly updated insurance policies.

An owner is designated for each risk identified and is responsible for drafting action plans and ensuring their implementation. The objective is to provide continuous risk oversight to ensure optimum treatment.

The entire risk management approach is periodically reviewed and events that occurred within the Group over a given period are systematically compared with analyses and risk mappings for the same period. This back-testing enables Safran to ensure that risks have been identified, assessed and managed in an exhaustive and effective manner and to enhance and strengthen the process if necessary.

Lastly, ERM has a crisis management component that enables the Group to anticipate and handle any "abnormal" situation that leaves one or a number of its business oversight parameters exposed. Regardless of the component affected, it seeks to provide the Group with the means for reacting in a pragmatic way by delivering the solutions needed to deal with the crisis. The crises in question may range from serious accidents to people of technical, human or natural origin to long-term unavailability of industrial facilities that jeopardizes Safran's capacity to honor certain commitments to clients and partners. As such, business contingency planning is an integral part of crisis management.

4.1.2 Organization

The Risk and Insurance Department reports to the Group Chief Financial Officer. It comprises the Risk and Insurance Department director, Corporate Risk Managers as well as a dedicated team of insurance experts, and is responsible for implementing the Group's risk management policy. The Risk and Insurance Department develops methodological techniques and processes to ensure consistent handling of risks by companies and central corporate departments. All people involved in risk management within the Group have the same risk manual organized by process, level of impact, frequency, probability and control solution. Detailed guidance is also prepared for the analysis of certain risks.

The Risk and Insurance Department ensures that processes are effectively deployed and sets risk management maturity objectives for tier-one entities. Risk management in newly created or newly acquired entities forms part of the action plans that the Risk and Insurance Department requires tier-one entities to set up within the context of the integration plan.

The Risk and Insurance Department also coordinates the entity risk manager network. Each tier-one entity (see sections 1.1.3 and 1.1.4) has a risk manager who prepares a risk mapping that is subsequently reviewed during the two annual Risk Committee meetings also involving the Risk and Insurance Department. Monthly meetings are used to share best practices and identify and manage all of the Group's risks, including new and emerging risks. Task forces are set up on the basis of priorities approved by the Group Risk Committee.

Risk managers of tier-one entities liaise constantly with the Risk and Insurance Department to which they submit a series of half-yearly indicators (major risk mapping with the corresponding level of control, maturity of the risk management process). Once a year, the risk managers also submit a report on the organization and maturity of the risk management process within their respective operational scope. The Risk and Insurance Department also periodically meets with the risk manager of each tier-one entity in order to discuss his/her work and risk metrics.

Tier-one entity risk managers are tasked with implementing the risk management process for their entire operational scope, i.e., in their company as well as in their subsidiaries and investments. They appoint a network of risk representatives as appropriate to ensure coverage of the entire scope of their operations.

Each of Safran's central corporate departments also prepares a mapping of the main risks in its scope. They all have a risk representative who ensures that the appropriate risk management approach is respected and who verifies the consistency of management's risk mapping and the associated action plans with those of the different corporate departments within tier-one entities falling under his/her responsibility. The Risk and Insurance Department is also directly involved in this work.

Finally, the Risk and Insurance Department prepares a consolidated mapping of the Group's major risks and the associated action plans using these risk mappings, detailed analyses and plans for handling the major risks facing tier-one entities, together with risk mappings, analyses and plans submitted by the risk representatives of the central corporate departments.

The Group risk mapping therefore guarantees the overall consistency of risk assessments and the associated action plans.

The risk mapping and associated action plans are updated every six months and validated by the Group Risk Committee. The Risk and Insurance Department then presents this risk mapping and the associated action plans to the Board of Directors' Audit and Risk Committee.

4.1.3 Risk management bodies

The following bodies coordinate the integrated risk management system:

- the risk committees of tier-one entities;
- the Group Risk Committee;
- the Board of Directors' Audit and Risk Committee.

Internal procedures require regular meetings of tier-one entity and Group Risk Committees.

Risk committees of tier-one entities

Each tier-one entity has a risk committee comprising the entity's legal representative and its main senior managers. This Committee is chaired by the entity's legal representative and led by its risk manager..

Entity risk committees are responsible for:

- rolling out the Group's risk management policy within their operational scope;
- validating the entity's risk mapping and the corresponding control measures;
- providing reasonable assurance of the risk management process's effectiveness and maturity;
- validating the crisis prevention, crisis alert and crisis management system.

Group Risk Committee

The Group Risk Committee is composed of the Chief Executive Officer and Group corporate officers. It is headed up by the Chief Executive Officer and led by the Risk and Insurance Department director.

The Committee regularly reviews risk identification, assessment and treatment, and therefore the control of major risks.

More specifically, its duties include:

- approving the risk management policy;
- validating the Group risk mapping and the corresponding control measures;
- providing reasonable assurance that the risk management process is effective;
- validating the crisis prevention, crisis alert and crisis management system.

The Board of Directors' Audit and Risk Committee

The composition and duties of this Committee are set out in section 6.3.4 of this Registration Document.

In terms of risk management, the Board of Directors' Audit and Risk Committee reviews the risk mapping and the work related to the main risks faced by the Group, together with any developments and risk mitigation measures, as presented to it twice a year by the Risk and Insurance Department.

The Committee reports to the Board of Directors on its risk management work at the same intervals.

4.2 INTERNAL CONTROL SYSTEM

4.2.1 Methodology

Definition and objectives

Safran implements its internal control system on the basis of general principles advocated by the AMF. Internal control is defined as a process implemented by the Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- compliance with laws and regulations;
- application of instructions and strategies set by Executive Management;
- proper functioning of Safran's internal processes, particularly those contributing to the protection of its assets;
- reliability of financial information.

Internal control thus contributes to the safeguarding of the Company's assets, the management of its activities, the effectiveness of its operations, the efficient use of its resources and the prevention of any organizational dysfunctions. Nevertheless, as with all control systems, it can only provide reasonable assurance that the objectives described above will be achieved.

Internal control framework

The Audit and Internal Control Department has defined an internal control framework structured around 13 areas termed internal control cycles:

- one cycle relating to the control environment;
- ten operating cycles;
- two IT cycles (general IT and IT system security controls);

plus cycles adapted to Shared Services Centers' risks.

For each cycle, the Audit and Internal Control Department and Group specialists in each of these areas has drawn up a list of control points and tests aimed at measuring for each entity:

- the conformity of its internal control procedures and control activities with the framework's requirements; and
- the operational effectiveness of these procedures and activities.

Around 200 control points have been listed, which serve to ensure the integrity and security of financial and accounting information. Every year, internal control tests are performed, based on objectives related to scope, content, and the timeframes for carrying out action plans.

The internal control framework is reviewed every year to reflect risk and any organizational changes identified. This review also factors in recommendations made in the course of internal audits or by the Statutory Auditors together with proposals submitted by the internal control network and central corporate departments.

Appraisal principle

The Group has upheld the principle whereby each entity appraises its own internal control arrangements in relation to the framework (conformity and effectiveness). A test program (effectiveness) is devised annually; it investigates all of the cycles over two years in tier-one entities and over three years in tier-two entities. A set of rules and guidelines with around 50 control points – formally tested annually – applies for small entities.

Each year the Group's audit plan includes Internal Audits aimed at verifying that the assessments carried out by the subsidiaries comply with the rules and principles it has put in place.

Any disparity relative to the requirements of the internal control framework in the assessment of the conformity and effectiveness of procedures generates an action plan, with a project leader designated and a deadline established. The progress of such action plans is monitored on a monthly basis.

Scope

In Safran's historically reported entities, the internal control system was up and running in 113 companies in 2018, representing 100% of the Group's consolidated revenue for these same entities.

All of the operating entities consolidated in the former Zodiac Aerospace group in 2017 (i.e., 66 entities) had been incorporated into the Group's internal control framework and performed internal control appraisals in line with Group guidelines.

Any disparity relative to the requirements of the internal control framework in the assessment of the conformity and effectiveness of procedures generates an action plan, with a project leader designated and a deadline established. The progress of such action plans is monitored on a monthly basis.

Internal control quality assurance

Each year, senior executives of tier-one entities send a representation letter to Safran's Chief Executive Officer on the internal control system put in place in their entity and their subsidiaries, in which they set out the work carried out during the year in the internal control domain and commit to a progress plan for the upcoming year.

Also every year, the Statutory Auditors examine the adequacy of the internal control procedures related to a selection of cycles that contribute to the preparation of financial and accounting information.

As part of the audits they perform, the internal auditors (i) assess the adequacy and appropriateness of the internal control procedures within the audit scope, (ii) verify that the relevant processes have been properly applied, and (iii) check the accuracy and reliability of the related test results.

Awareness-raising and training

A training course on internal control has been set up within Safran University with a view to raising awareness of internal control issues among both finance and operations staff.

4.2.2 Organization

Duties of the Audit and Internal Control Department

The Audit and Internal Control Department, which reports to the Corporate Secretary, contributes to the management of the Group's activities, the effectiveness of its operations, the efficient use of its resources and the appropriate consideration of material risks. Its main responsibilities are to:

- define and implement the annual audit plan;
- define, organize and coordinate the internal control system.

Taken together, these responsibilities aim at ensuring compliance with applicable laws and regulations, the application of instructions and strategies set by Executive Management, the proper functioning of internal processes, particularly those contributing to the safeguarding of the Group's assets, and the reliability of financial information.

Internal Audit

The Internal Audit plan takes into account the Group's risk map. It is drawn up on an annual basis and revised whenever necessary. The internal auditors from the Audit and Internal Control Department conduct compliance work and other work aimed at identifying ways to improve the efficiency of the Group and of its entities, programs, projects and processes, by addressing four types of major risks: strategic, financial, non-compliance and operations.

The Internal Audit function therefore contributes to:

- identifying, assessing and dealing with risks, via analyses and observations made in relation to the audited entities as well as the ensuing recommendations issued and the follow-up of action plans;

- continuously improving the internal control system, thanks to internal control compliance audits aimed at ensuring that the organizational structures and procedures in place are adequate and efficient;
- continuously assessing that compliance rules are respected by carrying out audits on the management, compliance and performance of subsidiaries and other entities included in the yearly audit plan.

The Group's Internal Audit function has been certified compliant with the international standards of the Institute of Internal Auditors.

Internal Control

The central team that manages the internal control system is assisted by a network of internal control managers in each tier-one entity, with those managers supported by representatives in each of the entities within their operational scope.

At least once a year, the central team brings together internal control managers to conduct a review of obstacles encountered, suggest enhancements to the framework and define areas in which progress can still be made. These meetings also serve as a forum for sharing best practices about monitoring internal control.

For 2019, the main areas for progress identified by Safran concern both continuously improving the internal control system, which includes ensuring that processes are adequate and part of operational managers' best practices. They include a project designed to round out the annual assessment process with ongoing controls that would use operational indicators to process a full range of data throughout the year.

Group companies use the same reporting system for the results and conclusions of their internal control appraisals. Some 400 stakeholders contribute to this system, which allows:

- direct access to the Group framework, methodology and practical operating procedures;
- monitoring of rectifications of disparities identified in relation to the framework.

Other key players in the internal control system

Group Finance Department

The Group Finance Department centralizes and coordinates financing, treasury, taxation, the budget process, reporting, accounts consolidation and risk management. It ensures compliance with the internal control procedures falling within the scope of its responsibilities.

Operational departments

Each operational department is responsible for ensuring that its activities are carried out in compliance with the applicable laws, regulations and procedures. The purpose of the internal control framework is to check compliance with a number of control points using a risk-based approach.

Statutory Auditors

As part of the audit and certification of the parent company and consolidated financial statements, the Statutory Auditors examine the procedures of a certain number of Safran's processes that contribute to the preparation of financial and accounting information. In particular, they base the work they conduct at selected entities on the Group's internal control framework.

They present their findings to the Audit and Risk Committee.

The Statutory Auditors carry out the following as part of their work in this domain:

- review of documentation on controls carried out by companies;
- tests to verify the operational effectiveness of the procedures implemented;
- review of completed action plans;
- review of results of tests performed by the entities.

4.2.3 Risk management bodies

The internal control system is overseen by the following bodies:

Board of Directors

The Board of Directors defines the primary features of the internal control system, based on the opinions and recommendations of the Audit and Risk Committee.

The executives of the tier-one entities assume full responsibility for the internal control systems implemented in the entities for which they have operational responsibility; the system implemented must comply with the internal control principles determined by the Group.

Board of Directors' Audit and Risk Committee

The composition and duties of this Committee are set out in section 6.3.3 of this Registration Document.

In terms of internal control, the Committee reviews the following:

- the findings of audits and other work related to internal control procedures presented by the Audit and Internal Control Department;
- the results of the work carried out by the Statutory Auditors, whose independence it also verifies.

The Group's Internal Control Guidelines are approved by the Chair of the Audit and Risk Committee.

Internal control committees

Each tier-one entity has an internal control committee for all of the entities within its operational scope, as does each French and international Shared Services Center. These committees track the progress and conclusions of internal control appraisals. The Audit and Internal Control Department systematically participates in all meetings of these committees.

4.3 RISK FACTORS

The main risks identified that could impact the Group's businesses and financial position as of the date this Registration Document was filed are outlined below. The risks identified by Safran as material are grouped into a limited number of categories and ranked by their degree of criticality. Safran carries out its business in a fast-changing environment that exposes it to risks and uncertainties beyond those associated with its businesses.

If the risks described below were to materialize, this could have a negative impact on Safran's businesses, financial position, earnings, outlook or share price.

Other risks not yet identified or risks whose occurrence the Group believes will not have a material adverse impact could also exist at the date of this Registration Document.

The information set out below is based on assumptions and forecasts that may prove inaccurate owing to their very nature.

The environment in which the Group operates generates:

- risks relating to changes in the competitive landscape;
- financial market risks;
- legal and regulatory risks.

As the Group conducts its business, it is exposed to:

- operational risks;
- risks relating to the Group's evolution;
- human resources risks.

4.3.1 Risks relating to the environment in which the Group operates

4.3.1.1 Risks relating to changes in the competitive landscape

Political uncertainties

In the aerospace, security and defense segments, certain contracts are closed to foreign competition or are awarded based on strategic national security and independence considerations. Moreover, the transfer and/or export of defense equipment is prohibited by law in several countries, including France, and may only take place further to special governmental authorizations which require strict compliance with export regulations.

The development of Safran's activities and sites worldwide exposes the Group to political risks specific to certain countries that could impact its activities and earnings.

To deal with these political uncertainties, Safran has a Group International and Public Affairs Department that coordinates any measures that need to be taken, particularly in the fields of country risk, trade compliance, export and customs controls and ethics (see sections 5.1.1, 5.1.2, 5.1.3 and 5.1.4).

For example, as Brexit looms, Safran has prepared scenarios for a hard Brexit or for a possible no-deal Brexit on March 29, 2019, including a contingency plan to tackle the main difficulties the Group could be confronted with such as supply chain and airline certification issues. The plan will be rolled out across all Group entities concerned by Brexit. Buffer stocks have been built up to contend with supply chain issues and specific measures, including safety lead-times, have been agreed with certain critical suppliers. The Group is also taking the necessary steps with the relevant certification authorities to safeguard its future operations. Particular attention is being paid to supplier accreditation and what Group customers will need from UK repair stations.

Changes in economic conditions

The macroeconomic and aeronautical program assumptions determined by the Group take into consideration the economic conditions observed as of the date of the Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

Action plans are elaborated on the basis of these assumptions and approved by the Group Risk Committee according to the approach set out in section 4.1.

Changes in the global economy have a direct impact on demand for air transport and freight, which in turn directly affects market demand for commercial aircraft. To meet the fluctuations in aircraft demand from airline companies, aircraft manufacturers may adjust their output rates, which would have a direct impact on the original equipment business of suppliers of engines and aircraft parts like Safran. Similarly, the decrease in air traffic as a result of a deteriorating economic or geopolitical environment could also impact the volume of sales and Group services, including maintenance, repair and overhaul (MRO) and spare part sales.

Should the economic climate deteriorate, Safran's assumptions and action plans would be adjusted accordingly. In order to deal with this risk, specific periodic steering committees have been set up within the Group covering customers, suppliers and the market (see sections 1.2, 1.4, 1.5 and 1.8).

Impact of the aviation cycle

Commercial aircraft orders tend to by cyclical in nature, owing mainly to:

- changes in air traffic;
- the rate at which aircraft fleets age and are replaced;
- airline companies' investment decisions and financial capacity.

Exceptional events such as terrorism, pandemics, aviation disasters and adverse meteorological or geophysical conditions could also cause a temporary drop in air traffic and hence impact the civil aircraft engine, aircraft equipment, maintenance and services markets.

In 2018, civil aviation activities accounted for approximately 75% of the Group's adjusted consolidated revenue. Safran is currently enjoying strong cyclical demand, primarily as a result of many airline companies replacing their aircraft fleets.

Safran has a large fleet of engines in service, including over 30,000 CFM56 engines which have equipped most of the 100+ seater single-aisle aircraft delivered to airline companies in the last 30 years. The increase in the age of the installed base of engines and associated equipment enables the Group to generate service revenue representing around 49% of Aerospace revenue.

Safran's capacity to successfully ramp up production to fulfill orders – particularly for the LEAP program with 1,118 engines delivered in 2018 – will depend on its ability to manage its internal and external supply chain (see section 4.3.2.1, "Supplier and partner risks"). Robust investment programs and action plans have been deployed for this very purpose and in order to limit any malfunctions that could arise. Safran also seeks to ensure that its production resources are adapted to long-term trends in demand.

Competition

Safran faces fierce competition in all of its businesses, from both global and international players and from players in certain niche markets. It seeks to maintain and sharpen its technological edge at all times, thanks to sustained R&D spending with a particular focus on segments where the product development cycle is unusually long.

To limit the impact of competition risk, Safran not only deploys its strategy with a view to diversifying the portfolio of businesses across all segments and all aircraft components (see section 1.2), but also continues to make targeted investments in R&D (see section 1.5) and in selected external growth transactions. It also develops partnerships on a number of programs (see section 1.3). These partnerships and minority stakes may take the form of joint ventures set up in full compliance with the anti-trust laws applicable in all markets and countries in which they operate.

4.3.1.2 Financial market risks

The main risks hedged using the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, counterparty risk and liquidity risk.

Foreign currency risk

The Group is exposed to foreign currency risk, defined as the impact on its balance sheet and income statement of fluctuations in exchange rates during the conduct of its operating and financial activities.

Most revenue earned in the civil aviation sector is denominated in US dollars, which is the benchmark currency used in the industry. The net excess of revenues over expenses for these activities totaled USD 8.9 billion for 2018.

To protect its earnings, the Group implements a hedging policy with the aim of reducing uncertainty factors affecting profitability and allowing it to adapt its cost structure to a volatile monetary environment.

The Group's earnings are exposed to the risk of fluctuations in the EUR/USD exchange rate as a result of its US dollar-denominated assets and liabilities which are set out in section 3.1 of this Registration Document, Note 30, "Management of market risks and derivatives".

Shareholders' equity is also exposed to the risk of fluctuations in the EUR/USD exchange rate on the Group's investments in US businesses which are disclosed in section 3.1, Note 37, "List of consolidated companies" of this Registration Document.

Hedging policy

Two 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).

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 three-to-four-year timeframe.

Foreign currency risk on the Group's investments in US businesses is hedged using net investment hedges of some of these entities, as disclosed in section 3.1, Note 1.v, "Derivatives and hedge accounting" of this Registration Document.

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 the combination of instruments with or without knock-in or knock-out barrier options.

The knock-out barrier option expires if the spot exchange rate climbs above the knock-out rate during the window in which the option is active, and the value of the hedging portfolio is then reduced by the notional value of the disabled option.

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, without any risk of calling into question the original minimum threshold. These products consist chiefly of forward purchases, accumulators and a combination of barrier options and other options.

Hedging portfolio

The Group's hedging portfolio is described in section 3.1, Note 30, "Management of market risks and derivatives" of this Registration Document.

The Group has hedged its entire USD exposure for 2019 at a rate of USD 1.18 to the euro. For the record, the estimated annual exposure of approximately USD 9.4 billion for 2019 depends on sales figures budgeted at the start of the year, and is regularly reviewed for each year covered by the foreign currency risk hedging policy.

The Group has continued its exposure hedging strategy for 2020. At February 1, 2019, the hedging portfolio for 2020 amounted to USD 5.2 billion. Certain options include knock-out barriers set at various levels between 1.27 and 1.32 with maturities of up to one year. The estimated target hedging rate for 2020 should be between 1.16 and 1.18.

The Group has also continued its exposure hedging strategy for 2021. At February 1, 2019, the hedging portfolio for 2020 amounted to USD 8.0 billion. Certain options include knock-out barriers set at various levels between 1.21 and 1.33 with maturities through mid-2020. The estimated target hedging rate for 2021 should be between 1.15 and 1.18.

The Group has begun to hedge its projected net exposure for 2022. At February 1, 2019, the hedging portfolio for 2022 represented USD 2.5 billion in options with knock-out barriers set at various levels between 1.22 and 1.25. The target hedging rate for 2022 should be between 1.15 and 1.18.

A one-cent change in the EUR/USD exchange rate parity on the hedged rate has an impact of around €60 million on adjusted recurring operating income.

Sensitivity

The following tables present the sensitivity of the main income statement aggregates to a 5% increase or decrease in the EUR/USD exchange rate (average and closing exchange rates). The first table shows adjusted data, the second consolidated data. The sensitivity analysis takes account of:

- the translation effect, i.e., the impact of changes in the EUR/USD exchange rate on the translation into euros of the results of entities whose functional currency is the US dollar;
- the transaction effect, i.e., the impact of changes in the EUR/USD exchange rate on USD transactions carried out by entities whose functional currency is the euro, and on the value of the EUR/USD hedging portfolio.

The sensitivity of equity to a 5% increase or decrease in the EUR/USD closing exchange rate affecting the net investment hedge of some of its US entities is presented in section 3.1, Note 30, "Management of market risks and derivatives" of this Registration Document.

Adjusted data *(in € millions)*	2017		2018	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.13		1.18	
Average exchange rate used for sensitivity analysis	1.07	1.19	1.12	1.24
Closing rate	1.20		1.15	
Closing exchange rate used for sensitivity analysis	1.14	1.26	1.09	1.20
Revenue	381	(345)	541	(489)
Profit from operations	13	(11)	20	(18)
Financial income	(8)	7	26	(24)
Profit before tax	5	(4)	46	(42)

Non-adjusted consolidated data *(in € millions)*	2017		2018	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.13		1.18	
Average exchange rate used for sensitivity analysis	1.07	1.19	1.12	1.24
Closing rate	1.20		1.15	
Closing exchange rate used for sensitivity analysis	1.14	1.26	1.09	1.20
Revenue	684	(619)	965	(873)
Profit from operations	312	(283)	445	(402)
Financial loss	(800)	220	(2,077)	1,018
Profit before tax	(488)	(63)	(1,633)	615

Interest rate risk

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;
- cash flow risk in respect of floating-rate financial assets and liabilities. Interest rate fluctuations have a direct impact on the Group's earnings.

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

Euro interest rate risk

An interest rate swap was 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.

The Group's hedging portfolio is described in section 3.1, Note 30, "Management of market risks and derivatives" of this Registration Document.

USD interest rate risk

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate.

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 2,175 million and a term of up to 12 months, and were taken out on behalf of a joint arrangement 50%-owned by the Group. This transaction gives rise to a floating-rate borrower/fixed-rate lender swap for a nominal amount of USD 1,088 million after elimination of intragroup items. These swaps are not eligible for hedge accounting.

Two fixed-rate borrower/floating-rate lender swaps were also set up for a total nominal amount of USD 160 million and a term of up to 11 months, in connection with two assignments of trade receivables in favor of two of the Group's subsidiaries. These swaps are not eligible for hedge accounting.

The Group's hedging portfolio is described in section 3.1, Note 30, "Management of market risks and derivatives" of this Registration Document.

Sensitivity

A 1% (100 basis point) increase in eurozone or US dollar zone interest rates would increase the Group's cost of net debt by €3 million (compared with a €45 million decrease in the cost of net debt in 2017).

Commodity risk

Starting in 2009, the Group's policy had been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel, platinum and oil). The policy sought to protect the Group's economic performance from commodity price volatility.

The Group decided to discontinue this hedging strategy at the end of 2016 as the risk was not deemed material for the Group and the associated costs were too high.

Counterparty risk

The Group is exposed to counterparty risk on the following:

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

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

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

The counterparty risk taken into account in pricing derivatives is not material (section 3.1, Note 1.v, "Derivatives and hedge accounting" of this Registration Document).

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their geographical diversity.

The Group may be exposed to delayed payment risk on civil and military contracts, particularly as regards its government customers, and this may adversely impact its free cash flow targets.

The maturity schedule for trade and other receivables is set out in section 3.1, Note 18, "Trade and other receivables" of this Registration Document.

Liquidity risk

The Group looks to ensure that it has broad access to liquidity in order to meet its obligations as they fall due. To do this, it borrows from banks and capital markets, thereby exposing it to liquidity risk if all or part of these markets were to dry up.

Safran's business requires it to have access to external sources of financing and the availability of such financing depends on a variety of factors such as market conditions and the macroeconomic environment. A deterioration in the financial markets (capital or bank debt markets) could lead to an increase in borrowing costs or even restricted access to financing for both Safran and for its competitors.

Furthermore, lenders and/or investors could develop a negative view of the Group's short- to medium-term financial prospects, particularly if it were to incur losses, which could also affect its future financing capacity.

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. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Surplus cash is managed with two principles in mind:

- safeguarding the amounts invested at all times;
- optimizing investment yields whenever possible, without jeopardizing the investments themselves.

Since the Group has an undrawn, confirmed liquidity line at December 31, 2018, it is relatively insensitive to liquidity risk. This €2,520 million line was set up in December 2015 and expires in December 2020. It includes two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

A number of financial covenants apply to the European Investment Bank (EIB) borrowings set up in 2010. The following two ratios apply:

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

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market (USPP).

The following covenant applies to the euro private placement ("Euro PP") in the form of a syndicated loan, set up by Zodiac Aerospace on March 10, 2016:

- net debt/EBITDA <3.5.

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

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

The maturity schedule for financial liabilities (excluding derivatives with a negative fair value) is set out in section 3.1, Note 26, "Interest-bearing financial liabilities" of this Registration Document.

4.3.1.3 Legal and regulatory risks

From a legal standpoint, Safran is exposed to the risk of claims resulting from alleged non-compliance with certain contractual obligations in its relations with third parties. If any such claims are made, they are examined by the Legal Department so that it can best defend the Group's interests.

Aside from the main legal risks identified and disclosed in the "Contingent liabilities arising on ordinary activities" section of the note on off-balance sheet commitments (see section 3.1, Note 34) and in the note on disputes and litigation (see section 3.1, Note 35) of this Registration Document, based on an analysis of the legal risks to which the Group is exposed, no other probable or material risks were identified.

The Group is also exposed to the risk that it fails to comply with applicable regulations. Regarding export controls for example, the Group is bound by legislation and regulations issued by French and international authorities, particularly the European Union and the United States. The same applies for anti-trust law, anti-corruption regulations, and any embargoes and sanctions taken against countries in which it does business.

To ensure that it complies with French and international regulations, Safran has put in place action plans outlined in section 5.1, of this Registration Document. These action plans are designed to ensure that Group companies report all claims or any potential cases of non-compliance with applicable regulations, inform the authorities concerned of any such cases identified, and take all the necessary precautions to prevent similar cases arising in the future. To date, the few instances of non-compliance with export rules voluntarily brought to the attention of the authorities have either been closed after investigation without damages or are currently being addressed. Concerning embargoes and sanctions, particularly in the United States, the Group ensures that it takes all adequate and necessary measures to comply with all such rules affecting its operations. Pursuant to Regulation (EU) 2016/679 of April 27, 2016, known as the General Data Protection Regulation, the Group has deployed new measures to guarantee the protection of personal data.

4.3.1.4 Risk of negative media coverage

The Group is exposed to the risk of negative media coverage arising from its products or its people – either its own employees or third parties – acting voluntarily or involuntarily. To mitigate this risk, which could have a long-term reputational impact, Safran has drawn up a number of in-house rules and guidelines for sharing best practices, backed up by regular awareness campaigns and tailored training initiatives. Separate guidelines apply for specific risks arising from social media. As mentioned in section 4.1.1, Group crisis management processes have been devised to deal with these new risks and include the use of "reflex tip sheets".

4.3.2 Risks relating to Group business sectors

4.3.2.1 Operational risks

Aircraft accidents

Safran products are integrated in high-tech equipment with a high unit price, especially civil and military aircraft, helicopters and space launch vehicles. Safran may be held liable, for example, for the malfunction, loss or accident of an aircraft, the death of passengers, or the loss of operating capability by an airline or helicopter operator. As part of its risk management policy, Safran adopts a variety of measures to limit risks relating to aircraft accidents. A description of the focuses identified by the Group Quality Department is provided in section 1.9 of this Registration Document. Safran has huge obligations in terms of air safety and is required to have a highly effective, demanding quality-focused management system. The effectiveness of this system along with the related action plans have led to Safran obtaining airworthiness agreements (or having such agreements renewed) and EN 9100-certification for tier-one entities. In addition, dedicated progress plans, which include rollout of the Quick Response Quality Control (QRQC) method, allow any quality issues to be dealt with swiftly close to source, and the appropriate remedies to be applied. Program oversight and development has been stepped up as part of the "One Safran" quality management system, resulting in more detailed risk analysis (product and process risk analyses).

Delays, program development and industrialization

Aircraft manufacturers may encounter difficulties in meeting their program schedules or even keeping programs going. Delays in production schedules for new aircraft may lead to the postponement of deliveries, including Safran equipment deliveries, and impact the timing of the Group's revenue. In certain cases, delays specific to developments under Safran's responsibility can lead it to pay damages to the stakeholders concerned. The Group may be held liable for these delays. Delays can also lead to Safran collecting cash later than forecast, thereby impacting the Group's cash and potentially its profitability. It may also have to write off assets.

In previous periods, the Group had to write down all property, plant and equipment and intangible assets it had specifically committed to the Silvercrest engine program to equip the Falcon 5X for Dassault Aviation. In 2018, Safran and Dassault Aviation reached an agreement regarding the compensation payable by Safran to Dassault Aviation for the termination of the Silvercrest engine program intended to equip this aircraft. The Group has already accrued a provision for the amount of the compensation which will be paid over three years beginning in 2018.

Silvercrest has been chosen by Cessna (Textron Aviation) for its future large-cabin Citation Hemisphere premium business jet, which will have a range of up to 4,500 nautical miles (8,300 km). Safran continued to develop this engine in 2018. Certification is expected to be obtained in 2022, in line with the aircraft manufacturer's schedule. During the year, US-based Netjets® announced that it had an option to purchase up to 150 future Cessna jets powered by Silvercrest engines.

The Group analyzed the situation of assets assigned to the X6 helicopter program following termination of the contract with Airbus Helicopter by mutual agreement. As a result of its analysis, in 2018 the Group wrote down the full amount of intangible assets specifically assigned to the development of this engine, representing €34 million.

Safran continued to deploy its program management initiatives, primarily through its "One Safran" quality management system (see section 1.9) which has been rolled out to all Group entities. This system provides project teams with a framework (known as "PROMPT" as well as methods and applications for enhancing program management processes. PROMPT is based on five "golden rules": keeping the Program Management Plan (PMP) up to date, meeting expectations of all stakeholders, planning and meeting technical objectives, steering performance and managing risks. It has been rounded out with a Program Management guide of best practices and rules to be respected, charted on a maturity grid that enables each program manager to conduct an annual self-assessment of the risks faced and actions and progress initiatives taken.

Products and services

The Group applies very strict quality and safety standards in the design and manufacture of its high-tech products and associated services.

Thanks to robust processes and high-level oversight of certain key aspects (such as ramp-up), program management enables the Group to ensure a smooth transition between the different programs (see section 4.3.2.1 "Delays, program development and industrialization"). Details of the CFM56/LEAP transition plan are set out in chapter 1 (see section 1.3.1.1, "Mid-thrust engines for civil aircraft") and chapter 2 (see section 2.1.3.1, "Mid-thrust engines for civil aircraft (short-to medium-haul)"). The CFM56/LEAP transition plan is subject to this high level oversight and the markets are kept informed of its progress.

Quality failures or shortcomings in Safran's equipment, systems or technology could result in costly claims for damages from customers, partners or third parties (product recalls, upgrade campaigns or retrofits), lost revenue and/or a loss of its commercial standing. Safran's image may also be affected.

In order to best manage the impact of this risk, Safran has deployed a range of quality-focused initiatives such as systematic targeted audits and a Group quality audit tool, as described in section 1.9 of this Registration Document.

Supplier and partner risks

Generally speaking, Safran works in cooperation with partners and suppliers in the majority of its businesses. Events likely to affect its partners and suppliers could have an impact on Safran's business activities.

Supplier risks

Supplier difficulties or default, even when robustness and business contingency planning is one of the key criteria for selection, could impact the supply chain, resulting in additional costs or production delays that would affect the Group.

To address this risk, the Group Purchasing Department conducts a monthly review of potentially problematic suppliers with a designated manager and associated action plans. For sensitive suppliers, it also tracks their own in-house risk analyses. For non-production purchases, Safran has put in place a central purchasing strategy (see section 1.8) in the form of pooled facilities at a Shared Services Center in line with the Group's objectives of excellence, competitiveness and sustainable development.

The Group is also exposed to commodity availability and price volatility risks, notably in respect of titanium, nickel alloys, composite fibers, ammonium perchlorate and oil. To limit the impact of these risks, the Group negotiates medium-term procurement contracts with its suppliers, setting up multiple-source supply streams or building up appropriate inventories wherever possible.

The volume of commitments undertaken by Group entities corresponds to the planned increase in production over the coming years. To protect its LEAP program and its supply chain in particular, Safran has built up buffer stocks of specific components and set up a multiple-source supply approach organized around the related criticality, by sourcing new suppliers and deploying other target initiatives. Moreover, Safran and Albany (US) now have three plants – in Rochester (New Hampshire, US), Commercy (Meuse, France) and Querétaro (Mexico) – that manufacture composite parts for new-generation aircraft engines.

Partner risks

Safran is involved in several major strategic partnerships. If any of these partnerships were not renewed, Safran's businesses could be affected.

A substantial proportion of Safran's revenue is derived from certain civil aircraft engine programs developed and manufactured in cooperation with the joint venture CFM International, in which Safran Aircraft Engines and GE both have a 50% stake. This civil aerospace propulsion agreement has been extended through 2040 and now includes operational maintenance services. Safran and GE have also entered into an agreement for the development, production and support of engine nacelles for future short- and medium-haul aircraft.

Safran is also involved in several other major strategic partnerships including Airbus Group (ArianeGroup) for space launchers, Air France Industries KLM (Airfoils Advanced Solutions) for repairs to high-pressure compressor blades and variable stator vanes, AVIC Aircraft Corp., Boeing (Initium Aerospace) recently for designing, manufacturing and servicing auxiliary power units, China Eastern (Xi'an Eastern Safran Landing Systems Services) for landing gear repair and maintenance, MTU (Aerospace Embedded Solutions) for critical software and infrastructure for military and civil applications, Rolls-Royce (Aero Gearbox International) for power transmission systems for all future Rolls-Royce civil aircraft engines, Thales (Sofradir and Optrolead) for infrared detection and marketing optronics systems and UEC Saturn (PowerJet) for developing and manufacturing the SaM146 propulsion system.

These partnerships are set up in full compliance with the anti-trust laws applicable in all markets and countries in which they operate (see section 1.4).

Health, safety and environmental risks

All industrial activities generate risks, particularly health, safety and environmental (HSE) risks. In each country where the Group has operations, its activities are subject to environmental legislation and regulations, particularly with respect to waste and air, water and soil pollution. Legal and regulatory requirements for environmental protection have become increasingly stringent and the Group may have to incur significant costs to comply with them. Safran's HSE policy is implemented within the framework of a continuous improvement drive which aims to bolster its strategy of anticipating and preventing potential risks in all of its activities. It is also underpinned by HSE guidelines that cover all sites (see section 5.3.5), reflecting the investments needed to safeguard the health, safety and environment of all stakeholders.

Personal safety risks

The Group's international scope may generate certain safety risks. The Safety Department has set up a specific oversight organization for each country to address these risks. The Group is constantly assessing the risks of terrorism, armed conflict and confrontation with criminal organizations. Its regions are classified according to risk, each of which is associated with a series of specific prevention and protection measures. The Group is assisted in this initiative by the French government as well as specialist service providers. An emergency operations center may be set up in response to a specific situation and provide exceptional resources to operating staff, for example resources to carry out an emergency repatriation.

Data confidentiality risks

Safran is exposed to the risk of breaches of security in relation to its industrial premises or data processing systems.

Data owned by the Group are critical in terms of technological innovation, as well as strategy and key assets. Safran therefore needs to have reasonable assurance that its intangible assets (data, knowledge and expertise in particular) are adequately protected.

Faced with risks of unlawful attempts to gain access to confidential data and threats to the security of installations, cyber threat prevention is essential to ensure that the Group can continue in operation.

These cyber risks could lead to disruptions in IT services, causing for example the loss of connection on internal and external network exchange platforms and the unavailability of messaging services, or even breaches in the confidentiality or integrity of data hosted by or transiting through the Group's information systems (loss, destruction, theft, corruption).

In order to limit the impact of this risk, Safran has defined an information system security policy which sets down a series of organizational, technical and governance guiding principles. This policy notably meets requirements set out in French regulations on the protection of intangible assets contained in information systems. Under the policy, awareness-raising initiatives for all Group employees are organized on a regular basis. Lastly, to respond to emerging threats, Safran continually invests as needed in information system protection, incident detection and event response, and security warnings and alerts, and in regular reviews of their effectiveness.

4.3.2.2 Risks relating to the Group's development

Technological risks

The Group's markets typically undergo far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their advanced innovative and technological content. The Group is exposed to the risk of competitors developing products that offer a better technical performance, are more competitive or are marketed earlier than those it develops. This could affect Safran's activities or financial position.

The actions taken by the Group to limit the impact of such risks are outlined in section 1.5, "Research and development".

The Group draws on the complementary scientific and technical expertise provided by its partners (see section 1.5.2).

The Group has also created Safran Corporate Ventures (see section 1.5.4), an investment vehicle for start-ups aimed at supporting the upstream development of innovative, high-potential technologies and capturing benefits for the applications used by the Group. In 2016, Safran Corporate Ventures invested in Diota, a start-up specialized in augmented reality and more recently, in early 2019, it took a stake in OXIS Energy, leader in lithium sulfur cell technology for high energy density battery systems.

Safran has set up a pooled research unit focusing on upstream, cross-functional technologies within Safran Tech, the Group's research and technology center. Safran Tech is home to over 450 scientists and technologists working in new research sites and hubs, including the facilities at Safran Composites and Safran Ceramics. Around a hundred specialists in organic and ceramic matrix composites and organic chemistry work in these two facilities. Lastly, the Gennevilliers plant experiments in forging and casting to give Safran a cutting edge in the technologies involved in machining aircraft engine parts.

For Safran, intellectual/industrial property (IP) is an intangible asset of increasing importance in a context of globalized markets and ever-fiercer competition. The Group has overhauled its IP governance and set up the Center for Intellectual Property Excellence (CEPI), a more effective, centrally coordinated structure involving specialists that now work for all Group entities. CEPI now provides all of Safran's IP-related assistance and consulting services and oversees the related risks, notably those concerning the protection of know-how and inventions, developing and pro-actively managing patent portfolios, dealing with litigation and maintaining up-to-date strategic and technological intelligence, and promoting the Group's innovation to secure its competitive advantage and help it to meet customer needs as effectively as possible.

The IP team's mission is underpinned by a Group charter setting out the importance of maintaining strategic and technological intelligence, respecting the rights of third parties, protecting the Group's IP portfolio and defending its rights and its capacity to gain a competitive advantage through innovation.

Governance, skills pooling and deploying processes for operational excellence are used by the Group to both assess and control its exposure to IP risks.

Uncertainty regarding returns on investments

Safran's businesses, and particularly aerospace research, require investments that only produce returns in the medium to long term. The market and profitability assumptions determined by the Group may not prove accurate, and the products resulting from these investments may not enjoy sufficient commercial success to ensure a return on the initial investment (drop in demand, shut-down of a program). Capitalized R&D assets (excluding goodwill and programs) recognized in the balance sheet at December 31, 2018 totaled approximately €4.0 billion (see section 3.1, Note 12), and property, plant and equipment (mainly industrial investments) amounted to approximately €4.5 billion (see section 3.1, Note 13). These amounts are net of accumulated depreciation, amortization and impairment losses.

Investment decisions are coordinated at Group level, based on tried and tested guidelines and numerous evaluation criteria. In addition, the Safran Innovation Department is tasked with overseeing the phase between technological demonstrations and marketing (see sections 1.5 and 1.6).

Dependence on public procurement contracts

Safran conducts part of its business with governments, especially in Defense markets in Europe, North America, Asia and the Middle East. Government spending in these markets is subject to trade-offs that are contingent on the geopolitical environment and strict budgetary constraints. Budget cuts affecting many of the Group's public customers can not only lead to delays in orders placed or curtailments, postponements or cancellations in the fulfillment of such orders and the related financing, but also to a deterioration in advance payment plans. This could affect Safran's businesses or financial position.

Safran's strategy is based on a balanced portfolio of civil aviation and defense businesses. Excluding the former Zodiac Aerospace businesses and taking account of the application of IFRS 15, approximately 18% of the Group's 2018 adjusted consolidated revenue was derived from government contracts. Including the former Zodiac Aerospace businesses, approximately 15% of the Group's 2018 adjusted consolidated revenue was derived from government contracts. The broad geographical diversity of the Group's businesses, particularly through its international sites, reflects its customer diversification strategy which helps create a robust business portfolio. This global strategy is also a means of reducing the risk of dependency on government business.

Acquisition and restructuring risks

As part of its growth strategy, Safran may acquire, merge and/or set up companies, enter into strategic arrangements, or divest select non-core businesses. The Group has devised procedures and controls to limit the risks inherent in such transactions. Processes have been put in place to ensure that these transactions meet the Group's strict financial criteria (debt, return on capital employed, etc.). These may have a negative impact on the Group's business, expected earnings or image should Safran fail to integrate the businesses and employees of the acquired entities, unlock the expected synergies and cost savings, or maintain good trade or labor relations within the acquired entities following changes in management or control. The Performance and Competitiveness Department has put in place strict oversight processes for these transactions to ensure that the synergies and earnings obtained are in line with those forecast.

Safran applied these processes to Zodiac Aerospace as soon as its acquisition was completed in first-quarter 2018. Roll-out of Group processes and standards (One Safran, PROMPT, Lean manufacturing, etc.) is proceeding as forecast in the integration plan, with a view to managing the operational risks related to these new businesses. Risks regarding unlocking synergies are tracked through specific initiatives that enabled Safran to confirm during the year that its objectives were being met and to further raise those objectives to €250 million by 2022.

4.3.2.3 Human resources risks

The Group's different activities harness a wide range of employee expertise and skills across many different sectors. As a result Safran is exposed to the risk of failing to find the appropriate skills at the right time and in the right place that it needs to deploy its strategy and complete its programs effectively.

In order to limit this risk, the Group continually strives to acquire, retain, redeploy, bolster and renew the skills that it currently needs and will need in the future, notably to replace the very high portion of employees expected to retire over the coming years. It is developing partnership strategies with top graduate schools and scientific universities to recruit employees for its current core and future businesses and the Group actively promotes the Safran employer brand. In addition, professional and geographical mobility programs, talent identification systems, succession planning for key posts and skills, training, monitoring and career development are all used to manage these risks. Initiatives to boost the Group's attractiveness as an employer and to prepare for the future, and tailored training programs designed to facilitate integration and transmit the Group's know-how and values to new hires are also deployed. To strengthen and coordinate all of these actions, the Group has reorganized its Human Resources division into a single "Skills and Training" division. Safran also continues to offer employee profit-sharing and equity and savings incentive schemes that foster employee buy-in and loyalty.

4.4 INSURANCE

The Risk and Insurance Department identifies the accident risks to which Group entities and businesses are exposed and puts in place the appropriate insurance policies. This does not include personal risk insurance or credit insurance.

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

> a "property damage and business interruption" policy providing coverage for damage to industrial installations (buildings, machines, inventories, etc.). The maximum payout under the policy is €300 million, or up to €1.3 billion for certain individual sites, excluding market-imposed sub-limits for certain risks such as flooding, earthquakes and natural disasters;

> "product third-party liability" policies covering the Group in the event it is held liable for damages to third parties as a result of an accident attributable to a delivered product no longer owned or controlled by a Group entity;

- aviation products:
  - the policies provide coverage totaling USD 2 billion per annum that can be used during the year for aviation products. Coverage for helicopter products is capped at USD 1 billion, while coverage for terrorism totals USD 1 billion;
- "land" products (excluding aviation businesses):
  - the policies provide coverage of €350 million per annum that can be used during the year.

The Group's captive reinsurance company participates in the risk coverage scheme within the framework of "civil aviation liability" and "property damage and business interruption" insurance policies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local legal or regulatory insurance requirements.

CORPORATE SOCIAL RESPONSIBILITY

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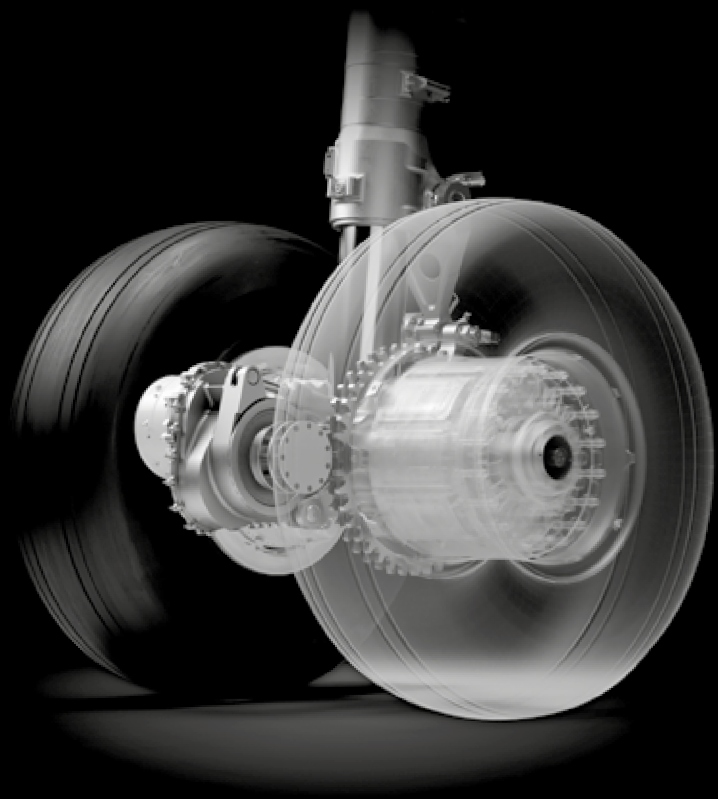


Safran's non-financial information (NFI) statement has been prepared at a time when the Group is refocusing its business portfolio on the aerospace and defense markets. The issues and their inherent risks have been identified since 2015. The Group's CSR issues are set out in chapter 5. Operational issues feature in chapters 1 and 2 of this Registration Document.

MANAGING CSR ISSUES AND STAKEHOLDER DIALOGUE

INTRODUCTION: CSR POLICIES AND CORPORATE STRATEGY

Safran's business model

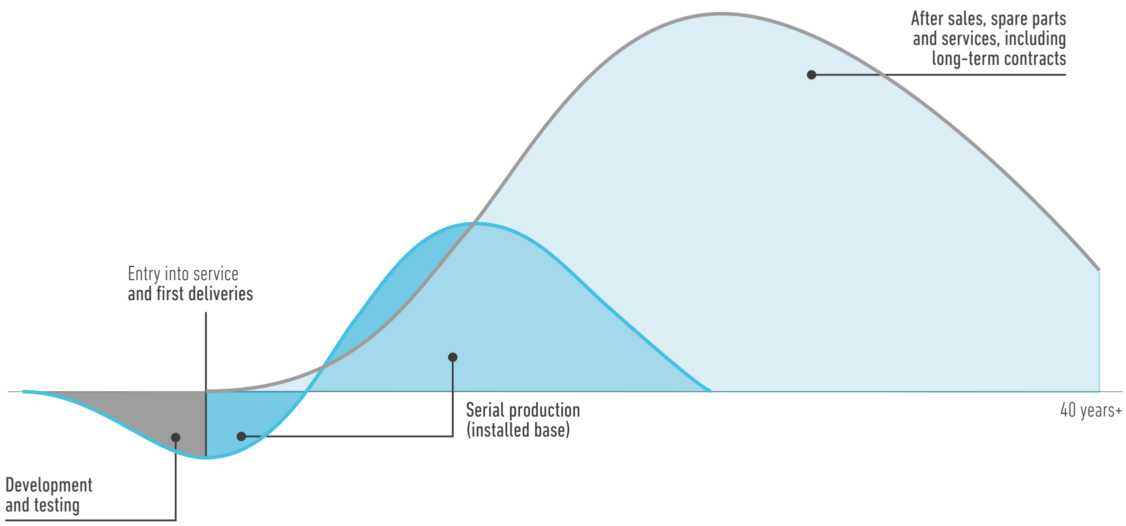
Since the disposal of the Identity & Security businesses in 2017 and the acquisition of Zodiac Aerospace in first-quarter 2018, Safran has refocused on the aerospace and defense markets. With more than 92,000 employees in 26 countries worldwide and adjusted revenue of €21.05 billion in 2018, Safran holds global leadership positions in its five markets:

- aerospace propulsion (€10.5 billion in revenue in 2018, or 49.6% of the consolidated total): a complete engine manufacturer, Safran supplies aircraft makers with engines for commercial aircraft, military aircraft, regional jets, business jets and helicopters. As such, it has proficient capabilities in the full range of propulsion technologies, including jet engines, propulsion engines and helicopter turbines. Today, to increase cost efficiency and share risks, the world's leading engine manufacturers generally develop their new engine programs in partnership. Safran, for example, has partnered with General Electric Aviation since the 1970s, when they set up CFM International, their 50-50 joint venture. With its LEAP engine, which replaced the CFM56, CFM serves around 80% of the short and medium-haul aircraft market, which accounts for 60% of all airplane deliveries;
- equipment (€5.4 billion in revenue in 2018, or 25.6% of the consolidated total): Safran offers a comprehensive range of aircraft equipment, with very strong positions with airframers. The Group is the world leader in landing gear systems, aircraft wiring, wheels and carbon brakes, number two worldwide for nacelles and a global market leader in onboard avionics and electronics.
- cabin interiors, with the supply of seats and cabin equipment (€2 billion in revenue in 2018, or 9.6% of the consolidated total). Safran is the world's second largest aircraft seat manufacturer, with 30% of the market, and the global leader in cabin equipment (overhead bins, galleys, lavatories, cupboards, etc.), with around 22% of the market. Compared to Safran's traditional businesses, customers in this segment include not just airframers but also airlines, particularly in the case of seats;
- aerosystems (€1.8 billion in revenue in 2018, or 8.5% of the consolidated total): Safran is a world leader in onboard power distribution, lighting and interconnection systems, safety systems, oxygen systems, fluid, water and waste management systems, in-flight entertainment systems, and fuel, telemetry and communications systems;
- defense (€1.4 billion in revenue in 2018, or 6.6% of the consolidated total): in this niche business, Safran supplies equipment and systems in optronics, avionics, navigation, tactical drones, electronics and critical software for civil and defense applications.

This well-balanced portfolio of businesses gives Safran a presence in every market segment and enables it to supply a comprehensive range of aircraft components and systems. In a favorable environment shaped by the steady increase in worldwide air traffic and the introduction of new generations of aircraft, this pure player positioning has enabled the Group to capture all of the strong growth in the aviation market. Now the world's second largest aircraft equipment supplier, Safran is leveraging the two core strengths that have driven its success: first, its quality of execution and operational excellence, underpinned by the continuous improvement in its processes and production costs; and second, its increasing investment in R&T and innovation, which enables it to lead the way in defining the aviation industry's new state of the art (the "more electric" aircraft, connected cabins, additive manufacturing, etc.).

While the business cycles for Safran's products are uncorrelated and have different maturities (from just a few years for an aircraft seat to more than 40 years for an engine), they share a number of features:

- after the original equipment sale, they all generate recurring revenue from aftermarket maintenance and other services. These businesses, which account for nearly half of consolidated revenue, regularly provide significant income and high margins over the life of the contract;



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- they are all highly capital intensive, due to the high technological content of their products;
- they are all positioned as tier-one suppliers to airframers and, for some products, to airline companies.

The civil aviation and defense markets are expected to expand in the coming years, which will lead to sustained growth in deliveries of both original equipment and services. Safran expects that 39,000 new aircraft will be delivered over the next 20 years, of which more than 60% in the short and medium-haul segment where its engines enjoys historically strong positions. In addition, revenue from services for aircraft equipment, cabin interiors and aerosystems should be lifted by the recent robust growth in original equipment sales.

In this buoyant environment, which is likely to become both more competitive, as airframers seek to insource, and more complex, as environmental standards continue to tighten, Safran is committed to becoming the world's leading aircraft equipment supplier within the next 15 years. To fulfill this vision, the Group will strengthen its position as a preferred partner for airframers by capitalizing on its corporate DNA, i.e., its operational expertise and its ability to continuously innovate.

The Group's CSR commitment reflects its industry's specific features and characteristics. Technological innovation is securing Safran's sustainable growth (see section 1.5), supported by human resources and intellectual property policies designed to maintain its competitive leadership. One of the main risks is product safety (see section 4.3.2.1). The same quality policies (see section 1.9) are applied across the Group, in every member company, including the obtainment and renewal of certificates of airworthiness and EN 9100 certification for tier-one companies. Quality/safety systems have been certified by independent certification organizations and by national and international civil aviation authorities.

Safran's corporate social responsibility

The Group's responsibilities have been clearly expressed by the Chief Executive Officer:

> ***"As a manufacturer with operations on every continent and a leading player in the aerospace and defense markets, Safran is fully aware of its social and environmental responsibilities, which for me, as well as for every Group employee, are a non-negotiable priority."***

A review of the CSR actions underway and their outcomes was presented to the Board of Directors in 2018, based in particular on the ESG rating awarded by non-financial rating agency Vigeo-Eiris.

In terms of organization, CSR policies are managed by the Group Human Resources Department with the support of a CSR Officer, who is responsible for leading and deploying the policies in coordination with a steering committee comprised of representatives from the different departments involved.

In view of the breadth of our activities, Safran has very many stakeholders, including on the commercial side (customers, industrial partners, suppliers and sub-contractors), in the field of research (laboratories, universities, etc.), the public authorities, the financial community and our workforce together with the employee representatives. All of these stakeholders are in constant interaction.

External commitments

By renewing the Group's support for the United Nations Global Compact, Safran's Chief Executive Officer has assumed responsibility for CSR performance at the highest level of the organization and engaged the entire Group in upholding and promoting, in all its practices, the Compact's ten principles in the areas of human rights, labor standards, the environment and the fight against corruption. As part of this commitment, participating companies prepare an annual Communication On Progress (COP), which is then posted on the United Nations Global Compact website. Safran's COP, which qualifies for "Advanced" (level 3 of 4), is based to a great extent on the annual Registration Document and particularly the CSR chapter, approved by the Board of Directors. Safran intends to highlight its commitments and contributions in the aforementioned areas, underscore the consistency of its initiatives and embed the social responsibility process as a strategic driver of the Group's growth.

Internal commitments

On October 18, 2017, a global CSR framework agreement was signed with the IndustriALL Global Union and representatives of the French metalworking federations of the CFE-CGC, CFDT, CGT and CGT-FO unions.

The agreement is designed to:

- provide a formal framework for the Group's social responsibility process, notably in compliance with international labor conventions. It confirms Safran's pledge to prohibit any form of forced or child labor. The Group also recognizes the legitimate role of employee representatives and trade unions in a dialogue aimed at maximizing the company's social value. The deployment of Safran's culture of prevention is built around its Health, Safety, and Environment (HSE) standards, which cover 800 performance criteria for safety and working conditions, ergonomics and environmental protection. They are also aligned with international standards, such as those issued by the International Organization for Standardization (ISO);
- continue to deploy the Group's human resources policies, which nurture talent and skills, support quality of worklife and well-being, promote diversity and ensure equal opportunity. The agreement bans any form of discrimination, with a particular emphasis on fostering gender equality in the workplace. In this way, all employees are offered the same career opportunities, supported as needed by training. The right of all employees to respect and recognition has been reaffirmed;
- enhance recognition of Safran by both customers and suppliers for its outstanding compliance with business ethics. Safran is committed to fighting against corruption in all its forms and regularly sharpens employee awareness through appropriate communication resources and/or training. To this end, it applies a risk prevention policy with respect to tax evasion;

- guarantee fundamental union rights, including freedom of association, collective bargaining and social dialogue.

The agreement affirms a commitment to promoting "open and constructive social dialogue on a global scale, in order to continuously improve and develop best practices at all Safran facilities". It specifies that any change in working hours must be prepared and planned with employee representatives.

Addressing stakeholder relations, the agreement provides that fundamental rights will be upheld both in Group subsidiaries and in the selection and assessment of suppliers, subcontractors and service providers. It also takes into account the Group's impact on the local environment, so that in each host country it focuses on hiring locally to fill available positions.

An international monitoring committee was set up in 2018 to track and assess implementation of the agreement and its commitments. Two meetings were held, one at the worldwide corporate level and the other in Morocco at a unit that has earned CSR certification from the CGEM business federation. These meetings led to the publication of a guidebook to help Group units to self-assess their performance in fulfilling the agreement's nine commitments and to recommend up to three improvement initiatives for the years ahead. The draft guidebook was tested in Morocco during a second meeting of the international monitoring committee.

5.1 SOCIAL INFORMATION

5.1.1 Preventing the risk of corruption

5.1.1.1 Ethical and social engagement

Safran has a set of values and ethical standards that are embraced by all of its employees. Duty of care has been integrated into all of the Group's business processes and growth is carefully managed in accordance with the highest international standards of business ethics, integrity and professionalism, as promoted in particular by the International Forum of Business Ethical Conduct (IFBEC). These values and ethical behavior are of critical importance to Safran, in that they play a vital role in enabling it to earn and retain the trust of all of its stakeholders.

Safran diligently conducts its business in accordance with the highest standards of honesty, integrity and professional behavior, as reflected in the seven values that form the bedrock of its corporate identity, embraced by every employee (more than 10,500 employees were trained up on the Group's compliance programs matters in 2018) and demonstrated in every subsidiary and facility:

- focus on customers;
- meeting the commitments set out in the Ethical Guidelines;
- innovation;
- responsiveness;
- teamwork;
- people development and recognition;
- good corporate citizenship.

"Anti-corruption and business ethics" is a major social responsibility issue that appears every year on the Group's CSR materiality matrix. To address it, Safran has developed and deployed a robust trade compliance program based on its Ethical Guidelines,[1] which specify the shared principles and standards that every employee is expected to apply in all circumstances. The Guidelines are not intended to replace or revise the laws and regulations in force, but to provide employees with points of reference and guidance in conducting their business activities. Demonstrating these values and ethics enables the Group to earn and retain the trust of all its stakeholders.

5.1.1.2 Anti-fraud policies

Employees who suspect that a practice or incident may be illegal or in violation of the Group's rules of business conduct have the right to notify or request guidance from their managers, the Head of Internal Control, the Head of IT Security, the Security Officer, the Human Resources Manager, the Legal Department, the Finance Department, the Quality Department, the Audit and Internal Control Department or the Compliance, Ethics and Anti-Fraud Committee, etc.

5.1.1.3 The Compliance, Ethics and Anti-Fraud Committee

The permanent members of the Compliance, Ethics and Anti-Fraud Committee are the Corporate Secretary, the Chief Financial Officer, the Senior Executive Vice President, International and Public Affairs, the Executive Vice President, Human Resources, the Chief Legal Advisor, the Senior Vice President Group Compliance Officer, the Chief Security and Fraud Officer, the Head of Audit and Internal Control and the Head of Group Internal Control.

The Committee is responsible for supervising compliance with the rules defined in the Ethical Guidelines (upholding the law, engaging in proper business practices, protecting people and assets, etc.), as well as for managing any updates and revisions to the process. This approach is sponsored by the Corporate Secretary, and the responsibilities are handled by the departments concerned (for example, the Group Department of International and Public Affairs manages trade compliance and export control). The Group's resources mainly include the Ethical Guidelines, anti-fraud policies, internal control procedures, processes and standards, and a fraud prevention, awareness, detection and assessment program. In particular, a system is in place to report cases of fraud or attempted fraud identified in Group companies. In response, appropriate remedial action is taken by the companies, the concerned operating departments and, as necessary, by the Group Audit and Internal Control Department and the Group Security Department. A fraud officer has been appointed and tasked with, among other things, defining internal investigative procedures and, when applicable, conducting the investigations. He reports to the Compliance, Ethics and Anti-Fraud Committee, which met three times in 2018.

(1) *Available on www.safrangroup.com.*

5.1.1.4 Zero tolerance of corruption

The importance of ethical values in shaping Safran's policies and operations has been clearly and continuously articulated by Chief Executive Officer Philippe Petitcolin, who has expressed this commitment in his introductory message to the trade compliance courses held since 2017:

> *"Our business enables us to play a vital role in ensuring the security and safety of people, companies and countries. This entails vast responsibilities that we must never lose sight of. This is primarily a question of ethics, which we feel is a cardinal virtue. But it's also about our competitiveness and the sustainability of our businesses, at a time when governments are paying more and more attention to trade compliance and due diligence.*
>
> *In 2012, Safran was the first French listed company to be certified to international corruption risk prevention standards, attesting to our own high ethical standards and the effectiveness of our trade compliance program.*
>
> *Our strength, our pride, is to show zero tolerance for any violation of our business integrity. By practicing impeccable business ethics, we will remain faithful to our values and drive continued success for our Group. I firmly believe that we must lead by example in this area."*

A robust program designed to the highest standards

Based on its uncompromising commitment to zero tolerance for any form of unethical behavior, particularly bribery or corruption, Safran has defined and implemented a disciplined program to prevent and detect risks of corruption, influence peddling, facilitating payments,[1] embezzlement, undue advantage, misuse of public funds and favoritism. In the following text, the generic term of "corruption" refers to these dishonest and immoral violations of the Group's standards.

The program, which is continuously updated and improved, covers all of the related guidelines specified in international conventions and national legislation that are applicable to Safran's business operations.

Its goal is to instill a culture of honesty across the organization that encourages every employee to embrace the imperative of demonstrating outstanding behavior in this regard.

It complies with the French Act of December 9, 2016 (Sapin II Act) relating to transparency, anti-corruption measures and modernization of the economy.

It is designed both to empower employees and to safeguard corporate assets with a disciplined risk management process based on eight pillars:

- setting the example at the highest level: "Tone at the Top";
- dedicated corruption risk mapping;
- a Code of Conduct;
- a dedicated organization;
- appropriate procedures;
- an information and training program;
- a procedure control and monitoring system;
- an internal alert system.

The corruption risk prevention program comprises a series of standard operating procedures applied by each subsidiary in accordance with local legislation applicable to its organization, products and markets. It is also proposed to the Group's minority-owned affiliates.

As an integral part of the Group's corporate social responsibility process, the corruption risk prevention program is run by a dedicated organization, the Trade Compliance, Export Control and Customs Department, which is led by the Group Compliance Officer, who reports to the Senior Executive Vice President, International and Public Affairs, who in turn reports to the Chief Executive Officer.

In addition, Safran is deeply involved in a wide range of collective, industry or thematic initiatives dedicated to strengthening and sharing best business integrity practices. As a member of the Compliance, Ethics and Anti-Fraud Committee, the Group Compliance Officer leads the entire corruption risk prevention process, leads discussions and promotes best practices with companies, national and international authorities and civil society. He or she also participates in or contributes to initiatives led by national and international professional organizations, such as (i) the French Aeronautical and Space Industries Group (GIFAS); (ii) the AeroSpace and Defence Industries Association of Europe (ASD); (iii) the International Chamber of Commerce, the International Forum of Business Ethical Conduct (IFBEC); (iv) French employers' federation MEDEF, in which Safran chairs the International Ethics Committee; (v) the Business and Industry Advisory Committee (BIAC) to the OECD, of which Safran is Vice-Chair of the anti-corruption task force; (vi) the B20 Germany, acting as Vice-President of the Responsible Business Conduct & Anti-Corruption Cross-thematic Group; (vii) the Ethics Circle of the European Business Ethics Network (EBEN), where Safran sits on the Board; and (viii) the association of European Compliance & Integrity Officers.

As such, the Group has established an international reputation as a responsible company whose anti-corruption program complies with best practices.

Setting the example at the highest level: "Tone at the Top"

The Board of Directors, the Chairman, the Chief Executive Officer and all Safran subsidiary chief executives have emphasized the need to lead by example. Maintaining business integrity and refusing all forms of corruption are non-negotiable, even if it means losing contracts and revenue. This is the only way for the Group to secure its sound, sustainable growth and retain the trust of its stakeholders. This commitment is reflected in a representation letter signed every year by all of the chief executives of the Group's tier-one companies. The executives sign for their own companies and ensure that this letter is also signed by their subsidiaries.

Twice a year, the Group Compliance Officer reviews trade compliance issues in a presentation to the Executive Committee. Trade compliance in the tier-one companies is also periodically reviewed with their chairmen.

(1) *Facilitating payments: unofficial payments of moderate sums made to expedite or ensure the smooth progress of straightforward procedures or necessary services to which the payer is entitled, whether in accordance with the law or another founding principle.*

A dedicated corruption risk map

Safran's compliance program is informed by a dedicated risk map, integrated into the Group's risk map (see section 4.1.1), that tracks all of the companies' specific corruption-related issues and risks (see section 4.3.1.3), with a focus on:

- market trends in the Group's host countries;
- applicable changes in legislation and standards;
- each company's situation, based on the maturity of its corruption risk prevention program, the results of internal and external audits performed during the year, and the completed or ongoing improvements in its procedures and organization.

Twice a year, all of the tier-one subsidiaries update their dedicated corruption risk maps, which the companies and Group management use as their primary tool for mutually defining pathways to improvement, resource requirements and the training plan.

A Code of Conduct

In compliance with the Sapin II Act, the Code of Conduct reaffirms the engagement of the Group and its executive management in a corruption prevention and detection process. It defines and illustrates the types of behavior that are prohibited because they could be construed as corruption, based on the risks identified in the risk mapping exercise.

The Code of Conduct was finalized on January 22, 2018, following the issuance of recommendations by the *Agence française anticorruption* (AFA) on December 21, 2017. The Code of Conduct will be integrated into each facility's operating procedures manual, after consultation with employee representatives, and will be applicable to all Group employees in 2019.

A dedicated organization

The Group Compliance Officer is assisted by a network of 22 Trade Compliance Officers (TCOs) appointed in all the companies that do business independently. Delegated by their Chairman or Chief Executive Officer, the TCOs are responsible for guaranteeing that their company's business transactions fully comply with Group anti-corruption procedures. They report to the Group Compliance Officer, who provides them with all of the support and useful information they need to perform their duties.

TCOs work with a network of 147 Trade Compliance Managers or Correspondents (TCMs or TCCs) who ensure that the measures taken by the TCOs are applied in each of their company's subsidiaries or divisions. They also lead training courses, after being accredited as trainers by the Group Compliance Officer.

Following the acquisition of Zodiac Aerospace, the number of TCOs rose during the year, to 22 from 19 in 2017, while the sustained deployment of the TCC/TCM network in the Safran subsidiaries increased their number to 147 from 117 the year before.

TCOs and TCMs/TCCs are expected to ensure that people at risk or concerned in their sales, marketing, legal, financial, human resources or purchasing organizations regularly receive information and appropriate training. They also meet regularly to share their knowledge, discuss best practices and help to improve the trade compliance program and its procedures.

In addition, they are empowered to conduct trade compliance reviews in their units to ensure compliance with the procedures. Lastly, TCOs and TCMs/TCCs must notify the Group Compliance Officer of any failure to follow procedures as soon as it is detected.

Appropriate procedures: selecting and validating business partners – gifts, hospitality and travel

These procedures clearly and precisely describe the roles of employees and the rules that they are expected to apply in performing their duties. They are regularly updated and improved, and are widely distributed among managers and employees. The Group's external partners are also informed about these procedures:

- the "international trade compliance" procedure specifies strict rules for the centralized, independent control and management of contractual relations with business partners, as well as partners involved in offset agreements or in acquisitions, disposals or the creation of joint ventures by Group companies (such as consultants, service providers, distributors or other partners in investment transactions). It was amended in 2016 and updated in 2018 to reflect the latest changes in legislation (particularly the Sapin II Act) and best practices. It describes the tight controls governing the selection and approval of business partners, the assessment of their ethical performance, their monitoring and their compensation. Internal and external due diligence is systematically performed for every business partner. The procedure also covers the approval, management and monitoring of lobbyists, who must also comply with Safran's responsible lobbying guidelines, which were updated in 2017;
- the procedures for "gifts and hospitality" given to or received from customers, suppliers and other stakeholders, as well as the corporate patronage directive, are designed to avoid any violation of current legislation and any potential conflict of interest.

As concerns purchasing:

- an ethics clause, updated in 2017, is included in Safran's general purchasing conditions, which must be signed by every supplier;
- the Group's Responsible Purchasing Charter, also updated in 2017,[1] incorporates the terms of the IFBEC Supplier Model Code of Conduct.

An information and training program

Members of the Executive Committee, company senior executives and Group employees who are either directly and indirectly concerned with preventing the risk of corruption are regularly provided with appropriate information, in the form of such documents as a bimonthly anti-corruption review, a weekly business ethics newsletter, country legislation reviews and analysis and dedicated intranet web pages. In all, 85 information memos were issued in 2018.

(1) *Available on www.safrangroup.com.*

An on-site trade compliance training course was developed for Group companies worldwide. The issue of preventing and detecting corruption was cross-functionally incorporated into a wide range of Safran University training programs, particularly the courses for employees working in sales, marketing, purchasing and programs. As part of the Massive Online Open Courses (MOOCs) and other online learning systems, the interactive module on preventing the risk of corruption or the infringement of export control legislation that was deployed in late 2014 was updated in 2018. More than 16,000 people concerned by these issues have attended dedicated training courses since 2010, including more than 4,600 in 2018. Subsidiary executive committees are also briefed at least once a year. These courses are designed to give every employee concerned adequate knowledge of regulations applicable to his or her activities and a full understanding of Group procedures and how to apply them in performing his or her duties. The program is led by the Group's trade compliance team, as well as by the companies' Trade Compliance Officers, who have been accredited as trainers.

A communication campaign on integrity in business transactions rolled out in late 2015 with the slogan "Adopt the Compliance Attitude" continued apace in 2018, helping to raise employee awareness of how to respond appropriately in different situations at risk.

A procedure control and monitoring system

The program to monitor proper application of Safran's trade compliance procedures is helping to enhance risk mapping and drive continuous improvement in risk prevention performance. It is being implemented at three levels:

- trade compliance reviews led by the Group Compliance Officer. In 2018, 40 such reviews were performed, covering all of the tier-one companies and their subsidiaries. They verified that the companies had implemented and were complying with the applicable procedures and, when necessary, recommended avenues to improvement;
- the Audit and Internal Control department also performs audits addressing trade compliance, based on specific control points;
- in late 2012, Safran was the first CAC 40 company to be "anti-corruption" certified by the French Agency for the Diffusion of Technological Information (ADIT). The review was based on the Mazars/ADIT certification system, which incorporates current best practices and the full range of national and international laws and regulations (French legislation, the US Foreign Corrupt Practices Act, the UK Bribery Act, the OECD Anti-Bribery Convention, the tenth principle of the United Nations Global Compact, France's Sapin II Act and ISO 37001). Certification was renewed in May 2017, underscoring the Group's major drive in recent years to build a robust anti-corruption program aligned with the highest international standards.

Since 2014, Safran Electronics & Defense, Safran Aircraft Engines, Safran Helicopter Engines, Safran Landing Systems, Safran Aero Boosters and Safran Nacelles have been certified as well. Safran Transmission Systems is currently being certified, and some of the above mentioned companies are seeking recertification.

Internal alert system

In 2017, the Group initiated a project to expand its internal alert and whistle-blowing systems, which will be deployed in 2019.

5.1.2 Complying with export control laws

Group companies buy and sell components, equipment and technologies that can be used for civil, military or so-called dual-use (civil and military) applications. Safran therefore complies, without exception, with all applicable regulations governing its military or dual-use export and import operations. Risks related to the export control process have been included in legal and regulatory risks (see section 4.3.1.3). To manage them, procedures are in place to ensure strict compliance with export control legislation.

Export control compliance standard

Safran has implemented an export control compliance standard structured around nine compliance issues:

- implementation of an export control organization;
- identification of product export restrictions;
- management of applications for export licenses and agreements;
- compliance with the terms and conditions of approved licenses;
- identification and protection of controlled technologies;
- employee training and awareness building;
- monitoring and audit of the export control program;
- management of cases of non-compliance;
- application of the compliance standard by each company.

The compliance standard has been especially useful for companies seeking certification from the French Directorate General of Weapons Procurement (DGA) following application of the French law transposing the European Directive on transfers of defense-related products within the EU. In 2018, this certification was held by Safran Power Units, Safran Aircraft Engines and Safran Electronics & Defense.

As of 2018, the compliance standard is available in all of the tier-one companies, with a special version adapted to subsidiaries in the United States.

Export control organization

Senior management's commitment to complying with all applicable legislation has led to the introduction of a dedicated organization.

Overseen by the Senior Executive Vice President, International and Public Affairs, the Group Export Control Department is supported by a global network of 427 experts and correspondents. Their job is to ensure that the compliance standard is consistently applied across the Group's global business base, which is subject to more than 22 regulatory frameworks.

The Group Export Control Department:

- defines the compliance standard;
- verifies that every company or corporate department (Purchasing, HR, Programs, Supply Chain, etc.) is applying the standard;

- contributes its expertise to support operations led by the companies or corporate departments;
- provides an application to assess export sales to countries, companies or individuals subject to sanctions or embargoes and gain a better understanding of applicable legislation;
- verifies the compliance of all business conducted by Group companies with countries or companies subject to sanctions or embargoes, in association with the Group Finance Department;
- participates in due diligence performed by the Strategy Department during mergers and acquisitions, to ensure that compliance issues are addressed and a proper policy has been applied;
- participates in a variety of working groups with public authorities and trade associations such as the French Aeronautical and Space Industries Group (GIFAS), the AeroSpace and Defence Industries Association of Europe (ASD), French employer federation MEDEF and Business Europe.

Export control teams in companies include:

- Empowered Officials, who are management committee members appointed in each Group company involved in import/export transactions. They are personally responsible for ensuring that their company's exports comply with all of its commitments;
- Export Control Officers (ECOs) appointed by a company chief executive to assist the Empowered Official. They are supported as needed by dedicated teams of Export Control Managers (ECMs) and a network of Export Control Correspondents (ECCs) in the main operating departments concerned.

A Group Export Control Committee is responsible for (i) recommending to senior management any actions, organizations and directives capable of ensuring the Group's compliance with applicable national and international laws and regulations; and (ii) keeping senior management informed of the latest improvements, difficulties and risks. It met three times in 2018.

Export control training and awareness building

The Group Department of International and Public Affairs notifies any Group company employee involved in export sales of the latest regulatory developments and any violations of export control legislation (83 information memos issued in 2018).

Safran University organizes targeted training courses, taught by the Group Export Control Department, for program managers, buyers and sales people. Group companies also provide dedicated export control training for employees concerned, as well as awareness training for new hires. More than 4,400 people were trained in 2018, which brings the total to more than 31,000 since 2010.

Safran has developed a dedicated export control intranet site and a MOOC, which was updated in 2018. These programs are raising awareness and encouraging the sharing of best practices among Safran employees all over the world. The intranet site offers daily updates on the countries, companies and individuals subject to sanctions or embargoes, as well as a directory of correspondents in the export control network and the various applicable procedures.

Monitoring and auditing the export control program

Every two years, the Group Export Control Department works with an outside service provider to review the maturity of the compliance programs deployed by the tier-one companies and corporate departments. The Department and the reviewed organizations then track the implementation of the recommended action plan. The reviews also identify potential difficulties and risks, so as to provide operational support as needed. Based on their findings, the Department updates the risk map twice a year and prepares improvement plans.

All tier-one companies and corporate departments have been reviewed since 2016, including six – Safran Aircraft Engines, Safran Electronics & Defense, Safran Nacelles, Safran Aero Boosters, Safran Landing Systems and Safran Electrical & Power – in 2018

In addition, each tier-one company is responsible for ensuring that the control program is effectively up and running in its own subsidiaries.

Safran also ensures that its companies detect, assess and report any cases of non-compliance. The companies inform the relevant authorities of each identified case and take every precaution to prevent similar cases from recurring in the future. To date, none of the cases closed by authorities have been subject to penalties.

5.1.3 Complying with customs regulations

Safran complies with all applicable customs legislation by deploying suitable, effective systems to ensure seamless compliance in all of its international business transactions.

The Group Customs Department is actively partnering with the French customs administration and now liaises with the Customs Directorate's Key Accounts Office, which provides dedicated expertise and ensures that the Group's customs transactions are consistently and quickly expedited.

In 2018, the Group Customs Department and the subsidiaries' customs officers focused on updating their procedures and authorizations so as to comply with the new standards in the latest directives and thereby benefit as soon as possible from easier administrative procedures and lower customs duties. Examples include the shift from "economic procedure" to "special procedure" authorizations, inward processing authorizations, waiving guarantees for certified operators, and filing authorizations for temporary storage facilities, etc.

Customs compliance standard

Prescribed Group-wide customs practices are defined in a compliance standard structured around 11 areas.

- a customs organization;
- operating procedures (e.g., customs authorizations, tariff classification, customs procedures, origin, value, guarantees, proof of export, etc.);
- recording, storage and archiving;
- outsourcing customs declarations;
- monitoring and auditing the compliance program;
- information, awareness-raising and training;
- subsidiary reporting procedure to the Group Customs Department;
- managing cases of non-compliance;
- certification as an Authorized Economic Operator (AEO) or equivalent;
- relations with customs authorities;
- application of the internal compliance program in the subsidiaries.

The compliance standard is especially useful for companies seeking customs certifications, such as the European Authorized Economic Operator (AEO) status, which are issued by customs authorities and recognized worldwide. All of the tier-one companies have been AEO-certified with the exception of Safran Electrical & Power, which plans to launch the certification process in 2019. Safran Landing Systems, which submitted its application in mid-2017, was audited by French Customs in November 2017 and certified on April 10, 2018; Safran Aero Boosters submitted its application in October 2018 and expects to be audited by Belgian Customs in first-half 2019.

A customs organization

The Group Customs Department, created in 2016 as part of the Group Department of International and Public Affairs, is supported by a worldwide network of internal experts with:

- Empowered Officials, who are management committee members appointed in each Group company involved in import/export transactions. They are personally responsible for ensuring the compliance of their company's imports and exports;
- a Customs Officer in each company, tasked by the chief executive with assisting the Empowered Officials. His or her main role is to transpose the Group's customs compliance standard into an internal compliance program with a company-specific organization, procedures, guidelines, training and control process. The Customs Officer is assisted when necessary by a network of Customs Correspondents in the main operating departments and facilities concerned;
- a Group Customs Committee, primarily comprising the Group Trade Compliance Officer, the Group Customs Officer and the tier-one company customs officers. Meeting quarterly, the Committee is responsible for i) enhancing the maturity of the Group's compliance with national and international laws and regulations, with appropriate, actionable practices; and ii) implementing continuous improvement plans.

The main responsibilities of the Group Customs Department are to:

- define the Group compliance standard and monitor its application in each company;
- lead and coordinate the Customs Officer network;
- provide expertise in line with companies' needs;
- develop any necessary actions to be taken and deploy communication and awareness-building tools to help companies improve their capabilities (intranet, meetings, seminars, publications, regulatory intelligence);
- contribute to cross-functional projects led by the Strategy, Tax Services, Manufacturing and Purchasing departments.

The Group Customs Department participates in a large number of working groups with French authorities and in all of its import/export countries. These discussions are led as part of the customs commissions of the French Aerospace Industries Association (GIFAS), the French Federation of Electrical, Electronic and Communication Industries (FIEEC), French employer federation MEDEF and the Aerospace and Defence Industries Association of Europe (ASD). Their primary focus is the pan-European application of the Union Customs Code and its new regulations impacting dematerialization of trade, customs clearance and self-assessment by 2020.

Training and awareness-raising

The Group Customs Department regularly informs all of the employees concerned of the latest changes in legislation and standards. In 2018, for example, there were 107 regulatory intelligence meetings held or procedure updates and reports issued during the year.

Company Customs Officers organize customs awareness building initiatives by business line, which are led either by in-house instructors or by outside trainers. In 2018, some 1,429 people attended training or awareness building sessions, attesting to the significant engagement in this issue.

In 2019, the design of MOOC-style awareness building modules is being considered in order to expand on the existing system, particularly the nine Safran University customs courses.

Assessing the effectiveness of the customs process

In 2017, the Group Customs Department reviewed the maturity of the customs process with tier-one companies, to gauge the progress made in defining and deploying each of the internal compliance programs. These reviews are performed by an outside provider every two years.

To support them, the Group Customs Department designed an application to measure the maturity of a company's customs compliance process. Integrated into the compliance standard, the application has been deployed across the Group in 2018.

The assessments also help to identify potential difficulties and risks, so as to provide operational support as needed. Based on their findings, the Group Customs Department updates the risk map twice a year and prepares improvement plans.

In 2018, seven customs reviews were conducted (instead of the originally planned five), with five covering Safran's tier-one subsidiaries and two concerning its tier-two subsidiaries. Moreover, each tier-one company is responsible for making sure that a control program has been deployed in its subsidiaries, so as to regularly confirm that its customs quality system and compliance process are being implemented.

Safran also ensures that all of its companies detect and assess any cases of non-compliance and report them to the proper authorities, and that they take all necessary precautions to prevent similar cases from arising in the future. In addition, planning for the impact of a possible Brexit is described in section 4.3.1.1.

5.1.4 NFI indicators: trade compliance, export control, customs

Indicator	2016	2017	2018
Trade Compliance			
Number of representation letters signed in the tier-one companies	100%	100%	100%
Tier-one subsidiaries that have prepared a dedicated anti-corruption risk map and submitted it to the GCO	100%	100%	100%
Number of Trade Compliance Correspondents in Group companies	149	136	169
Number of on-site compliance training courses for employees concerned	132	144	148
Number of people trained	>1,850	>3,300[1]	>4,600[1]
Number of information memos issued to employees concerned	64	93	85
Number of trade compliance reviews	23	25	40
Number of tier-one companies certified	7	9	9
Export control			
Number of Export Control Correspondents in Group companies	471	370[2]	427
Number of people trained	More than 3,400	More than 3,900	>4,400[3]
Number of information memos issued to employees concerned	48	70	83
Customs			
Number of information memos issued to employees concerned	10[4]	52	107
Number of people reached by awareness-building sessions[2]	1,157	527	1,429
Number of tier-one companies certified as an Authorized Economic Operator	5	0	11[5]

(1) More than 16,000 in all since 2010.
(2) The decline reflects the disposal of Safran Identity & Security.
(3) More than 31,000 in all since 2010.
(4) Group Customs Department created in 2016.
(5) Eleven companies have been certified OEA, including five tier-one companies and six tier-two companies (of which two from the former Zodiac Aerospace businesses).

5.1.5 Supporting the Group's business over time with a fair and sustainable tax policy

Safran believes that its business must be supported over the long term by a fair and sustainable corporate tax policy. This is why, instead of country-specific policies, it deploys a global policy applicable to every Group company worldwide and designed to prevent operational, transactional and reputational risks.

Safran's tax policy is informed by three key principles:

- ensure compliance with the local tax legislation in every host country;
- assist line personnel by providing tax advice and supporting business transactions;
- deploy a consistent tax approach across the Group.

5.1.5.1 Tax compliance and tax risk management

Compliance with tax laws and regulations

Safran's worldwide business operations generate a significant amount of taxes and duties of all kinds. The Group pays corporate income tax, local taxes, customs and excise duties, registration fees, social security contributions and many other taxes related to its business in all of the countries concerned.

Safran is committed to complying with all applicable tax legislation, rules and regulations in every jurisdiction where it operates.

Due to the complexity and constant change in the various tax regimes around the world, Safran sometimes avails itself of outside advice to ensure that it properly understands and applies prevailing tax legislation.

Governance

Tax issues are managed by the Group Chief Tax Officer under the supervision of the Group Chief Finance Officer, who is a member of the Executive Committee and reports directly to the Chief Executive Officer.

The tax department is global in scope, which ensures that, whenever possible, practices are aligned and consistent in every jurisdiction. A team of qualified professional tax specialists pays careful attention to every aspect of compliance under the various tax regimes.

Safran provides support to all employees having to deal with tax issues. The Group ensures that they have the skills and technical expertise needed to fulfill their tax responsibilities and are capable of doing their jobs to the best of their ability.

Tax risk management

Tax processes managed by the tax department are fully integrated into the ERM system (see section 4.1), and as such, they are reviewed every year by the Risk and Insurance Department, as part of the general risk management policy.

5.1.5.2 A tax strategy that supports the Group business operations

The corporate governance system has not set any level of acceptable risk and no third parties have sought to influence such a level.

Safran does not have any specific objective in terms of amount or percentage of tax to be paid and does not engage in any aggressive tax planning.

Tax strategy is aligned with the Group's marketing strategy and business operations. The Tax Department helps to support the latter by creating value and protecting shareholder assets.

Its remit is to ensure that all employees exercising tax-related responsibilities or businesses that may have a tax impact all take the same approach to identifying, measuring, reporting and managing tax risks.

Safran complies with OECD guidelines on transfer pricing. The Group distributes its profits and pays the related taxes in the countries where the value added is produced.

5.1.5.3 Code of Conduct

Safran fully and openly cooperates with tax authorities on the Group's tax issues and discloses all the information they need to perform their reviews. For example, Safran has deployed an internal organization capable of timely country-by-country reporting (CBCR), in line with action 13 of the Base Erosion and Profit Shift (BEPS) plan.

Safran works with tax authorities proactively and professionally, requesting prior clarifications and explanations whenever necessary. In the event of disagreement on a given tax issue, the Group strives, to the greatest possible extent, to build consensus and find a solution.

This course of action is the basis of Safran's long-standing, constructive working relationship with tax authorities around the world.

5.1.6 Nurturing responsible supplier relationships and supporting sustainable procurement

Safran is deploying a formally defined purchasing policy by instilling best practices across the organization and striving to foster responsible relationships with its suppliers by demonstrating the values of the Safran Ethical Guidelines, in support of sustainable procurement.

This process also reflects current legislation and regulatory standards, such as France's Duty of Care Act of March 27, 2017, the anti-corruption provisions of the Sapin II Act and the European directive on the disclosure of non-financial information.

5.1.6.1 Purchasing policy

Safran's purchasing policy is designed to meet its objectives of excellence and competitive performance, in seamless alignment with both its manufacturing strategy and its CSR commitment.

The policy awards business to suppliers that are capable of meeting the Group's standards, its competitiveness criteria and the demands of the aerospace and defense markets, and that are prepared to work with Safran over the long term in a fair, mutually beneficial relationship. Supplier risks are identified in section 4.3.2.1.

Purchasing policy is being implemented in accordance with Safran's commitments to:

- uphold the United Nations Global Compact, which Safran has pledged to support;
- comply with the Supplier Code of Conduct issued by the International Forum on Business Ethical Conduct (IFBEC);
- support the hiring and retention of employees with disabilities. A Group agreement is in place to expand collaboration with sheltered workshops and disabled-staffed companies, led by the initiatives now being jointly deployed by Purchasing and Human Resources managers;
- identify, in its products, any tin, tantalum, tungsten, gold or other minerals sourced from conflict zones, in particular the Democratic Republic of the Congo and its border countries, in response to US customers subject to the Dodd-Frank Act. This identification process also complies with the upcoming European regulation aimed at extending this disclosure to all of the conflict zones identified by the European Union;
- ensure continuous cooperation among the companies, seamless coordination among everyone in contact with suppliers and the involvement of purchasing teams across the product life cycle.

5.1.6.2 Deployment

Given the Group's purchasing volumes, which represent around 60% of revenue, deployment is being driven by:

- a shared Group-wide procurement process, supported by maturity assessment applications used to devise and deploy continuous improvement plans designed to enhance proficiency in best practices;
- a procurement manual identifying these best operating practices, issued to every purchasing process stakeholder, as part of the One Safran initiative, see section 1.9;

- a purchasing organization comprising two sections:
  - a corporate purchasing department in charge of non-product related (NPR) purchases and materials purchases on behalf of Group companies, as part of the Safran Performance and Competitiveness department,
  - purchasing departments in each company, in charge of bill of materials (BOM) procurement;
- a process to map, prioritize and manage risks (including the risks identified in the duty of care plan), with periodic reviews of both the map and the related action plans;
- an internal control system for purchasing organizations and practices based on some 30 control points audited every year;
- internal improvement plans reflecting assessments from Safran's various stakeholder organizations:
  - the Responsible Supplier Relations and Sustainable Procurement label, whose certifying organization and, optionally, label award committee issues comments and opinions every year,
  - Defense SME Pact: the Ministry of Defense issues recommendations during the annual review,
  - SME Pact: the monitoring committee (with equal representation of SMEs and large accounts) issues an opinion based on the results of the 46-question SME Pact survey covering key issues, which is sent to 410 French suppliers. It offers Safran an effective yardstick for measuring supplier perceptions of its supplier relationships;
- a training organization accessible to every buyer and designed to instill professional, sustainable purchasing practices across the Group. It comprises e-learning and classroom training programs dedicated to integrating CSR issues into the purchasing process;
- a contractual guide for suppliers that incorporates CSR principles and contains:
  - the general purchasing terms and conditions, which are especially used for one-off or smaller, shorter contracts to provide suppliers with a fair contractual framework, open to negotiation to reflect the specific features of each situation. The general purchasing terms and conditions also provide a basis for the framework agreements negotiated with suppliers that have a more long-standing relationship with Safran,
  - the Responsible Purchasing Charter, which shares the Group's expectations with suppliers and subcontractors, who play a key role in its success, and encourages their engagement and involvement by having them sign the commitments. It demonstrates Safran's determination to permanently embed CSR criteria into the selection process, with the same importance as cost, quality, service, innovation and risk management;
- verification of supplier compliance with international sanctions and embargoes using a dedicated Visual Compliance screening solution.

5.1.6.3 Responsible supplier relationships and sustainable procurement

Safran's supplier relationships are built upon the steadfast application of the Group's Ethical Guidelines by all of the relationship stakeholders and their observance of the best practices specified in the Responsible Supplier Relations Charter issued by *Médiation des Entreprises* and the *Conseil National des Achats*. In particular, the Charter provides for the appointment of an SME correspondent to act as an in-house mediator whom suppliers can contact to help settle a dispute amicably with Safran.

To support these responsible relations, Safran is deploying:

- purchasing practices recognized in 2018 by confirmation of the Responsible Supplier Relations label for all of the operations in France (the label had been granted for one year in 2017). Awarded by the French government, the label honors Safran's ability to foster sustainable, fair and balanced relations with its suppliers;
- relations with small and medium-sized enterprises (SMEs) backed by major commitments:
  - Safran is a member of the SME Pact association and sits on its Board, in a commitment to strengthening ties between SMEs and large accounts, and to supporting the development of French SMEs, and particularly to helping innovative companies get off the ground and grow. Note that in 2018, around 53% of the Group's purchasing volume was sourced from French-based suppliers, with French small, medium and intermediate-sized companies accounting for slightly more than 85% of those purchases. So far, Safran been rated A,
  - as part of the Defense SME Pact, Safran signed a bilateral convention with the French Ministry of Defense in 2013. A new three-year convention is now being signed,
  - Safran has invested in Aerofund III, following on from the investment initiatives underway since 2004 by Aerofund I and Aerofund II. The Group actively participates in the restructuring and consolidation of the industrial fabric of the French aerospace sector and contributes to the financing of SMEs. By strengthening its suppliers' financial structures, the Group is also securing its supply chain while promoting the emergence of more robust intermediate-sized companies that can expand in the global marketplace;
- a collaborative, innovative approach with suppliers that is enhancing Safran's role as a responsible driver of this dynamic by:
  - nurturing a culture of open innovation within the organization,
  - regularly sharing its technological vision with suppliers engaged in the process,
  - examining every submitted innovative proposal,
  - providing the resources needed to successfully complete the selected collaborative projects,
  - strengthening its relations with start-ups, in particular via Safran Corporate Ventures;
- a competitiveness gains program, based on fostering long-term relationships with suppliers, who present cost-cutting proposals in exchange for a consolidated market position over the mid to long-term;
- close, supportive collaboration with suppliers as they implement their improvement plans:
  - extensive Group involvement in the GIFAS Industrial Performance program, of which Safran is a member of the Steering Committee,
  - Safran is leading seven clusters comprising a total of 44 suppliers in eight regions (Auvergne Rhône-Alpes, Burgundy-Franche-Comté, Brittany, Center-Val de Loire, Grand Est, Île-de-France, New Aquitaine and Occitanie),
  - a total of 156 Safran suppliers based in the 13 regions are participating in the second phase of the program (2017-2020),
  - the first phase drove a 50% reduction in non-performance events flagged for quality and the supply chain among the 256 participating Safran suppliers,

- Safran is involved in developing a GIFAS "Industry of the Future" program designed to step up the transformation of the French aerospace industry by supporting 300 SMEs in 13 regions over the 2019-2022 period,
- Safran is a founding member of the Space association created in 2007 and plays an active role in its operations by contributing its proven methodologies every year. Space seeks to improve the performance of French SMEs by leading individual supplier development projects and training courses. Space is also prime contractor for the GIFAS aerospace supply chain performance programs, covering such areas as PMO-based project management, methodologies and the hiring/managing/training of consultants.

5.1.6.4 NFI indicators

Indicators	2016	2017	2018
% of BOM purchasing volume covered by a formally defined purchase family strategy	N/A	75%	75%
% of NPR purchasing volume covered by a formally defined purchase family strategy	N/A	65%	65%
Hours of training per buyer per year	27	23	29
% CSR-trained buyers	N/A	N/A	43%
Supplier development projects		120	120

N/A: Indicator not in place.

5.1.7 Deployment of the duty of care plan externally (with subcontractors and suppliers) and internally (with the subsidiaries)

In compliance with France's Act 2017-399 of March 27, 2017, Safran has prepared a duty of care plan comprising reasonable due diligence procedures capable of identifying risks and preventing serious abuses of human rights and fundamental freedoms, people's health and safety, and the environment, resulting from the business operations of (i) the Group; (ii) the companies it directly or indirectly controls; or (iii) the sub-contractors or suppliers with whom it maintains an established business relationship (when those operations stem from the relationship).

The internal committee set up to deploy the plan decided to take a broader approach by including its response to the Sapin II Act enacted in 2016. The committee includes the heads of Manufacturing and Purchasing, Purchasing Performance, Compliance, Health, Safety, the Environment and Sustainable Development, Risks and Insurance, and Social Affairs, along with representatives from the Legal Affairs and CSR Departments.

For Safran, the plan is a tool for deepening its supplier oversight. It expands on the information contained in the Group's fundamental documents, such as the general purchasing conditions, the Responsible Purchasing Charter, the Ethical Guidelines, the Code of Conduct, and the HSE policy. The Group has defined the standards of compliance that were reaffirmed in its global framework agreement on "working conditions, social responsibility and sustainable development," which meet and exceed the standards prevailing in its host countries. When country legislation is less strict, the Group insists on compliance with its own HSE and human rights standards.

5.1.7.1 The external duty of care plan

Deployment of the plan is designed to:

> make the purchasing process more robust by more thoroughly embedding CSR criteria into each phase:
  - defining purchasing strategies by family,
  - selecting suppliers,
  - approving suppliers, in particular by requiring them to sign the Safran responsible purchasing charter,
  - signing and managing contracts,
  - monitoring suppliers,
  - measuring supplier performance;

> identify the HSE risks arising from operations outsourced to suppliers:
  - bill of materials (BOM) procurement and non-product related (NPR) purchasing were classified into 30 categories, assessed according to the nine risk families defined by the HSE and Sustainable Development Department: toxicological, effluent, emissions, fire, explosion, radiation, waste, accidents, and regulatory,
  - these category/risk family pairs were mapped according to their impact on the operations of the suppliers concerned, and then positioned on the map with an order of priority in the deployment of action plans;

> identify the human rights risks:
  - based on the criteria published by the Danish Institute for Human Rights, the Group described the risk of infringing human rights by refusing child labor and forced labor, respecting freedom of association and collective bargaining, preventing discrimination and promoting decent working conditions and a living wage,
  - the geographic locations of all of the Group's suppliers were mapped based on the maps published by UK-based Verisk Maplecroft, which ranks countries according to their human rights risks;

> corruption risks are discussed in section 5.1.1 and following;

> manage identified risks by:
  - sending out self-assessment questionnaires:
    - prepared by the International Aerospace Environmental Group (IAEG) for HSE risks;
    - validated for human rights risks by the outside stakeholder, the IndustriALL Global Union, with which the global framework agreement on "working conditions, social responsibility and sustainable development" was signed,
  - identifying tier-one and higher suppliers to be prioritized and integrating the risks into the overall risk reduction plan,

- requiring these priority suppliers to sign the Responsible Purchasing Charter,
- if necessary, requesting that suppliers deploy remedial action plans,
- tracking the risk reduction action plan every month, with the aim of decreasing overall criticality (indicators: number of questionnaires completed, number of suppliers/criticality),
- organizing bimonthly reviews with the Purchasing Departments to oversee the deployment plan, track the action plans and make any necessary adjustments.

5.1.7.2 The internal duty of care plan

The process for managing risks from the operations of subsidiaries is based on:

> annual on-site audits of compliance with the Group's HSE standards, with the goal of having each facility earn gold certification by 2025. These reviews are supported by an HSE improvement training program that has been attended by 3,000 executives and managers since 2014 (see section 5.3.5);

> the Group's Ethical Guidelines, whose human rights aspects are the subject of regular sensitivity training and education as part of the initiatives led by the Compliance Department (see section 5.1.1.3). Compliance with these commitments, which are also covered in the global framework agreement (prohibition of forced labor and child labor, freedom of association and collective bargaining, non-discrimination) will be tracked in 2019 by a self-assessment exercise conducted in every host country, followed by recommended remedial action plans as needed.

5.1.8 Building relations with local communities, engaging with foundations and patronage

5.1.8.1 Community outreach

The global CSR framework agreement signed in 2017 stipulates that "in each country where it operates, Safran favors local human resources to fill available jobs and whenever possible, develops local integration. In the event of evolution of its activity, Safran undertakes to inform the local and national authorities beforehand and to cooperate with them in order to better account for local interests".

This commitment is embodied in the Group's participation in setting up vocational curricula for aerospace jobs, encouraging innovation and supporting research, as seen in the following examples:

> In Morocco, Safran helped to forge the partnership between the Moroccan government, the Moroccan Aeronautical and Space Industries Group (GIMAS) and France's Mining and Metals Industry Confederation (UIMM). It also supported the creation of the IMA aerospace vocational training institute and is partnering with Moroccan authorities to develop the country's research capabilities by creating doctoral programs in aerospace disciplines.

> In Mexico, Safran is involved in the Mexprotec bilateral university cooperation program, which enables Mexican senior technicians to earn a professional degree in a French institute of technology. The Group is partnering several universities, including the National Autonomous University of Mexico (UNAM) and the Technological University of Querétaro (UTEQ). It has collaborated with the Lycée Franco-Mexicain in Mexico City to set up a work-study program delivering a professional degree from the University of Créteil in France. Safran is also a founding member of the AeroClúster de Querétaro association.

> In Brazil, Safran promotes excellence and international mobility for young Brazilian engineers and researchers by providing grants to science and technology students at UNB University in Brasilia. Several Safran companies have also signed collaborative research agreements with Brazilian universities. Since 2013, the Group has been involved in a partnership with Brazil's National Training Service (SENA).

> In China, the training center managed by CFM, Safran's joint venture with GE, has graduated more than 10,000 trainees and is CFM's third training center worldwide.

> In India, Safran is involved in French engineering school ICAM's Franco-Indian educational program, which prepares students at the Loyola ICAM College of Engineering and Technology in Chennai to earn two degrees: a Bachelor of Engineering in India and an ICAM Master of Engineering degree in France. Safran also offers program participants engineering internships.

5.1.8.2 Foundations and patronage

Foundations

The Safran Corporate Foundation for Integration addresses all forms of exclusion and facilitates the social and professional integration of young adults with motor, sensory, cognitive and/or social disorders.

Since it was created in March 2005, the Safran Corporate Foundation for Integration has supported 241 major projects in France and internationally, for a total amount of over €4.5 million. Most of its initiatives are put forward by non-profit organizations.

The Foundation supports organizations with projects in four key areas:

> training leading to qualifications (17% of its budget);

> professional integration (28% of its budget);

> social integration (53% of its budget);

> athletic projects (2% of its budget).

Projects are selected by the Board of Directors primarily based on their ability to deliver sustainable outcomes for their beneficiaries. The Foundation is primarily active in France but also works internationally on projects supported by Group employees.

In 2018, the Foundation reviewed 99 integration projects and supported 26 with total funding of €283,500.

The Safran Handicap Innovation Fauteuil Technologie (SHIFT) project, which seeks to make life easier for non-motorized manual wheelchair users and their caregivers, successfully completed its development phase during the year. Four students from the École des ponts ParisTech business school and a young woman with a disability have come together to manufacture and market a new-style wheelchair based on the project's design.

5

The Safran Foundation for Integration maintained its commitment to the Alpha Omega Foundation, which works to prevent early school failure, provides personalized support to disadvantaged young people, raises awareness of entrepreneurship among young persons and assists young persons without degrees in finding work. Initiated in 2017, the commitment represents a total investment of €1 million to be paid over a period of up to five years. Of this, €724,000 had already been disbursed in 2017 and 2018.

Created in November 2004, the Safran Corporate Foundation for Music supports talented young musicians in their education and career development as performing artists. It also supports venues for young musicians.

Personalized support for artists can take the form of scholarships in France or abroad, assistance in buying an instrument, financing music recording projects, etc. Since its creation, Safran's Corporate Foundation for Music has provided more than €2.8 million in direct support for 171 talented young musicians in partnership with 127 organizations participating in the promotion of young talent.

In 2018, the Safran Corporate Foundation for Music received 184 requests for support and/or partnership, which were all carefully reviewed.

Working in partnership with the French Army Museum, the Foundation for Music hosts the following events at the prestigious Hôtel National des Invalides in Paris:

- a year-long program of performances featuring talented young musicians;
- *Saison Musicale* concerts dedicated to talented young musicians;
- the Safran Music Award ceremony, which every year honors the young virtuoso who wins the interpretation competition.

On October 8, 2018, at the Hôtel National des Invalides in Paris, the 2018 Safran Corporate Foundation for Music Prize was awarded to clarinetist Joé Christophe, in a high-level competition between five young musicians.

Patronage

As part of its corporate patronage policy, Safran provides financial support to public and private partners, independently of its own business interests. A rigorous selection process is in place to ensure that all project applications are treated equally. This process is based on:

- a defined scope of action: Safran's support is sharply focused on educational, social and cultural initiatives, such as combating illiteracy and student dropout rates, social skills, education through sports, etc.;
- a geographic scope that spans France and other host countries worldwide;
- clear eligibility criteria for successful projects. Projects may be submitted by anyone, whether employed by the Group or not, and may be long-term and/or suitable for multi-year funding.

The Safran Corporate Patronage Committee meets once or twice a year to review applications and select projects. Its members include the Executive Vice President, Communication; the Senior Executive Vice President, International and Public Affairs; the Group Compliance Officer; and the head of CSR/Diversity. The Group Compliance Officer reviews all of the submitted applications for compliance. All decisions are made collectively.

5.2 HUMAN RESOURCES INFORMATION

5.2.1 Maintaining the skills and capabilities required by Safran's businesses

Human resources policy

One of the major challenges of Safran's human resources policy is to develop the Group's human capital, so as to constantly foresee and respond to its skills and capabilities needs. The risk of failing to find the appropriate skills at the right time and in the right place is identified and addressed in section 4.3.2.3, "human resources risks".

Moreover, the policy is expected to play an important role in supporting the Group's transformation and internationalization. Safran leverages its corporate culture and leadership guidelines to get every employee engaged in this process.

Deploying the HR component of the medium-term plan

Every step in the industrial and financial management planning process is supported by fully aligned HR programs. Today, one of the drivers of the Group's success is its ability to manage its industrial, financial and HR planning as part of a highly proactive, seamlessly aligned process. The medium-term plan offers a four-year vision of the quantitative and qualitative skills that each Group department, unit and company will have to acquire in each business line, in France and abroad. A job description repository divided into four sections, 33 business lines and a little more than 170 benchmark jobs serves as an interpretive and analytical framework.

The Group's strategic vision and business outlook are carefully translated into qualitative and quantitative HR plans that, once consolidated at Group level, help to identify the skill-sets requiring action plans from the business line committees.

In this way, every manager at every level in the organization has a clear vision of his or her team members and their development.

There is also a management unit dedicated to tracking certain specific groups, such as high potentials, experts, Master Black Belts and, as from 2018, project leaders.

Every year, the measures emerging from this analysis and review process are focused on three main pillars:

- the hiring and induction process;
- job mobility and career management;
- the strategic training vision.

The hiring and induction process

The Safran employer brand is well expressed and recognized, as seen in the Group's continued ranking at the top of the 2018 lists of companies where French engineering students would like to work. It ranked fourth in the Universum list of the most attractive employers (up 15 places in six years) and entered the Glassdoor ranking of the best places to work in France, at thirteenth place. In 2017, Safran was the seventh best employer in France according to business magazine *Capital*'s latest annual ranking of the top 500 companies voted best places to work by French employees. Advertising campaigns are regularly conducted to recruit new employees and raise awareness of Safran's future-proof jobs, particularly in high-demand skills (for example, managing the "did you know" banners in the skill-set videos). Rolled out in early 2017, the Career Inspiration forum allows job applicants to chat directly with Safran employees about their career paths and jobs (585 questions and 601 messages/replies in 2018). Safran is expanding its presence on social media, with an emphasis on LinkedIn and Twitter (11,000 Safran Talent followers on LinkedIn at year-end 2018, up 10% over the year). In all, Safran hired 13,050 people in 2018 (see table in section 5.2.7).

The young graduate hiring program remains as ambitious as ever, led by the assertive management of the 18 partnerships formed with engineering schools and universities in France. It is being supported by an active network of 250 Safran employee ambassadors to these schools (as of December 31, 2018). After several years of focusing recruitment partnerships on engineers and managers, Safran is now deploying partnerships for vocational curricula preparing people for line worker and technician jobs. In particular, it has been highly engaged in creating CampusFab, the machinist training center in Bondoufle.

Mobility and career management

The ability of employees to move seamlessly among jobs and locations, to develop existing skills and acquire new ones, and to embrace change is not only key to maintaining their employability within the Group, it is also a core driver of the Group's transformation and agility. In France, there is a steadily growing trend towards transfers among Group companies and among different facilities operated by the same company. An action plan is currently underway to consolidate transfer-related data at the worldwide Group level.

Employees seeking a transfer are identified during the annual performance and career development review process, which has been deployed around the world.

	2016	2017	2018
Percentage of employees (all categories) having an annual performance and career development review	87%	92%	94%

Safran is continuing to improve its ability to plan for career changes by deploying the succession support applications in its information systems more widely across the organization. Governance rules have been introduced to ensure that the shared applications are both high quality and sustainable. In addition, the Succession Pools application helps to position employees in generic positions deemed to be important or critical in their career paths. A number of indicators now track the percentage of positions filled by succession candidates for key Safran job families.

The succession plan is not an end in itself; the potential successors have to be ready. For example, one of the highlights of 2018 was the roll-out of mentoring and tutoring programs to prepare expert succession candidates, especially to replace experts scheduled to leave by the end of the medium-term plan.

The French job mobility units are deployed in the main host zones to increase the Group's appeal, attract the finest local talent, and enhance the loyalty of international employees, thereby reducing the occasionally high turnover rates, for example, in Mexico or China. This also enables the international regions to make a strong contribution to identifying promising employees, so as to compare points of view and enhance the Group's career management process outside France.

Our strategic training vision

Safran University acts as a powerful vector for onboarding new hires, transforming the organization and instilling leadership across the Group by:

> inducting new hires and bringing together Group employees from different companies, countries and generations, in a place that inspires pride and a sense of shared destiny in the Safran community;
> enhancing skills and capabilities;
> creating interactive, mutually supportive networks of executives who hone their transformative capabilities and acquire and transmit the Group's values and culture.

Safran University networks with other educational, corporate or university training organizations and is helping to enhance Safran's reputation by participating in national and international conferences and symposia.

Safran University guarantees that all the training provided in the Group supports and advances its strategic vision. Figures concerning strategic training objectives do not include data from Zodiac Aerospace.

Safran University is active in three areas:

> education, through the strategic management of Group training curricula and programs;
> induction, with the Safran Discovery Days, involvement in the One Safran program (see section 1.9), deployment of the leadership guidelines, the organization of events and the sharing of best practices;
> transformation, particularly the strengthening of the Group's digital capabilities and the integration of new skill-sets and business lines.

In France, Safran invests an average 4.3% of payroll costs in training.

In 2018, more than 1,500,000 hours of classroom training were offered across the global organization, including more than 810,000 hours in France. Each employee (excluding Zodiac Aerospace) received an average of nearly 27 hours of training during the year.

Safran University leads the Group's training initiatives by defining a strategic training vision and setting measurable targets for the companies in each of the 23 curricula covering all of the Group's business lines. In this way, Safran University is ensuring the quality and efficiency of all the training and education delivered within the Group.

In addition, Safran University designs and teaches courses in the Group's key performance drivers. This strategic core curriculum represented nearly 360,000 hours of training in 2018, or 24% of the consolidated total.

Business line-specific curricula are enabling employees to enhance their skills throughout their careers. These courses are available for all Group companies, in a commitment to encouraging the cross-enterprise sharing of ideas and best practices.

In many courses, Group expertise is transmitted by in-house experts or trainers, more than 100 of whom teach courses at Safran University.

Digital-based training, using videos, virtual communities and online course materials, is also being developed to expand access to Group skills and bring courses to a wider audience at no extra cost.

The “Leadership” training programs are designed for Safran managers, executives and future executives. In addition to building skills, these programs are helping to forge networks of interactive, mutually supportive managers, who are acquiring and passing on the Group’s values and culture, encouraging the embrace of shared management practices and developing the capabilities specified in the Safran leadership guidelines.

To improve the employability of every category, aligned training programs and dedicated procedures, such as skills assessments and acquired skills certification programs, are in place to accompany these career changes and developments and to equip employees with the skills needed for the jobs of tomorrow.

To support the Group’s international expansion, Safran University teams have been deployed in countries where Safran has the strongest local footprint, such as the United States, the United Kingdom, China and Morocco. Training programs are available in around ten countries, in French, English or the local language.

As part of this process, to spur the acquisition of shared core competencies and facilitate onboarding, 32 Safran University programs representing Safran’s corporate DNA have been selected for priority deployment in these countries. The programs cover a variety of business lines and cross-functional skill sets, some of which – like “White Belt", “Leadership Model” and “One Safran Awareness” – must be attended by employees on every site while others are mandatory only for employees in a given business line. Their content is designed by Safran University, which selects and approves the training organizations authorized to teach them. In addition, an English language learning platform came online in early 2018, to enable any employee to practice his or her English anywhere and any time, 24/7, from a workstation, tablet or phone. Employees can sign up for the platform themselves, or it can be prescribed by their line or training manager.

Safran Campus

Based in Massy, near Paris, since 2014, the Safran Campus hosts employee training programs and seminars all year long. It is also the venue for major Safran events, such as orientation days, seminars and conferences, and meetings with customers and Group partners.

Each Executive Committee member regularly spends a day on the Campus meeting trainees and discussing Group-related topics and news with them, as do Company HR Directors.

The number of employees visiting the Safran Campus rose in 2018, to almost 22,000 people, half of whom came for training and the other half for events.

Preparation for the Factory of the Future

Designed to train aerospace technicians for tomorrow’s manufacturing jobs, the CampusFab training platform comprises an additive manufacturing hub, a prototype machining line, an assembly line and a maintenance hub, as well as a digital room to ensure the integrity of product design data throughout the production process. Every year, it will welcome around a hundred work-study apprentices, as well as several hundred employees on training leave. CampusFab is supported by a consortium of companies, French government agencies and local authorities.

TWIST Training

Deployed in France in 2017 and in the United States, Mexico and Canada in 2018, the new TWIST Formation training management system is scheduled for roll-out in the United Kingdom and Morocco in early 2019.

It is designed to meet three objectives:

- get managers and employees more engaged in implementing the training process, with an easily accessible online course catalog and online enrollment with choice of dates;
- bring onstream by end-2019 a training-related HR information system covering 95% of all employees around the world, to support, among other things, more efficient management of training activities outside France;
- integrate HR information system training applications that are directly tied to annual performance reviews into other HR processes.

The system also features a course catalog shared by all of the companies, to optimize purchases of each program.

5.2.2 Constructive social dialogue

Since Safran was created, the Human Resources Department and employee representatives have worked closely together on issues of mutual interest at a number of levels.

Worldwide

The global CSR framework agreement, presented in the introduction above, is applicable to all employees around the world. Accordingly, the subsidiaries are continuing to roll out employee representation arrangements and sign collective agreements, in line with prevailing local legislation.

Europe

At the European level, social dialogue mainly revolves around the European Works Council (EWC) and the application of two pan-European agreements.

The European Works Council

Given the changes in the Group's scope of consolidation and the many European labor issues on the table, the European Works Council was again the scene of intense discussions in 2018, with four plenary meetings, as well as meetings between the Human Resources Department and the EWC Board, held during the year.

A third amendment to the European Works Council agreement was signed on April 10, 2018, primarily to update certain provisions to address changes in the Council since 2013 and the needs expressed by members.

Lastly, at year-end, Council members, including representatives from the former Zodiac Aerospace operations, were elected or re-elected for new four-year terms. There are now 21 regular members representing Belgium, the Czech Republic, Finland, France, Germany, the Netherlands, Spain, Poland and the United Kingdom.

European collective agreements

Two agreements, one relating to school-to-work transition programs signed in 2013 and the other to developing skills and securing career paths signed in 2015, provide a common framework for all of the Group's employees in Europe. Deployed through local action plans in each host country,

the two agreements are helping to drive Safran's performance by underpinning its ability to grow and renew itself, in particular by bringing young people into the workforce and encouraging mobility as an opportunity for skills development. Every year, the agreements are reviewed by the monitoring review board to measure the progress made towards their objectives and to identify priorities for the coming year.

In 2017, the agreement on helping young people transition from school to work was enhanced and renewed for another five years.

France

Group-wide

As a shared foundation for labor policy, collective agreements attest to the Group's commitment to its employees and attest in particular to the success of the entire organization.

In all, nearly 15 Group-wide agreements are now in effect, on such issues as employee savings plans, death and disability insurance, intergenerational relations, disabilities, training, human resources planning and development, the prevention of workplace stress and the development of social dialogue.

The social dialogue development agreement was enhanced by an amendment to revise the conditions for exercising the right to organize in the Group and to extend application of the agreement to the former Zodiac Aerospace units.

At the Group level, the commitment to social dialogue was pursued in 2018 through regular meetings with union coordinators to discuss issues such as the annual pay round, the agreement monitoring review boards and the issuance of guidelines for setting up social and economic councils in the Group.

Lastly, the Group Works Council frequently holds ordinary and extraordinary meetings. It acts as a forum for information, discussion and dialogue between employee representatives and senior management, with a special focus on sharing viewpoints on major strategic objectives and labor relations issues.

At year-end, Council members, including representatives from Zodiac Aerospace, were elected or re-elected for new four-year terms.

In the subsidiaries

The active Group-level social dialogue process also leaves space for each subsidiary to pursue its own robust negotiations, in line with its economic and business environment. In 2018, in addition to wage agreements, the main issues negotiated concerned optional employee profit-sharing, gender equality in the workplace and the creation of the social and economic committee.

5.2.3 Giving employees a stake in the Group's performance

Information in this section does not include Zodiac Aerospace operations.

Compensation trends

The Group oversees salary progression for each country by factoring in local economic data and the companies' performance. In 2018, for example, salaries rose by around 3% in the United States, between 3% and 6% in Morocco (depending on the business), 6% in Mexico, between 6% and 7% in China and between 2% and 2.5% in the United Kingdom.

In 2018, average annual compensation increased by between 2.15% and 2.35% of payroll, depending on the company. The 2018 pay round included across-the-board and individual raises for below management-grade employees, and individual raises for managers. In France, the average annual pay increase for employees present in the Group from December 31, 2017 to December 31, 2018 was 2.7 %.

In addition, Group companies in France set aside a special budget to be used primarily to narrow the gender wage gap.

Compensation based on Group performance

Statutory employee profit sharing

In France, statutory profit sharing is paid under the terms of the Group agreement signed on June 30, 2005, whereby every employee, regardless of his or her company's earnings for the year, is paid an identical percentage of his or her annual salary out of the aggregate non-discretionary profit-sharing reserves set aside by Group companies in France

The statutory employee profit sharing paid by companies included in the scope of consolidation (as defined in section 3.1, Note 33) for the past three years and recorded in the consolidated financial statements (see section 3.1, Note 5) were as follows:

(in € millions)	Statutory profit sharing
2016	142
2017	144
2018	**161.1**

NB: The salary used in the calculation is at least 1.2 times the annual French social security ceiling (i.e., €47,678.40 for a full-time employee working for the full year in 2018).

Optional employee profit sharing

All French entities have optional employee profit-sharing plans based primarily on economic performance, but also on other operating performance indicators.

The optional employee profit sharing paid by companies included in the scope of consolidation (as defined in section 3.1, Note 33) for the past three years and recorded in the consolidated financial statements (see section 3.1, Note 5) were as follows:

(in € millions)	Optional employee profit-sharing
2016	165
2017	161
2018	**172**

NB: The amount of optional employee profit sharing may total up to 7% of payroll, depending on the agreement and the company's performance.

Employee savings plans

Group employees in France benefit from a comprehensive employee savings plan system that allows them to save money with the help of their company:

> Safran's Group employee savings plan (PEG), introduced by a Group agreement in 2006, offers a medium-term savings solution via a range of five corporate mutual funds with different management strategies. In particular, it motivates employees to become Group shareholders by contributing matching funds of up to €2,000 per year per employee for amounts invested in the corporate mutual fund holding Safran shares;

> the Safran collective retirement savings plan (PERCO), set up by a Group agreement signed in 2012, lets employees save for retirement by investing in six corporate mutual funds with different management strategies. In 2018, a matching employer contribution of up to €800 per employee per year was offered, while a bonus contribution of up to €1,700 is planned for employees in their last two years of service ahead of retirement.

When the Group was created, employee share ownership was broadened to the global Safran community with a Group-wide agreement signed in 2006 that set up an international Group employee savings plan (PEGI), which enables employees of foreign subsidiaries to invest in Safran shares with financial support from their company.

More than 17,500 employees in Group companies in Belgium, Canada, Germany, Mexico, Morocco, the United Kingdom and the United States had access to this plan in 2018. Including employees in France, 93% of the consolidated workforce can invest in a Group employee savings plan.

The total amount of employer contributions paid into the PERCO, PEG and PEGI savings plans for all Group employees over the past three years was as follows.

(in € millions)	Matching employer contributions
2016	60
2017	65
2018	**66**

Total paid into employee savings plans

Total funds paid out over the past three years in the form of optional employee profit sharing, statutory profit sharing and related employer contributions (including the corporate social contribution) show a steady increase every year.

(in € millions)	Total employee savings payments
2016	404
2017	433
2018	**417**(1)

(1) Excluding amounts paid directly by ArianeGroup.

Employee share ownership

Current and former Safran employees owned an unusually high 6.87% of their company's outstanding shares at year-end 2018.

Employee insurance and retirement plans

Life and healthcare benefits plan

Outside France, Safran is preparing single life and healthcare benefits plans for each company, country-by-country. Such standardized plans, which have already been rolled out in Canada, the United States and Morocco, are set to continue apace. In addition, an audit was performed in the international subsidiaries in 2018, to ensure that each entity provided sufficient healthcare and other insurance coverage for Group employees.

In France, since 2009, Group employees have been enrolled in a single mandatory life and healthcare benefits plan covering short and long-term disability, death and supplementary healthcare costs, with generous benefits for employees and their dependents. Including dependents, more than 90,000 people were covered by the plan in 2018. Since 2016, it has been in compliance with the "responsible contracts" decree of November 18, 2014, designed to bring healthcare costs under control, and has been more than 50% funded by Safran.

Since 2015, all Group employees have been enrolled in a single insurance plan covering accidental death and disability on the job, which is fully funded by Safran.

Lastly, since 1 November 2018, Group employees and retirees who are caring for a frail or dependent loved one can access a range of caregiver support services by phone or online.

Retirement plans

Since January 1, 2018, all of Safran's engineers and managers have been covered by a harmonized supplementary defined contribution pension plan, fully financed by Safran (1.5% up to the social security ceiling and 4% between one and eight times the ceiling).

This standard plan comes in addition to two other fully employer-funded, supplementary defined contribution pension plans in place since January 1, 2017, one mandatory and the other optional, whose eligibility is linked to compensation:

- the first, which is open to engineers and managers whose compensation exceeds four times the annual social security ceiling, is designed to supplement the defined contribution plan covering all engineers and managers, with the goal of reaching an overall contribution rate of 8%;
- the second, which is open to senior executives whose compensation exceeds seven times the annual social security ceiling, is funded by contributions that vary by the amount of compensation.

All Safran employees can also invest in the PERCO collective retirement savings plan, as described above in the "employee savings plans" section.

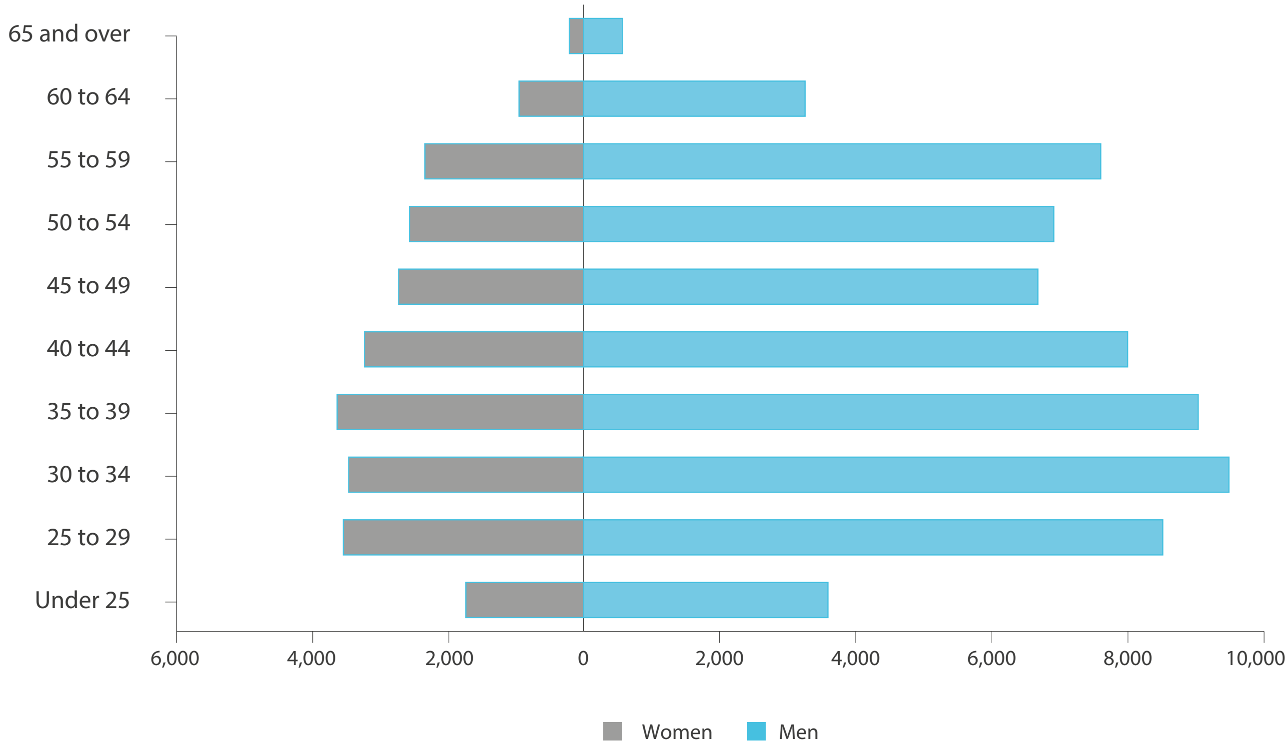
Employee information on total compensation and benefits

In 2018, each employee in France was sent a review statement of all the compensation he or she had received in respect of 2017, as well as a personal retirement plan statement, presenting the cumulative benefits earned under the compulsory government retirement plans and the special pension plans set up by Safran (supplementary pension plan, ARRCO pension fund and PERCO collective retirement savings plan). Employees are also provided with brochures and interactive documents on the corporate intranet that present the Group's insurance and social protection benefits, as well as the PEG, PERCO and PEGI employee savings plans in France and abroad.

5.2.4 Promoting diversity and equal opportunity

Designed to ensure that no talent goes undeveloped, Safran's diversity and, in particular, gender balance programs are informed by its commitment to support equal opportunity and professional equality between the men and women employed by the Group. Further to these measures, the percentage of women hired in recent years has considerably increased and now stands at between 30% and 36% of new hires. This principle was reaffirmed in the global CSR framework agreement, which insists on the need to achieve gender equality in the Safran workplace.

Women account for 46.7% of Board members (see section 6.2.4.2) The Executive Committee comprises the Chief Executive Officer, other Safran executives and the heads of the Group's main operating companies. This membership structure provides for a balanced representation across the Group's businesses and cross-business support functions. Women account for 6% of the Executive Committee, in light of certain particularities related to the Group's history and the low proportion of women attending the engineering schools that it targets. Overall, 28.5% of the consolidated workforce are women, as seen in the following chart;



In December 2017, Safran was awarded the Gender Equality European & International Standards (GEEIS) label for its operations in Europe, following an audit of Safran SA and three of its operating companies, Safran Aircraft Engines, Safran

Electrical & Power and Safran Transmission Systems. The label will support deployment of the Group's gender equality policies. These policies have also been strengthened by an international working group and a steering committee made up of senior managers and corporate executives.

In addition, 250 Safran employees are involved in the French women's mentoring association *Elles Bougent* (Women on the Move), which promotes careers in science for female high school and university students. Since 2017, the in-house mentoring network was extended to Germany, Poland and the United Kingdom, when *Elles Bougent* mentors participated in local events.

Integrating and maintaining employees with disabilities in the workforce

Disability policies focus on four key objectives: retaining employees with disabilities, hiring the disabled, working with sheltered workshops and disabled-staffed companies, and deploying the AFNOR "disability-friendly workplace" standard. Under the preceding agreement, the percentage of disabled people in the workforce rose to 5% in 2017 from nearly 4.6% in 2015. This commitment will be pursued over the five-year period of the third Group agreement on disability. As of end-2018, disabled people accounted for 5.1% of the workforce excluding Zodiac Aerospace operations.

Social inclusion policy

On September 19, 2017, Safran renewed its European framework agreement to support young people in transitioning from school to work, reaffirming its commitment that students in Europe would account for 5% of the apprentices and 5% of the interns taken on each year. In all, young interns and work-study trainees made up 12% of the workforce in 2018.

Every year, this commitment enables a large number of employees to mentor a young trainee in their company. In particular, the agreement maintains the programs in place to hire young people who have fallen out of the job market, in line with Safran's ongoing commitments as part of the PAQTE plan to support jobs in disadvantaged neighborhoods.

5.2.5 Protecting personal data and privacy

In 2010, the Group implemented the European Commission's binding corporate rules governing the transfer of personal data among subsidiaries outside the European Union for human resources or information systems applications. The related risks concern data confidentiality (see section 4.3.2.1). Safran has pledged to protect the personal data of its employees and stakeholders, in particular by setting up an internal organization based on Data Protection Officers appointed at Group-level and in each of the tier-one operating subsidiaries. All of the Officers have been officially registered with the European supervisory authority.

When the European Union's General Data Protection Regulation (EU) 2016/679 came into force in 2018, Safran revised its internal procedures to bring them into compliance, particularly as concerns the management of data subject rights, and strengthened its data protection policies based on the GDPR's five key principles: purpose, proportionality of data, retention periods, security and confidentiality, and rights of data subjects. At the same time, the Group:

- has created an e-learning module available for all employees;
- conducts personalized sensitivity training for the different job families;
- has included personal data protection milestones in project procedures to embed privacy by design and privacy by default features into every data processing project;
- has created an application to analyze personal data processing projects and record processing activity.

Several departments are now working together to ensure that Safran and its subsidiaries comply with rules requiring them to protect personal data and privacy in all their operations. Respect for this fundamental right is built on the foundation of everyone's commitment.

5.2.6 Striving for excellence in health and safety

Every day, Safran strives to achieve excellence in its workplace health and safety practices. Deployment of the workplace health and safety policies is based on the organization and guidelines described in section 5.3.5 "HSE Guidelines and engaged managers to support Safran's health, safety and environmental policies". Health, safety and environmental risks have been identified (see section 4.3.2.1).

The HSE Guidelines support the consistent deployment across the Group of standards addressing the following issues: work at height, lockout-tagout, confined spaces, explosive atmospheres, off-site work, chemical risks, physical risks, health/work conditions, asbestos, legionella prevention, ergonomics and road risks.

Today, these guidelines are being applied in every Group unit.

Safety

Primary outcomes: accident analysis and prevention

In 2008, Safran began setting targets to substantially improve its safety performance. The goal of reducing the lost-time accident frequency rate to less than 2.5 was met in 2016, and by 2018, it had declined to 2.2 excluding the Zodiac Aerospace units.

Since 2017, another safety performance indicator, based on the number of accidents reported, with or without lost time or first aid, has been tracked at Group level.

Improvement targets have been adapted to each company in line with its operations and past performance. Delivering these outcomes is one of the criteria in determining bonuses for executives and senior managers. Each manager's performance review takes into account an HSE target, especially in the operations with greater exposure to workplace safety issues, such as production, testing, laboratories, customer support on remote sites and business travel.

Safran results (excluding Zodiac Aerospace)	2017	2018
Number of reported accidents	2,160	1,637
Reported accident frequency index	36.7	27.7
Number of lost-time accidents[(1)]	250	225
Lost-time accident frequency index	4.3	3.8
Total days lost to occupational accidents	6,987	7,802
Severity index[(2)]	27.9	34.7
Fatal occupational accidents	0	1

Zodiac Aerospace results[(3)]	2017	2018
Number of reported accidents	2,340	2,270
Reported accident frequency index[(1)]	66	64.1
Fatal occupational accidents	0	0
Number of lost-time accidents	293	295
Lost-time accident frequency index	8.3	8.3

(1) Reported accident frequency index: number of incidents resulting in more than one day's lost time per thousand employees.
(2) Severity index: the total number of working days lost to occupational accidents reported divided by the number of lost-time accidents.
(3) Thanks to an internal lost-time accident severity scale deployed several years ago in the Zodiac Aerospace entities, the Group can continue to track the improvement in accident risk management on a unit by unit basis. Above a certain degree of severity, local unit management sends corporate management an accident report and a problem-solving analysis explaining the circumstances of the accident, the root causes and the actions taken in the short and medium term.

Preventing road risks

Safran has taken an active stand in attenuating road risks, issuing a road risk prevention charter in 2016.

In March 2018, it joined France's national appeal for safer roads and signed the seven road safety commitments that the Ministry of the Interior recommended for business travel. The related practices are now being instilled across the Group through a variety of awareness-raising, communication and training initiatives. A road risk standard has also been added to the HSE Guidelines described in section 5.3.5. In 2018, 75% of the Group's facilities (excluding Zodiac Aerospace) self-assessed their compliance with the new standard. The Zodiac Aerospace facilities will perform similar self-assessments in 2019 and deploy action plans as needed.

Occupational health

Occupational illnesses

The number of occupational illnesses is locally tracked by each unit in accordance with the country's national legislation.

None of the reported cases of occupational illness resulted in a permanent partial disability in 2018.

Because the Group's operations require precise manual tasks, the main occupational illnesses stem from certain working postures and movements, primarily involving the upper limbs. These tasks are reviewed at least once a year during the workstation risk assessment exercise, and action plans are implemented if necessary.

The following table analyzes the occupational illnesses reported in the French units in 2017 and 2018.

Results	2017	2018
Number of occupational illnesses (Safran France)	84	77
Number of occupational illnesses (Zodiac Aerospace France)	16	10

Of the reported total, 71% of cases at Safran and 90% at Zodiac Aerospace were attributable to musculoskeletal disorders, in line with the nationwide statistics for France. Cases of occupational illness are also tracked in the rest of the global organization.

Psychosocial risks

Since 2006, Safran has diligently worked to prevent psychosocial risks and to promote quality of worklife by deploying a risk assessment procedure based on health and employee relations indicators that can be used for diagnostic reviews followed by action plans.

The Group signed an agreement on preventing workplace stress with all of the representative trade unions in France on January 19, 2011, followed by a second agreement to prevent harassment and violence in the workplace in 2013.

These agreements call for:

- deploying the workplace stress prevention program in every Group facility;
- expanding and enhancing the program with dedicated initiatives;
- building awareness and/or training managers and everyone involved in the stress prevention process;
- detecting and caring for employees suffering from stress.

The agreements also call for existing measures to protect employee health to be extended and for a change enablement program to be deployed to assist employees in responding to changes in the organization. Since 2015, agreement outcomes are regularly reviewed with employee representatives during meetings of the monitoring review board, which enables participants to track progress, share best practices and recommend changes in risk evaluation methods.

As a result of the French agreement, programs and tools have been rolled out in every facility through the health/working conditions standard, which has been audited.

The standard integrates issues addressed by the psychosocial risk program, which comprises initiatives to prevent stress on three levels: primary, secondary and tertiary.

Primary prevention:

- consists of a psychosocial risk assessment program described in the agreements;
- is supported by standards set in the Safran HSE Guidelines.

Secondary prevention is based on regularly providing employees with information and publications on psychosocial risks, with an emphasis on raising awareness of these risks, preventing workplace stress, preventing harassment and violence in the workplace, and avoiding addiction and other at-risk behavior. A selection of training courses is also available in the Safran University catalog.

Tertiary prevention is provided by company health services or trained service providers. External support is readily available whenever needed.

The EVREST occupational health observatory

Wherever possible, company health services have introduced the EVREST occupational health research program. Widely deployed in French-speaking European countries and Morocco, EVREST compiles employee health data over time, which can be used to identify areas for improvement. The data are also used to prepare regularly published indicators that track quality of worklife (workload, recognition and mental health).

International deployment of the EVREST questionnaire got underway in 2018 and will be pursued in 2019, including in the Zodiac Aerospace units.

Improving working conditions: ergonomics

Safran's Ergonomics program, which is central to human-system integration, is playing a key role in preventing workplace health and safety risks, while improving the performance of the Group's production systems.

International roll-out of the Group ergonomics standard is continuing apace, helping to attenuate the risks arising from postures, handling and repetitiveness and reducing the cases of work-related musculoskeletal disorders.

In addition, designing ergonomics into the Group's future production facilities is one of the core issues in the Factory of the Future, in order to improve working conditions and performance. This can be seen in the 150 Factory of the Future projects currently underway, which in 2018 included the creation of the SIROCO cobotic platform that designs and process engineers cobotic systems using, for example, virtual reality technology to train operators.

To meet these twin objectives of preventing health risks and improving performance, 605 employees were trained in ergonomics in 2018. Overall, the Group now has about twenty ergonomists dedicated full-time to analyzing and improving workstations, supported by an international network of some 180 ergonomics correspondents and more than 600 ergonomics-trained designers.

5.2.7 NFI indicators

Group	2016	2017	2018
Workforce			
% of male employees	73.60%	74.30%	71.50%
% of female employees	26.40%	25.70%	28.50%
% of engineers or managers	40.30%	39.60%	36.10%
% of female engineers and managers	22.10%	23.30%	24.30%
Hirings and separations			
Total new hires – world	7,054	6,673	13,050
% of male new hires – world	64%	70.20%	63.90%
% of female new hires – world	36%	29.80%	36.10%
Training			
Average number of hours per employee	24	25	27

5.2.8 Summary indicators (Grenelle 2 Act)

Group	2016	2017	2018
Total workforce	**66,490**	**58,324**	**92,639**
Europe	45,527	43,320	55,475
> of which France	38,157	36,910	44,492
Africa and the Middle East	3,208	2,664	6,701
Americas	13,813	9,890	25,601
Asia and Oceania	3,942	2,450	4,862
% of full-time employees in France	94%	93%	93%
Hirings and separations			
Number of separations as of Dec. 31	7,238	6,086	12,022
Separations replacement rate at Dec. 31	0.97	1.1	1.1
School-to-work program participants – Europe			
Number of interns – Europe	2,607	2,367	2,914
Number of work-study participants – Europe	2,603	2,524	3,210
Number of student researchers - Europe	180	155	234(1)
Diversity and equal opportunity – France(1)			
Number of disabled employees on payroll – France	1,781	1,861	1,892
Percentage of disabled employees in France	4.7%	5%	5.1%
Absenteeism (worldwide)(1)			
Absenteeism rate – world	N/A	N/A	2.61%
Mobility – France			
Total	1,352	1,384	1,229(1)
Transfers/number of jobs filled (excluding young graduate positions)	44%	43%	41%

(1) Excluding Zodiac Aerospace.

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5.3 ENVIRONMENTAL INFORMATION

Safran is deploying a broad range of environmental protection policies both in its production and service operations and in its product design and engineering processes. Health, safety and environmental risks have been identified (see section 4.3.2.1).

Deployment of the environmental policies is based on the organization and guidelines described in section 5.3.5 "HSE Guidelines and engaged managers to support Safran's health, safety and environmental policies".

The guidelines underpin the consistent deployment across the Group of standards addressing the following issues: soil environment and legacy contamination, environmental aspects, crisis management, fire protection and prevention, safety management system (SMS), eco-design and energy.

Developing innovative products and processes with smaller environmental footprints – Eco-design

In response to environmental challenges such as climate change, dwindling resources and the use of chemicals, Safran is committed to promoting sustainable development in the aerospace and defense industries. As an example, a significant portion of its R&D budget is allocated to reducing the environmental impact of air transport. In partnership with customers, Safran is developing more environmentally friendly products by actively participating in large-scale French and European programs such as the Clean Sky research program financed by the European Commission and manufacturers, the Single European Sky ATM Research (SESAR) joint undertaking, and the Civil Aviation Research Council (CORAC), set up under France's Grenelle II environmental legislation to coordinate research programs in France. Note that worldwide air traffic accounts for 2% of global greenhouse gas emissions.

Safran also continued its involvement in a variety of strategic organizations, such as:

- the Air Transport Action Group (ATAG);
- the Advisory Council for Aeronautics Research in Europe (ACARE);
- the International Aerospace Environmental Group (IAEG);
- the Aerospace and Defence Industries Association of Europe (ASD);
- GIFAS.

Products – processes – eco-design

Supported by these outside collaborative programs, Safran has deployed auditable and audited eco-design standards that are reducing the environmental footprint of its products during the main stages in their life cycles. In this way, Safran is driving continuous improvement in its ability to:

- limit impacts on the environment and human health;
- stimulate technological innovation;
- proactively address changing legislation and customer/stakeholder expectations;
- plan for obsolescence;
- foster synergies within the Group;
- stand out from the competition;
- strengthen the Group's brand image.

Out of all its environmental impacts, Safran is focusing on five areas of meaningful improvement for its businesses:

- chemical risks;
- the depletion of non-renewable natural resources;
- energy consumption;
- noise;
- airborne emissions.

To ensure compliance with its eco-design standards, Safran has set up a dedicated organization in each of its tier-one companies, with the requisite skills, training, design rules and control processes. In addition to applying ISO standards, Safran is systematically designing environmental stewardship into its new programs and technological bricks.

One innovative achievement has been the LEAP engine manufactured by CFM International, the Safran/GE joint venture, which entered commercial service in mid-2016. It reduces CO_2 emissions by 15% compared with the previous generation of equivalent engines.

In addition to enhanced performance, the new Arrano and Aneto helicopter engines have a smaller environmental footprint, delivering 10% to 15% better fuel economy, generating less noise (ACARE 2020 compliant) and using more environmentally friendly materials and manufacturing processes.

5.3.1 Limiting the use of hazardous substances

As a major cross-functional issue, the management of hazardous chemicals risk is addressed by a variety of internal stakeholders in the Group. The objectives vary, but focus mainly on mitigating risks when materials and processes are qualified and when chemicals are used in the production facilities.

In designing new programs or technological bricks, guidelines for chemicals selection and use are defined through an internal process. This has resulted in a list of substances, materials and processes that can be used, with or without restrictions, and others that are banned. In addition, before being approved for use in a production facility, each new chemical is analyzed in depth by a panel of stakeholders.

In the case of existing programs, a dedicated organization researches and selects replacements for the substances of highest concern. Overseen by a REACH project team in the Industrial Management Department, the Materials and Processes teams provide technical support for this research and qualify substitutes for the most dangerous substances. Safran's organization also involves the engineering, production and quality teams, who help to deploy the substitutes in compliance with flight safety rules. The purchasing department participates in the search for partners capable of aligning their working methods across the value chain.

Lastly, the use of chemicals in the manufacturing facilities is a daily concern for the production teams and the health, safety and environmental risk prevention officers. Although programs deployed in the product cycle upstream can substantially attenuate the hazards at the workstation, residual risks remain and must be managed. In addition to a dedicated auditable and annually audited standard applied in the every facility and a network of more than 120 highly skilled, specially trained chemical risk correspondents on every major site, the HSE and Sustainable Development Department monitors technological and regulatory developments, carries out scientific and technical studies and issues recommendations for managing chemical risks.

5.3.2 Combating climate change

Safran is committed to continuously improving its environmental stewardship. In combating climate change, this means gaining a better understanding of the carbon footprint resulting from its businesses (see below) and developing innovative products and processes with a lower environmental impact (see section 5.3.2). These measures applied to the different segments of the Group's business (processes and product design) are in keeping with the principles of its low-carbon strategy.

Since 2008, Safran has measured its carbon footprint using a method and an application based on standards developed by the Sustainable Development Department, which records all of the greenhouse gas emissions from its operations worldwide.

To enhance the carbon footprint measurement system and step up the deployment of the Group's responses to the challenge of climate change, the reporting method was revamped in 2018. In accordance with prevailing legislation and standards, Safran uses the internationally recognized GHG Protocol, while complying with ISO 14064-1-2016 principles and standards. Reported emissions data cover Scopes 1 and 2 as well as certain material Scope 3 sources. This scope of reporting makes it possible to:

- quantify emissions by category (energy, freight, employee travel, waste, production processes, etc.);
- consolidate emissions by site, company and the Group as a whole, enabling Safran to track performance from one year to the next;
- deploy initiatives to reduce the carbon footprint with the help of performance indicators.

To strengthen the Group's environmental capabilities, a dedicated organization was set up in 2018. Each company now has a carbon officer tasked with identifying emission sources and solutions for reducing energy use, water use and greenhouse gas emissions. For this purpose, Safran is finalizing its low-carbon strategy and associated objectives at site level.

5.3.3 Main outcomes

The environmental indicators presented in the following tables measure the environmental impact of Safran's activities as regards energy consumption, carbon emissions, water consumption and waste generation. All of these indicators evolved broadly in line with the growth in production volumes between 2017 and 2018.

Scope 1 and Scope 2 greenhouse gas emissions

In accordance with its aim of fighting global warming, Safran measures the carbon footprint of its operations and its energy consumption in Scope 1 (direct GHG emissions from sources owned or controlled by the Group) and Scope 2 (indirect GHG emissions from the consumption of purchased energy). The resulting data reflect the increase in output, which has a noticeable impact on the consumption of electricity and gas.

NFI INDICATORS

	Scope 1[2] *(t CO_2-eq/employee)*	Scope 2[2] *(t CO_2-eq/employee)*
Safran 2016 (Worldwide)[1]	3.1	4.1
Safran 2017 (Worldwide)[1]	3.3	4.9
Safran 2018 (Worldwide)[2]	3.3	4.55
Zodiac Aerospace 2018	0.85	2.47

(1) Excluding the Querétaro (Mexico) plants for Safran Aircraft Engines and Safran Landing Systems.
(2) Excluding the Bellevue, Homberg, Sell Burg, Seminole, Verulam, Wedel and Wessling plants.

Scope 3 greenhouse gas emissions

In 2018, the Group began using a new method of reporting three categories of its Scope 3 greenhouse gas emissions: purchased goods and services, business travel and employee commuting. These three categories have been identified as material sources of Scope 3 GHG emissions.

Safran believes that indirect emissions from the use of its sold products are accurately reported by their users in their own Scope 1 measurements.

Excluding Zodiac Aerospace, Safran's greenhouse gas emissions from business air travel amounted to 52,295 tonnes of CO_2 equivalent in 2018.

Production plant energy consumption

Electricity is the prime energy source, representing more than half of total energy consumption, followed by natural gas. Electricity in France is a very low-carbon energy, with around 20% coming from renewable sources.

NFI INDICATORS

Energy	2018
> Electricity *(in kWh/employee)*	
Safran (Worldwide)(1)	17,074.66
Zodiac Aerospace 2018(2)	6,262.11
> Natural gas *(in kWh/employee)*	
Safran (Worldwide)(1)	10,962.43
Zodiac Aerospace 2018(2)	3,253.03
> Fuel oil *(in liters/employee)*	
Safran (Worldwide)	10.70
Zodiac Aerospace 2018(2)	8.14
> Fuel (aviation fuel) *(in liters/employee)*	
Safran (Worldwide)(1)	281.27
Zodiac Aerospace 2018(2)	0

(1) Excluding the Querétaro (Mexico) plants for Safran Aircraft Engines and Safran Landing Systems.
(2) Excluding the Bellevue, Homberg, Sell Burg, Seminole, Verulam, Wedel and Wessling plants.

To optimize its energy use, Safran has developed an "Energy" standard inspired mainly by ISO 50001. The Group spent 2018 getting to grips with this new energy management system before it comes fully into effect in 2019.

This initiative will also help Safran mitigate the risk identified for its production processes of rising energy costs, especially as regards electricity and gas.

5.3.4 Additional information

Environment: accident analysis and prevention

In 2018, there were no environmental accidents with an impact on health or the environment in the Group (including Zodiac Aerospace).

Fire protection and prevention

To maintain an up-to-date fire risk map, Safran works with an international fire protection and prevention firm under a regularly renewed, multi-year contract.

For all of the facilities mapped using that methodology, the protection against fire risks was rated "Good", with a score of 6.8.

A fire protection and prevention standard was added to the Safran HSE Guidelines in 2016. In 2018, Zodiac Aerospace was included in the fire risk mapping exercise.

Waste management

Waste from the Group's offices and manufacturing facilities is recovered and reused. The table below shows the percentage of waste recovered and reused across the Group.

NFI INDICATORS

Waste	2016	2017	2018
> Total waste generated *(in tonnes/employee)*			
Safran (Worldwide)(1)	0.96	1.03(3)	1.04
Zodiac Aerospace 2018(2)	N/A		0.64
> Total waste recovered and reused *(in tonnes/employee)*			
Safran (Worldwide)(1)	0.63	0.64(3)	0.81
Zodiac Aerospace 2018(2)	N/A		0.45
> % of waste recovered and reused			
Safran (Worldwide)(1)	N/A	62(3)	78
Zodiac Aerospace(2)	N/A		70

(1) Excluding the Querétaro (Mexico) plants for Safran Aircraft Engines and Safran Landing Systems.
(2) Excluding the Bellevue, Carson, Columbia, Homberg, Sell Burg, Seminole, Verulam, Wedel and Wessling plants.
(3) Excluding Zodiac Aerospace.

Condition of soil and groundwater

The Group has commissioned independent experts to perform studies and analyses to assess any potential risk of soil and groundwater contamination at its industrial facilities. Preventive or remediation measures have been implemented wherever necessary.

The Sustainable Development Department supervises environmental conditions for each facility's site, buildings, activities, soil and groundwater and participates in the due diligence process for asset disposals and acquisitions.

Seveso facilities

Since July 1, 2016, the Group has operated two Safran Landing Systems facilities, in Molsheim and Bidos, that are classified as upper tier Seveso sites. Both facilities comply with prevailing legislation, with safety management systems, an internal operations plan and technological risk prevention plans in place.

Some units operate facilities that are subject to permits, reporting or registration depending on national legislation. All of the facilities requiring an operating permit have been reported by the Group to the proper authorities.

In line with French legislation, in late 2015 financial warranties were offered to local authorities to ensure that the facilities classified as Seveso or ICPE sites are secured and decontaminated in the event of decommissioning. The facilities concerned are subject to additional local regulations relating to the financial warranties.

Adapting to climate change and preventing risks of natural hazards

Given the nature and location of its business operations, the Group is not materially exposed to the effects of climate change and has not deployed a specific strategy for adapting to them. However, climate change is addressed in one of the standards in the HSE Guidelines (see section 5.3.5).

In addition, the prevention of natural hazards is managed by the environment/permits/community standard. Facilities that are rated Maturity Level 2 must assess the impact of these hazards on their operations (see section 5.3.2).

Biodiversity

The Group is committed to ensuring that all of its projects comply with prevailing environmental legislation. In applying for operating permits, studies are performed as needed to determine the impact of its activities on local biodiversity.

Land use

Although it seeks to optimize their use, Safran is not directly involved in extracting natural resources.

Moreover, the Group's development takes into account the issue of land take as part of its efforts to protect the natural environment and biodiversity.

Natural resources: water consumption

Process effluent that could represent a risk is discharged into surface water after treatment in constantly monitored facilities or treated off-site by a service provider. Several French facilities are subject to national legislation and additional local regulations concerning the discharge of hazardous substances into water.

NFI INDICATORS

Water *(cu.m/employee)*	2016	2017	2018
> Total water consumption			
Safran (Worldwide)[1]	45	50.0	49.9
Zodiac Aerospace 2018	N/A		19.25[2]

(1) Excluding the Sendayan (Malaysia) and Querétaro (Mexico) plants for Safran Landing Systems and the Querétaro plant for Safran Aircraft Engines.

(2) Excluding the Bellevue, Bergish Gladbach, Sell Burg, Seminole, Verulam, Wedel and Wessling plants.

5.3.5 HSE Guidelines and engaged managers to support Safran's health, safety and environmental policies

The Group-wide deployment of the health and safety commitment (see section 5.2.6) and the environmental protection process (see section 5.3.1) is being driven by holistic health, safety and environmental policies and guidelines that enable Safran to effectively manage risks and continuously improve HSE operating performance.

Health, safety and environmental policies

Every day, Safran strives to achieve excellence in its workplace health, safety and environmental practices.

It is therefore committed to nurturing a culture of prevention in managing risks in these areas, for the greater benefit of its employees, partners, suppliers and customers, as well as all of the host communities impacted by its operations. It also engages in sincere, open dialogue with all its stakeholders.

Organization and deployment

The Group's HSE and Sustainable Development Department is responsible for deploying HSE policies and instilling prevention fundamentals in every aspect of the business, in line with the Group's strategic CSR policy and global framework agreement. In deploying these policies, it relies on company HSE specialists, site prevention officers, occupational health services and a network of decentralized experts, while on the front lines, division coordinators work to develop local synergies.

HSE Guidelines and operating performance

- the guidelines include the HSE manual covering ISO 14001 and OHSAS 18001 standards and Safran-specific HSE standards. A maturity matrix is used to assess the performance (maturity level) of each standard and to set measurable improvement targets;
- The Safran HSE Guidelines have been validated by a third party, which confirmed their equivalence to the ISO 14001 and OHSAS 18001 standards.

Standards in the Guidelines clearly state, in real-world terms, the HSE practices applicable to each aspect. They are divided into four categories, excluding prerequisites:

- three prerequisite standards: regulatory management, documentation management, environment/permits;
- five leadership standards: commitment and leadership, risk and impact analysis, planned general inspections, surveys and studies, change management;
- three engagement standards applicable to all stakeholders: employee engagement, training and awareness, on-site service providers;
- sixteen best practice standards concerning health and safety at work (see section 5.2.6) and the environment (see section 5.3);
- two standards dedicated to suppliers and eco-design.

Certification audits

Every year, compliance with the Guideline standards is audited to measure and strengthen operating performance, as indicated by the level of maturity demonstrated by the facilities.

Internal HSE auditors, whose qualifications are verified by the HSE and Sustainable Development Department and a third party, conduct reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year.

Audit reports are reviewed by the Group Certification Committee chaired by the head of sustainable development with the participation of a third-party representative.

The certificate delivered by the Committee indicates the standards (ISO 14001 and/or OHSAS 18001) met by the facility and the overall maturity level demonstrated for each of the Safran HSE standards.

Based on maturity, the certification may be bronze (level 1 compliance for all standards), silver (level 2 compliance for all standards) or gold (level 3 compliance for all standards).

Applicable on every site around the world, the Safran HSE Guidelines enable the deployment of shared HSE objectives to support all of the facilities in preventing risks and strengthening their operating management practices, in line with the global CSR framework agreement signed in 2017.

Facility HSE operating performance

In 2018, Guideline compliance audits were performed at more than 100 facilities (excluding Zodiac Aerospace units),

with the result that:

- 30 facilities were awarded gold certification;
- 50 facilities were awarded silver certification;
- 22 facilities were awarded bronze certification.

Safran's objective is for every facility, including Zodiac Aerospace units, to earn gold certification by 2025.

In addition, audits to verify compliance with the eco-design standard were performed in the tier-one companies, resulting in the award of four bronze certificates and three silver certificates.

Managerial engagement in the HSE process

The engagement of managers and executives is one of the building blocks of Safran's HSE commitment.

Each company chairman is personally accountable for communicating the Group's HSE policy and is involved in its implementation. Each manager at every level initiates prevention programs aligned with his or her business and capable of meeting the improvement objectives, while ensuring the active engagement of every team member.

As part of this process, a large number of general and/or technical training courses on a full range of HSE topics are offered to every category of employee. Over 100 Group-wide HSE training programs were available through Safran University in 2018.

Moreover, since 2014, nearly 3,000 senior executives and their team managers have been trained in the HSE continuous improvement process.

5.4 CSR REPORTING METHODOLOGY AND INDEPENDENT THIRD PARTY REPORT

5.4.1 Methodology note on labor and HSE indicators

The labor and HSE indicators in this chapter have been defined by experts from the Group's support functions and businesses. As part of its continuous improvement process, Safran is gradually introducing a set of labor and HSE indicators aligned with legal obligations that have proven effective in tracking changes in the Group and its operations.

The indicators and reporting period presented herein cover the 2018 calendar year, from January 1 to December 31, unless otherwise indicated in the text or below.

Safran has elected to have the entire report reviewed by one of its Statutory Auditors, Mazars, in accordance with prevailing legislation.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the Statutory Auditors' report in section 5.4.2.

5.4.1.1 Reporting scope

Labor indicators

The scope of labor reporting covers Safran and all of its more than 50% directly or indirectly controlled subsidiaries, excluding joint ventures, unless otherwise indicated below.

The labor indicators at December 31, 2018 cover all of the subsidiaries in the scope of reporting, regardless of their business activities.

Indicators on mobility, employees with disabilities, absenteeism and the percentage of full-time employees pertain only to France. Indicators on work-study programs and internships pertain to Europe.

The Group is working to expand the reporting scope of these indicators, particularly concerning absenteeism rates by region with an appropriate definition.

HSE indicators

The Health and Safety scope of reporting encompasses Safran and some of its more than 50% directly or indirectly controlled subsidiaries in which the HSE prevention policies and process have been deployed. For the Environment, the scope covers subsidiaries whose operations are overseen by Safran or in which Safran has a stake of at least 50%. Adjustments may be made to the scope of each indicator in line with its relevance for the facility and the facility's ability to report data.

Environment reporting covers all facilities with more than 50 employees, whereas Health and Safety reporting applies to those with upwards of 100. Facilities with fewer than 100 employees and high-risk manufacturing operations are encouraged to report Health and Safety information. Facilities with fewer than 100 employees and no significant risks can contribute to Health and Safety reporting if they wish.

Companies and facilities newly consolidated during the year must report their HSE data through the Score system within 24 months, according to a schedule set with Safran's Sustainable Development Department.

Changes in scope of reporting

The scope of reporting may change due to acquisitions, the creation of new businesses, disposals, liquidations or changes in the ownership stake in subsidiaries. The following rules were defined for the labor and HSE indicators:

- acquisitions/increases in the ownership stake in subsidiaries: data from the acquired or newly consolidated entity (more than 50% interest only) are included in the scope of reporting at the date on which control is acquired;
- disposals/liquidations/decreases in the ownership stake in subsidiaries: data from the sold, liquidated or deconsolidated entity (50% interest or less) are excluded from the scope of reporting at the date of disposal, liquidation or loss of control.

The time it takes to introduce reporting systems in start-ups and acquisitions may cause a delay in their contribution to consolidated reporting.

5.4.1.2 Data collection

Labor and HSE indicators are based on several data collection systems, each of which is managed by a specific department.

Labor indicators

Global labor indicators are reported on a quarterly basis, while reporting for France is monthly.

Employee data are collected in each of the tier-one companies, which in turn are responsible for collecting the employee data from their more than 50%-controlled subsidiaries. Data reported for France are derived from the shared Cognos RH reporting software and subsequently validated by the Group companies. The software, which is managed according to its own specific rules, gets its data from the shared payroll management system used by most subsidiaries. International employee data are collected using a standard template. After checking for consistency, the corporate Human Resources Department consolidates employee data for the French and international companies based on the information reported by the tier-one companies.

HSE indicators

Safety indicators are reported on a monthly basis, while health and environmental indicators are reported on a quarterly or annual basis. Data disclosed in 2019 correspond to the data available at year-end 2018

At every facility, data are entered by appointed representatives into a dedicated Group data collection application. Lastly, they are consolidated by the corporate Sustainable Development Department. The application covering the scope of former Zodiac Aerospace businesses will be merged so that data collection can be confined to one single tool.

5.4.1.3 Details concerning certain indicators

The definitions of the labor indicators, presented below, are specified in the template used worldwide by representatives and in its instructions for use.

The definitions and calculation methods of HSE indicators are provided in the reporting system used by representatives. The main assumptions are presented below by category of indicator.

Workforce

Workforce numbers are stated as of December 31, 2018. The workforce includes all employees of companies included in the labor scope of reporting who hold permanent or fixed-term employment contracts. It excludes other types of contracts such as work-study contracts, CIFRE and DRT research internships or seasonal employment contracts. Employees are counted in terms of individuals.

The data on the employee age pyramid cover close to 99% of Safran's workforce, as some subsidiaries qualify this information as confidential and/or discriminatory.

Managers and engineers/employees

Employees are identified as managers or engineers if they:

- coordinate an assigned set of physical, human or financial resources with the degree of independence and responsibility required to meet targets. Managers may oversee a team, projects, a process, a technique or a customer or supplier portfolio; and/or

- hold an engineering degree from a university or specialized higher-education establishment. Engineers are primarily responsible for resolving technological issues related to the design, manufacture or application of products, systems or services, mainly in R&D and production.

All other employees who are not identified as managers or engineers fall into the "employees" category.

New hires

New hires refer to new employees hired from outside the Group on fixed-term or permanent employment contracts. It does not include employees from acquisitions or under other types of contracts (work-study contracts, CIFRE or DRT research internships or seasonal employment contracts).

Replacement of separations rate

The replacement of separations rate is determined by dividing the number of new hires by the number of separations.

Job mobility

The rate of mobility compared to vacancies applies to engineers and managers aged over 26, excluding Zodiac Aerospace businesses, foreign subsidiaries and joint ventures.

Conversely, total mobility including fixed-term and permanent employees applies to foreign subsidiaries and joint ventures, but not Zodiac Aerospace businesses. This indicator includes transfers among Group companies and among different facilities operated by the same company.

Worldwide absenteeism

Absenteeism corresponds to the total number of paid or unpaid hours lost to illness, occupational accidents or work-related travel accidents divided by the theoretical number of hours worked and multiplied by 100. The rate is based on all employees on payroll, excluding people on long-term leave. Long-term leave is defined by the reasons for suspending the employment contract or taking leave: long-term illness due to occupational accidents, business creation leave, paid leave for retraining, end-of-career leave, paid or unpaid long-term training leave, individual training leave, parental/adoption leave, parental presence leave, sabbatical leave, unpaid leave, family leave, secondment within the Group, secondment outside the Group, academic secondment, end-of-career leave for seniors, disability, long-term illness, unserved notice periods, professional/solidarity project leave, assisted leave, pre-retirement leave or early retirement for arduous work contracts.

Employees with disabilities

In France, this indicator includes employees on payroll in 2018 who were certified as disabled as defined by Article L.5212-13 of the French Labor Code and Articles 394 and 395 of the French Code of Military Pensions. It does not cover persons working under work-study contracts, CIFRE and DRT research internships or seasonal employment contracts. Zodiac Aerospace's French operating units are not yet covered by the Group's disability agreement.

Work-study contracts, internships, CIFRE and DRT research internships

This indicator includes people working in the Group in 2018 in Europe under work-study contracts (apprenticeships and vocational training contracts), internships of at least one month, or CIFRE and DRT research internships.

Training

The indicator on training hours covers all types of training worldwide. Training courses of fewer than four hours and on-the-job training have been included since 2014. In most cases training hours are counted based on attendance sheets. Other supporting documents may also be used outside France, such as invoices, evaluation sheets, quality certificates, etc.

The indicator for the number of employees trained in the year corresponds to the number of active employees trained as a proportion of the number of employees on payroll, excluding people on long-term leave. The number of employees on long-term leave worldwide is determined by extrapolating the number of employees on long-term leave in France.

Accident analysis and prevention

The frequency rate of occupational accidents equals the number of incidents resulting in more than one day's lost time per million hours worked.

The occupational accident frequency index corresponds to the number of accidents resulting in more than one day's lost time per thousand employees.

The occupational accident severity index corresponds to the total number of working days lost to occupational accidents reported divided by the number of lost-time accidents.

The reported accident frequency index corresponds to the number of reported incidents per thousand employees.

CO_2 emissions

Emissions are classified as Scope 1 or 2 using the methodologies defined in Article 75 of the Grenelle II Act. Emissions from refrigerants are reported for the 2018 calendar year.

Calculating CO_2 emissions

Scope 1: inclusion of emissions from butane, propane, natural gas, home heating oil, diesel fuel, heavy fuel oil, aviation fuel and refrigerants.

Scope 2: inclusion of emissions from purchased electricity, steam, heat and cold.
The electricity emission factor for France includes:

- In 2016 and 2017, upstream fuel production, combustion and loss in transmission and distribution;
- In 2018, in line with emission factors in other countries, only combustion.

Scope 3: inclusion of emissions from all business air travel Group-wide (except Zodiac Aerospace), as recorded by the business travel management application.

Waste

Waste corresponds to the total of all hazardous and non-hazardous waste.

Food waste data are not reported because the Group's businesses are not directly concerned by this issue.

Categories of waste are defined according to local legislation. In order to harmonize reporting practices across the Group, non-contaminated metallic chips are reported separately.

Water

Reported water consumption corresponds to total water withdrawn and used for all sources, including the public water supply, surface water and groundwater.

Cooling water is not reported because it is not directly used in the industrial processes and is not physically or chemically treated before being released into the natural environment

Energy

Depending on the business activity and location, data relating to natural gas and LPG are indicated in kWh LHV (lower heating value) or kWh HHV (higher heating value).

In view of its businesses, food waste, food security and animal welfare are not major challenges for Safran.

5.4.2 Report by the independent third party on the consolidated non-financial information statement included in the management report

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. 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 our capacity as an independent third party, certified by COFRAC Inspection under number 3-1058 (whose scope is available at www.cofrac.fr) and member of the Mazars network, Safran's Statutory Auditor, we hereby report to you on the consolidated non-financial information statement for the year ended December 31, 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

The Statement has been prepared in accordance with the company's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and are available on request from the company's head office.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a reasoned opinion expressing a limited assurance conclusion on:

- the consistency of the Statement with the provisions of Article R.225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R.225-225-105 I, 3 and II of the French Commercial Code, i.e., the outcome of the policies, including key performance indicators, and the measures implemented in light of the principal risks (hereinafter the "Information").

It is also our responsibility to provide, at the request of the company and outside the scope of our certification, reasonable assurance as to whether the information selected by the company and identified by the symbol √ was prepared, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to comment on:

- the company's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- the consistency of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Articles A.225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional standards applicable in France to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the consistency of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the human resources and environmental risks associated with their activities, and the impact of those risks on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of human resources and environmental information set out in Article L.225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under Article L.225-102-1 III, 2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;

- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R.225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the company has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with Article L.233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the company to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative results(1) that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities(2) and covered 48% of the workforce, which is deemed large enough to represent the human resources component, and between 12% and 20% of environmental data, which is deemed large enough to represent the environmental component;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important(3);
- we assessed the overall consistency of the Statement based on our knowledge of the company.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of eight people between mid-December 2018 and mid-March 2019 and took a total of 15 weeks.

We undertook interviews with around 20 people responsible for preparing the Statement, representing risk management, compliance, legal, human resources, labor relations, health and safety, environmental and purchasing departments.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

Reasonable assurance on a selection of CSR Information

Regarding information selected by the company and identified by the symbol √, we conducted – at the request of the company and on a voluntary basis – similar but more in-depth (especially regarding the number of tests) work as described above in the paragraph entitled “Nature and scope of our work” for the key performance indicators and for the other quantitative results that we considered to be most significant.

The sample selected represents 48% of the headcount.

We deem that this work allows us to express a reasonable assurance on the information selected by the company and identified by the symbol √.

Conclusion

In our opinion, the information selected by the company and identified by the symbol √ was prepared, in all material respects, in accordance with the Guidelines.

Paris La Défense, March 27, 2019

Independent Third Party

Mazars SAS

Christophe Berrard	Edwige Rey
Partner	CSR & Sustainable Development Partner

(1) ***Human resources information:*** *Total workforce and employees by gender, geographical region, age and category (managers and engineers/non-managers and non-engineers) at Dec. 31; Number of new hires at Dec. 31; Number of separations at Dec. 31, including dismissals; Replacement rate of separations at Dec. 31; Absenteeism rate in France; Absenteeism rate by geographical region; Mobility/number of vacancies in France; Percentage of women hired worldwide; Percentage of women engineers and managers; Employment rate of disabled people; Average number of training hours per employee; Lost-time accident frequency rate; Lost-time accident severity rate.* ***Environmental information:*** *Electricity consumption in kWh per employee; Natural gas consumption in kWh per employee; CO_2 emissions per employee (Scope 1 and Scope 2); Total waste recovered in tonnes per employee; Total waste generated in tonnes per employee.* ***Social information:*** *Percentage of CSR-trained buyers; Number of employees trained as part of compliance programs; Number of trade compliance revisions; Number of persons trained in export control.*

(2) ***Legal entities for the verification of human resources information:*** *Safran Aircraft Engines (France); Safran Landing Systems Walton (United States); SAFIRH and Opthimum shared services centers (France) for the number of training hours; Zodiac Aerospace (France).*

Legal entities for the verification of health, safety and environmental information: *Safran Electronics Defense Massy (France); Safran Helicopter Engines Bordes (France); Safran Landing Systems Vélizy (France); Safran Landing Systems Molsheim (France); Safran Aircraft Engines Gennevilliers (France); Safran Transmission Systems Sedziszow Malopolski (Poland); Safran Landing Systems Walton (United States); Zodiac Seats Issoudun (France).*

(3) *Personal data and privacy protection; Transparency and stakeholder dialogue.*

CORPORATE GOVERNANCE

6

IN BRIEF

Safran uses the AFEP-MEDEF Corporate Governance Code as its corporate governance framework

BOARD OF DIRECTORS

The Company is governed by a Board of Directors comprising:

17 members

OF WHICH:

- 7 independent Directors
- 1 representative of the French State and 2 Directors put forward by the French State
- 2 Directors representing employee shareholders
- 2 Directors elected by employees

53.8% independent Directors*	**8** women**	**10** meetings in 2018	**95%** attendance rate at meetings in 2018

3 SPECIALIZED STANDING COMMITTEES

The Board is assisted in its work by three standing committees:

AUDIT AND RISK COMMITTEE	**APPOINTMENTS AND COMPENSATION COMMITTEE**	**INNOVATION AND TECHNOLOGY COMMITTEE**
5 members of which 75% independent*	**7 members** of which 66.66% independent*	**5 members** of which 60% independent

SEPARATION OF THE ROLES OF CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The Board has decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer.

Ross McInnes
Chairman of the Board of Directors

Philippe Petitcolin
Chief Executive Officer

(*) In accordance with Article 14.1 of the AFEP-MEDEF Corporate Governance Code, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.

(**)Representing 46.7% of the Board of Directors and therefore exceeding the proportion stipulated in Article L.225-18-1 of the French Commercial Code.

This chapter constitutes the main body of the Board of Directors' report on corporate governance[1]. It provides information on the membership structure of the Board of Directors, the Company's application of the AFEP-MEDEF Corporate Governance Code, which it uses as its corporate governance framework, the conditions for preparing and organizing the work of the Board of Directors and the Board Committees, the powers of the Chairman of the Board of Directors and the Chief Executive Officer, and the principles and rules used to determine the compensation and benefits of the corporate officers (i.e., the Chairman and the Chief Executive Officer, who are both members of Safran's Board of Directors).

6.1 SAFRAN'S CORPORATE GOVERNANCE STRUCTURE

CORPORATE GOVERNANCE REFERENCE FRAMEWORK

Safran uses as its corporate governance framework the "Corporate Governance Code of Listed Corporations" (revised version dated June 21, 2018), drawn up jointly by the French employers' associations, AFEP[2] and MEDEF[3], as well as the related application guidelines (revised version of January 2019). These documents are available on the AFEP and MEDEF websites at www.afep.com and www.medef.com.

Where certain recommendations included in this Code or in its application guidelines are not implemented, the reasons are explained in section 6.4 below, "Application of the AFEP-MEDEF Corporate Governance Code".

6.1.1 Board of Directors – Separation of the roles of Chairman of the Board of Directors and Chief Executive Officer

Shareholders at the Annual General Meeting of April 21, 2011 approved the adoption of a corporate governance structure with a Board of Directors.

Following the Annual General Meeting of April 23, 2015 when the shareholders appointed Ross McInnes and Philippe Petitcolin as Directors for a four-year term, the Board of Directors chose to separate the roles of Chairman of the Board of Directors and Chief Executive Officer. Consequently:

- Ross McInnes was then appointed as Chairman of the Board of Directors for the duration of his term as a Director, i.e., until the close of the Annual General Meeting to be held on May 23, 2019; and
- Philippe Petitcolin was then appointed as Chief Executive Officer, initially for a three-year term, which was then renewed on February 26, 2018 until the close of the 2020 Annual General Meeting.

The decision to separate the roles of Chairman of the Board of Directors and Chief Executive Officer means the Company can benefit from the Chief Executive Officer's managerial expertise, deep-seated experience in industry and strong reputation in the aeronautics and defense sectors, as well as the Chairman's international standing and experience in corporate governance. The strong strategic fit of their profiles enables the Group to be governed harmoniously, based on transparent relations between the Board of Directors and Executive Management and a balanced and respectful distribution of roles between the Chairman of the Board and the Chief Executive Officer.

Re-appointment of Ross McInnes as a Director and Chairman of the Board of Directors

At the May 23, 2019 Annual General Meeting a proposal will be put to the shareholders to re-appoint Ross McInnes as a Director for a four-year term expiring at the close of the 2023 Annual General Meeting, as set out in section 8.2.1 of this Registration Document.

The Board of Directors has decided that if Ross McInnes is re-appointed as a Director, it will then re-appoint him as Chairman of the Board of Directors following the 2019 Annual General Meeting, for the same duration as his term of office as a Director. These decisions by the Board reflect its satisfaction with (i) the current governance structure based on segregated roles of Chairman of the Board and Chief Executive Officer, and (ii) Ross McInnes' performance of his duties as the Board's Chairman. These observations were also reflected in the findings of the formal assessment of the Board's work and operating procedures that was carried out during the year by a specialist international firm (see section 6.3.5 below). In this assessment – in which institutional investors were also invited to give their views on Safran's corporate governance – the Directors unanimously praised the Chairman for his work in leading, organizing and sharing information. The Board wishes to continue to benefit from Ross McInnes' committed work, expertise and professionalism, both in his role as Chairman of the Board and in the additional assignments entrusted to him.

(1) Report drawn up in accordance with Article L.225-37, paragraph 6, of the French Commercial Code.
(2) AFEP: Association française des entreprises privées.
(3) MEDEF: Mouvement des entreprises de France.

Ross McInnes has informed the Board that if he is re-appointed as Chairman, then, in a personal capacity and in view of his specific situation, he intends to terminate his employment contract (which is currently suspended) in order to comply with the recommendation set out in the AFEP/MEDEF Code concerning corporate officers not holding employment contracts (see section 6.4 below).

See section 6.2.2 below for a profile of the Chairman of the Board of Directors.

Re-appointment of Philippe Petitcolin as a Director

Philippe Petitcolin's term of office as a Director is also due to expire at the close of the May 23, 2019 Annual General Meeting.

At that meeting a proposal will be put to shareholders to re-appoint him as a Director, as set out in section 8.2.1 of this Registration Document. This reflects the Board's continuing belief that it is useful, necessary and of real value for the Chief Executive Officer to also be a Director of the Company, as it enables the CEO to be among his peers around the Board table, and also enables the Board to draw on his contribution to its discussions. This would also apply to his successor in the position of Chief Executive Officer.

As Safran's bylaws state that all Directors must be appointed for four-year terms, if Philippe Petitcolin is re-appointed, his term of office would expire at the close of the 2023 Annual General Meeting. This would mean that the duration of his directorship would not be the same as his term of office as Chief Executive Officer, which is due to expire at the close of the 2020 Annual General Meeting. Consequently, Philippe Petitcolin has undertaken to tender his position to the Board of Directors at the time of the expiration of his term of office as Chief Executive Officer, such that his successor could also be appointed as a Director.

See section 6.2.2 below for a profile of the Chief Executive Officer.

6.1.2 Powers and responsibilities of the Chairman of the Board of Directors

The Board of Directors assigned the following specific responsibilities to Ross McInnes in his role as Chairman of the Board of Directors:

- representing the Group (with the support of and in concertation with Executive Management) in France and abroad in dealings with government authorities, major customers, partners and institutional shareholders;
- organizing the Board's strategic work;
- working with the Board on the preparation and implementation of succession plans for the Group's key operations managers and support function managers.

In addition, Ross McInnes represents the Board of Directors and is responsible for organizing and managing the work of the Board, on which he reports to shareholders at the Annual General Meeting. He coordinates the work of the Board and the Board Committees, as well as ensuring that the Company's corporate governance structures function effectively and particularly that Directors are in a position to properly perform their duties. To that end, in accordance with the applicable legislation and Article 15.2 of the Company's bylaws, he is responsible for:

- calling Board meetings based on an annual schedule and on other occasions where necessary, drawing up the agenda and ensuring that the Directors are given the appropriate information;
- ensuring that the Board Committees discuss certain matters in preparation for Board meetings and that the Directors respect the Board of Directors' Internal Rules and the Board Committees;
- monitoring the implementation of the Board's decisions.

Work carried out by the Chairman of the Board of Directors in 2018

In addition to the duties assigned to him by law, the Chairman represented the Group in France and on the international stage within the scope of specific assignments entrusted to him, dealing namely with public authorities and institutional shareholders. He took part in various meetings with institutional shareholders to hear their points of view and explain the Group's situation and positions relating to both corporate governance issues and strategic development.

Throughout the year the Chairman also continued his active role of organizing the Board's strategic work, including:

- determining and preparing, in conjunction with the Chief Executive Officer, the particular issues and strategy points to be discussed at the Board's Annual Strategy Seminar;
- overseeing the implementation of the Zodiac Aerospace acquisition.

In addition, working with the Lead Independent Director and the Appointments and Compensation Committee, the Chairman:

- organized the formal assessment process of the Board of Directors, including:
  - presenting to the Board the findings of the assessment, as well as ideas for improving the Board's organization and operating procedures, and
  - presenting to certain Directors the assessment results relating to their individual contributions to the Board's work (the Lead Independent Director presented the Chairman with the results relating to himself);
- organized the process of selecting Director candidates (defining the candidate profile, selecting candidates and holding interviews along with members of the Appointments and Compensation Committee), and making the resulting recommendation to the Board;
- began the structuring and scheduling process for the succession plan for the Company's officers (without taking part in the discussions or vote concerning his re-appointment as a Director and Chairman of the Board).

6.1.3 Powers and responsibilities of the Chief Executive Officer

The Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act in all circumstances in the Company's name.

He exercises these powers within the scope of the Company's corporate purpose and subject to the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors.

The Company is bound by the actions of the Chief Executive Officer with respect to third parties even when they fall outside the scope of the corporate purpose, unless it can be proven that the third party knew, or under the circumstances could not have failed to know, that such actions exceeded the remit of the corporate purpose. Publication of the Company's bylaws does not in itself constitute such proof.

Any restrictions placed on the powers of the Chief Executive Officer by the bylaws or a decision of the Board of Directors are not binding on third parties. The restrictions placed on the powers of the Chief Executive Officer decided by the Board of Directors are set out in the Board of Directors' Internal Rules (see sections 6.1.4.2 and 6.3.2), and particularly relate to investments and divestments and certain strategic operations.

6.1.4 Powers and responsibilities of the Board of Directors

6.1.4.1 Roles and responsibilities of the Board of Directors

The Board of Directors is responsible for defining the Company's business objectives, including its strategic objectives, and overseeing their implementation. Subject to the powers directly vested in Shareholders' Meetings, the Board is responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

In accordance with the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules, the roles and responsibilities of the Board of Directors include, but are not limited to:

- calling the Annual General Meeting and setting its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer, as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual corporate governance report;
- authorizing related-party agreements and commitments governed by Article L.225-38 *et seq.* of the French Commercial Code (*Code de commerce*);
- selecting the Company's management structure in accordance with Articles 21.1 and 21.4 of the bylaws;
- appointing or removing from office:
  - the Chairman of the Board of Directors,
  - the Chief Executive Officer, and
  - on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Board Committees set up in accordance with the applicable laws, the Company's bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees in accordance with the Board of Directors' Internal Rules;
- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board Advisors (*censeurs*);
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees, endorsements and sureties, including:
  - setting for each fiscal year:
    - a blanket ceiling, and
    - where appropriate, a maximum amount per transaction, and
  - authorizing in advance any transactions that would result in exceeding the above-mentioned blanket ceiling or the maximum amount per transaction.

In addition, the Board of Directors performs any checks and controls that it deems appropriate.

6.1.4.2 Internal rules relating to transactions requiring prior approval of the Board of Directors

In accordance with Article 19.3 of the Company's bylaws and Article 4 of the Board of Directors' Internal Rules:

> the following operations have to be approved by the Board before they can be carried out by the Chief Executive Officer or a subsidiary:
- decisions related to putting in place significant business activities in France or abroad;
- decisions to withdraw from such business activities in France or abroad;
- material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity;

> The Board's prior approval is systematically required for the following:
- any capital expenditure or self-financed development expenditure related to any project, program or industrial or commercial development that represents an amount equal to or more than €100 million for the Company or any Group entity;
- any investment, divestment, expenditure, commitment or warranty related to the following operations or decisions and which represents an amount equal to or more than €50 million for the Company or any Group entity:
  - any acquisition or disposal of real estate,
  - any acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issues of shares or bonds, excluding ordinary treasury management transactions,
  - any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding ordinary treasury management transactions,
  - in the event of a dispute or litigation, the signature of any agreement or the acceptance of any settlement,
  - collateral pledged over the Company's assets.

  The prior approval referred to above is not required for operations and decisions that result in the signature of agreements exclusively involving Group entities (between these entities or with the Company);

> the Board of Directors' prior approval is systematically required for each of the following operations or decisions if they represent an amount equal to or more than €400 million for the Company or any Group entity:
- granting or contracting any loan, credit or advance;
- setting up or changing any program involving issues by the Company of negotiable debt securities (formerly the commercial paper program), apart from renewals or changes that do not result in an increase in the maximum size or maturity of the debt securities concerned (once such programs are approved, the Company's finance department is responsible for their implementation);
- acquiring or disposing of any receivables due beyond one year.

  The prior approval referred to above is not required for operations and decisions that result in the signature of agreements exclusively involving Group entities (between these entities or with the Company);

> the Board of Directors' prior approval is also systematically required for any offer or industrial or commercial project entered into by the Company or any Group entity that:
- results in a guarantee commitment representing €300 million or more; or
- is deemed material, with the notion of "material" decided by the Chief Executive Officer or any other person duly authorized to implement said offer or project;

> furthermore, the following operations and decisions require prior authorization from the Board of Directors, with at least one Director representing the French State voting in favor if the French State owns more than 10% of Safran's capital:
- any disposal by the Group of strategic military assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to the propulsion and guidance of French cruise and tactical ballistic missiles;
- any sale by Safran of shares in Safran Ceramics, Safran Power Units, Safran Electronics & Defense and ArianeGroup Holding,
- any decision to grant to a third party specific management rights or rights to information related to the Group's strategic military assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to the propulsion and guidance of French cruise and tactical ballistic missiles;
- any decision to grant to a third party rights to be represented on the administrative or management bodies of Safran Ceramics, Safran Power Units, Safran Electronics & Defense and ArianeGroup Holding.

6.2 MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

Safran's Board of Directors comprises 17 members, including one representative of the French State, two Directors put forward by the French State, two Directors representing employee shareholders and two Directors representing employees.

The diverse experience and expertise of the Directors and the international profile of a number of them (see profiles below) provide the Board with a wide range of complementary skills.

6.2.1 Summary table of information about Directors (as at the filing date of this Registration Document)

Director	Age(1)	Gender	Nationality	Number of shares held	Number of directorships in listed companies(1)(4)	Independent Director(2)	Date first appointed	End of term (expiration or other)
Directors currently in office								
Ross McInnes Chairman of the Board of Directors	65	M	French and Australian	7,470	4	No	April 23, 2015	2019 (AGM held to approve the 2018 financial statements)
Philippe Petitcolin Chief Executive Officer	66	M	French	19,888	1	No	April 23, 2015	2019 (AGM held to approve the 2018 financial statements)
Hélène Auriol Potier	56	F	French	500	1	Yes	June 15, 2017	2021 (AGM held to approve the 2020 financial statements)
Éliane Carré-Copin	66	F	French	414	1	No	May 19, 2016	2020 (AGM held to approve the 2019 financial statements)
Jean-Lou Chameau	65	M	French and American	1,000	1	Yes	April 21, 2011	2019 (AGM held to approve the 2018 financial statements)
Monique Cohen	63	F	French	500	3	Yes	May 28, 2013	2022 (AGM held to approve the 2021 financial statements)
Hélène Dantoine*	47	F	French	N/A	2	No	March 13, 2019	2019 (AGM held to approve the 2018 financial statements)
Odile Desforges	69	F	French	500	5	Yes	April 21, 2011	2021 (AGM held to approve the 2020 financial statements)
Didier Domange	75	M	French	195,109	1	No	May 25, 2018	2022 (AGM held to approve the 2021 financial statements)
Vincent Imbert	63	M	French	N/A	1	No	March 28, 2014	2019 (AGM held to approve the 2018 financial statements)
Caroline Laurent	55	F	French	N/A	1	No	February 7, 2019(5)	2019 (AGM held to approve the 2018 financial statements)

(1) At the filing date of this Registration Document or the departure date of Directors whose term of office expired at end-2018.
(2) See section 6.2.4.1, "Independence of the members of the Board of Directors".
(3) At December 31, 2018.
(4) Including directorship with Safran, in compliance with the recommendations of the AFEP-MEDEF Code.
(5) Director put forward by the French State.
(6) From March 28, 2014 to April 23, 2015 as a Director representing the French State.

Number of years on the Board(1)	Date last re-appointed	Director representing employees or employee shareholders	Attendance rate (Board meetings)(3)	Membership of Board Committees(1)	Main experience and expertise brought to the Company
3 years and 11 months	-	No	100%	-	Chairman of the Board of Directors
3 years and 11 months	-	No	90%	-	Chief Executive Officer
1 year and 9 months	-	No	90%	Appointments and Compensation Committee Innovation and Technology Committee	Organization and management of corporations/International business/ Digital transformation
2 years and 10 months	-	Yes	90%	-	Perspective of an employee/ Knowledge of the Group and its markets
7 years and 11 months	April 23, 2015	No	100%	Appointments and Compensation Committee Innovation and Technology Committee	RTDI/International business
5 years and 10 months	May 25, 2018	No	100%	Appointments and Compensation Committee (Chair)	Financial and banking markets/Private equity/Shareholding strategy
Less than 1 month	-	No	N/A	-	Finance/Organization and management of corporations/ International business/Industry
7 years and 11 months	June 15, 2017	No	90%	Audit and Risk Committee (Chair)	Organization and management of corporations/Industry/RTDI/ Performance and management control
10 months	-	No	88%	Appointments and Compensation Committee	Organization and management of corporations/ International business/Knowledge of the Group and its markets
5 years(6)	April 23, 2015(5)	No	100%	Audit and Risk Committee Appointments and Compensation Committee Innovation and Technology Committee	Industry/Strategy/Defense industry/ Competitive environment
1 month	-	No	N/A	-	Industry/RTDI/Defense industry/New technologies/Strategy

(7) Only three companies are taken into account for calculating Vincent Imbert's aggregate number of directorships as provided for in Article 18.2 of the AFEP-MEDEF Code, namely FFP, Hermès International and Sofina. His directorships in four other companies (Safran, Peugeot SA, Faurecia and DKSH Holding AG) are not taken into account in the calculation as he is a director of these companies as a result of direct or indirect interests held by FFP, whose main activity is acquiring and managing equity investments.
(8) From May 28, 2013 to April 23, 2015, as a Director representing the French State.
(*) Hélène Dantoine was named as representative of the French State by way of a ministerial decree dated March 13, 2019.

Director	Age[1]	Gender	Nationality	Number of shares held	Number of directorships in listed companies[1][4]	Independent Director[2]	Date first appointed	End of term (expiration or other)
Brigitte Lesschaeve	61	F	French	491	1	No	February 26, 2018	November 19, 2019
Gérard Mardiné	59	M	French	7,553	1	No	May 19, 2016	2020 (AGM held to approve the 2019 financial statements)
Daniel Mazaltarim	59	M	French	1,848	1	No	November 20, 2014	November 19, 2019
Patrick Pélata	63	M	French	500	1	Yes	June 15, 2017	2021 (AGM held to approve the 2020 financial statements)
Robert Peugeot Permanent representative of F&P	68	M	French	500	3[7]	Yes	May 25, 2018	2022 (AGM held to approve the 2021 financial statements)
Sophie Zurquiyah	52	F	French and American	500	2	Yes	June 15, 2017	2021 (AGM held to approve the 2020 financial statements)
Directors whose directorship ended (on expiration of their term of office or through resignation) during 2018 and since January 1, 2019[1]								
Christian Streiff Vice-Chairman of the Board of Directors	63	M	French	500	2	Yes	May 28, 2013	2018 (AGM held to approve the 2017 financial statements) May 25, 2018 AGM
Jean-Marc Forneri	58	M	French	1,062	2	No	March 17, 2005 (Supervisory Board)	2018 (AGM held to approve the 2017 financial statements) May 25, 2018 AGM
Lucie Muniesa Representative of the French State	43	F	French	N/A	4	No	February 8, 2016	April 22, 2019 Resigned on October 31, 2018
Patrick Gandil	63	M	French	N/A	1	No	May 28, 2013	2019 (AGM held to approve the 2018 financial statements) Resigned on February 7, 2019

(1) At the filing date of this Registration Document or the departure date of Directors whose term of office expired at end-2018.
(2) See section 6.2.4.1, "Independence of the members of the Board of Directors".
(3) At December 31, 2018.
(4) Including directorship with Safran, in compliance with the recommendations of the AFEP-MEDEF Code.
(5) Director put forward by the French State.
(6) From March 28, 2014 to April 23, 2015 as a Director representing the French State.

Number of years on the Board[1]	Date last re-appointed	Director representing employees or employee shareholders	Attendance rate (Board meetings)[3]	Membership of Board Committees[1]	Main experience and expertise brought to the Company
1 year and 1 month	-	Yes	89%	Innovation and Technology Committee	Perspective of an employee/ Knowledge of the Group and its markets
2 years and 10 months	-	Yes	100%	Audit and Risk Committee	Perspective of an employee/ Knowledge of the Group and its markets
4 years and 4 months	-	Yes	100%	Appointments and Compensation Committee	Perspective of an employee/ Knowledge of the Group and its markets
1 year and 9 months	-	No	100%	Innovation and Technology Committee (Chair) Appointments and Compensation Committee	Organization and management of corporations/International/Strategy/ Industry/New technologies
10 months	-	No	100%	Audit and Risk Committee	Organization and management of corporations/International/Finance/ Asset management
1 year and 9 months	-	No	100%	Audit and Risk Committee	Organization and management of corporations/International business/ Industry
4 years and 11 months		No	100%	Innovation and Technology Committee (Chair) Appointments and Compensation Committee	Christian Streiff's directorship ended on May 25, 2018
13 years	May 28, 2013	No	67%	-	Jean-Marc Forneri's directorship ended on May 25, 2018
2 years and 8 months		No	100%	Audit and Risk Committee Appointments and Compensation Committee	Lucie Muniesa position as permanent representative of the French State ended on October 31, 2018
5 years and 8 months[8]	April 23, 2015[5]	No	80%	Innovation and Technology Committee	Patrick Gandil's directorship ended on February 7, 2019

(7) Only three companies are taken into account for calculating Vincent Imbert's aggregate number of directorships as provided for in Article 18.2 of the AFEP-MEDEF Code, namely FFP, Hermès International and Sofina. His directorships in four other companies (Safran, Peugeot SA, Faurecia and DKSH Holding AG) are not taken into account in the calculation as he is a director of these companies as a result of direct or indirect interests held by FFP, whose main activity is acquiring and managing equity investments.
(8) From May 28, 2013 to April 23, 2015, as a Director representing the French State.
(*) Hélène Dantoine was named as representative of the French State by way of a ministerial decree dated March 13, 2019.

6.2.2 Directors' profiles

Ross McInnes

Chairman of the Board of Directors

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 7,470[1]

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1954, Ross McInnes has dual French and Australian nationality and is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson, first in London and then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America) in which he held several positions in the corporate finance arm, in Chicago and then in Paris.

In 1989, he joined Eridania Beghin-Say, where he was appointed Chief Financial Officer in 1991 and then became a member of the Board of Directors in 1999. The following year, he joined Thomson-CSF (now Thales) as Executive Vice-President and Chief Financial Officer and assisted in the group's transformation, until 2005. He then moved to PPR (now Kering) as Senior Vice-President for Finance and Strategy, before joining the Supervisory Board of Générale de Santé in 2006. He served as acting Chairman of the Management Board of Générale de Santé from March to June 2007. He also held the position of Vice-Chairman of Macquarie Capital Europe where he primarily specialized in infrastructure investments.

In March 2009, Ross McInnes joined Safran and became Executive Vice-President, Economic and Financial Affairs in June of that year. He was a member of the Executive Board of Safran between July 2009 and April 2011 and then served as Deputy Chief Executive Officer until April 2015.

He became Chairman of Safran's Board of Directors on April 23, 2015.

Since February 2015, Ross McInnes has also acted as Special Representative for economic relations with Australia, having been appointed to this diplomatic role by the French Minister of Foreign Affairs and International Development.

In late 2016, based on the recommendation of AFEP and MEDEF, he was appointed a member of the High Committee for Corporate Governance set up by these two employers' associations. In February 2017, he joined SICOM, the general partner of Vivescia Industries, as a "qualified person".

In October 2017, Ross McInnes was appointed by the French Prime Minister as Co-Chairman of the "Action Publique 2022" Committee, which was tasked with making recommendations on reforming French public policies, a mission it has since completed.

Since January 2018, Ross McInnes has been a Trustee and a Director of the IFRS Foundation.

In October 2018, the French Prime Minister tasked him with lobbying for France with both British and non-British companies operating in the non-financial sector and based in the United Kingdom.

Ross McInnes is also a Director of Eutelsat and a member of Eutelsat's Audit Committee (since February 2013) and Nomination and Governance Committee, and is a Director and member of Lectra's Board committees (since January 2018) and a Director and member of Engie's Audit Committee (since May 2018).

MAIN POSITION(S) HELD

- Chairman of the Board of Directors of Safran

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

SAFRAN GROUP

- Chairman of the Board of Directors of Safran

NON-GROUP

- Director, member of the Audit Committee and member of the Nomination and Governance Committee of Eutelsat Communications (listed company)
- Director of Lectra (listed company) and a member of its Board committees since January 2018
- Trustee and Director of the IFRS Foundation (United States, United Kingdom) since January 2018
- Director and a member of the Audit Committee of Engie (listed company) since May 2018

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Deputy Chief Executive Officer of Safran until April 2015
- Director of:
  - Safran USA, Inc. (United States) until June 2015
  - Safran Nacelles until December 2014
  - Safran Helicopter Engines until December 2014
  - Safran Landing Systems until December 2014
  - Safran Identity & Security until December 2014
  - Safran Aircraft Engines until December 2014
- Permanent representative of Établissements Vallaroche on the Board of Directors of Soreval (Luxembourg) until May 2015

NON-GROUP

- Director and Chairman of the Audit Committee of Faurecia (listed company) until May 2017
- Director of Financière du Planier until June 2015
- Non-executive Director and Chairman of the Audit Committee of IMI PLC (listed company) (United Kingdom) until October 2017
- Permanent representative of Santé Europe Investissements Sarl on the Board of Directors of Santé SA (Luxembourg) until October 2014
- Permanent representative of Santé Europe Investissements Sarl on the Board of Directors, and as a member of the Audit Committee of Générale de Santé SA (listed company) until March 2014

(1) Including 7,460 shares via corporate mutual fund units (conversion based on the Safran share price at December 31, 2018).

Philippe Petitcolin

Chief Executive Officer and Director

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 19,888[1]

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1952, Philippe Petitcolin, a French national, holds a degree in mathematics and is a graduate of the Centre de Perfectionnement aux Affaires (CPA) business school.

Philippe Petitcolin began his career in 1978 as an export manager for Europrim before becoming an export area manager for Filotex, a subsidiary of Alcatel-Alstom. In 1982, he was appointed Aviation Sales Director for Chester Cable in the United States before returning to Filotex in 1984 as Export Director.

In 1988, he joined Labinal as Deputy Sales Director before being appointed Sales and Marketing Director of the company's Aeronautical Systems Division and subsequently its Managing Director in 1995.

Between 1999 and 2001, he was General Manager of Labinal's Filtrauto Division, also serving as General Manager of the friction materials business after the division was bought by Valeo. In May 2001, he was named Chief Executive Officer of Labinal (now Safran Electrical & Power), before being appointed Chairman and Chief Executive Officer in November 2004. He was then appointed Chairman and Chief Executive Officer of Snecma (now Safran Aircraft Engines) in 2006.

Between 2011 and 2013, he served as President of Safran's Defense and Security businesses and then Chairman and Chief Executive Officer of Safran Electronics & Defense.

From July 2013 to December 2014, he was Chairman and Chief Executive Officer of Safran Identity & Security and Chairman of the Board of Directors of Safran Electronics & Defense.

He subsequently served as Chairman of Safran Identity & Security from December 2014 to July 2015.

On April 23, 2015, Philippe Petitcolin was appointed as a Director of Safran at the Company's Annual General Meeting and then Chief Executive Officer by the Board of Directors on the same day.

Also on April 23, 2015, he became a Board member of the Aerospace and Defence Industries Association of Europe (ASD).

In July 2015, Philippe Petitcolin was appointed Vice-Chairman of GIFAS (*Groupement des Industries Françaises Aéronautiques et Spatiales*) and in September 2015, he was appointed as a Director of Belcan Corporation, an engineering services company.

MAIN POSITION(S) HELD

- Chief Executive Officer of Safran

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Chief Executive Officer of Safran
- Director of Safran

NON-GROUP

- Vice-Chairman of GIFAS
- Director of Belcan Corporation (United States)
- Board member of the Aerospace and Defence Industries Association of Europe (ASD) (Belgium)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Chairman of Safran Identity & Security until July 2015
- Chairman and Chief Executive Officer of Safran Identity & Security until December 2014
- Chairman of the Board of Directors of:
  - Safran Identity & Security North America (formerly Morpho Track, LLC) (United States) until July 2015
  - Morpho Detection International, LLC (United States) until July 2015
  - Safran Electronics & Defense until December 2014
- Chairman and President of Morpho USA, Inc. (United States) until July 2015
- Director of Safran Identity & Security USA (formerly Morpho Detection, LLC) (United States) until July 2015
- Member of the Supervisory Board of Safran Identity & Security GmbH (formerly Morpho Cards GmbH) (Germany) until July 2015

NON-GROUP

- Member of the Supervisory Board of Institut Aspen France until March 2015

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(1) *Including 18,442 shares via corporate mutual fund units (conversion based on the Safran share price at December 31, 2018).*

Hélène Auriol Potier

Independent Director

Member of the Appointments and Compensation Committee

Member of the Innovation and Technology Committee

Orange Business Services – 1, place des Droits de l'Homme - 93210 Saint Denis, France

Number of Safran shares held: 500

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1962, Hélène Auriol Potier, a French national, graduated as an engineer from the École nationale supérieure des télécommunications de Paris and completed an Executive Program MBA at INSEAD.

Hélène Auriol Potier built her career in the digital technologies and telecommunications industry in the United States, Europe, Africa and Asia.

She started her career in New York at France Télécom in 1986.

In 1990, she joined the Canadian mobile technology company Nortel, where she spent 16 years and successively held several management positions including Vice President Mobile Pre-Sale Division and Vice President EMEA, Services & Operations.

In 2006, she joined Dell as Managing Director, in charge of the Africa and Mediterranean region and as a member of the Executive Committee of Dell Emerging Markets.

Hélène Auriol Potier joined Microsoft in 2009 as General Manager – Enterprises, Public Sector and Partners – and a member of the Executive Committee of Microsoft France. She was then appointed General Manager of Microsoft Singapore and a member of the Executive Committee of Microsoft Asia-Pacific. In 2013, she was appointed General Manager of Microsoft Dynamics, Western Europe and then General Manager of Microsoft Europe Public Sector before going on to serve as Managing Director Artificial Intelligence Europe.

In November 2018, she joined Orange, as Executive Vice-President International and a member of the Executive Committee of Orange Business Services.

Hélène Auriol Potier brings to the Board her experience of leading international corporations, an international outlook, expertise and vision in digital technologies and transformation, as well as her experience as a Director.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Executive Vice-President International at Orange Business Services

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Member of the Supervisory Board of Oddo BHF SCA

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Director, Chair of the Ethics Committee and member of the Compensation Committee of Ipsen (listed company), until May 2018
- Director of Faiveley Transport (listed company) until November 2016

Éliane Carré-Copin

Director representing employee shareholders

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 414(1)

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1952, Éliane Carré-Copin, a French national, holds a degree in English from the University of Lille and is also a graduate of the Institut d'études politiques de Paris and Advancia.

Éliane Carré-Copin has been with the Group for 27 years.

After working as PA to the Chairmen of Snecma between 1992 and 1997, she was then appointed as a project manager for the Group International Affairs Department, where she deepened her knowledge of the Group's various entities and their international markets.

Éliane Carré-Copin is currently Group Assistant Compliance Director, specializing in commercial compliance and anti-corruption measures. In this role, she covers compliance matters concerning the international partners of the Group's entities and helps train employees with regards to Safran's compliance program.

Éliane Carré-Copin brings to the Board her view of Safran from an employee shareholder's perspective, as well as an in-depth knowledge of the Group and its markets.

MAIN POSITION(S) HELD

- Safran Group Assistance Compliance Director, specializing in commercial compliance and anti-corruption measures

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran representing employee shareholders
- Employee Representative at Safran (Martial Valin)

NON-GROUP

None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Member of the Supervisory Board of the Safran Investissement corporate mutual fund until December 2017
- Director of the Safran Music Foundation until November 2017
- CFE-CGC trade union representative on the Group Works Council until June 2017
- Member of Safran's Central Works Council until April 2016
- Member of the Works Council at Safran (Martial Valin) until April 2016

NON-GROUP

None

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(1) *Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2018).*

Jean-Lou Chameau

Independent Director
Member of the Appointments and Compensation Committee
Member of the Innovation and Technology Committee

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 1,000

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1953, Jean-Lou Chameau has dual French and American nationality. He obtained an engineering degree at École Nationale Supérieure d'Arts et Métiers in 1976, and then continued his studies at Stanford University, where he graduated with a Master's in civil engineering in 1977, followed by a PhD in seismic engineering in 1980.

Jean-Lou Chameau started his academic career at Purdue University (United States), where he taught from 1980 to 1991, before joining Georgia Tech as professor and head of the School of Civil and Environmental Engineering. He left this position in 1994 to become Chairman of the international geotechnical engineering company, Golder Associates Inc. He returned to teach at Georgia Tech two years later, where he became dean of its College of Engineering in the United States. In 2001, he was promoted to the position of provost, which he occupied up to 2006.

From 2006 to June 2013, Jean-Lou Chameau was the President of the California Institute of Technology (Caltech).

In June 2009, he was awarded the honorary "Doctor honoris causa" degree from École polytechnique Montreal in Canada.

Jean-Lou Chameau is a member of the National Academy of Engineering in the United States and of the Académie des Technologies in France.

He was President of King Abdullah University of Science and Technology (KAUST) (Saudi Arabia) between July 2013 and August 2017.

Since May 2016, he has been a member of the international jury for the 2017 Queen Elizabeth Prize for Engineering.

In 2018, he was tasked by the French Ministry of the Armed Forces, Economy and Finance, and the Ministry of Higher Education, Research and Innovation, with coordinating the group of educational facilities at the Saclay research and innovation cluster, with the ultimate aim of establishing a best-in-class science and technology institute.

Jean-Lou Chameau brings to the Board his experience as a Director of an international corporation, as well as his expertise in research, technological development and innovation and his in-depth knowledge of North America, the Middle East and Asia.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Science, technology and innovation consultant
- Company Director

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran

NON-GROUP

- President Emeritus of the California Institute of Technology (Caltech) (United States)
- Chairman of the Advisory Board of Georgia Tech Lorraine
- Member of the International Advisory Board of HEC since November 2018
- Member of the Scientific Advisory Board of the National Research Foundation of Singapore (Republic of Singapore)
- Member of the Academic Research Council of Singapore (Republic of Singapore)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Member of the Advisory Board of King Fahd University of Petroleum and Minerals (Saudi Arabia) until December 2018
- President of King Abdullah University of Science and Technology (KAUST) (Saudi Arabia) until August 2017
- Director of Ma'aden (listed company) (Saudi Arabia) until October 2017
- Director and a member of the Governance and Nominating Committee of MTS Systems Corporation (listed company) (United States) until February 2015

Monique Cohen

Lead Independent Director

Member and Chair of the Appointments and Compensation Committee

Apax Partners – Midmarket SAS – 1, rue Paul Cézanne – 75008 Paris, France

Number of Safran shares held: 500

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1956, Monique Cohen, a French national, is a graduate of École polytechnique (1976) and has a Master's degree in mathematics. She started her career at Paribas, where she worked as Assistant Finance Manager from 1980 to 1987.

At Paribas, which later became BNP Paribas, Monique Cohen successively held the positions of Administrative Officer of CourcouxBouvet – a brokerage firm and subsidiary of Paribas – between 1987 and 1990, Head of Equity Syndication and Brokerage Activities from 1990 to 1999, and Global Head of Equity Business from 1999 to 2000.

Since 2000, Monique Cohen has been an Executive Partner at Apax Partners in Paris, which specializes in investments in the business and financial services sector.

Between June 2011 and September 2014, she was a member of the Board of Directors of the French financial markets authority (*Autorité des marchés financiers* – AMF).

Monique Cohen brings to the Board her experience as an executive and Director of international groups, as well as in-depth knowledge of the financial and banking markets, expertise in private equity and a financial view of shareholding structures.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

> Executive Partner of Apax Partners

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

> Lead Independent Director of Safran

NON-GROUP

> Chair of the Board of Directors of Proxima Investissement (Luxembourg)

> Vice-Chair and member of the Supervisory Board and Chair of the Audit Committee of Hermès International (listed company)

> Director of:
- Financière MidMarket SAS
- Apax Partners MidMarket SAS

> At BNP Paribas (listed company): Director; Chair of the Corporate Governance, Ethics, Nominations and CSR Committee; member of the Internal Control, Risk Management and Compliance Committee

> Managing Partner of Société Civile Fabadari

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

> Chair of Trocadéro Participations II SAS until October 2016

> Chair and member of the Supervisory Board of Texavenir II SAS

> Deputy Chief Executive Officer of Altamir Amboise Gérance SA until May 2015

> Member of the Supervisory Board and the Audit Committee of JC Decaux (listed company) until May 2017

> Director of:
- SEP Altitude until June 2014
- Société de financement local (SFIL) until June 2014
- BuyWay Personal Finance Belgium SA (Belgium) until April 2014
- BuyWay Tech SA (Belgium) until April 2014

> Director and a member of the Investment and Acquisitions Committee of Altran Technologies SA (listed company) until March 2014

> Member of the Supervisory Board of:
- Global Project SAS until June 2017
- Trocadéro Participations SAS until October 2016

> Chair of the Board of Directors of:
- Wallet SA (Belgium) until April 2014
- Wallet Investissement 1 SA (Belgium) until April 2014
- Wallet Investissement 2 SA (Belgium) until April 2014

Hélène Dantoine

Representative of the French State
Member of the Audit and Risk Committee
Member of the Appointments and Compensation Committee

Agence des participations de l'État (APE) – 139, rue de Bercy – 75012 Paris, France

Number of Safran shares held: None

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1971, Hélène Dantoine, a French national, is a graduate of the Ecole National d'Administration (ENA) and the Institut d'Etudes Politiques de Paris. She also holds a masters degree in public law and a post-graduate degree (DEA) in Latin-American studies.

Hélène Dantoine began her career in 1995 with the French Foreign Ministry. From 2003 to 2005 she attended ENA, and after her graduation she joined the French General Finance Inspectorate (IGF). In 2009, she moved back to the Foreign Ministry and then in 2010 once again worked with the IGF.

In 2011, Hélène Dantoine joined the Total group, where she served in various management positions for seven years (New Business Project Director; Logistics and Support Director for the exploration and production division; Director, Africa for the exploration subsidiaries; and Group Public Affairs Director).

Since March 1, 2019, she has been Deputy Chief Executive Officer of the French State Investments Agency (APE).

Hélène Dantoine brings to the Board her financial expertise and – through her experience as a former executive in both operational and support functions of an international industrial group – her skills in performance management, industrial development and logistics.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Deputy Chief Executive Officer of the State Investments Agency (APE)

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

SAFRAN GROUP

None

NON-GROUP

- Representative of the French State on the Board of Directors of Orange (listed company)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Chair of:
  - Total E&P Sénégal until December 2018
  - Total E&P Madagascar until December 2018
  - Total E&P Mauritanie until December 2018
  - East Africa Offshore Ventures until December 2018
- President and Chief Executive Officer of Total E&P South Sudan until May 2018
- Director and Chief Operating Officer of Total E&P Somalie until May 2018
- Legal Manager of Total E&P RDC until January 2019
- Director and President of Total E&P Ethiopia AS until December 2018
- Chairman of the Board and Manager of Total Washington DC Representative Office LLC until January 2019
- Director of Total Exploration Netherlands BV until January 2019
- Director of:
  - Total E&P International K1 Ltd until December 2018
  - Total E&P International K2 Ltd until December 2018
  - Total International K3 Ltd until December 2018
  - Total International Ltd until December 2018
- Member of the Corporate Sponsorship Committee of the Paris Bar's Solidarity Fund (2012-2017)

Odile Desforges

Independent Director

Member and Chair of the Audit and Risk Committee

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 500

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1950, Odile Desforges, a French national, is a graduate of the École centrale Paris engineering school.

She began her career as a Research Analyst at the French Transport Research Institute (Institut de Recherche des Transports). In 1981, she joined the Renault group as planning officer for the Automobile Planning Department before becoming a product engineer on the R19 and then for the M1 range (1984-1986). In 1986, she moved to the Purchasing Department as Head of the Exterior Equipment Unit. She was later appointed Director of Body Hardware Purchasing for the joint Renault Volvo Car Purchasing Organization in 1992, and for Renault alone in 1994. In March 1999, she became Executive Vice-President of the Renault VI-Mack group, in charge of 3P (Product Planning, Product Development, Purchasing Project). In 2001, she was appointed President of AB Volvo's 3P Business Unit.

In 2003, Odile Desforges became Senior Vice President, Renault Purchasing, Chair and CEO of the Renault Nissan Purchasing Organization (RNPO) and a member of the Renault Management Committee.

From 2009 to July 2012, she was Director of Engineering and Quality, and a member of Renault's Executive Committee.

She retired on August 1, 2012.

Odile Desforges brings to the Board her experience as a Director and former senior executive of international industrial groups, as well as performance and management control expertise and acknowledged experience in purchasing, R&D projects and innovation.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Company Director

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Director and Chair of the Audit Committee of Faurecia (listed company)
- Director and a member of the Audit Committee of Dassault Systèmes (listed company)
- Director and a member of the Audit Committee, the Nomination Committee and the Management Development and Remuneration Committee of Johnson Matthey PLC (listed company) (United Kingdom)
- Director and a member of the Strategy Committee of Imerys (listed company)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Director and a member of the Nomination and Compensation Committee of Sequana (listed company) until May 2016

Didier Domange

Director

Member of the Appointments and Compensation Committee

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 195,109

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1943, Didier Domange, a French national, is a graduate of Le Havre école supérieure de commerce.

He joined the Domange family business in 1966 as supply chain manager and was a member of the Management Committee of Établissements Domange from 1970 to 1980.

In 1966, he was appointed a Director of Zodiac, becoming Chairman and Chief Executive Officer in 1973.

When Zodiac was floated on the *second marché* of the Paris stock exchange in 1983 he was appointed Chairman of the Supervisory Board, a position he held until January 2018.

Didier Domange brings to the Board his experience as a corporate officer of an international group, as well as his knowledge of the aeronautical sector and the Group's businesses and markets.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Company Director

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran since May 2018

NON-GROUP

- Chairman of the Supervisory Board of Fidoma
- Representative of CICOR on the Board of Directors of Banque Transatlantique

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Chairman of the Supervisory Board of Zodiac Aerospace (listed company) until January 2018
- Director of Safran Seats (formerly Zodiac Seats France) until January 2018
- Chairman of the Compensation Committee, member of the Audit Committee and member of the Selection Committee of Zodiac Aerospace (listed company) until September 2014

F&P* represented by Robert Peugeot

Independent Director

Member of the Audit and Risk Committee

FFP - 66, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France

Number of Safran shares held: 500

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1950, Robert Peugeot, a French national, is a graduate of École centrale de Paris and INSEAD. He has held a number of high-level positions in the PSA Group and was a member of the Group Executive Committee from 1998 to 2007, responsible for Innovation and Quality.

He is FFP's permanent representative on the Supervisory Board of Peugeot S.A., and is also Chairman of the Strategy Committee and a member of the Finance and Audit Committee of Peugeot SA. He has been Chairman and Chief Executive Officer of FFP, responsible for its business development, since end-2002.

Robert Peugeot brings to the Board his experience as an executive and director of international industrial groups, as well as his experience in private equity and finance.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Chairman and Chief Executive Officer of FFP
- Company Director

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

SAFRAN GROUP

- Permanent representative of F&P as a Director of Safran since May 2018

NON-GROUP

- Chairman and Chief Executive Officer and Chairman of the Investments and Participations Committee of FFP (listed company)
- Permanent representative of FFP, Chairman of FFP Invest
- Chairman of F&P
- Permanent representative of FFP as a member of the Supervisory Board, Chairman of the Strategy Committee and a member of the Finance and Audit Committee of Peugeot SA. (listed company)
- Permanent representative of FFP Invest as Chairman and a member of the Supervisory Board of Financière Guiraud SAS
- Permanent representative of Maillot I as a member of the Board of Directors of SICAV ARMENE
- Director and member of the Management Committee of Faurecia (listed company)
- Director, Chairman of the Nominations Committee and Chairman of the Compensation Committee of Sofina (listed company) (Belgium)
- Director and member of the Nomination and Compensation Committee of DKSH Holding AG (listed company) (Switzerland)
- Director and member of the Audit Committee of Etablissements Peugeot Frères
- Director and member of the Nomination and Compensation Committee of Tikehau Capital Advisors
- Member of the Supervisory Board, member of the Audit Committee and member of the Compensation, Appointments and Governance Committee of Hermès International (listed company)
- Member of the Supervisory Board of Soparexo
- Director of FFP Investment UK Ltd
- Legal manager of:
  - SARL CHP Gestion
  - SC Rodom

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Permanent representative of FFP Invest as a member of the Board of Directors and Chairman of the Compensation and Nominations Committee of Sanef until April 2017
- Permanent representative of FFP Invest as a member of the Supervisory Board and the Audit Committee of Zodiac Aerospace (listed company) until September 2014
- Director and a member of the Strategy Committee and the Nomination and Compensation Committee of Imerys (listed company) until May 2016
- Director of Holding Reinier S.A.S. until March 2016
- Permanent representative of FFP Invest as a member of the Supervisory Board of IDI Emerging Markets S.A. (Luxembourg) until June 2015
- Member of the Supervisory Board of:
  - Peugeot SA. (listed company) until April 2014
  - IDI Emerging Markets S.A. (Luxembourg) until May 2014
- Director and Chairman of the Nominations and Compensation Committee of Sanef until June 2014

(*) *F&P is a joint venture set up by FFP Invest and Fonds Stratégique de Participations (FSP) specifically for the purpose of exercising the role of a Director of Safran.*

Vincent Imbert

Director
Member of the Audit and Risk Committee
Member of the Appointments and Compensation Committee
Member of the Innovation and Technology Committee

Direction générale de l'armement – 60, bd du Général-Martial-Valin – 75015 Paris, France

Number of Safran shares held: None

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1956, Vincent Imbert, a French national and senior defense engineer, is a graduate of École Polytechnique and École nationale supérieure de l'aéronautique et de l'espace. He is a former auditor of the Center for Advanced Defense Studies (Centre des Hautes Études de l'Armement).

He started his career at the French Directorate General of Weapons Procurement (DGA) in 1981 managing programs. He was Director of the PR4G (radios for the army) program and the RITA and RITA enhancement programs and then Director of the Leclerc tank program for France and the United Arab Emirates.

In 1998, he became Director of the French military test center at Bourges, responsible for the assessment and testing of pyrotechnic, artillery and ground missile systems.

In 2000, he was appointed Force System Architect, responsible for directing and managing prospective studies to prepare the French army's future defense and weapons systems.

In 2003, he was appointed technical Advisor to the Deputy Head of the DGA, and became Director of its Ground Weaponry Programs Department (SPART) in 2004.

In 2006, he also became Director of the DGA's Observation, Telecommunication and Information Programs Department (SPOTI).

In 2009, he was responsible for setting up the technical department at the DGA, which he subsequently managed.

In June 2013, he was appointed Executive Vice-President of the DGA and on September 1, 2017 became Inspector General of the Weaponry Division of the French Armed Forces.

Vincent Imbert brings to the Board an in-depth knowledge of the Group's products and markets and particularly his expertise in the areas of defense and strategy.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Inspector General of the Weaponry Division of the French Armed Forces

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran

NON-GROUP

None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Representative of the French State on the Board of Directors of Safran until April 2015

NON-GROUP

- Representative of the French State on the Board of Directors of Giat Industries until December 2015

Caroline Laurent

Director

Direction générale de l'armement – 60, bd du Général-Martial-Valin – 75015 Paris, France

Number of Safran shares held: None

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1963, Caroline Laurent, a French national, is a graduate of École polytechnique (1982) and École nationale supérieure de l'aéronautique et de l'espace (1987) and a former auditor of the Centre des hautes études de l'armement (Center for Advanced Defense Studies, 2004-2005).

She began her career in 1987 at the Space and Missiles Department of the French Directorate General of Weapons Procurement (DGA), where she held management positions for technical projects and research projects related to satellites, oceanography and space reconnaissance.

From 1994 to 1995, she was responsible for space research programs for the Ministry of Industry and was a key member of the committee in charge of the French space policy.

In 2001, she was appointed manager of the Syracuse military telecommunications program.

From 2007 to 2011, she served as Head of the Aeronautical Programs Unit – a unit in charge of military transport aircraft, mission aircraft and in service fighter aircraft. She was also the French representative on the A400M program international committee.

From 2011 to 2014, she served as Head of the Space and Information Systems Unit, comprising 450 people, leading all armament operations and research and projects related to information and intelligence systems, including spatial sensors and telecom and command systems.

On December 1, 2014, she was appointed Strategy Director at the DGA and promoted to the rank of first-class Engineer General for Armament (*Ingénieure Générale Hors Classe de l'Armement*). In this role she is responsible for French defense research and innovation programs, industrial strategy and support for SMEs, and for preparing future armament programs and putting in place European cooperation programs. She is the representative of the DGA in a number of multilateral organizations (NATO, the European Commission, the EDA).

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

> Strategy Director at the DGA and *Ingénieure Générale Hors Classe de l'Armement*.

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

> Director put forward by the French State and appointed by the Board on February 7, 2019

NON-GROUP

> Representative of the French State on the Board of Directors of:

- Naval Group (since July 2018)
- L'Office national d'études et de recherches aérospatiales (Onera)
- Centre national d'études spatiales (Cnes)

> Director of:

- L'École nationale supérieure de techniques avancées (ENSTA)
- L'Institut des hautes études de défense nationale (IHEDN)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

None

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Brigitte Lesschaeve

Director representing employees

Member of the Innovation and Technology Committee

Safran Landing Systems - 7 rue du Général Valérie André - 78140 Vélizy-Villacoublay, France

Number of Safran shares held: 491[1]

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1957, Brigitte Lesschaeve, a French national, is a graduate of Polytech Lille and holds a postgraduate degree in robotics.

She began her career at Dassault Aviation in 1982 as a simulation engineer and in 1994 she joined Giat Industries as procurement project manager for Leclerc tanks.

After holding various posts at GIAT Industries, Brigitte Lesschaeve joined Safran Landing Systems in 2005 as part of the quality program team in charge of the A400M. She currently works in the legal affairs department while also carrying out trade union functions within the CGT union. Her trade union specialization areas are personal protection insurance, retirement and disability.

Brigitte Lesschaeve brings to the Board her view of Safran from an employee's perspective, as well as an in-depth knowledge of the Group and its markets.

MAIN POSITION(S) HELD

- Employee in the legal affairs department of Safran Landing Systems

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director representing employees since February 2018
- Member of the Safran social commission
- Trade union specialist in negotiations concerning personal protection insurance, retirement and disability

NON-GROUP

- Member of the committee responsible for approving the financial statements of the supplementary pension organization, Humanis Malakoff Médéric, since January 2019
- Director of Mutuelle familiale des travailleurs du Groupe Safran
- Advisor to the Versailles employment tribunal, managerial section

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Member of the works councils of Safran Landing Systems until 2015

NON-GROUP

- Director, Bureau member and Chair of the Financial Commission of Humanis Retraite Agiric until December 2018
- Member of the commission responsible for approving the financial statements of the AGIRIC supplementary pension regime until December 2018

(1) *Including 441 shares via corporate mutual fund units (conversion based on the Safran share price at December 31, 2018).*

Gérard Mardiné

Director representing employee shareholders

Member of the Audit and Risk Committee

Safran Electronics & Defense – 18-20, quai du Point-du-Jour – 92659 Boulogne-Billancourt, France

Number of Safran shares held: 7,553[1]

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1959, Gérard Mardiné, a French national, holds a degree from ENSAM engineering school in Paris and is also a graduate of the École supérieure des techniques aérospatiales.

Gérard Mardiné joined Snecma in 1982 as an engineer specialized in regulating turbojet engines and subsequently became head of development of navigation equipment and drone systems at Sagem. For the past 11 years he has specialized in drones and aviation and he is a member of EUROCAE, a European standard-setting body for the aviation industry.

Gérard Mardiné brings to the Board his view of Safran from an employee shareholder's perspective, as well as an in-depth knowledge of the Group and its markets.

MAIN POSITION(S) HELD

- Drones and aviation specialist at Safran Electronics & Defense

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran representing employee shareholders
- Chairman of the Supervisory Board of the Avenir Sagem corporate mutual fund
- Member of the Supervisory Board of the Safran Investissement corporate mutual fund
- Member of the Works Council, Employee Representative and Trade Union Representative at Safran Electronics & Defense (Boulogne)
- Vice-President of L'Observatoire de la RSE (ORSE, of which Safran is a member) since June 2018

NON-GROUP

- Director of ARRCO (French national association for employee pensions)
- Member of the Management Committee of Club Sagem
- Chairman of the Steering Committee of IPSA (an aerospace engineering school)
- Chairman of École nationale supérieure de sécurité sociale (EN3S) since March 2018

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Chairman of the Supervisory Board of the Safran Mixte Solidaire corporate mutual fund
- Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund until January 2018
- Coordinator for the CFE-CGC trade union within the Group until May 2018

NON-GROUP

- Director of Humanis Retraite ARRCO (pension fund) until December 2018

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(1) Including 1,263 shares via corporate mutual fund units (conversion based on the Safran share price at December 31, 2018).

Daniel Mazaltarim

Director representing employees

Member of the Appointments and Compensation Committee

Safran Aircraft Engines – Division des moteurs militaires Établissement d'Évry-Corbeil – Rue Henri-Auguste-Desbruères – B.P. 81 – 91003 Évry Cedex, France

Number of Safran shares held: 1,848[1]

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1960, Daniel Mazaltarim, a French national, holds a PhD in geology from Strasbourg University, post-graduate diplomas (DESS) in management and human resources management from Institut d'Administration des Entreprises de Paris and a Business Certificate from the American University of Paris.

Daniel Mazaltarim has been with the Group for 18 years.

He started his career as a quality assurance manager at Safran Transmission Systems (formerly Hispano-Suiza), before joining Safran Consulting in 2004, first as a consultant and subsequently a manager.

In June 2014, he became a member of the Progress Initiative Department of Safran Aircraft Engines' Military Engines Division as a Black Belt, then as a Master Black Belt.

Daniel Mazaltarim brings to the Board his view of Safran from an employee's perspective, as well as an in-depth knowledge of the Group and its markets.

MAIN POSITION(S) HELD

- Black Belt Master in the progress initiative department of Safran Aircraft Engines' military engines division

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran representing employees

NON-GROUP

- Chairman of COSAF 13

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

None

(1) *Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2018).*

Patrick Pélata

Independent Director
Member and Chairman of the Innovation and Technology Committee
Member of the Appointments and Compensation Committee
Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 500

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1955, Patrick Pélata, a French national, is a graduate of the École polytechnique and of the École nationale des ponts et chaussées engineering school, and holds a PhD in socioeconomics from the École des hautes études en sciences sociales.

He joined Renault in 1984 as a shop foreman at the Flins plant and from 1988 he contributed to the creation of the Renault Twingo and served in several engineering positions at Vehicle Engineering, where he became Senior Vice-President in 1998 and joined the Renault Management Committee. Following the signature of the Alliance between Renault and Nissan in 1999, he joined Nissan in Tokyo as Executive Vice-President in charge of Corporate and Product Planning, Design and Programs, sitting on the Executive Committee of Nissan and the Executive Board of the Alliance. In 2005, he returned to Renault as Executive Vice-President in charge of Corporate and Product Planning, Design and Programs, and joined the Executive Committee. Patrick Pélata served as Chief Operating Officer of the Renault group from October 2008 to April 2011, before his departure in August 2012.

From September 2012 to July 2015, he was Chief Automotive Officer and Executive Vice-President of Salesforce.com with responsibility for strategy execution and promoting social media, mobility and cloud computing technologies to the automotive industry.

In July 2015, he created Meta Consulting LLC, of which is he is the President. He returned to Paris in July 2017.

Patrick Pélata brings to the Board his experience of leading innovative, high-tech industrial groups on an international scale, as well as his experience in strategy, consulting and industrialization in the digital age.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- President of Meta Strategy Consulting
- Company director

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Director of Orano since February 2018
- Director of Vulog since September 2018
- President of Meta Strategy Consulting

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- President of Meta Consulting LLC (United States) until July 2017

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Sophie Zurquiyah

Independent Director

Member of the Audit and Risk Committee

CGG – 33, avenue du Maine, 75015 Paris, France

Number of Safran shares held: 500

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1966, Sophie Zurquiyah has dual French and American nationality. She is a graduate of the École centrale de Paris and holds a Master of Science in numerical analysis from the Pierre and Marie Curie University (Paris VI), as well as a Master of Science in aerospace engineering from the University of Colorado.

Having started her career with Schlumberger in 1991 as a geophysics engineer, she held a variety of positions in research, development and manufacturing in France and the United States, before becoming General Manager for Schlumberger's South Latin America Region, based in Rio de Janeiro in 2003. Between 2005 and 2007, she served as Human Resources Director for Oilfield Services at Schlumberger, and then as Chief Information Officer for the Schlumberger group at its headquarters in Paris until 2009. In the same year she was appointed President of Schlumberger Data & Consulting Services in Houston, where she remained until 2012.

Sophie Zurquiyah joined CGG on February 4, 2013 as Senior Executive Vice-President of the Geology, Geophysics & Reservoir (GGR) business. On September 1, 2015, she was appointed Chief Operating Officer in charge of Technology and Global Operational Excellence, in addition to her operating responsibilities for product lines in the GGR segment. She is currently a member of the Executive Committee of the CGG group.

On November 18, 2017, Sophie Zurquiyah was appointed as a member of the French Industry Council by way of a ministerial decree.

Since April 26, 2018 she has been Chief Executive Officer and a Director of CGG SA.

Sophie Zurquiyah brings to the Board her experience of heading up innovative global corporations specialized in high-tech industrial equipment and services, as well as an international outlook, expertise in various operational and corporate positions, and her extensive knowledge of North America and Latin America.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

> Chief Executive Officer of CGG SA

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

> Director of Safran

NON-GROUP

> Director and Chief Executive Officer of CGG SA (listed company)

> Corporate officer of CGG Services, Inc. (United States)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

> Director of Petroleum Edge Ltd (United Kingdom) until June 2018

> Chief Operating Officer of CCG SA (listed company) until January 2017

> Director of Magnitude Microseismic, LLC (United States) until 2015

Skills and expertise of the members of the Board of Directors

The table below summarizes the expertise and diverse skills of each of the Directors. It shows that the Directors have a wide range of experience in different business sectors and expertise in varied fields, meaning that the Board is well equipped to deal with the challenges Safran faces in terms of both strategy and performance. In addition, 59% of the Board's members (i.e., 10 out of 17 Directors) and 86% of the independent Directors (6 out of 7) have spent part of their careers working internationally (irrespective of their nationality).

This skills matrix is monitored and reviewed by the Appointments and Compensation Committee, particularly in order to identify Director candidate profiles in the event of any changes in the Board's membership structure.

	Ross McInnes	Philippe Petitcolin	Hélène Auriol Potier	Éliane Carré-Copin	Jean-Lou Chameau	Monique Cohen
Aerospace	✓	✓		✓	✓	
Automotive	✓	✓				
Defense	✓	✓		✓		
Energy	✓				✓	
Finance, Banking, Insurance, Asset Management	✓		✓			✓
Strategy and consulting					✓	✓
IT, Telecoms			✓			
New technologies			✓		✓	
Government services	✓					
International experience (irrespective of nationality)	✓	✓	✓		✓	
Office(s) held in listed companies (Chairman, CEO, COO)	✓	✓				
Director of listed companies	✓	✓	✓	✓	✓	✓
Executive of unlisted companies	✓	✓	✓		✓	✓
Director of unlisted companies	✓	✓	✓		✓	✓
Governance and compensation	✓		✓		✓	✓
Organization and management of corporations	✓	✓	✓			✓
Strategy and competitive environment	✓	✓			✓	✓
Shareholding strategy and vision	✓	✓				✓
Perspective of an employee or employee shareholder				✓		
Mergers & Acquisitions	✓	✓				✓
innovation, Research & Technology					✓	
Performance and industrial developments – Operations, engineering		✓				
Sales & marketing, procurement, commerce, distribution		✓	✓			
Finance, Performance and management control	✓				✓	✓
IT, digital			✓		✓	
Human Resources					✓	
CSR				✓		✓

Hélène Dantoine	Odile Desforges	Didier Domange	F&P represented by Robert Peugeot	Vincent Imbert	Caroline Laurent	Brigitte Lesschaeve	Gérard Mardiné	Daniel Mazaltarim	Patrick Pélata	Sophie Zurquiyah
		✓		✓	✓	✓	✓	✓		✓
	✓		✓						✓	
				✓	✓	✓	✓	✓		
✓										✓
✓		✓	✓							
									✓	
	✓				✓					
					✓				✓	
✓				✓	✓					
✓	✓	✓	✓						✓	✓
		✓	✓						✓	✓
✓	✓	✓	✓	✓		✓	✓	✓	✓	✓
✓	✓	✓	✓						✓	
✓	✓	✓	✓	✓	✓	✓			✓	✓
✓	✓	✓	✓			✓			✓	
✓	✓	✓	✓						✓	✓
✓	✓	✓	✓	✓	✓				✓	
		✓	✓							✓
						✓	✓	✓		
		✓	✓							
✓	✓		✓		✓				✓	✓
✓	✓	✓	✓	✓			✓	✓	✓	✓
	✓									
✓	✓	✓	✓							
					✓				✓	✓
							✓			✓
						✓	✓			

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6.2.3 Other information about the Board of Directors' membership structure

Lead Independent Director

At its meeting on March 22, 2018, the Board of Directors amended its Internal Rules by inserting an Article 38, which provides for the possibility of appointing a Lead Independent Director (notably in the event the Vice-Chairman is temporarily unable to perform his or her duties). The Lead Independent Director is chosen from among the Directors who qualify as independent and who are members of the Appointments and Compensation Committee.

At the same meeting, the Board appointed Monique Cohen as the Company's Lead Independent Director for the duration of her term as a Director. Although the position of Lead Independent Director is not indispensable because the Company has separated the roles of Chairman of the Board and Chief Executive Officer, the Board felt that it would be good practice to create such a position.

The Lead Independent Director has the following powers and responsibilities:

> the Chairman of the Board of Directors consults with her about the agenda and schedule of Board meetings;

> in her capacity as both Lead Independent Director and a member of the Appointments and Compensation Committee, she takes part in (i) preparing the succession plan for the Company's officers, including the Chairman of the Board of Directors, (ii) the process of selecting candidates for members of the Board and its Committees (iii) organizing assessments of the Board, and (iv) discussions regarding governance matters;

  She leads the Board's discussions about the succession plan for the Chairman of the Board and any appraisals of his performance or reviews of his compensation;

> where necessary, or useful, either at her own initiative or at the request of the Chairman of the Board, she is informed of any opinions or specific questions expressed by the shareholders in relation to corporate governance matters and participates, in conjunction with the Chairman of the Board, in any resulting discussions;

> she brings to the Chairman's attention any potential conflicts of interest that she may identify and examines such situations with him;

> if the Chairman is temporarily unable to perform his duties or in the event of the Chairman's death, and if there is no Vice-Chairman, then the Lead Independent Director replaces the Chairman, as follows:

  - in the event of temporary absence, the Lead Independent Director stands in for the Chairman until he is once again able to perform his duties, and
  - in the event of the Chairman's death, the Lead Independent Director acts as Chairman until a new Chairman is elected.

  In either of the above cases, the Lead Independent Director chairs meetings of the Board of Directors.

The Lead Independent Director does not receive any specific additional attendance fees.

Work carried out by the Lead Independent Director during the year

In 2018, Monique Cohen – Lead Independent Director and Chair of the Appointments and Compensation Committee – chaired the parts of the Board meetings related to reviewing the Chairman's specific situation (compensation, expiration of term of office, etc.). The Chairman did not take part in any discussions or votes concerning these matters.

The Lead Independent Director also led the work of the Appointments and Compensation Committee related to the selection of Director candidates.

In addition, working alongside the Chairman, she:

> organized the formal assessment process of the Board of Directors, including presenting to certain Directors (including the Chairman) the findings concerning their individual contributions to the Board's work;

> organized the process of selecting Director candidates (defining the candidate profile, selecting candidates and holding interviews along with members of the Appointments and Compensation Committee), and making the resulting recommendation to the Board;

> launched the preparation and scheduling process for the succession plan for the Company's officers, including the Chairman of the Board of Directors and the Chief Executive Officer.

Independent Directors

The Board has seven independent Directors (see section 6.2.4.1), who are all highly engaged and involved in the Board's work. The fact that these Directors have full freedom of judgment and expression contributes to the quality of the Board's discussions, and their professional and personal experience provides an outside view that is beneficial for the Company.

The independent Directors are not executives or employees of the Group and do not have any significant financial, family or other relations with the Group that could affect their freedom of judgment or lead to any actual or potential conflicts of interest.

The aim of having independent Directors on the Board is to provide the Company's shareholders with assurance that the collegiate body of the Board comprises members who have total independence to analyze, judge, take decisions and act, always in the Company's interests.

Representative of the French State and Directors put forward by the French State

The membership structure of Safran's Board of Directors is subject to the provisions of French law applicable to *sociétés anonymes* (joint-stock corporations). However, as the French State owns at least 10% of the Company's capital, as provided for in Article 14.1 of the Company's bylaws, a certain number of seats on the Board must be assigned to representatives of the French State in accordance with Articles 4 and 6 of *ordonnance* 2014-948, dated August 20, 2014, which sets out the terms and conditions for State representation on the Boards of Directors of companies in which it holds an ownership interest.

In connection with Safran's implementation of the August 20, 2014 *ordonnance*:

> by way of a ministerial decree dated March 13, 2019, the French State appointed Hélène Dantoine as its representative on the Board of Directors of Safran to replace Lucie Muniesa for the remainder of Ms. Muniesa's term of office. Lucie Muniesa had been appointed by way of a ministerial decree dated February 8, 2016 for the same term as the other Board members in accordance with Article 2 of government decree 2014-949, dated August 20, 2014 implementing the *ordonnance*, i.e., four years, expiring at end of the Annual General Meeting of May 23, 2019;

- Vincent Imbert was appointed as a Director at the Annual General Meeting of April 23, 2015, having been put forward by the French State (in accordance with Article 6 of the *ordonnance*). His term of office expires at the close of the Annual General Meeting to be held on May 23, 2019. His re-appointment will be proposed at the Annual General Meeting (see section 6.2.6.2);
- at its meeting on February 7, 2019, the Board of Directors appointed Caroline Laurent as a Director, who was put forward by the French State (in accordance with Article 6 of the *ordonnance*), to replace Patrick Gandil, who has resigned from the Board. Ms. Laurent was appointed for the remainder of Mr. Gandil's term of office, which expires at the close of the Annual General Meeting to be held on May 23, 2019.

Reduction in the French State's representation on the Board of Directors

Following the May 23, 2019 Annual General Meeting, it is expected that the number of Directors put forward or appointed by the French State will have been reduced from three to two, i.e.:

- one director put forward by the French State and appointed by shareholders at the Annual General Meeting (compared with two previously); and
- one representative of the French State appointed by way of a ministerial decree.

This reduction will result from applying, as agreed with the French State, the provisions of the *ordonnance* dated August 20, 2014 in view of the change in the French State's ownership interest in Safran (11.01% at February 28, 2019).

Directors representing employee shareholders

Safran's Board of Directors includes two members representing employee shareholders, who were appointed at the Annual General Meeting of May 19, 2016 for four-year terms.

In accordance with the applicable law and Article 14.8 of Safran's bylaws, if the shares held by employees of the Company – or of companies related to it within the meaning of Article L.225-180 of the French Commercial Code – represent more than 3% of the share capital, then one or more Directors representing employee shareholders must be appointed at an Ordinary General Meeting.

As the terms of office of the Directors representing employee shareholders were due to expire at the close of the May 19, 2016 Annual General Meeting, in accordance with Article 14.8 of the Company's bylaws, a procedure was launched during the year with a view to nominating candidates to be put forward for appointment to replace these representatives.

Following a call for applications, the supervisory boards of the corporate mutual funds set up as part of the Group's employee share ownership program – whose investments mainly comprise shares in the Company – nominated four candidates to be put forward for appointment as Directors. Of these candidates, at the May 19, 2016 Annual General Meeting, Éliane Carré-Copin and Gérard Mardiné were appointed as Directors representing employee shareholders. Their terms of office expire at the close of the Annual General Meeting to be held in 2020.

Directors representing employee shareholders have the same voting rights at Board meetings as the other Directors and must act in the corporate interest of the Company at all times. Subject to the legal provisions applying to them, they have the same rights and responsibilities and are bound by the same duties – in particular with regard to confidentiality – as the other members of the Board.

Directors representing employees

In accordance with Article 14.9 of the Company's bylaws – which was adopted pursuant to the French Employment Security Act of June 14, 2013 – the Board of Directors must include one or two Directors representing employees, depending on the total number of Board members, as follows: (i) one such Director if the Board has twelve or less members, or (ii) two such Directors if the Board has more than twelve members. The total number of Board members is assessed on the date that the Director(s) representing employees are appointed, and does not take into account any existing Directors representing employees or employee shareholders.

On November 20, 2014, Daniel Mazaltarim was elected as an employee representative Director for a term expiring on November 19, 2019, based on the lists of candidates put forward by the four trade unions represented within the Group (CFDT, CFE-CGC, CGT and CGT-FO). Eligible voters in this election corresponded to all of the employees of Safran and its direct and indirect subsidiaries whose registered offices are located in France.

Brigitte Lesschaeve replaced Frédéric Bourges as an employee representative Director (following Mr. Bourges' retirement), with effect from the close of the Board meeting held on February 26, 2018. In accordance with Article 14.9.5 of the Company's bylaws and Article L.225-34 of the French Commercial Code, Frédéric Bourges was replaced by Brigitte Lesschaeve because she was the candidate whose name featured directly below his on the same list in the elections for the employee representative Directors in 2014. Brigitte Lesschaeve's directorship runs for the remainder of Frédéric Bourges' term of office, expiring on November 19, 2019.

Directors representing employees have the same voting rights at Board meetings as the other Directors and must act in the corporate interest of the Company at all times. Subject to the legal provisions applying to them, they have the same rights and responsibilities and are bound by the same duties – in particular with regard to confidentiality – as the other members of the Board.

Other persons attending Board of Directors' meetings

The following people attend Board of Directors' meetings in an advisory capacity: a Government Commissioner appointed by decision of the Ministry of Defense in accordance with the regulations applicable to Safran's activities, and a representative of the Central Works Council in accordance with the French Labor Code (*Code du travail*).

Government commissioner

Éric Méresse, Controller-General of the French Armed Forces, was appointed as Government Commissioner to Safran and its subsidiaries by way of a decision of the Ministry of Defense on September 15, 2014 in accordance with the laws and regulations applicable to companies supplying military equipment under public contracts or more generally engaged in the manufacturing or trading of such equipment.

Representative of the central works council

Ould Bouamama (Quality & Reporting Manager in the Group's HR shared services centers) was appointed on July 4, 2016 by the Central Works Council as its representative on the Board of Directors, pursuant to the terms of Article L.2323-65 of the French Labor Code.

The Statutory Auditors

The Statutory Auditors are invited to attend the Board meetings during which the annual and interim financial statements are reviewed. They may also be invited to any other Board meeting and also take part in meetings of the Audit and Risk Committee.

Other persons

In accordance with the Board of Directors' Internal Rules, depending on the matters discussed, the Chairman of the Board of Directors may invite any person to attend Board of Directors' meetings whom he considers may be able to provide Board members with information on an agenda item.

6.2.4 Independence and diversity of the Board of Directors

Based on the independence criteria set out below, seven of Safran's Directors qualify as independent (i.e., 53.8%).

In accordance with the AFEP-MEDEF Code, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.

6.2.4.1 Independence of the members of the Board of Directors

Independence criteria

Independent Directors are those who do not have any relationship whatsoever with Safran, the Group or its Management that may compromise their freedom of opinion.

A Director is deemed independent when he or she meets all of the following criteria (Article 2.4 of the Board of Directors' Internal Rules and Article 8.5 of the AFEP-MEDEF Code).

- criterion 1: an independent Director must not be, or must not have been during the five years preceding his/her first appointment as a Director of Safran:
  - an employee or executive corporate officer of Safran,
  - an employee, executive corporate officer or Director of a Group company, the parent company of the Company or a company consolidated by the parent company;
- criterion 2: an independent Director must not be an executive corporate officer of a company in which Safran holds, directly or indirectly, a directorship or serves as a member of the Supervisory Board;
- criterion 3: an independent Director must not be a corporate officer of a company in which an employee appointed as such or an executive corporate officer of Safran (currently or within the last five years) holds a directorship or serves as a member of the Supervisory Board;
- criterion 4: an independent Director must not be a customer, supplier, commercial banker, or investment banker that is material to Safran or the Group, or for which Safran or the Group represents a significant portion of its business;
- criterion 5: for Directors who have duties in one or more banks, in order to be qualified as independent, he or she must not participate in (i) preparing or soliciting offers for services from one or more of these banks with Safran or any other Group company, (ii) the work of any of these banks in the event of the performance of a mandate entrusted to said bank by Safran or any other Group company or (iii) the vote on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity;
- criterion 6: an independent Director must not have any close family ties with a corporate officer of Safran or any other Group company;
- criterion 7: an independent Director must not have been a Statutory Auditor of Safran in the past five years;
- criterion 8: an independent Director must not be a member of the Board of Directors or have been a member of Safran's Supervisory Board for over 12 years, it being specified that members lose their status as independent Directors once the 12-year threshold is reached;
- criterion 9: an independent Director must not be a major shareholder of Safran.

At each appointment of a Director, the Board of Directors examines the issue of independence with regard to the criteria set out in the Internal Rules and checks whether the applicant has significant business relations with the Group. An independence review is then carried out on an annual basis.

Independence criteria	1	2	3	4	5	6	7	8	9	Independent
Ross McInnes	x	✓	✓	✓	✓	✓	✓	✓	✓	x
Philippe Petitcolin	x	✓	✓	✓	✓	✓	✓	✓	✓	x
Hélène Auriol Potier	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Éliane Carré-Copin	x	✓	✓	✓	✓	✓	✓	✓	✓	x
Jean-Lou Chameau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monique Cohen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hélène Dantoine	✓	✓	✓	✓	✓	✓	✓	✓	x	x
Odile Desforges	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Didier Domange	✓	✓	✓	✓	✓	✓	✓	✓	✓	x(1)
F&P represented by Robert Peugeot	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vincent Imbert	✓	✓	✓	✓	✓	✓	✓	✓	x	x
Caroline Laurent	✓	✓	✓	✓	✓	✓	✓	✓	x	x
Brigitte Lesschaeve	x	✓	✓	✓	✓	✓	✓	✓	✓	x
Gérard Mardiné	x	✓	✓	✓	✓	✓	✓	✓	✓	x
Daniel Mazaltarim	x	✓	✓	✓	✓	✓	✓	✓	✓	x
Patrick Pélata	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sophie Zurquiyah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ *Independence criterion met*
X *Independence criterion not met*
(1) *See the "Independence review" section below for an explication of why Didier Domange has not been qualified as independent despite the fact that he meets all of the independence criteria.*

Independence review

At its meeting on March 27, 2019, on the recommendation of the Appointments and Compensation Committee, the Board undertook a review of the independence status of its members.

The findings of the review were that none of the Directors considered as independent have any direct or indirect business relations with Safran or any Group company that could jeopardize their independence. Following the review, the Board of Directors was able to confirm the independence of the Directors.

The Board of Directors relies on the following key procedures, reviewed by the Appointments and Compensation Committee, to determine independence:

> a separate annual questionnaire and a permanent obligation to inform the Board of any conflict of interest:
- every year, a questionnaire is sent to each independent Director in particular, pursuant to which, any conflict of interest between their duties as a Director, their private interests and any other of their roles or responsibilities, must be declared, as well as any existing service contracts they benefit from with the Group.
- strict provisions on permanent disclosure obligations and managing conflicts of interest are included in the Board of Directors' Internal Rules and are detailed in section 6.2.5;

> identification and a materiality test in respect of Safran's relationships with other companies and institutions for which Directors of Safran are corporate officers – a specific materiality test in respect of Safran's relationships with bank partners:

These tests mainly consist of:
- a qualitative analysis, intended to ensure that any existing business relationships are free of conflicts of interest and do not bring into question the independence of the Director, mainly through a review of the history, scale and organization of the relationship (the position of the Director concerned in the contracting company) for Directors who have duties in one or more banks, not to have been involved in (i) preparing or soliciting service offerings of one of these banks with respect to Safran or any other Group company, (ii) the work of any of these banks in the event of the performance of a mandate entrusted to said bank by Safran or any other Group company or (iii) the vote on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity,
- a quantitative analysis, intended to evaluate the significance of any existing business relationships to ensure that they do not result in any form of financial dependence and that they are neither exclusive nor predominant among the relationships taken as a whole (in respect to relationships with bank partners, the main flows, commitments, transactions and existing terms of office are expressed in amounts and percentages and analyzed to determine their relative weighting).

During this review, both the Board and the Appointments and Compensation Committee examined any business relations that may exist between Safran and (i) BNP Paribas (of which Monique Cohen is a Director), and (ii) Oddo BHF SCA (of which Hélène Auriol Potier is a member of the Supervisory Board). The Board once again concluded that Monique Cohen and Hélène Auriol Potier have total independence of judgment in their roles as Directors of Safran. In addition, their directorship at BNP Paribas and membership of Oddo BHF SCA's Supervisory Board are non-executive positions. Any business relations that may exist between Safran and BNP Paribas or Oddo BHF SCA do not in any way jeopardize the independent Director status of Monique Cohen or Hélène Auriol Potier.

Concerning Didier Domange, although he could be considered as meeting all of the independence criteria applied by Safran, to date the Board has decided not to qualify him as an independent Director based on the analysis carried out when he was first appointed concerning his position in and relations with Zodiac Aerospace. The reasons for this decision are that Mr. Domange was (i) a corporate officer of Zodiac Aerospace, (ii) the representative of a long-standing family shareholder of Zodiac Aerospace, and (iii) involved in the project for the business combination between Safran and Zodiac Aerospace which provided for cross put and call options between the two companies.

6.2.4.2 Diversity, expertise and proportion of women on the Board of Directors

The Board of Directors regularly carries out reviews to ensure that the membership structure of the Board and its committees is sufficiently balanced.

Its diversity policy is notably structured around principles and objectives related to (i) the size of the Board and the representation of the Company's various stakeholders, (ii) the proportion of independent Directors, (iii) the depth and fit of the Directors' skills and expertise, (iv) international experience, and (v) gender balance.

These principles and objectives set the framework for future changes in the Board's membership structure and enable it to draw up candidate profiles to meet those objectives as the need arises. For the purpose of preparing such profiles it uses the skills matrix set out in section 6.2.2 above, which it regularly reviews and monitors.

The resolutions relating to the Board's membership structure that will be put to shareholders at the May 23, 2019 (see sections 6.2.6.2 below and 8.2.1) reflect the Board's diversity policy.

Diverse profiles

When implementing the above diversity policy, the Appointments and Compensation Committee submits recommendations to the Board, in some cases with the assistance of an external firm, concerning the selection of candidates for appointment or re-appointment as Directors. These recommendations are based on criteria such as:

- independence;
- skills that match the Company's overall strategy and that round out or strengthen the skills of the Board's existing members;
- specific expertise (e.g., financial and accounting, R&T, digital, etc.), particularly to strengthen the membership structure of the Board's Committees;
- additional skills on top of the candidates' main expertise, and a willingness to become involved in the Board's other missions and responsibilities;
- significant international experience during their careers (irrespective of nationality);
- executive experience acquired in major industrial corporations (international, French or non-French), and an understanding of the Group's business sector;
- gender balance;
- the ability to work as part of a collegiate body such as the Board of Directors, and to constructively challenge the Company's executive management team.
- availability.

The Board of Directors also endeavors to have a diverse age profile (the average age of its members is currently 62).

Gender balance on the Board

The Board of Directors is made up of eight women and nine men.

This means that the proportion of women on the Board is 46.7% (i.e., seven out of 15 members, as employee representative Directors are not taken into account in calculating this percentage). This proportion takes into account the Board's February 7, 2019 appointment as a Director of Caroline Laurent, who was put forward by the French State, to replace Patrick Gandil, and the appointment of Hélène Dantoine as representative of the French State on March 13, 2019 (see section 6.2.6.1 above).

In addition, although the Directors representing employees are not taken into account for calculating the percentage of women on the Board, this category of Directors comprises one man and one woman, as does the category of Directors representing employee shareholders, which also contributes to the Board's gender balance.

If the resolutions presented by the Board of Directors at the Annual General Meeting on May 23, 2019 are approved by the shareholders, the proportion of women on the Board will be maintained at 40% (see section 6.2.6.3 and section 8.2.1).

Training

Directors' training takes the following different forms:

- each new Director is given a welcome pack containing the initial information they need for performing their directorship duties. This pack includes the schedule of Board meetings, the Code of Ethics, the Company's bylaws, the Board's Internal Rules, the Ethical Guidelines, and other documents describing the Group and its businesses, such as the most recent Registration Document; Directors are also provided with press reviews and regular reports about the Group's financial communications;
- they are offered specific training sessions and in-house presentations about the Group, its businesses and industry, as well as about accounting, financial and operational issues that are specific to Safran.

The Directors are also regularly given presentations during Board meetings about the Group's operations (historical information, positioning, results, competitive environment, challenges and risks);

- the Directors representing employees and employee shareholders are offered additional training, particularly in the field of finance and accounting. These training sessions can also cover broader issues such as (i) the roles and responsibilities, operating procedures and rights and obligations of Boards of Directors, Board Committees and Directors in general, (ii) the Group's businesses and organizational structure, and (iii) any other topic that may enhance the skills and effectiveness of the Directors concerned in performing their Board duties;
- visits to the Group's sites both in and outside France are regularly organized so that Board members can learn about or hone their knowledge of Safran's various sites and businesses. For example, in October 2018, the Directors visited several of the Group's sites in the United States including Zodiac Aerospace sites (three in Dallas and five on the West Coast);
- regular updates are given at each Board meeting about the Group's operations and strategy;
- specific meetings of the Board or the Board Committees may also be called to discuss particular issues.

6.2.5 Additional disclosures about Directors

Duration of the terms of office of the members of the Board of Directors

Following the resolution adopted at the Annual General Meeting of April 23, 2015 to reduce Directors' terms of office from five to four years, Directors are now appointed for four-year terms as recommended in the AFEP-MEDEF Code.

Consequently, all of the Directors who have been appointed or re-appointed since that date have four-year terms.

Information on service contracts between the members of the Board of Directors or Executive Management and the Company or any of its subsidiaries

There are no service contracts between the members of the Board of Directors or Executive Management and Safran or any of its subsidiaries providing for the award of benefits.

Disclosure of family ties and the absence of convictions involving members of the Board of Directors or Executive Management

To the best of Safran's knowledge:

- there are no family ties between members of the Board of Directors or Executive Management;
- no member of the Board of Directors or Executive Management:
  - has been convicted of fraud,
  - has been a manager of a company that has filed for bankruptcy or been placed in receivership or liquidation,
  - has been subject to an official public incrimination and/or sanctions by any statutory or regulatory authorities, or
  - has been disqualified by a court of law from acting as a member of an administrative, management or supervisory body, or from participating in the conduct of a company's business.

Managing conflicts of interest of members of the Board of Directors and Executive Management

Safran has not been notified of any:

- potential conflicts of interest between the duties, with respect to Safran, of any of the members of the Board of Directors or Executive Management and their private interests and/or other duties;
- arrangements or agreements with major shareholders, customers, suppliers or other parties pursuant to which any members of the Board of Directors or Executive Management were selected.

The management of conflicts of interest within the Board of Directors is organized as follows (Articles 7.2 to 7.5 of the Board of Directors' Internal Rules):

- all members of the Board of Directors must inform the Board of Directors of any actual or potential conflicts of interest between themselves (or any other individual or corporation with which they have a business relationship) and Safran, or any of the companies in which Safran holds an interest, or any of the companies with which Safran is planning to enter into an agreement of any sort;
- in the event that a member of the Board of Directors suspects the existence of a conflict of interests, or a potential conflict of interests, he/she must immediately inform the Chairman of the Board of Directors (or if the Chairman is unavailable, the Vice-Chairman, or failing that, the Lead Independent Director), whose responsibility it is to decide whether or not a conflict of interests exists and if so, to inform the Board of Directors and thus instigate the conflicts of interest management process;
- in the event that the member of the Board of Directors concerned is the Chairman of the Board of Directors him/herself, then he/she must inform the Vice-Chairman of the Board of Directors or, failing that, the Lead Independent Director;
- any member of the Board of Directors involved in an actual or potential conflict of interests related to an agreement that the Company is planning to enter into must abstain from voting on decisions relating to said agreement and from taking part in any discussions preceding the vote;
- in addition, the Chairman of the Board of Directors, the members of the Board of Directors, the Chief Executive Officer and, where appropriate, the Deputy Chief Executive Officer(s) will not be obliged to transmit, to any member(s) of the Board of Directors whom they have serious reason to suspect may be subject to conflicts of interest, any information or documents relating to the agreement or operation causing the conflict of interest in question, and they will inform the Board of Directors of the non-transmission.

6.2.6 Changes in the membership structure of the Board of Directors

6.2.6.1 Changes in the membership structure of the Board of Directors in 2018 and since January 1, 2019

	Departure				Appointment				Re-appointment			
Name	Board of Directors	Audit and Risk Committee	Appointments and Compensation Committee	Innovation and Technology Committee	Board of Directors	Audit and Risk Committee	Appointments and Compensation Committee	Innovation and Technology Committee	Board of Directors	Audit and Risk Committee	Appointments and Compensation Committee	Innovation and Technology Committee
Christian Streiff	May 25, 2018		May 25, 2018	May 25, 2018								
Frédéric Bourges	Feb. 26, 2018		Feb. 26, 2018									
Monique Cohen		May 25, 2018							May 25, 2018		May 25, 2018	
Hélène Dantoine					March 13, 2019							
Didier Domange					May 25, 2018		May 25, 2018					
Jean-Marc Forneri	May 25, 2018											
F&P represented by Robert Peugeot					May 25, 2018	May 25, 2018						
Patrick Gandil	Feb. 7, 2019			Feb. 7, 2019								
Vincent Imbert						Nov. 27, 2018	Nov. 27, 2018	May 25, 2018				
Caroline Laurent					Feb. 7, 2019							
Brigitte Lesschaeve								May 25, 2018				
Daniel Mazaltarim		Feb. 26, 2018					Feb. 26, 2018					
Lucie Muniesa	Oct. 31, 2018	Oct. 31, 2018	Oct. 31, 2018									

At the May 25, 2018 Annual General Meeting, the shareholders re-appointed Monique Cohen as a Director for a four-year term as provided for in the Company's bylaws. At the same meeting, the shareholders appointed Didier Domange and F&P, represented by Robert Peugeot, as Directors to replace Christian Streiff and Jean-Marc Forneri, whose terms of office expired at the close of that meeting.

Hélène Dantoine was named Director representing the French State by way of a ministerial decree dated March 13, 2019, to replace Lucie Muniesa (see section 6.2.3 above) for the remainder of Lucie Muniesa's term of office, i.e., until the end of the Annual General Meeting of May 23, 2019. Hélène Dantoine's profile is set out in sections 6.2.1 and 6.2.2 of this Registration Document.

At its meeting on February 7, 2019, the Board of Directors appointed Caroline Laurent as a Director, having been put forward by the French State, to replace Patrick Gandil, who has resigned from the Board. Caroline Laurent was appointed for the remainder of Patrick Gandil's term of office, which expires at the close of the Annual General Meeting to be held on May 23, 2019. Caroline Laurent's profile is set out in sections 6.2.1 and 6.2.2 of this Registration Document.

See sections 6.2.1 and 6.2.2 of the 2017 Registration Document for the profiles of the Directors whose terms of office ended in 2018.

6.2.6.2 Changes in the membership structure of the Board of Directors to be put forward at the Annual General Meeting of May 23, 2019

The terms of office of Ross McInnes, Philippe Petitcolin, Jean-Lou Chameau, Caroline Laurent and Vincent Imbert are due to expire at the close of the Annual General Meeting to be held on May 23, 2019.

Consequently, the shareholders will be invited to:

> re-appoint Ross McInnes as a Director (see sections 6.1.1 and 8.2.1);

> re-appoint Philippe Petitcolin as a Director (see sections 6.1.1 and 8.2.1);

> re-appoint Jean-Lou Chameau as an independent Director (see section 8.2.1);

> appoint Laurent Guillot as an additional independent Director (see section 8.2.1), who would also be called to join the Audit and Risk Committee; this proposed nomination of an additional independent Director is possible due to the vacant seat that has arisen as a result of a reduction from two to one in the number of Directors put forward by the French State (see section 6.2.3);

> re-appoint Vincent Imbert as a Director put forward by the French State (see sections 6.2.3 and 8.2.1).

If the shareholders approve the above appointments and re-appointments, the independence rate of the Board of Directors would increase to 61.5%(1).

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

6.2.6.3 Expiration dates of Directors' terms of office

The table below sets out the expiration dates of the terms of office of Safran's Directors.

Director	2019	2020	2021	2022
Ross McInnes	✓ (1)			
Philippe Petitcolin	✓ (1)			
Hélène Auriol Potier			✓ (4)	
Éliane Carré-Copin		✓ (3)		
Jean-Lou Chameau	✓ (1)			
Monique Cohen				✓ (5)
Hélène Dantoine	✓ (1)			
Odile Desforges			✓ (4)	
Didier Domange				✓ (5)
F&P represented by Robert Peugeot				✓ (5)
Vincent Imbert	✓ (1)			
Caroline Laurent	✓ (1)			
Brigitte Lesschaeve	✓ (2)			
Gérard Mardiné		✓ (3)		
Daniel Mazaltarim	✓ (2)			
Patrick Pélata			✓ (4)	
Sophie Zurquiyah			✓ (4)	

(1) At the close of the Annual General Meeting to be held in 2019 to approve the 2018 financial statements.
(2) November 19, 2019.
(3) At the close of the Annual General Meeting to be held in 2020 to approve the 2019 financial statements.
(4) At the close of the Annual General Meeting to be held in 2021 to approve the 2020 financial statements.
(5) At the close of the Annual General Meeting to be held in 2022 to approve the 2021 financial statements.

6

6.3 OPERATING PROCEDURES AND WORK OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

6.3.1 Summary table of attendance at meetings of the Board of Directors and the Board Committees in 2018

The following table shows the number of meetings of the Board and its Committees that took place in 2018 and the attendance rates of each Director.

Director	Number of Board of Directors' meetings attended	Attendance rate (%)	Number of Audit and Risk Committee meetings attended	Attendance rate (%)	Number of Appointments and Compensation Committee meetings attended	Attendance rate (%)	Number of Innovation and Technology Committee meetings attended	Attendance rate (%)
Total number of meetings in 2018	10	95	5	96	4	96	2	91
Ross McInnes	10	100	-	-	-	-	-	-
Philippe Petitcolin	9	90	-	-	-	-	-	-
Christian Streiff(1)	3/3	100	-	-	2/2	100	1/1	100
Hélène Auriol Potier	9	90	-	-	4	100	2	100
Frédéric Bourges(2)	1/1	100	-	-	1/1	100	-	-
Éliane Carré-Copin	9	90	-	-	-	-	-	-
Jean-Lou Chameau	10	100	-	-	4	100	2	100
Monique Cohen	10	100	2/2	100	4	100	-	-
Odile Desforges	9	90	5	100	-	-	-	-
Didier Domange(3)	7/8	88	-	-	2/2	100	-	-
F&P represented by Robert Peugeot(4)	8/8	100	3/3	100	-	-	-	-
Jean-Marc Forneri(5)	2/3	67	-	-	-	-	-	-
Patrick Gandil	8	80	-	-	-	-	1	50
Vincent Imbert(6)(7)	10	100	1/1	100	1/1	100	1/1	100
Brigitte Lesschaeve(6)	8/9	89	-	-	-	-	1/1	100
Gérard Mardiné	10	100	5	100	-	-	-	-
Daniel Mazaltarim(8)(9)	10	100	1/1	100	3/3	100	-	-
Lucie Muniesa(10)	8/8	100	4/4	100	2/3	67	-	-
Patrick Pélata(11)	10	100	-	-	4	100	2	100
Sophie Zurquiyah	10	100	4	80	-	-	-	-

(1) Director, Chair of the Innovation and Technology Committee and a member of the Appointments and Compensation Committee until May 25, 2018.
(2) Director representing employees and a member of the Appointments and Compensation Committee until February 26, 2018. Frédéric Bourges only attended the "compensation" part of Appointments and Compensation Committee meetings.
(3) Director and a member of the Appointments and Compensation Committee since May 25, 2018.
(4) Director and a member of the Audit and Risk Committee since May 25, 2018.
(5) Director until May 25, 2018.
(6) Member of the Innovation and Technology Committee since May 25, 2018.
(7) Member of the Audit and Risk Committee and the Appointments and Compensation Committee since November 27, 2018.
(8) Member of the Appointments and Compensation Committee since February 26, 2018. Daniel Mazaltarim only attends the "compensation" part of Appointments and Compensation Committee meetings.
(9) Member of the Audit and Risk Committee until February 26, 2018.
(10) Director representing the French State, member of the Audit and Risk Committee and the Appointments and Compensation Committee until October 31, 2018.
(11) Chairman of the Innovation and Technology Committee since May 25, 2018.

6.3.2 Board of Directors' Internal Rules

In addition to the provisions of the law and the Company's bylaws that govern its operating procedures, on April 21, 2011 the Board of Directors approved a set of Internal Rules that provide a number of specific terms and conditions relating to Board meetings, list the operations that require the Board's prior approval, define the duties and operating procedures of the Board Committees and set out the rules for allocating attendance fees between Board members based on the maximum amount set by shareholders at the Annual General Meeting.

These Internal Rules are available on the Company's website (www.safran-group.com, in the Group/Governance/Board of Directors section, in French only).

The Internal Rules have been regularly updated since they were first adopted in order to take into account changes in regulations, the AFEP-MEDEF Corporate Governance Code and Safran's internal organizational structure and operating procedures.

During 2018, the Internal Rules were updated in order to:

- reflect the new attendance fee allocation rules adopted by the Board of Directors; and
- define the role of the Lead Independent Director.

6.3.3 Operating procedures and work of the Board of Directors

Indicators

	2017	2018
Number of meetings	13	10
Average attendance rate	92%	95%
Number of Directors	17	16(2)
Percentage of independent Directors(1)	53.8% (7 out of 13)	58.3% (7 out of 12)

(1) Excluding Directors representing employee shareholders and Directors representing employees.
(2) Due to the termination of Lucie Muniesa's duties and pending the appointment by the French State of its new representative.

Duty of confidentiality

Members of the Board of Directors and all individuals who attend meetings of the Board and its Committees are subject to strict duties of confidentiality and discretion with respect to the information provided to them in this context. The Directors must take all necessary measures to ensure that the files and documents communicated to them remain confidential.

In addition to this duty of confidentiality, Board members undertake not to make any public disclosures of information, in their capacity as Board members, relating to any issues concerning the Company and/or the Group (irrespective of whether or not such information concerns matters discussed in Board meetings), without obtaining the Chairman's prior approval. The Chairman of the Board is the only Board member who has the powers to communicate information on behalf of the Board of Directors.

Board of Directors' meetings

The Board of Directors meets at least once every quarter and meetings may be called by any means.

The agenda for Board meetings is put forward by the Board Secretary to the Chairman and reflects the work of the Board Committees and proposals made by members of the Board of Directors.

Before each meeting, the Board members receive the agenda as well as documents providing them with the information they need on the matters to be discussed during the meeting.

They may request any additional documents they consider useful.

Meetings can be called by any means whatsoever. The Board of Directors' Internal Rules state that Directors may participate in meetings by video-conference or any other means of telecommunications.

The presence of at least half of the Board's members is necessary for a meeting to be validly constituted. Decisions are made by way of a majority vote of the members present or represented and the Chairman has a casting vote in the event of a split decision.

If a Director is unable to attend a meeting, he or she may give proxy to another Board member, it being specified that each Director may only hold one proxy.

Minutes are drawn up for each Board meeting and forwarded to all members of the Board in order that they may be approved at the following meeting.

In addition, the Chairman keeps the Board of Directors informed, by any means, of all significant events concerning the Group and its financial position. The Directors receive a copy of Safran's press releases, a press review and stock market reports on Safran's share performance.

Work of the Board of Directors in 2018

The Board of Directors met 10 times in 2018, with an average attendance rate of 95%.

In accordance with the provisions of the Internal Rules, certain deliberations of the Board of Directors were prepared based on recommendations and proposals put forward by the Board Committees in their area of specialization. These Committees reported on their findings and submitted their opinions and proposals to the Board.

The main work conducted by the Board of Directors in 2018 was as follows:

Corporate governance and compensation

As is the case every year, the Board of Directors' work on corporate governance mainly included reviewing the membership structure of the Board and its Committees, examining the independence status of Directors, preparing the Annual General Meeting and setting the compensation for the corporate officers and Directors' attendance fees.

The Board's work during the year also covered:

- the compensation policies applicable to corporate officers (the Chairman of the Board and the Chief Executive Officer) as well as their compensation packages;
- the allocation of performance shares to Group senior managers (see section 6.6.4.2), including the Chief Executive Officer (see section 6.6.2.2) under the 2018 Long-Term Incentive Plan;
- re-appointing the Chief Executive Officer for a term expiring at the close of the 2020 Annual General Meeting;
- the membership structure of the Board, particularly the expiration of the terms of office of certain Directors and the terms and conditions applicable for re-appointing or replacing them;
- the formal assessment of the work and operating procedures of the Board and its Committees, carried out with the assistance of an external firm, the findings of the assessment and resulting ideas for improvement;
- reviewing the related-party agreements and commitments that were entered into or remained in force in 2018 (with the Board concluding that they continue to meet the criteria that led the Board to approve them and therefore should be maintained in force);
- the review of the results of the consultation process with the Safran's Central Works Council concerning (i) the Group's annual report on gender equality in the workplace and equal pay, and (ii) its policies regarding compensation, gender equality in the workplace and equal pay;
- the succession plans for corporate officers:

  anticipating and ensuring a smooth succession process for corporate officer positions is one of the Board's main responsibilities.

  On the recommendation of the Appointments and Compensation Committee, in 2018 the Board reviewed and approved:

  - a succession plan aimed at covering any unforeseeable or sooner-than-expected vacancies (notably due to death, incapacity or resignation) for the positions of Chairman of the Board of Directors and Chief Executive Officer. This plan sets out several possible solutions that could be envisaged if any of these events were to occur, but the Board of Directors would need to carry out another analysis at the time, based on the specific circumstances, before deciding on the course of action to take,
  - the renewal of the term of office of the Chairman of the Board of Directors if he is re-appointed as a Director at the Annual General Meeting (following a process that involved the Lead Independent Director and was carried out within a timeframe that allowed other options to be envisaged). The Chairman did not take part in either the discussions or vote on this matter (see sections 6.1.1 and 8.2.1),
  - the framework for the process, methods and main procedures to put in place, when the time comes and respecting the absolute need for confidentiality, concerning the succession of the Chief Executive Officer when his term of office expires. The Chairman and the Lead Independent Director will set the schedule for this process and will give regular progress reports to the Appointments and Compensation Committee before reporting to the Board. The Chief Executive Officer will be involved in this process to ensure that it is effectively implemented.

One meeting took place in 2018 without any executive or in-house Directors present, during which the other members of the Board discussed the operating procedures of the Board and its Committees, the performance of the corporate officers and the work carried out on the succession plan, and identified a number of issues to be addressed at subsequent Board meetings.

Industrial and commercial matters

Updates are provided at Board meetings on the Group's industrial and commercial situation, and a progress report is given on programs under development.

Throughout the year, the Board was briefed by the Chief Executive Officer on the Group's significant events as well as on the general operating context (notably for the aerospace industry), business developments, divestments, the progress of major programs, negotiations or signatures of key agreements, market trends and the competitive environment.

Additionally, targeted presentations were given about certain businesses and their outlook, performance and cost efficiency, as well as on the Group's CSR work, R&D activities, technological capabilities and the roadmap of the Information Systems Department.

Strategy

Determining the Group's overall strategy is one of the essential roles of the Board of Directors.

The Board's work on strategy is primarily conducted via residential strategy seminars which are organized on an annual basis. The Chairman and the Chief Executive Officer prepare these seminars and determine the particular topics and issues to be addressed, taking into account the issues identified by Executive Management and the priorities expressed by the Directors. Four or five topics are examined each year. The 2018 seminar took place at the Safran University site.

The beneficial in-depth discussions that these seminars promote and the strategic goals decided on are used as a basis for dealing with and continuously monitoring the strategic issues addressed at each Board meeting (via Board agenda items). At Board meetings, the Chairman and the Chief Executive Officer regularly provide a status report on strategic projects (strategic agreements and partnerships, major development projects or programs, external growth projects, negotiations in progress and any difficulties encountered). The Board is given presentations on these projects at the various stages of their development. Certain Board meetings may be dedicated to a particular strategic or M&A project. The Chief Executive Officer regularly gives an update on launches of new projects and structural programs. Lastly, the Board examines on an annual basis the results of the consultation with the Central Works Council on the strategic goals set for the Company and the Group.

In certain cases, the Board's work on strategic issues is carried out with the assistance on an ad hoc basis of special committees specifically set up to analyze strategic operations or monitor preliminary studies on strategic matters (such as strategic partnerships and agreements or transactions affecting the Group's scope of consolidation).

For example, in 2017, the Board set up a special temporary committee (see section 6.3.3 of the 2017 Registration Document) to prepare and monitor the planned business combination with Zodiac Aerospace. This Committee monitored the progress of the project throughout the year and prepared the General Shareholders' Meeting held on November 27, 2018 to approve the merger of Zodiac Aerospace into Safran.

The way the work on the Group's overall strategy is structured means that all of the Directors are directly involved in one of the Board's fundamental missions rather than giving this responsibility to a smaller-scale strategy committee.

Economic and financial matters

As is the case every year, as well as approving the annual and interim financial statements, preparing the Annual General Meeting (profit appropriation and dividend payment) and the Registration Document (including the Annual Financial Report), in 2018 the Board's work on financial matters primarily covered reviewing and approving the Group's four-year medium-term plan (MTP), approving and tracking annual budgets and reviewing financial communications (including the financial forecasts contained in such communications and their underlying assumptions).

This work also concerned:

- monitoring the planned business combination with Zodiac Aerospace (see section 2.5) followed by the Principal Tender Offer/Subsidiary Exchange Offer for Zodiac Aerospace shares, and preparing for the merger (merger accounts, exchange ratio and other related financial aspects);
- monitoring the Group's financing and liquidity position, notably the OCÉANE bond issue (OCÉANE 2023) carried out in June 2018 (see section 7.2.3.2.1), the buyback and cancellation of OCÉANE 2020 bonds (see section 7.2.3.2.2) and the early redemption of the OCÉANE 2020 bonds that had not been bought back;
- the Group's foreign currency hedging policy;
- implementing the share buyback program (in accordance with the authorization given by shareholders at the Annual General Meeting;
- reviewing the reports of the Audit and Risk Committee (also covering the Group's risk management, audit and internal control policy).

In accordance with the applicable laws, the Board's prior authorization is required for guarantees, endorsements and sureties granted in Safran's name. Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Chief Executive Officer and any commitments exceeding this ceiling must be specifically authorized by the Board. The Board once again set this blanket ceiling at €500 million for 2019 (with no ceiling on guarantees, endorsements and sureties given to tax and customs authorities).

The Board was briefed during the year by the Chief Executive Officer and Chief Financial Officer, notably at the quarterly business report presentations, about the Group's financial position, any financial guarantees granted and any disputes and litigation in process.

The Statutory Auditors attended the Board of Directors' meeting of February 26, 2018, when they reported on their audit work on the parent company and consolidated financial statements for 2017 and presented their audit findings. They certified the 2017 parent company and consolidated financial statements without qualification. They also attended the Board meeting of September 5, 2018 to present their work on the consolidated financial statements for the first half of 2018.

6.3.4 Committees of the Board of Directors

The Board of Directors' Internal Rules provide for the Board's decisions regarding certain issues to be prepared by specialized committees that review matters within their remit and submit their opinions, proposals and recommendations to the Board.

The Board is assisted in its work by three standing committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee;
- the Innovation and Technology Committee.

The role, organization and operating procedures of each of these standing committees are set out in the Board of Directors' Internal Rules.

In its area of expertise, each Committee carries out in-depth work and analysis prior to the Board of Directors' discussions and contributes to the preparation of the Board's decisions. It makes proposals and recommendations to the Board, and gives its opinion on the matters under review.

As such, each Committee may offer its services to the Board for the purpose of conducting internal or external studies that may provide the Board with helpful information for its decisions.

At each Board meeting, the Chair of each Committee – or any other Committee member designated if the Chair is unable to do so – reports to the Board on the Committee's work, proposals and recommendations.

The Board of Directors may set up further standing Committees at any time, at its sole discretion, and may amend the Board's Internal Rules for the purpose of specifying the roles and responsibilities, resources, membership structure and operating procedures of such new Committees. It may also set up temporary special committees, on an ad hoc basis, to analyze, deal with or monitor specific issues or projects. The special temporary committee set up in 2017 to monitor the progress of the proposed business combination with Zodiac Aerospace was dissolved after Safran obtained control of Zodiac Aerospace on February 13, 2018.

Audit and Risk Committee

Indicators

	2017	2018
Number of meetings	5	5
Average attendance rate	97%	96%
Number of members	6	5
Percentage of independent members[1]	75% (3 out of 4)	75% (3 out of 4)

(1) Excluding Directors representing employee shareholders and Directors representing employees.

Membership structure

The Audit and Risk Committee has at least three members, including its Chair. These members are selected from among the Directors, other than the Chairman of the Board of Directors, who do not have management duties within Safran. Two-thirds of the members on this Committee, including its Chair, must be independent Directors. In addition, in accordance with the law, at least one of the Committee's independent members must have specific skills in finance, accounting or certified public accounting.
The Audit and Risk Committee meets at least four times a year, and the Statutory Auditors are always invited to its meetings, except where a joint meeting is held with another Committee.
Following decisions taken by the Board of Directors, Robert Peugeot (the representative of F&P) and Vincent Imbert joined the Audit and Risk Committee on May 25, 2018 and November 27, 2018 respectively. Monique Cohen was a member of the Audit and Risk Committee until May 25, 2018.
The Audit and Risk Committee has five members, three-quarters of whom are independent (excluding the Director representing employee shareholders in accordance with the recommendations of the AFEP-MEDEF Code and Article 28.2 of the Board's Internal Rules).

At the filing date of this Registration Document.	Independent	Date of appointment	Expiration of term of office	Seniority as a Committee member
Odile Desforges, Chair	X	May 28, 2013	2021	5 years
Vincent Imbert		Nov. 27, 2018	2019	< 1 year
Gérard Mardiné, Director representing employee shareholders		May 19, 2016	2020	3 years
Robert Peugeot (representative of F&P)	X	May 25, 2018	2022	1 year
Sophie Zurquiyah	X	June 15, 2017	2021	2 years

Roles and responsibilities

The main roles of the Audit and Risk Committee – which acts under the responsibility of the Board of Directors – are to examine the financial statements and address issues related to the preparation and auditing of accounting and financial information. It monitors the financial reporting process and issues any recommendations required to guarantee the integrity of the information concerned.
In this regard it is responsible for:

- reviewing the draft interim and annual parent company and consolidated financial statements before they are submitted to the Board of Directors, and in particular:
  - ensuring that the accounting policies adopted to prepare the parent company and consolidated financial statements are relevant and are applied consistently, and
  - examining any problems encountered related to applying accounting policies;

  In this respect, it also monitors the plans and measures put in place for applying the main planned changes in accounting policies; including the application of new international financial reporting standards.
- reviewing the financial documents issued by Safran in connection with the end of the annual and interim reporting periods;
- reviewing draft financial statements prepared for the requirements of specific transactions, such as asset contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain operations proposed by Executive Management and submitted to the Board of Directors (some of which for prior authorization), such as:
  - capital increases,
  - equity investments, and
  - acquisitions or divestments;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of the accounting treatment applied for major transactions;
- ensuring that the parent company and consolidated financial statements are audited by the Statutory Auditors;
- reviewing the methods and procedures used for reporting purposes and for adjusting accounting information from the Group's foreign companies.

	The Audit and Risk Committee is also tasked with verifying the effectiveness of Safran's internal control and risk management systems. In this regard it is responsible for: > assessing, with the people responsible for such activities, the Group's internal control systems; > reviewing, with the people responsible for such activities at Group level and with the assistance of Internal Audit: • internal control objectives and contingency and action plans, • the findings of audits and actions carried out by the relevant managers within the Group, and • the recommendations made and follow-up of such audits and actions, by the relevant managers; > reviewing Internal Audit methods and results; > checking that the procedures used by Internal Audit lead to the preparation of financial statements that: • present a fair view of the Company, and • comply with accounting rules; > reviewing the relevance of risk analysis and monitoring procedures, ensuring the implementation of a procedure for identifying, quantifying and preventing the main risks arising in the Group's businesses; and > reviewing and managing the rules and procedures applicable to conflicts of interest. Lastly, the Audit and Risk Committee is tasked with ensuring the effectiveness of Safran's external audits and monitoring the work of the Statutory Auditors. In this regard it is responsible for: > overseeing the Statutory Auditor selection procedure and issuing a recommendation on the Statutory Auditors to be put forward for appointment or re-appointment by shareholders at the Annual General Meeting; > ensuring that the independence criteria for the Statutory Auditors are respected, drawing on information exchanges and substantiations provided by the Auditors for this purpose; > reviewing the fees paid to the Statutory Auditors, which should not call into question their independence or objectivity; > regularly reviewing with the Statutory Auditors: • the audit plans and their findings, and • their recommendations and the follow-up thereof; > factoring in the observations and findings issued following any audits performed by the French Accounting Oversight Board (*Haut Conseil du Commissariat aux Comptes* - H3C); > without prejudice to the powers of the Board of Directors, approving the provision of non-audit services as authorized under the applicable regulations, including examining and validating the related methods and procedures and ensuring they are respected; > hearing the presentation of the Statutory Auditors on their audit engagement and reporting to the Board of Directors on (i) the findings of their audit of the financial statements, (ii) how their audit contributed to the integrity of the Company's financial information, and (iii) the role that the Committee played in overseeing this process, notably based on the additional report that is prepared by the Statutory Auditors on an annual basis. The Audit and Risk Committee reports to the Board of Directors on a regular basis on its work and immediately informs the Board of any difficulties that it may encounter. These reports are added to the minutes of the relevant Board of Directors' meetings or are included in an appendix to these minutes.
Main work carried out in 2018	The Audit and Risk Committee met five times in 2018 in order to address the above topics, with an average attendance rate of 96%. The Statutory Auditors and the Government Commissioner attended all of these meetings. During the meetings the Committee: > reviewed the interim and annual parent company and consolidated financial statements and was briefed by the Chief Financial Officer on the Group's off-balance sheet commitments, with the attendance of the Group Management and Accounts Director and the Group Chief Accounting Officer. The review enabled the Committee to have discussions with the Statutory Auditors without any members of Executive Management being present; > carried out a preliminary review of the 2018 results; > reviewed the 2019 budget; > prepared for the Annual General Meeting of May 25, 2018 (reviewing the appropriation of profit, draft resolutions, the Board of Directors' report on the draft resolutions, related-party agreements which were signed or remained in force in 2018, the management report, the corporate governance report, and the draft Registration Document including the financial report); > examined the Group's risks (with the attendance of the Risk Management and Insurance Director) and its internal control and internal audit procedures (with the attendance of the Head of Audit and Internal Control); monitored the anti-fraud system; examined the draft 2019 audit plan; and conducted a preliminary review of the findings of the 2018 internal control audit; > reviewed the "export control and trade compliance" system (see sections 5.1.1 and 5.1.2); > monitored the Statutory Auditors' independence and reviewed their audit fees, audit methods and other services; > tracked and verified the EUR/USD exchange rate and the currency hedges in place (with the attendance of the Group Treasurer); > monitored changes in the Group's liquidity; > reviewed the Group's financial communications, particularly related to the annual and interim financial statements; > examined management forecasts; > reviewed the ceiling applicable to guarantees, endorsements and sureties; > monitored the work undertaken to prepare for the application of IFRS 16; The Statutory Auditors gave the Committee presentations on their work concerning the annual and interim financial statements and internal control. In principle, a period of 48 hours is provided for between the Committee's examination of the annual and interim financial statements and the Board of Directors' meetings at which they are approved.

Appointments and Compensation Committee

Indicators

	2017	2018
Number of meetings	7	4
Average attendance rate	92%	96%
Number of members	7	7
Percentage of independent members(1)	83.33% (5 out of 6)	66.66% (4 out of 6)

(1) Excluding the Director representing employees.

Membership structure

The Appointments and Compensation Committee has at least three members, including its Chair. The majority of the members must be independent Directors.

On February 26, 2018, Daniel Mazaltarim replaced Frédéric Bourges as a member of the Appointments and Compensation Committee. On May 25, 2018, Didier Domange replaced Christian Streiff as a member of the Appointments and Compensation Committee and on November 27, 2018, Vincent Imbert replaced Lucie Muniesa.

The Appointments and Compensation Committee has seven members, four of whom are independent, i.e., 66.66% of the Committee (excluding the Director representing employees).

The Chairman of the Board of Directors is not a member of this Committee but is involved in the work it carries out in relation to nominating candidates and determining compensation. The Chief Executive Officer is also involved in the Committee's work in relation to nominating candidates.

At the filing date of this Registration Document.	Independent	Date of appointment	Expiration of term of office	Seniority as a Committee member
Monique Cohen, Chair	X	June 15, 2017	2022	2 years
Hélène Auriol Potier	X	June 15, 2017	2021	2 years
Jean-Lou Chameau	X	May 26, 2015	2019	3 years
Didier Domange		May 25, 2018	2022	1 year
Vincent Imbert		Nov. 27, 2018	2019	< 1 year
Daniel Mazaltarim (Director representing employees)(1)		Feb. 26, 2018	2019	1 year
Patrick Pélata	X	June 15, 2017	2021	2 years

Roles and responsibilities

Appointments

The Appointments and Compensation Committee has the following roles and responsibilities with respect to appointments:

- assisting the Board of Directors in its choice of:
  - members of the Board of Directors,
  - members of the Committees of the Board of Directors, and
  - the Chief Executive Officer and, where applicable, the deputy chief executive officer(s);
- selecting potential members of the Board of Directors who meet the applicable independence criteria and submitting the list of nominees to the Board of Directors;
- preparing succession plans for the positions of Chairman, Chief Executive Officer, and, where applicable, any deputy chief executive officer(s);
- helping the Board prepare succession plans for the Group's key operations managers and support function managers.

Compensation

The Appointments and Compensation Committee is also responsible for making recommendations and proposals to the Board of Directors about compensation for which Directors may be eligible, such as:

- attendance fees;
- any other components of compensation, including the terms and conditions of any benefits payable at the end of their term of office, particularly conditions based on appropriate benchmarks;
- any compensation payable to any Board Advisors (*censeurs*);
- any amendments to pension and personal risk insurance plans;
- benefits-in-kind and various financial benefits; and
- where appropriate:
  - stock option grants, and
  - free share grants.

	More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors relating to: > the compensation policy for corporate officers; > the compensation policy for senior managers; and > profit-sharing systems set up for the employees of Safran and other Group entities, including: • employee savings plans, • supplementary pension plans, • employee rights issues, and • stock option and/or free share grants and any other employee share ownership arrangements. The Appointments and Compensation Committee also makes recommendations to the Board of Directors on any performance criteria to be applied for stock option and/or free share plans, particularly based on appropriate benchmarks. In general, the Appointments and Compensation Committee is involved in preparing any resolutions submitted for shareholder approval at the Annual General Meeting that relate to the above topics.
Main work carried out in 2018	In 2018, the Appointments and Compensation Committee met four times, with an average attendance rate of 96%. The Committee's main work carried out in 2018 concerned the following: > the compensation policy for corporate officers; > the compensation and benefits of the corporate officers; > the Group's policy related to long-term incentive plans; > the launch of a performance share plan for certain Group senior managers and the Chief Executive Officer (2018 LTI Plan); > determining the achievement rate at the end of the 2015-2017 performance period for the 2015 Long-Term Benefit Plan (2015 LTB Plan) (setting the number of performance units granted to the Chief Executive Officer and members of the Executive Committee); > setting the amount of attendance fees payable to Directors for 2017 and the new allocation rules applicable as from 2018; > renewing the Chief Executive Officer's term of office until the close of the 2020 Annual General Meeting; > preparing the Annual General Meeting and the annual Registration Document; > making amendments to the Board of Directors' Internal Rules; > reviewing the Directors' independence status; > examining the membership structure of the Board of Directors and the Board Committees and the process for identifying and selecting Director candidates; > overseeing the formal assessment of the Board of Directors and the individual contribution of each Director to the Board's work; > conducting a review of the succession plan for corporate officers (see section 6.3.3).

(1) Daniel Mazaltarim only attends the "compensation" part of Appointments and Compensation Committee meetings.

Innovation and Technology Committee

This Committee was set up on October 26, 2017.

Indicators

	2018
Number of meetings	2
Average attendance rate	91%
Number of members	5
Percentage of independent members	60%

Membership structure

The Innovation and Technology Committee has at least three members, including its Chairman.
Patrick Pélata has been Chairman of the Innovation and Technology Committee since May 25, 2018, replacing Christian Streiff. Vincent Imbert and Brigitte Lesschaeve were also appointed to the Committee on that date. This raised the number of Committee members from four to six but it was subsequently reduced to five when Patrick Gandil stood down as a Director on February 7, 2019. Consequently, the Innovation and Technology Committee currently comprises five members, three of whom (i.e., 60%) are independent Directors.

At the filing date of this Registration Document.	Independent	Date of appointment	Expiration of term of office	Seniority as a Committee member
Patrick Pélata, Chairman	X	Oct. 26, 2017	2021	< 2 years
Hélène Auriol Potier	X	Oct. 26, 2017	2021	< 2 years
Jean-Lou Chameau	X	Oct. 26, 2017	2019	< 2 years
Vincent Imbert		May 25, 2018	2019	1 year
Brigitte Lesschaeve		May 25, 2018	2019	1 year

Roles and responsibilities

The Innovation and Technology Committee is responsible for analyzing, examining and giving its opinion on the following matters:

- the Group's medium- and long-term strategic goals and choices concerning:
  - innovation, research and technology, and
  - developments of new products and services;
- technological trends and developments that could affect the Group's strategic and industrial goals and choices, as well as other players' technological positioning and the associated risks and opportunities;
- progress made by the Group in its main innovation and technology roadmaps;
- ensuring that the Group has suitable organization structures and resources in place to meet the roadmaps' objectives over time.

Main work carried out in 2018

In 2018, the Innovation and Technology Committee met twice, with an average attendance rate of 91%.
Its main work carried out in 2018 concerned the following:

- monitoring the action plans put in place in line with the strategic goals defined by the Board, notably relating to additive manufacturing, electric hybridization, digital technologies and data management;
- the Group's R&T plan;
- competitor analysis;
- self-driving vehicles.

6.3.5 Formal assessment of the Board of Directors' operating procedures carried out in 2018

As recommended in the AFEP-MEDEF Code of Corporate Governance for Listed Corporations in France, which Safran uses as its framework Corporate Governance Code, the Board of Directors must carry out a formal assessment at least every three years in order to review its operating procedures, verify that key issues are properly prepared and discussed and measure the actual contribution of each Director to the Board's work. The assessment can be carried out with the help of an external consultant, overseen by the Appointments and Compensation Committee or an independent Director.

In 2018, the Board of Directors decided to use the services of an external consultancy firm to help it perform this assessment and give it an outside view of the practices and operating procedures of other boards.

A selection procedure was therefore carried out, with five firms considered. The specialist firm that was finally selected was chosen based on the following criteria:

- the firm's robust methodology, guaranteeing participants' full freedom of expression;
- the firm's experience in peer-to-peer assessments of individual Directors' performance;
- the size of the firm and its international reputation;
- client testimonials about similar engagements carried out with other companies.

The assessment was launched and conducted in the fourth quarter of 2018, thereby allowing:

- the three Directors appointed on June 15, 2017 to have completed a full year in office; and
- the Directors who were appointed on May 25, 2018 to participate in the assessment after taking up office.

Feedback from institutional shareholders

The firm conducting the assessment contacted a number of the Company's major institutional shareholders in order to obtain and analyze their views on Safran's governance. The feedback was very positive, with the shareholders stating that they had a good image of Safran's governance. They said they are happy with the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer, and they felt they had a good understanding of Safran's governance structure as a French company in which the French State plays a role of both customer and shareholder. They were also very satisfied with the performances of the Chairman of the Board and the Chief Executive Officer.

The surveyed institutional shareholders suggested a number of ideas for improvement, including:

- increasing the number of independent Directors on the Board to provide greater assurance of a challenge to Executive Management;
- reducing the representation of the French State on the Board;
- further strengthening the Board's membership structure by having more Directors with executive management experience in major corporations and in-depth knowledge of international markets;
- deepening discussions with shareholders about governance matters.

The above suggestions have been taken into account in the resolutions concerning the Board's membership structure that will be proposed at the Annual General Meeting on May 23, 2019 (see section 6.2.6.2).

Principal findings and ideas for improvement resulting from the Directors' assessment of the Board of Directors' operating procedures

For the purposes of this assessment, each Director completed a preparatory questionnaire – adapted to Safran's specific situation and taking into account previous assessments – and then had a one-on-one interview with a consultant. The consultancy firm reported its findings on the overall assessment of the Board's operating procedures to the Appointments and Compensation Committee and to the Board itself.

The main findings resulting from both the questionnaires and the interviews with the Directors were as follows:

- the Board of Directors operates smoothly and the Company has a high-quality governance structure;
  - the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer helps to create a solid governance structure and ensure that the Board operates in a disciplined manner, which is continuously improving,
  - all roles and responsibilities are clearly defined,
    - for the Chairman: the Directors unanimously praised the Chairman on his ability to lead and organize the Board's work and share information (governance culture, acting in the best interests of the Company and its stakeholders),
    - for the Chief Executive Officer: the Chief Executive Officer is unanimously respected for his leadership skills and his application of corporate governance principles,
  - the Directors felt that the Company's recent major strategic transactions were handled very well (sale of Safran Identity & Security and acquisition of Zodiac Aerospace),
  - there is a good balance between dealing with and reviewing operational matters and strategic issues,
  - the information and meeting packs are of high quality;
- Concerning the way in which strategic goals are set:
  - the Directors are particularly satisfied with how strategic issues are addressed, stating that there is a good balance between the annual strategy seminar (outstanding preparation and an excellent way of giving the Directors informative training in the Group's business areas and a full understanding of its challenges) and the new Innovation and Technology Committee,
  - the creation of special temporary committees (such as the one set up for the acquisition of Zodiac Aerospace) confirms that the Company does not need a specific strategy committee,
  - there is room for improvement in how the Group's digital transformation is being conducted (monitoring, risks and related governance),
- Committees: the Directors believe that the Committees' membership structure is satisfactory and that their work is of high quality;
- membership structure of the Board of Directors:
  - the Directors are satisfied with the Board's membership structure, despite its significant size (although this enables the Company's various stakeholders to be represented),
  - strategic debate could be enhanced if Directors with more aerospace expertise were to be brought in;

The Directors, main suggestions for improvement were as follows:

- continue to hone the process for re-appointing and selecting Directors (defining candidate profiles further in advance of the Appointments and Compensation Committee launching the recruitment process);
- schedule the succession planning process for the Chief Executive Officer, to be launched and overseen by the Chairman and the Lead Independent Director;
- give the Board additional information about the Group's digital/IT issues and its related action plan as well as about its HR strategy (attracting, retaining and motivating key people);
- draw up a forward-looking plan for the Innovation and Technology Committee and systematically follow up on the conclusions of the strategy seminar.

Specific measures and action plans relating to these suggested improvements have either been launched or are being prepared.

Assessment of each Director's contribution to the work of the Board

As well as covering the operating procedures of the Board and its Committees, the 2018 assessment included an appraisal, carried out by the selected consultancy firm, of each Director's actual contribution to the Board's work. The Chairman and Lead Independent Director gave the individual feedback on this appraisal to each Director.

6.4 APPLICATION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

Safran uses the AFEP-MEDEF Corporate Governance Code as its corporate governance framework (see section 6.1 above).

Certain recommendations of the Code, or guidelines adopted subsequently for its application, have not been implemented, the reasons for which are given in the following table.

AFEP-MEDEF Code recommendations	Safran practices – Reasons
Article 21. Termination of employment contract in the event of appointment as a corporate officer When an employee is appointed as a corporate officer, it is recommended that his or her employment contract with the Company or any other Group company should be terminated. This recommendation applies to the Chairman of the Board of Directors and the Chief Executive Officer of companies that have a Board of Directors.	Philippe Petitcolin's employment contract was suspended on April 23, 2015, when he was appointed Chief Executive Officer. Ross McInnes' employment contract was suspended for the duration of his term as Deputy Chief Executive Officer (i.e., from April 21, 2011 to April 23, 2015). This suspension has been extended for the duration of his term as Chairman of the Board of Directors. The Group has chosen to suspend, rather than terminate, employment contracts due to the fact that terminating an employment contract could deter Group employees from moving into top executive positions on account of the rights they could lose upon such termination (depending on their age and length of service with the Group). This is in line with the Group's policy of favoring internal promotion of talent wherever possible, which enables it to propose corporate officers' positions to its senior managers who have the highest level of savoir-faire, share and relay the Group's culture and values and have an in-depth knowledge of its markets. Ross McInnes has informed the Board that if he is re-appointed as Chairman, then, in a personal capacity and in view of his specific situation, he intends to terminate his employment contract (which is currently suspended) in order to comply with the recommendation set out in the AFEP-MEDEF Code concerning corporate officers not holding employment contracts.
Article 22. Requirement to hold shares The Board of Directors should set a minimum number of shares that corporate officers are required to hold as registered shares until the end of their term of office.	In accordance with Article 11.1 of the Board's Internal Rules, this minimum shareholding requirement is considered satisfied when the corporate officer concerned holds units in corporate mutual funds that are invested in Safran shares, provided the number of units held in such funds represents at least 500 shares. Article 11.2 of the Internal Rules states that if stock options or performance shares are granted to corporate officers, they must keep a significant proportion of the vested shares in registered form until their duties as a corporate officer cease. The applicable proportion is set by the Board of Directors. The Chairman of the Board of Directors was previously a Group employee. Consequently, in his capacity as an employee he acquired units – and/or invested his profit-sharing bonuses – in corporate mutual funds invested in Safran shares. He supplemented these investments by participating in the Safran Sharing 2014 offer (see sections 5.3.4, 6.3 and 7.3.7.2 of the 2014 Registration Document).

6.5 DIRECTORS' INTERESTS IN THE COMPANY'S SHARE CAPITAL

6.5.1 Compulsory shareholdings

In accordance with Article 14.5 of the Company's bylaws, each Director – other than the representative of the French State and the Directors put forward by the French State in accordance with Articles 4 and 6 of *ordonnance* 2014-948 dated August 20, 2014, Directors representing employee shareholders and Directors representing employees – is required to own a certain number of Safran shares, in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. Article 11.1 of the Board's Internal Rules states that this minimum number of shares corresponds to 500 and that the minimum shareholding obligation can be met through units held in Group corporate mutual funds (FCPE) invested in Safran shares, provided that the number of units held is equivalent to at least 500 shares.

Article 14.8 of the bylaws and Article 11.1 of the Board's Internal Rules specify that each Director representing employee shareholders is required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership plan – at least one share or a number of units in the fund equivalent to at least one share.

6.5.2 Code of Ethics

Safran has a Code of Ethics relating to share transactions and the prevention of insider trading, which was drawn up in compliance with the recommendations published by the French financial markets authority (*Autorité des marchés financiers* – AMF) and was initially adopted by the Board of Directors on July 27, 2011. The Code – which is in question-and-answer form – sets out the obligations of Group employees and corporate officers and Directors, the specific measures taken by Safran to prevent insider trading, and the penalties for any failure to fulfill the stated obligations.

The Code also specifies the "closed period" (preceding the publication of annual and interim results and quarterly revenue figures) during which corporate officers and Directors and other insiders must refrain from carrying out transactions in Safran shares.

As well as respecting the obligations in the Code of Ethics, corporate officers and Directors and other senior managers are also required to comply with the additional rules set out in an addendum to the Code, which among other things prohibit speculative trading in Safran shares and state the applicable disclosure requirements in the event that such officers or managers carry out any transactions in Safran shares.

The Code of Ethics and its addendum are regularly updated by the Board in order to take into account regulatory changes, with the latest update carried out on October 27, 2016 in order to factor in the new market abuse regulations that came into effect in 2016.

Each of Safran's corporate officers and Directors and other Group insiders individually receive a copy of the Code of Ethics and its addendum and are informed of the closed periods that are determined in line with the annual financial calendar.

In order to provide information on the Code of Ethics and its addendum to all employees, an internal procedure based on these documents has been drawn up and posted on the Group's intranet, which is accessible to all employees in France and in most of the other countries where Safran operates. The closed periods are appended to this procedure as they are set.

6.5.3 Transactions in the Company's shares carried out by Directors, corporate officers and other senior managers

In accordance with the applicable regulations, when the aggregate amount of transactions carried out by any Director, corporate officer or other senior manager exceeded €20,000 in 2018, the person concerned disclosed the corresponding transaction(s).

The transactions carried out in 2018 in Safran shares and related financial instruments by the Company's Directors, corporate officers and other senior managers and persons having close personal links with them, as defined in paragraphs a) to c) of Article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), and of which the Company is aware, are as follows:

Name	Purchase of shares[(1)] *(number of shares)*	Sale of shares *(number of shares)*	Purchase of units in Group corporate mutual funds invested in Safran shares[(2)] *(number of shares corresponding to mutual fund units purchased)*	Buybacks of units in Group corporate mutual funds invested in Safran shares *(number of shares corresponding to mutual fund units sold)*
Philippe Petitcolin	1,446		255	--
Stéphane Abrial	435		332	--
Olivier Andries	452		439	--
Bernard Delpit	503		327	--
Alex Fain	352		147	--

(1) *As part of the multi-year variable compensation plan set up for the Chief Executive Officer and other members of the Executive Committee (2015 LTB Plan, see section 6.6.2.2 of this Registration Document) pursuant to which performance units (PUs) were granted.*

(2) *Investment of discretionary and statutory profit-share in the Group employee savings plan – Company top-up contributions – Automatic reinvestment in the plan of dividends attached to shares invested in the plan.*

6.6 COMPENSATION POLICY FOR CORPORATE OFFICERS AND DIRECTORS AND COMPENSATION AND BENEFITS AWARDED

6.6.1 Compensation policy for corporate officers

Acting on the recommendation of the Appointments and Compensation Committee, on February 26, 2019 the Board of Directors decided to retain the compensation policies for the Chairman and the Chief Executive Officer as approved by the shareholders at the Annual General Meeting of May 25, 2018, without substantive modifications. However, in accordance with the law, the unchanged compensation policies will be submitted for shareholder approval at the Annual General Meeting of May 23, 2019.

This section constitutes the report on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, as required under Article L.225-37-2 of the French Commercial Code.

In accordance with Article L.225-37-2 of the French Commercial Code (introduced by French Act no. 2016-1691 of December 9, 2016 on transparency, anti-corruption and modernization of business practice, each year the shareholders are asked to give a forward-looking ("ex-ante") vote on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, which together constitute the compensation policy(ies) adopted by the Board of Directors (also hereinafter referred to as the "Policy(ies)").

Shareholder approval is required for any changes that may be made to the components of the Policy and each time a corporate officer's term of office is renewed.

The following are described in this report:

- the principles and rules for determining the compensation and benefits packages of corporate officers;
- the Compensation policy for the Chairman of the Board of Directors; and
- the Compensation policy for the Chief Executive Officer, which may be adapted and applied to the Deputy Chief Executive Officer(s) when there is a Deputy Chief Executive Officer in post;

6.6.1.1 Principles and rules for determining the compensation and benefits of corporate officers

In the interests of the Company as well as its shareholders, employees and other stakeholders, the Policies must be competitive in order to attract, motivate and retain the best profiles and talent (which may come from within or outside the Group) for key positions.

The Policies are determined by the Board of Directors and are reviewed annually based on recommendations issued by the Appointments and Compensation Committee. The main principles applied are detailed below.

Compliance

The Policies are drawn up with reference to the AFEP-MEDEF Code, which recommends applying the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality.

Comprehensiveness – Balance

All components of compensation and benefits should be exhaustively analyzed on a component-by-component basis and an overall consistency analysis should then be performed to achieve the best balance between these components.

Alignment of interests – Transparency

Compensation and benefits packages need to take into account the necessity for companies to attract, motivate and retain talent but also the interests of shareholders and other stakeholders, particularly in relation to transparency and performance criteria.

Proportionality, comparability and competitiveness

Compensation levels should be set in line with the duties and responsibilities assigned to the officer concerned as well as the work performed and the results achieved.

Market practices should also be taken into account.

Safran regularly carries out benchmark surveys, assisted by consulting firms, in order to measure the levels and structures of its compensation packages compared with panels of peer companies selected for their size and international scope. The surveys are performed both for the French market, in which case the peer companies comprise large industrial groups, and for the international market (the Aerospace, Technology and Defense sectors). The composition of these panels is regularly reviewed by the Committee responsible for compensation and may change to factor in changes in the structure or operations of the Group or of the peer companies concerned.

The benchmark surveys are used as the basis for analyzing, and making any changes to, the components of the compensation and benefits of each corporate officer.

Governance

The Appointments and Compensation Committee verifies that all of the principles described above are properly applied, both for the purpose of the Committee's work in general and for the recommendations it makes to the Board in relation to drawing up the Policies and implementing them for setting the amounts or values of compensation and benefits packages.

6.6.1.2 Compensation policy for the Chairman of the Board of Directors

At the date of this Registration Document, this policy solely concerns Ross McInnes in his role as Chairman of the Board of Directors.

Compensation package structure

The structure of the compensation package of the Chairman of the Board of Directors (who is a non-executive Director) comprises, on a recurring basis, annual fixed compensation which is paid in cash. He is not entitled to any attendance fees.

The Chairman of the Board of Directors does not receive any annual or multi-annual variable compensation and he is not a beneficiary of any long-term compensation plans (performance share plans).

The compensation and benefits awarded, or awardable, to the Chairman of the Board of Directors are described below.

Annual fixed compensation

The Chairman of the Board's annual fixed compensation takes into account the responsibilities required for this type of corporate office as well as the individual qualities of the holder of the position and the benchmark surveys carried out by the Company.

Consequently, it is set based on the following:

- the Chairman of the Board's roles and responsibilities, which are provided for by law, Safran's bylaws and the Board of Directors' Internal Rules, and are aimed at ensuring that the Company is governed effectively and that its various governing bodies (Board of Directors and the Board Committees and Shareholders' Meetings) operate properly;
- any specific assignments allocated by the Board of Directors and which the Chairman of the Board carries out in cooperation with Executive Management;
- the Chairman's individual skills, experience, expertise and background;
- benchmark surveys related to compensation payable for comparable duties and companies.

The Board of Directors has decided that, as a general rule, the Chairman of the Board's annual fixed compensation may only be revised on the expiration of his term of office.

However, as an exception to this rule, his compensation may be revised during his term and before his re-appointment if the scope of his duties as Chairman of the Board changes significantly – which could be related to changes within the Company itself – or if a major difference is identified compared with market practices. Any adjustments made to his annual fixed compensation as a result of any specific circumstances would be publicly disclosed.

Information on the current Chairman of the Board of Directors' fixed compensation for 2018 is set out in section 6.6.2.1 below.

Attendance fees

Irrespective of whether the role of Chairman is separate from that of Chief Executive Officer, the Chairman is not awarded attendance fees nor is he included in the allocation of such fees carried out in accordance with the rules set by the Board of Directors and described in the Board's Internal Rules (see section 6.6.3.1).

No annual variable compensation, multi-year variable compensation or long-term incentive plan

In line with his position as a non-executive Director, the Chairman of the Board of Directors does not receive any annual short-term variable compensation (cash-settled) or any multi-year variable compensation, and neither is he a beneficiary of any long-term compensation plans (performance share plans).

Exceptional compensation

The Board of Directors has decided against including an exceptional component in the compensation policy for the Chairman.

Benefits-in-kind

The Chairman of the Board of Directors has the use of a company car.

He is also entitled to be reimbursed for expenses incurred in connection with his role as Chairman and he is provided with the material resources required for performing his duties.

Other benefits subject to the procedure for related-party commitments

In accordance with the applicable law, the benefits described below for which the Chairman of the Board of Directors is currently eligible – and for which he was also eligible prior to his appointment as Chairman – were submitted for approval to shareholders in an Annual General Meeting by way of the special vote required for related-party commitments.

For information purposes, Ross McInnes' employment contract with Safran has been suspended since April 21, 2011 rather than being terminated (see section 6.4). The Board opted for this solution as it enables in-house executives who have extensive experience (often associated with their length of service with the Group) to move into corporate officer positions without losing their existing benefit entitlements that they have accrued over time.

Supplementary pension system

Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff. This is in line with Safran's internal promotion policy built on helping in-house executives to move seamlessly into corporate officer positions and to grant corporate officers similar entitlements to those of the plan's other beneficiaries.

No specific supplementary pension system has been put in place for the Chairman of the Board of Directors.

However, the Chairman may be a beneficiary of the supplementary pension plans set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members, if the Board of Directors:

- authorizes the Chairman to join the plans; or
- authorizes him to continue to be a beneficiary if he was already a beneficiary prior to his appointment as Chairman.

Any such authorization must be submitted to a shareholder vote in an Annual General Meeting in accordance with the procedure applicable for related-party commitments (Article L.225-42-1 of the French Commercial Code).

Information on the supplementary pension plans of which the Chairman was a beneficiary in 2018 is set out in section 6.6.2.1 below. They correspond to:

- defined contribution plans (Article 83 Core Plan, Article 83 Additional Plan and Article 82 Plan); and
- a defined benefit plan (Article 39 Plan, closed to new entrants and entitlements frozen), under which entitlements may have accrued to the Chairman prior to the date when the plan was closed to new entrants and existing entitlements were frozen.

The Board of Directors intends that the above policy will continue to apply if and when the Chairman's term of office is renewed (see section 6.1.1).

Personal risk insurance plan

The Chairman of the Board of Directors is a beneficiary of the personal risk insurance plan set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members.

Information on the personal risk insurance plan of which the Chairman was a member in 2018 is set out in section 6.6.2.1 below.

Indemnities or benefits payable for termination of office, change in duties or non-compete agreements

The Chairman of the Board of Directors is not eligible for any indemnities or benefits if his office is terminated or if there is a change in his duties. Similarly, he is not entitled to any non-compete indemnity.

6.6.1.3 Compensation policy for the Chief Executive Officer

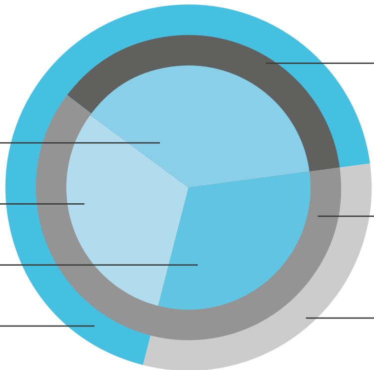
At the date of this Registration Document, this policy solely concerns Philippe Petitcolin in his role as Safran's Chief Executive Officer.

Compensation package structure

The structure of the Chief Executive Officer's compensation package comprises, on a recurring basis, annual fixed compensation (cash-settled), as well as annual variable compensation and performance shares awarded under a long-term incentive plan. This structure is applied to all of the Company's senior managers as adapted to each individual.

The underlying aim is to closely align the Company's interests with those of its shareholders by achieving a balance between short-term and long-term performance, as assessed by the Board of Directors. Compensation subject to performance conditions accounts for the largest proportion of the Chief Executive Officer's overall compensation package.

Presentation of the Chief Executive Officer's recurring compensation structure



* *Value at grant date in accordance with IFRS*

The compensation and benefits awarded to the Chief Executive Officer or for which he is eligible are detailed below.

Annual fixed compensation

The Chief Executive Officer's annual fixed compensation takes into account the responsibilities required for this type of corporate office as well as the individual qualities of the holder of the position and the benchmark surveys carried out by the Company.

Consequently, it is set based on the following:

- the level and complexity of the assignments and responsibilities related to the position, in view of the fact that the Chief Executive Officer has the broadest powers to act in all circumstances in the Company's name and to represent the Company in its dealings with third parties;
- the Chief Executive Officer's individual skills, experience, expertise and background;
- benchmark surveys related to compensation payable for comparable duties and companies.

The Board of Directors has decided that, as a general rule, the Chief Executive Officer's annual fixed compensation may only be revised on the expiration of his term of office.

However, as an exception to this rule, his compensation may be revised during his term and before his re-appointment if the scope of his duties as Chief Executive Officer changes significantly – which could be related to changes within the Company itself – or if a major difference is identified compared with market practices. Any adjustments made to his annual fixed compensation as a result of any specific circumstances would be publicly disclosed.

The Chief Executive Officer's annual fixed compensation is used as a reference for determining the target and maximum percentages of his annual variable compensation and the valuation of his compensation under the long-term incentive plan.

Information on the current Chief Executive Officer's fixed compensation for 2018 is set out in section 6.6.2.2 below.

Annual variable compensation

Objectives of and principles used to determine the Chief Executive Officer's annual variable compensation

The principle of annual variable compensation is used to incentivize the Chief Executive Officer to achieve the annual performance targets that are set for him by the Board of Directors in line with Safran's overall business strategy.

The potential amount of this variable compensation is determined taking into account market practices and corresponds to a percentage of his fixed compensation, as recommended in the AFEP-MEDEF Code.

It is contingent on achieving pre-defined performance levels based on a number of objectives which are collective and individual, financial and non-financial and quantitative and qualitative. The objectives relate to key indicators that reflect the Group's overall performance as well as the contribution expected from the Chief Executive Officer, in line with Safran's overall business strategy.

During the first quarter of each year, acting on the recommendations of the Committee responsible for compensation, the Board of Directors either confirms or sets these objectives as well as their weighting and the applicable performance levels, i.e.:

- the lowest performance level, under which no variable compensation is paid;
- the target level, corresponding to when an objective is reached; and
- the maximum level applicable if an objective is exceeded.

The quantitative financial performance objectives – which are based on financial indicators – are set precisely, by reference to the budget approved in advance by the Board of Directors, and are subject to the performance thresholds set out above.

The achievement rates for these objectives are disclosed once the related performance levels have been assessed.

Detailed description of the Chief Executive Officer's annual variable compensation

The Board of Directors has decided that the Chief Executive Officer's variable compensation will be based on the following:

Target annual variable compensation and maximum amount ("Cap")

The Chief Executive Officer's "target" variable compensation – i.e., the amount payable if the achievement rate is 100% for all of the financial and individual performance objectives set out below – corresponds to 100% of his annual fixed compensation (the "Target").

If the Chief Executive Officer outperforms his objectives, his "maximum" variable compensation (the "Cap") – i.e., the amount payable if the achievement rate is 130% for all of the financial and individual performance objectives set out below – will represent a maximum of 150% of his annual fixed compensation.

Structure

The Chief Executive Officer's annual variable compensation is determined as follows:

- two-thirds is contingent on quantitative financial performance objectives based on recurring operating income (ROI)(1)(2), free cash flow (FCF)(3) and working capital, calculated by reference to operating assets (Inventories)(4) and Unpaid Receivables (5);
- one-third will be contingent on quantitative and qualitative individual objectives.

This annual variable compensation structure is also used for the Group's senior managers, adapted to each individual.

Quantitative financial performance objectives

The following parameters apply:

- Weightings:
  - ROI: 60%
  - FCF: 30%, and
  - working capital: 10%, with 5% based on Inventories and 5% based on Unpaid Receivables;
- Triggering thresholds (Thresholds) based on the objectives in the annual budget (Objective(s)):
  - 80% of the ROI Objective,
  - 65% of the FCF Objective,
  - 135% of each of the working capital Objectives, i.e., Inventories and Unpaid Receivables (if the level is higher than 135% for either of these Objectives, no variable compensation will be due as anything over 135% for these two metrics corresponds to underperformance);
- Calculation methods for the Thresholds and Caps:
  - the Threshold for each performance metric triggers the entitlement to variable compensation (starting at 0 from the Threshold to 100% if the budget Objective is achieved),
  - if an Objective is exceeded, the variable compensation allocated in respect of that Objective will be increased beyond 100% in proportion to the extent to which the Objective is exceeded (but capped at a maximum of 130% irrespective of the extent to which the Objective is exceeded). Consequently:
    - if 130% (or more) of the ROI Objective is achieved, the Cap for this metric will be payable,
    - if 130% (or more) of the FCF Objective is achieved, the Cap for this metric will be payable,
    - if 70% (or less) of each of the working capital Objectives is achieved (Inventories and Unpaid Receivables), the Cap for each of these metrics will be payable.

Based on these indicators, an overall percentage achievement level of the financial objectives is obtained which is then applied for determining the amount due.

The applicable indicators are set by the Board of Directors in the first quarter of the year concerned and they may be changed from one year to the next.

Individual objectives (qualitative and quantitative)

These objectives are set by the Board of Directors and relate to strategic, business and managerial areas specific to the coming year. For example, they can be based on the implementation of strategic decisions validated by the Board of Directors, major industrial and commercial developments and programs, organizational and management measures or initiatives that factor in the Group's CSR and sustainable development policy.

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(1) Adjusted recurring operating income (see section 2.1.2 of this Registration Document).
(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.
(3) Free cash flow (see section 2.2.3 of this Registration Document) is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.
(4) Inventories and work in progress, as described in section 3.1, Note 1.n of this Registration Document and broken down in section 3.1, Note 16.
(5) Receivables unpaid at their due date, as measured at the end of the reference period.

These objectives are not related to routine tasks but to specific actions for which the Board of Directors expects a particular level of performance.

When setting these individual objectives, the Board is careful to factor in the Group's CSR and sustainable development targets and to ensure that some of the objectives are quantifiable, bearing in mind that two-thirds of the Chief Executive Officer's annual variable compensation is based on the achievement of quantitative objectives relating to financial performance.

The Chief Executive Officer's individual objectives for 2019 are set out in section 6.6.2.2 of this Registration Document.

Payment condition

In accordance with the law, the payment of the Chief Executive Officer's annual variable compensation for 2018 (payable in 2019) is subject to approval by the shareholders in an Ordinary General Meeting.

Appointment or termination of duties

If the Chief Executive Officer is appointed or his duties are terminated during the course of a year, the above principles will apply on a proportionate basis for the period during which he performs his duties. However, if an appointment takes place during the second half of the year, the assessment of the Chief Executive Officer's performance will be carried out by the Board of Directors on a discretionary basis, on the recommendation of the Committee responsible for compensation.

Long-term incentive plan (performance share grants)

Objective

The Board of Directors considers that the long-term incentive system – which also applies to other key positions within the Company – is particularly suited to the position of Chief Executive Officer in view of the direct contribution expected from him to the Group's long-term performance. In addition, the system is based on performance share grants which strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders. These share grants are also in line with the Board's strategy of linking the incentives of senior managers to Safran's share performance – with the inherent risks and rewards that this involves – in order to encourage long-term reasoning in their actions.

The Board of Directors may only grant performance shares if it has been given the necessary authorizations by way of a two-thirds majority vote of shareholders in an Extraordinary General Meeting.

Detailed description of performance share grants

Performance share grants made to the Chief Executive Officer are subject to the following principles and criteria:

Cap

The number of performance shares granted to the Chief Executive Officer may not:

- represent more than the equivalent of 120% of his annual fixed compensation, based on the accounting value, in accordance with IFRS 2[1], estimated prior to the grant;
- exceed 5% of the total performance shares making up each grant. In addition, the resolutions submitted to shareholders in an Extraordinary General Meeting for the purpose of authorizing such grants will set a maximum percentage of the Company's capital that the performance shares may represent.

Performance conditions

Performance shares granted to the Chief Executive Officer will only vest if the relevant internal and external performance conditions are met. The achievement of these conditions will be assessed over three full consecutive fiscal years, including the year in which the performance shares are granted.

Standard conditions

The two "standard" internal performance conditions count for 70% of the total vested shares and are based on:

- ROI, for 50%;
- FCF, for 50%;
- the achievement levels for these conditions are measured by reference to the average of the targets for ROI and FCF set for the fiscal year in which the grant takes place and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels have been set for these conditions:
  - lowest achievement level: if 80% of the MTP target is achieved, 40% of the shares contingent on that target will vest,
  - target achievement level: if 100% of the MTP target is achieved, 80% of the shares contingent on that target will vest,
  - highest achievement level (cap): if 125% of the MTP target is achieved, 100% of the shares contingent on that target will vest,
  - between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned will vest.

The external performance condition counts for 30% of the total vested shares and is based on Safran's total shareholder return (TSR) performance as measured relative to a panel of companies or reference indices. The composition of this panel may change in order to factor in changes in the structure or operations of the Group or of the companies and indices concerned.

The following achievement levels have been set for this condition:

- lowest achievement level: if Safran's TSR is equal to that of the peer companies, 40% of the shares contingent on the external performance condition will vest;
- target achievement level: if Safran's TSR is 8 points higher than that of the peer companies, 80% of the shares contingent on the external performance condition will vest;
- highest achievement level: if Safran's TSR is 12 points higher than that of the peer companies, 100% of the shares contingent on the external performance condition will vest;
- between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary on a linear basis. Below the lowest achievement level, none of the shares contingent on the external performance condition will vest.

As well as the portion attributed to the "standard" performance conditions, the Board of Directors may, at its discretion, apply demanding, quantifiable additional performance conditions for which it would define the parameters, to take into account the Group's medium-term priorities and challenges. In such a case, the additional performance conditions and their parameters would be disclosed and their weighting would reduce the weighting of the "standard" internal performance conditions.

(1) See section 3.1, Note 1.q of this Registration Document.

Such additional performance conditions would not therefore affect the cap on the value of grants to be made as defined above.

For grants made in 2018, the reference medium-term plan did not yet include the Zodiac Aerospace scope. To incorporate performance targets related to the new scope for beneficiaries – including the Chief Executive Officer – directly or specifically involved in Zodiac Aerospace's integration into the Group, specific additional internal conditions were applied (see section 6.6.1.4 of the 2017 Registration Document and section 6.6.2.2 below).

Under the rules of the performance share plan, the shares will only vest if the beneficiary still forms part of the Group on the vesting date, apart from in a limited number of cases (death, disability, retirement of the beneficiary or a specific decision by the Board of Directors).

Vesting and lock-up periods

The shares granted to the Chief Executive Officer are subject to a vesting period set by the Board of Directors, which may not be less than three years.

In addition, any shares granted to the Chief Executive Officer will be subject to a lock-up period of at least one year following their vesting date.

Other conditions

The Chief Executive Officer:

- is required to hold in registered form a proportion of his vested shares, as set by the Board of Directors, until his term of office as Chief Executive Officer ends.

  The Board has decided that following the lock-up period and until his term of office ends, the Chief Executive Officer will be required to hold in registered form 40% of the vested performance shares granted to him under performance share plans, until the number of shares he holds represents the equivalent of one year of his most recent annual fixed compensation.
- must give a formal undertaking to refrain from using instruments to hedge the risks related to these shares until after the end of the lock-up period.

For information purposes, information on performance share grants made to the Chief Executive Officer during the year is provided in section 6.6.2.2.

Multi-year variable compensation

The Board of Directors has decided not to put in place a multi-year variable compensation plan as it considers that share-based payments such as performance share grants are more in line with shareholders' interests (see the long-term incentive plan above).

Exceptional compensation

The Board of Directors has decided against including an exceptional component in the compensation policy for the Chief Executive Officer.

Attendance fees

As he is a Director, the Chief Executive Officer is not awarded any attendance fees nor is he included in the allocation of such fees as carried out in accordance with the rules set by the Board of Directors and described in the Board's Internal Rules (see section 6.6.3.1).

Benefits-in-kind

The Chief Executive Officer has the use of a company car.

He is also entitled to be reimbursed for expenses incurred in connection with his role as Chief Executive Officer and he is provided with the material resources required for performing his duties.

Other benefits subject to the procedure for related-party commitments

In accordance with the applicable law, the benefits described below for which the Chief Executive Officer is currently eligible – and for which he was eligible prior to his appointment as Chief Executive Officer – were submitted for approval by shareholders in a General Meeting by way of the special vote required for related-party commitments.

For information purposes, Philippe Petitcolin's employment contract with Safran has been suspended since April 23, 2015 rather than being terminated (see section 6.4). The Board opted for this solution as it enables in-house executives who have extensive experience (often associated with their length of service with the Group) to move into corporate officer positions without losing their existing benefit entitlements that they have accrued over time.

Supplementary pension system

Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff. This is in line with Safran's internal promotion policy built on helping in-house executives to move seamlessly into corporate officer positions and to grant corporate officers similar entitlements to those of the plan's other beneficiaries.

No specific supplementary pension plan has been put in place for the Chief Executive Officer.

However, the Chief Executive Officer may be a beneficiary of the supplementary pension plans set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members, if the Board of Directors:

- authorizes the Chief Executive Officer to join the plans, or
- authorizes him to continue to be a beneficiary if he was already a beneficiary prior to his appointment as Chief Executive Officer.

Any such authorization must be submitted to a shareholder vote in an Annual General Meeting in accordance with the procedure applicable for related-party commitments (Article L.225-42-1 of the French Commercial Code).

Information on the supplementary pension plans of which the Chief Executive Officer was a beneficiary in 2018 is set out in section 6.6.2.2 below. They correspond to:

- defined contribution plans (Article 83 Core Plan, Article 83 Additional Plan and Article 82 Plan); and
- a defined benefit plan (Article 39 Plan, closed to new entrants and entitlements frozen), under which entitlements may have accrued to the Chief Executive Officer prior to the date when the plan was closed to new entrants and existing entitlements frozen.

Personal risk insurance plan

The Chief Executive Officer is a beneficiary of the personal risk insurance plan set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members.

Information on the personal risk insurance plan of which the Chief Executive Officer was a beneficiary in 2018 is set out in section 6.6.2.2 below.

Indemnities or benefits payable for termination of office, change in duties, or non-compete agreements

The Chief Executive Officer is not eligible for any indemnities or benefits if his office is terminated or if there is a change in his duties. Similarly, he is not entitled to any non-compete indemnity.

Adaptation of the policy for Deputy Chief Executive Officers

If the Company appoints any Deputy Chief Executive Officers, the compensation structure, principles and criteria set out in the "compensation and benefits" policy for the Chief Executive Officer would apply to them. The Board of Directors would then adapt this policy in line with the specific situation of the Deputy Chief Executive Officer concerned in order to set the objectives, performance levels, indicators, and structure of their compensation packages and the maximum that their variable compensation may represent as a proportion of their annual fixed compensation (it being specified that this proportion and the amount of their annual fixed compensation may not be higher than those set for the Chief Executive Officer).

6.6.2 Compensation and benefits of corporate officers for 2018 (and components of compensation and benefits for 2019 that have already been set)

The following section sets out the compensation and benefits of the Chairman of the Board of Directors and the Chief Executive Officer for 2018, as well as the components of their compensation and benefits for 2019 that had already been set by the Board of Directors at the date of this Registration Document.

Where appropriate, payment of the variable and exceptional components if any of the corporate officers' compensation for 2018 is subject to shareholder approval at the Annual General Meeting of May 23, 2019.

6.6.2.1 Compensation and benefits of the Chairman of the Board of Directors for 2018 (and components of compensation and benefits for 2019 that have already been set)

In his role as Chairman of the Board of Directors, in 2018 Ross McInnes received a fixed amount of annual compensation. He does not receive any variable compensation or attendance fees. Ross McInnes continued to be a beneficiary of the Group's personal risk insurance plan and supplementary pension plan, subject to the same terms and conditions as the other plan members. In addition, he had the use of a company car as a benefit-in-kind.

The structure of Ross McInnes' compensation package for 2018 is the same as for 2017. It is described in section 6.6.1.3 of the 2017 Registration Document and was approved by the shareholders at the Annual General Meeting of May 25, 2018.

The compensation and benefits of the Chairman of the Board of Directors are summarized in the tables in section 6.6.2.3 below.

Fixed compensation for 2018 and 2019

At its meeting on February 26, 2018, acting on the recommendation of the Appointments and Compensation Committee, the Board decided to raise Ross McInnes' annual fixed compensation to €450,000 for 2018, which is the first increase since he became Chairman in 2015.

This decision to increase the Chairman's fixed compensation was taken concomitantly with the Board's decision on February 26,2018 to change the compensation policy applicable to the Chairman by removing his entitlement to attendance fees (see sections 6.6.1.2 and 6.6.2.1 of the 2017 Registration Document).

In reaching its decision to increase the Chairman's fixed compensation, the Board of Directors first and foremost took into account his commitment to implementing an exacting and high-quality governance system within the scope of a separation of the roles of Chairman of the Board and Chief Executive Officer, as well as the additional tasks and responsibilities assigned to him by the Board of Directors (see section 6.1.2) and those resulting from the Zodiac Aerospace business combination. The Board also drew on a peer group analysis to assess the competitiveness of his compensation package compared with that of corporate officers in comparable companies, which revealed that Ross McInnes' package was significantly lower than the median for these other companies.

The amount of the Chairman's annual fixed compensation has not changed since the Board's decision on February 26, 2018 and will remain the same for 2019.

2018 attendance fees

The Chairman did not receive any attendance fees for 2018 in accordance with the compensation policy approved at the Annual General Meeting on May 25, 2018 (see sections 6.6.1.2 and 6.6.1.3 of the 2017 Registration Document and section 6.6.1.2 of this Registration Document).

Personal risk insurance plan

At its meeting on April 23, 2015, the Board of Directors decided to authorize the Chairman to continue to be a beneficiary of Safran's personal risk insurance plan set up in France for all Group managerial-grade staff (subject to the same terms and conditions as the other plan members). The Chairman was previously a beneficiary of this plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer.

This commitment given by the Company to enable the Chairman to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The contributions to the plan are based on the fixed compensation that Ross McInnes receives for his role as Chairman of the Board of Directors.

The corresponding expense recorded in the 2018 financial statements amounted to €6,302.

Supplementary pension system in 2018

No specific supplementary pension system was in place for the Chairman of the Board of Directors in 2018.

"Article 83" defined contribution plans

In accordance with a decision taken by the Board of Directors on February 26, 2018, the Chairman is a beneficiary of Safran's two defined contribution supplementary pension plans set up in France for all Group managerial-grade staff pursuant to Article 83 of the French Tax Code (the "Article 83 plans") and in force at January 1, 2018, subject to the same terms and conditions as the other plan members. These plans correspond to:

- the "Article 83 Core Plan", which is financed through employer contributions equal to 1.5% of salary Tranche[1] A, 4% of Tranches B and C and no contributions on Tranche D.
- the "Article 83 Additional Plan", which provides for contribution rates of 6.5% on Tranche A and 4% on Tranches B and C.

This commitment given by the Company to enable Mr. McInnes to continue to be a beneficiary of these plans was approved at the Annual General Meeting of May 25, 2018, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The contributions to the plans are based on the fixed compensation that Ross McInnes receives for his role as Chairman of the Board of Directors.

The expenses recorded in the 2018 financial statements relating to the contributions paid for Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €11,721 and €13,708 respectively.

At December 31, 2018, the estimated theoretical amount[2] of the annuities that could be paid to Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €6,782 and €1,212 respectively.

"Article 82" defined contribution plan

In accordance with a decision taken by the Board of Directors on March 23, 2017, the Chairman is a beneficiary of Safran's defined contribution supplementary pension plan set up in France for all Group managerial-grade staff pursuant to Article 82 of the French Tax Code (the "Article 82 Plan"), subject to the same terms and conditions as the other plan members.

The Article 82 Plan was put in place to compensate for the closure of Safran's Article 39 defined benefit plan as from January 1, 2017 (see below).

Unlike the Article 39 defined benefit plan, the Article 82 Plan does not provide a guaranteed level of retirement benefits. It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives (*hors statut*) whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1. The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short-term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue under the plan, the Company is required to:

- pay monthly contributions to an insurer, the rate of which is set based on the beneficiary's reference compensation for year Y-1 (Insurer Contribution) and which may represent up to 12.735% of that reference compensation; and
- pay a cash amount to the beneficiary corresponding to the Insurer Contribution (Additional Payment) so that the beneficiary can pay the applicable tax (the plan provides for up-front taxation so that the capital accrued and received on the beneficiaries' retirement is net of tax and social security contributions).

The above payments are borne in full by the Company and are subject to social security contributions in the same way as salaries.

The contributions to the plan are based on the fixed compensation that Ross McInnes receives for his role as Chairman of the Board of Directors.

Under the Article 82 Plan, the Insurer Contribution and Additional Payment for the Chairman for 2018 totaled €12,897.48 each (i.e., €25,794.96 altogether), corresponding in each case to 3.685% of his reference compensation (7.37% in total).

At December 31, 2018, the estimated theoretical amount[2] of the annuity that could be paid to Ross McInnes under the Article 82 Plan was €2,890.

"Article 39" defined benefit plan (closed to new entrants and entitlements frozen)

The Chairman was previously a beneficiary of Safran's defined benefit supplementary pension plan set up in France for all Group managerial-grade staff pursuant to Article 39[3] of the French Tax Code (the "Article 39 Plan"), subject to the same terms and conditions as the other plan members. Mr. McInnes was originally a beneficiary of this plan in his former capacity as Deputy Chief Executive Officer. The commitment given by the company to enable Mr. McInnes to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016.

This plan was closed to new entrants and existing entitlements frozen as from December 31, 2016. The Article 82 defined contribution plan described above was set up to compensate for this closure.

However, further to a decision taken by the Board on March 23, 2017, the Chairman could still be eligible for any pension entitlement he had accrued under the plan at December 31, 2016 provided the applicable terms and conditions are met, it being specified that:

- the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions);
- the seniority taken into account for the plan – which represents an additional 1.8% of the reference compensation per year of service, capped at 18% – will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date. Consequently, the seniority taken into account for the Chairman will correspond to 14%;
- the overall replacement rate may not exceed 35% of the reference compensation;
- the supplementary pension annuity is capped at three times the annual social security ceiling (PASS) in force at the date that the general social security retirement pension is paid (the value of the PASS in 2019 is €40,524);

(1) To calculate the amount of pension contributions, the pension funds divide gross annual salary into three tranches, A, B and C. The portion of salary attributed to each tranche determines the amount of the contributions. Tranche A corresponds to the portion of salary below the social security ceiling. Tranche B corresponds to the portion of salary between one and four times the social security ceiling. Tranche C corresponds to the portion of salary between four and eight times the social security ceiling.

(2) Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

(3) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code (Code de la sécurité sociale).

- the payment of the supplementary pension annuity is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

During the phase when the pension benefits accrue, the taxes and social security contributions payable by Safran correspond to 24% of the premiums paid to the insurer in respect of the Chairman under this closed defined benefit plan.

At December 31, 2018, the estimated theoretical amount(1) of the annuity that could be paid to Ross McInnes corresponded to the cap set in the plan, i.e., €121,572 (corresponding to three times the annual social security ceiling (PASS), based on the 2019 value of the PASS).

Concerning the above-described Article 82 Additional Plan and the Article 39 Plan (closed)

As a reminder, in 2017, the Board decided to change Safran's supplementary pension system. The new system involved (i) closing the Article 39 defined benefit plan to new entrants and freezing existing entitlements and, (ii) to compensate for the closure of this plan, setting up new plans, including the Article 82 Plan. The resolution relating to the Chairman remaining a beneficiary under the new system was submitted to shareholders at the June 15, 2017 Annual General Meeting and was rejected. At its July 27, 2017 meeting, the Board of Directors ratified its decision to include the Chairman as a beneficiary under the new supplementary pension plan system, subject to the same terms and conditions as the system's other managerial-grade beneficiaries.

Indemnities or benefits payable for the termination of office or a change in duties – Non-compete indemnities

As stated in section 6.6.1.2 above, the Chairman of the Board of Directors is not eligible for the payment of any indemnities or benefits for the termination of his office or a change in his duties and has not received any commitment by the Company in relation to the payment of a non-compete indemnity.

Ross McInnes' employment contract with Safran has been suspended since April 21, 2011 (see sections 6.6.2.3 and 6.4).

This contract will resume if he ceases to be a corporate officer of the Company, and if it is subsequently terminated at Safran's initiative, he may be entitled to termination benefits under the applicable collective bargaining agreement. Based on Ross McInnes' seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, his termination benefits could represent a maximum gross amount of €143,821.50. These termination benefits are payable in accordance with general French labor law.

If Ross McInnes ceases to be a corporate officer of the Company his employment contract will resume, and when he retires he may be entitled to a statutory retirement bonus. Based on Ross McInnes' seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, his statutory retirement bonus could represent a maximum gross amount of €35,366.44. This retirement bonus is payable pursuant to general French labor law.

Ross McInnes has informed the Board that if he is re-appointed as Chairman of the Board (see section 6.1.1), then, in a personal capacity and in view of his specific situation, he intends to terminate his employment contract. In this case, he would no longer be entitled to any of the aforementioned potential bonuses.

6.6.2.2 Compensation and benefits of the Chief Executive Officer for 2018 (and components of compensation and benefits for 2019 that have already been set)

In his role as Chief Executive Officer, Philippe Petitcolin's compensation package for 2018 included annual fixed compensation, annual variable compensation and performance shares awarded under a long-term incentive plan. He also had the use of a company car as a benefit-in-kind.

The structure of Philippe Petitcolin's compensation package for 2018 was the same as for 2017, as described in section 6.6.1.4 of the 2017 Registration Document and approved by the shareholders at the Annual General Meeting of May 25, 2018.

The compensation and benefits of the Chief Executive Officer are summarized in the tables in section 6.6.2.3 below.

Fixed compensation for 2018 and 2019

At its meeting on February 26, 2018, acting on the recommendation of the Appointments and Compensation Committee, the Board decided to raise Philippe Petitcolin's annual fixed compensation to €800,000 for 2018, which was the first increase since he became Chief Executive Officer in 2015 and came at the same time as his reappointment as Chief Executive Officer.

This decision was taken concomitantly with the Board's decision to change certain components and parameters of the compensation policy applicable to the Chief Executive Officer as from 2018 (see sections 6.6.1.2 and 6.6.1.4 of the 2017 Registration Document).

In reaching its decision, the Board of Directors first and foremost took into account the Chief Executive Officer's high degree of commitment and the additional tasks and responsibilities assigned to him for achieving the goals of integrating Zodiac Aerospace and leveraging the synergies of this business combination and continuing to rise to the industrial and commercial challenges stemming from the successful ramp-up of the LEAP engine. The Board also drew on a peer group analysis to assess the competitiveness of his compensation package compared with that of corporate officers in comparable companies which revealed that Philippe Petitcolin's package was significantly lower than the median for these other companies.

The amount of the Chief Executive Officer's annual fixed compensation has not changed since February 26, 2018 and will remain the same for 2019.

Annual variable compensation for 2018

The Chief Executive Officer's annual variable compensation for 2018 was determined based on the terms and conditions set out in the compensation policy approved by the shareholders at the Annual General Meeting of May 25, 2018, as detailed in section 6.6.1.4 of the 2017 Registration Document.

For 2018, the Chief Executive Officer's gross annual variable compensation could have totaled €800,000 (corresponding to 100% of his annual fixed compensation (the "Target")) if all of the applicable objectives had been achieved, or it could have increased to above €800,000 if the objectives had been exceeded, subject to 150% of his annual fixed compensation (the "Cap").

(1) *Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).*

At its meeting on February 26, 2019, the Board of Directors reviewed the achievement of the financial and individual objectives set for the variable compensation payable to the Chief Executive Officer for 2018, after consultation with the Appointments and Compensation Committee. Following this review, it set Philippe Petitcolin's variable compensation for 2018 at €960,000, i.e., 120% of his annual fixed compensation.

This amount reflects:

- an overall actual achievement rate of 114% for the portion related to the Group's financial performance (accounting for two-thirds of the Chief Executive Officer's variable compensation), for which the objectives related to:
  - recurring operating income (60% weighting): 111% achievement;
  - free cash flow (30% weighting): 125% achievement;
  - working capital, comprising the following components:
    - operating assets (Inventories) (5% weighting): 104% achievement, and
    - unpaid receivables (5% weighting): 102% achievement.
- an overall actual achievement rate of 108% for the portion related to individual quantitative and qualitative performance objectives (accounting for one-third of the Chief Executive Officer's variable compensation).

  As described in section 6.6.2.2 of the 2017 Registration Document, these objectives (set by the Board on February 26, 2018) related to:
  - the integration of Zodiac Aerospace within the Group (quantitative and qualitative objectives),
  - the Silvercrest program (quantitative and qualitative objectives),
  - strategic and R&T goals (qualitative objectives), and
  - continuous corporate social responsibility (CSR) measures and priority action plans: carbon footprint management system, improvement in the frequency rate of occupational accidents, safer driving programs (quantitative and qualitative objectives).

Payment of the Chief Executive Officer's annual variable compensation for 2018 is subject to shareholders' approval at the Annual General Meeting of May 23, 2019.

Annual variable compensation for 2019

The Chief Executive Officer's variable compensation for 2019 will be set based on the terms and conditions of the compensation policy applicable at the time, as approved by shareholders at the Annual General Meeting. It will be determined as follows:

- two-thirds will be contingent on quantitative financial performance objectives based on:
  - recurring operating income (60% weighting),
  - free cash flow (30% weighting), and
  - working capital (10% weighting), comprising operating assets (Inventories) and unpaid receivables;
- one-third will be contingent on quantitative and qualitative individual objectives, set by the Board of Directors on February 26, 2019.

  These objectives, as set by the Board at its meeting on February 26, 2019, relate to:
  - the integration of Zodiac Aerospace within the Group: industrial and managerial optimization (quantitative and qualitative),
  - business development: position the Group with regard to particular aircraft programs (qualitative),
  - R&T strategy: long-term R&T roadmap (qualitative),
  - digitalization: Group digital roadmap (qualitative), and
  - CSR-human capital: continuous corporate social responsibility and human capital measures and priority action plans:
    - Environment – Carbon footprint management system: pinpoint action plans to roll out as from 2020 (qualitative),
    - Safety: further reduction in the frequency rate of occupational accidents (quantitative),
    - Safety: ergonomics in industrial projects: Factory of the Future training roadmap (quantitative), and
    - Human capital: gender balance plan with regard to executive positions (qualitative).

No further details can be provided on the Chief Executive Officer's individual objectives for reasons of strategic and competitive sensitivity.

The achievement of the financial and individual objectives set for the Chief Executive Officer's variable compensation for 2019 will be reviewed by the Board of Directors, after consultation with the Appointments and Compensation Committee. Payment of this annual variable compensation for 2019 will be subject to shareholders' approval at the 2020 Annual General Meeting.

2018 attendance fees

The Chief Executive Officer did not receive any attendance fees for 2018, in accordance with the compensation policy approved at the Annual General Meeting on May 25, 2018 (see sections 6.6.1.2 and 6.6.1.4 of the 2017 Registration Document and section 6.6.1.3 of this Registration Document).

2018 long-term incentive plan (performance shares)

At its meeting on July 24, 2018, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to award performance shares to certain Group managers and senior executives (see section 6.6.4.2).

Consequently, the Board used the authorization given in the 17th resolution of the May 25, 2018 Annual General Meeting to grant 13,600 performance shares to the Chief Executive Officer, representing less than 5% of the total grant, which complied with the compensation policy approved at the same Annual General Meeting.

All of the performance shares awarded to the Chief Executive Officer are subject to the condition that he is still with the Group when the shares vest and to the achievement of internal and external performance conditions (see section 6.6.1.4 of the 2017 Registration Document and section 6.6.4.2 of this Registration Document).

The "standard" internal performance conditions (based on ROI and FCF, see section 6.6.4.2) now count for 45% of the vested shares (versus 70% previously) and the specific additional internal performance conditions count for 25%. The external performance condition (based on TSR, see section 6.6.4.2) counts for 30% for the Chief Executive Officer.

The two additional internal performance conditions are based on:

- adjusted recurring operating income for the Zodiac Aerospace scope (adjusted for currency effects and based on Safran's definition of adjusted recurring operating income), which count for 10%;
- the amount of synergies unlocked as a result of Zodiac Aerospace's integration at end-2020, which count for 15%.

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The achievement levels for these additional conditions will be measured by reference to the business plan used by Safran for the Zodiac Aerospace acquisition (data for 2018 to 2020, reconstituted on a calendar year basis and adjusted for currency effects). The levels will be as follows:

- lowest achievement level: if 80% of the business plan target were achieved, 40% of the shares contingent on that target would vest;
- target achievement level: if 100% of the business plan target is achieved, 100% of the shares contingent on that target would vest;
- between the lowest achievement level and the target level, the shares would vest on a linear basis. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned would vest.

Under the rules of the performance share plan, the shares will only vest if the beneficiary still forms part of the Group on the vesting date, apart from in a limited number of cases (death, disability, retirement of the beneficiary or a specific decision by the Board of Directors).

The vesting period has been set at three years (2018-2020) and the number of shares that will ultimately vest will depend on the extent to which the applicable conditions are met over that period.

The vesting period will be followed by a one-year lock-up period

The Board also confirmed that following this lock-up period and until his term of office ends, the Chief Executive Officer will be required to hold in registered form 40% of the vested performance shares granted under this plan and any future plans until the number of shares he holds represents the equivalent of one year of his most recent annual fixed compensation.

The accounting value of these performance shares, as measured at the grant date in accordance with IFRS 2 (see section 3.1, Note 1.q of this Registration Document – i.e., July 24, 2018 – was an estimated €956,205.

Further details of this performance share plan are provided in the tables in sections 6.6.2.3 and 6.6.4.2 below.

2015 long-term incentive plan – multi-year variable compensation

On the recommendation of the Appointments and Compensation Committee, at its July 29, 2015 meeting, the Board of Directors decided to introduce a multi-year variable compensation system in the form of the 2015 Performance Unit (PU) plan, designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over several years. This multi-year compensation plan applied to the Chief Executive Officer and other members of Safran's Executive Committee. The Chief Executive Officer was granted 17,050 PUs under the plan.

The number of PUs that ultimately vested was based on the extent to which internal and external performance conditions were met, as measured over a period of three years (2015-2017).

The main characteristics and terms and conditions of this plan, including the grant to the Chief Executive Officer, are described in sections 6.3.1.2 and 6.3.3.3 of the 2015 Registration Document.

Acting on the recommendation of the Appointments and Compensation Committee, on March 22, 2018 the Board of Directors noted the overall achievement rate for these conditions at the end of the specified period and determined the resulting number of PUs to be vested by the Chief Executive Officer at 8,678 PUs. This corresponded to an overall achievement rate of 50.9% for the performance conditions (see section 6.6.2.2 of the 2017 Registration Document).

This plan was presented to and approved by the shareholders at the Annual General Meeting of May 19, 2016 (in the 18th resolution), in accordance with the "say-on-pay" rules applicable at that time.

At the May 25, 2018 Annual General Meeting, in the ex post say-on-pay vote (11th resolution), the shareholders voted in favor of the components of the compensation paid or awarded to the Chief Executive Officer for 2017.

As provided for in the relevant plan, payments will be made in two installments (in October 2018 and October 2019), each one corresponding to 50% (i.e., 4,339) of the vested PUs. One-third of each installment will be paid in Safran shares, with the remaining two-thirds paid in cash.

The payment of the first installment at end-October 2018, corresponding to 4,339 PUs, amounted to €341,458.73 in cash and the delivery of 1,446 Safran shares, representing total compensation of €512,140.96.

The second and last installment will be paid in October 2019. The gross compensation payable in October 2019 for each of the 4,339 PUs is determinable, even though it cannot be determined at the date of this Registration Document. It will correspond to the average of the closing prices for the Safran share during the 20 trading days preceding the payment of each installment.

Summary table of multi-year variable compensation allocated to the Chief Executive Officer

	Period in which performance units were granted	Number of performance units granted	Value on grant date	Conditions
Philippe Petitcolin	2015	17,050	€701,620(1)	The number of performance units that ultimately vested depended on the extent to which internal and external performance conditions were met, as measured over a period of three years (2015-2017). At its meeting of March 22, 2018, and after having noted the achievement rate associated with the performance conditions, the Board of Directors determined that 8,678 performance units ultimately vested for the Chief Executive Officer at the end of the specified 2015-2017 period. The first installment was paid in October 2018 and corresponded to €341,458.73 in cash and the delivery of 1,446 Safran shares. The second installment will be paid in October 2019. A plan description is included in section 6.3.3.3 of the 2015 Registration Document.

(1) The value was measured at the grant date in accordance with IFRS 2.

Personal risk insurance plan

Following a decision taken by the Board on April 23, 2015, in his capacity as Chief Executive Officer, Philippe Petitcolin is a beneficiary of Safran's personal risk insurance plan set up in France for all Group managerial-grade staff (subject to the same terms and conditions as the other plan members). Mr. Petitcolin was previously a beneficiary of this plan in his former capacity as a Company employee.

This commitment given by the Company to enable the Chief Executive Officer to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The contributions to the plan are based on the compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

The corresponding expense recorded in the 2018 financial statements amounted to €6,088.

Supplementary pension system in 2018

No specific supplementary pension system was in place for the Chief Executive Officer in 2018.

"Article 83" defined contribution plans

In accordance with a decision taken by the Board of Directors on February 26, 2018, the Chief Executive Officer is a beneficiary of Safran's two defined contribution supplementary pension plans set up in France for all Group managerial-grade staff pursuant to Article 83 of the French Tax Code (the "Article 83" plans) and in force at January 1, 2018, subject to the same terms and conditions as the other plan members (see section 6.6.2.1 above)

This commitment given by the Company to enable Mr. Petitcolin to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 25, 2018, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The contributions to the plans are based on the compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

The expenses recorded in the 2018 financial statements relating to the contributions paid for Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €27,614 and €13,708 respectively

At December 31, 2018, the estimated theoretical amount(1) of the annuities that could be paid to Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €25,730 and €1,308 respectively.

"Article 82" defined contribution plan

In accordance with a decision taken by the Board of Directors on March 23, 2017 the Chief Executive Officer is a beneficiary of Safran's defined contribution supplementary pension plan set up in France for all Group managerial-grade staff pursuant to Article 82 of the French Tax Code (the "Article 82 Plan"), subject to the same terms and conditions as the other plan members (see section 6.6.2.1 above).

The contributions to the plan are based on the annual compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

The commitment given by the Company to enable Mr. Petitcolin to be a beneficiary under this plan was approved by shareholders at the General Meeting of June 15, 2017, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

Under the Article 82 Plan, the Insurer Contribution and Additional Payment for the Chief Executive Officer for 2018 (as these terms are defined in section 6.6.2.1 above) totaled €171,349.44 each (i.e., €342,698.88 altogether), corresponding in each case to 12.735% of his reference compensation (25.47% in total).

At December 31, 2018, the estimated theoretical amount(1) of the annuity that could be paid to Philippe Petitcolin under the Article 82 Plan was €14,135.

"Article 39" defined benefit plan (closed to new entrants and entitlements frozen)

The Chief Executive Officer was previously a beneficiary of Safran's defined benefit supplementary pension plan set up in France for all Group managerial-grade staff pursuant to Article 39 of the French Tax Code (the "Article 39 Plan", see section 6.6.2.1 of this Registration Document), subject to the same terms and conditions as the other plan members. Mr. Petitcolin was originally a beneficiary of this plan in his former capacity as a Company employee.

This plan is now closed to new entrants and the benefit entitlements have been frozen, including for the Chief Executive Officer. However he could still be eligible for the pension entitlement he had accrued at December 31, 2016 provided the applicable terms and conditions are met (see section 6.6.2.1). The Chief

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

Executive Officer's seniority taken into account for this plan represents an additional 18% of the reference compensation (corresponding to the cap provided for in the plan).

During the phase when the pension benefits accrue, the taxes and social security contributions payable by Safran correspond to 24% of the premiums paid to the insurer in respect of the Chief Executive Officer under this closed defined benefit plan.

At December 31, 2018, the estimated theoretical amount[1] of the annuity that could be paid to Philippe Petitcolin corresponded to the cap set in the plan, i.e., €121,572 (corresponding to three times the annual social security ceiling (PASS), based on the 2019 value of the PASS).

This commitment was approved by shareholders at the General Meeting of June 15, 2017.

Indemnities or benefits payable for the termination of office or a change in duties – non-compete indemnities

As stated in section 6.6.1.3 of this Registration Document, the Chief Executive Officer is not eligible for the payment of any indemnities or benefits for the termination of his office or a change in his duties and he has not been given any commitment by the Company in relation to the payment of a non-compete indemnity.

Philippe Petitcolin's employment contract with Safran has been suspended since April 23, 2015 (see sections 6.6.2.3 and 6.4).

This contract will resume if he ceases to be a corporate officer of the Company, and if it is then terminated at Safran's initiative, he may be entitled to termination benefits under the applicable collective bargaining agreement. Based on Mr. Petitcolin's seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, his termination benefits could represent a maximum gross amount of €906,044.67. These termination benefits are payable in accordance with general French labor law.

If Philippe Petitcolin ceases to be a corporate officer of the Company his employment contract will resume, and when he retires he may be entitled to a statutory retirement bonus. Based on Philippe Petitcolin's seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, his statutory retirement bonus could represent a maximum gross amount of €201,343.26. This retirement bonus is payable pursuant to general French labor law.

6.6.2.3 Summary tables for 2018

Summary tables showing the individual compensation and benefits of Ross McInnes, Chairman of the Board of Directors

Summary table of compensation, stock options and performance shares granted in 2017 and 2018 to the Chairman of the Board of Directors

Summary of compensation, stock options and performance shares granted	2017	2018
Compensation due for the year	€484,375.22[1]	€465,809.61[2]
Value of multi-year variable compensation allocated during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of performance shares granted during the year	N/A	N/A
TOTAL	**€484,375.22**	**€465,809.61**

(1) Including €57,690.34 corresponding to the Additional Payment under the defined contribution plan (Article 82), enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.1 of the 2017 Registration Document).
(2) Including €12,897.48 corresponding to the Additional Payment under the defined contribution plan (Article 82), enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.1).

Summary table of compensation of the Chairman of the Board of Directors

	2017		2018	
Summary of compensation *(gross)*	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€350,000	€350,000	€450,000	€450,000
Annual variable compensation	N/A	N/A	N/A	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	€73,513.88	€65,000	N/A	€73,513.88
Benefits-in-kind[1]	€3,171	€3,171	€2,912.13	€2,912.13
Additional Payment provided for under the Article 82 voluntary collective defined contribution plan[2]	€57,690.34	€57,690.34	€12,897.48	€12,897.48
TOTAL	**€484,375.22**	**€475,861.34**	**€465,809.61**	**€539,323.49**

(1) Company car.
(2) Corresponding to the Additional Payment under the defined contribution plan (Article 82), enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.1).

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

Summary table showing the individual compensation and benefits of Philippe Petitcolin, Chief Executive Officer

Summary table of compensation, stock options and performance shares granted in 2017 and 2018 to the Chief Executive Officer

Summary of compensation, stock options and performance shares granted	2017	2018
Compensation due for the year	€2,085,320.79(1)	€1,936,136.28(2)
Value of multi-year variable compensation allocated during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of performance shares granted during the year (see section 6.6.4.2)	€839,893(3)	€956,205
TOTAL	**€2,413,072.79**	**€2,892,341.28**

(1) Including €154,746.70 corresponding to the Additional Payment under the defined contribution plan (Article 82), enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.1 of the 2017 Registration Document) and €512,140.96 for the payment in October 2018 of the first installment under the 2015 long-term benefit plan (2015 LTB plan) (see section 6.6.2.2 and the table below).
(2) Including €171,349.44 corresponding to the Additional Payment under the defined contribution plan (Article 82), enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.2).
(3) In accordance with IFRS 2, the value of the performance shares was measured at the grant date and not based on compensation received by the beneficiary during the year (see section 3.1, Note 1.q).

Summary table of compensation of the Chief Executive Officer

Summary of compensation *(gross)*	2017		2018	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€600,000	€600,000	€800,000	€800,000
Annual variable compensation	€777,500	€745,500	€960,000	€777,500
Multi-year variable compensation	512,140.96(1)	N/A	N/A	512,140.96(1)
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	€36,314.09	€38,500	N/A	€36,314.09
Benefits-in-kind(2)	€4,619	€4,619	€4,786.84	€4,786.84
Additional Payment provided for under the Article 82 voluntary collective defined contribution plan(3)	€154,746.70	€154,746.70	€171,349.44	€171,349.44
TOTAL	**€2,085,320.75**	**€1,543,365.70**	**€1,936,136.28**	**€2,302,091.33**

(1) Payment in October 2018 of the first installment under the 2015 long-term benefit plan (see section 6.6.2.2), corresponding to a total of €512,140.96, with 2/3 paid in cash, i.e., €341,458.73 and 1/3 paid in the form of the delivery of 1,446 Safran shares. The amount was determinable at the publication date of the 2017 Registration Document but was not actually determined.
(2) Company car.
(3) Corresponding to the Additional Payment under the defined contribution plan (Article 82), enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.2).

Summary table of performance shares granted during the year to the Chief Executive Officer

	Plan date	Number of shares granted	Value of shares (measured using the method applied for the consolidated financial statements)(1) *(in €)*	Vesting date	End of lock-up period	Performance conditions
Philippe Petitcolin	July 24, 2018	13,600	€956,205	July 26, 2021	July 27, 2022(2)	All the shares are subject to the performance conditions described in section 6.6.4.2
TOTAL		**13,600**	**€956,205**			

(1) In accordance with IFRS 2, the value of the performance shares was measured at the grant date and not based on compensation received by the beneficiary during the year (see section 3.1, Note 1.q).

(2) The Chief Executive Officer is, however, required to hold in registered form 40% of the delivered performance shares for the time that he is in office and until these shares represent an amount that is equivalent to one year's worth of his most recent annual fixed compensation.

Performance shares granted to the Chief Executive Officer for which the lock-up period ended during the year

	Plan date	Total number of shares whose lock-up period ended
Philippe Petitcolin		None

Summary table, at December 31, 2018, of performance shares granted to the Chief Executive Officer

Grantee	Plan no. and date	Total number of shares granted
Philippe Petitcolin	2016 Plan – July 28, 2016	27,390
Philippe Petitcolin	2017 Plan – March 23, 2017	27,165
Philippe Petitcolin	2018 Plan – July 24, 2018	13,600
TOTAL		**68,155**

Summary table of stock options granted in 2018 to the Chief Executive Officer

None

Summary table of stock options exercised in 2018 by the Chief Executive Officer

None

Summary table of employment contracts, supplementary pension plans and termination benefits of the Chairman of the Board of Directors and the Chief Executive Officer

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits payable for termination of office, change in duties, or non-compete agreements
Ross McInnes	Chairman of the Board of Directors	Yes, suspended(1)	Yes(3)	No
Philippe Petitcolin	Chief Executive Officer	Yes, suspended(2)	Yes(3)	No

(1) Employment contract initially suspended on April 21, 2011, the date on which he was appointed Deputy Chief Executive Officer. This suspension was extended when he was appointed Chairman of the Board of Directors on April 23, 2015 (see section 6.4).

(2) Employment contract suspended since April 23, 2015, the date on which he was appointed Chief Executive Officer (see section 6.4).

(3) No pension plan has been set up specifically for the Chairman of the Board of Directors or the Chief Executive Officer. They are beneficiaries, subject to the same terms and conditions as the other plan members, under (i) the defined contribution supplementary pension plan set up in France for all of the Group's senior managers, and (ii) the defined benefit supplementary pension plan which has now been closed and whose benefit entitlements were frozen at December 31, 2016 (see section 6.6.2.1 and 6.6.2.2).

6.6.3 Attendance fees paid to members of the Board of Directors

Directors receive attendance fees as provided for in Article 17 of Safran's bylaws.

The attendance fee allocation rules are approved by the Board of Directors and are described in the Board's Internal Rules. On February 26, 2018, the Board of Directors amended the rules for allocating attendance fees, effective from 2018. These new rules give a greater weighting to the variable portion based on Directors' attendance at meetings of the Board and Board Committees and remove the entitlement to attendance fees for the Chairman and the Chief Executive Officer.

In accordance with the applicable regulations, attendance fees allocated to the representative of the French State and Directors put forward by the French State in the capacity of public agent are paid to the French Treasury. The members of the Board of Directors only receive attendance fees as compensation, except for the Directors representing employees and Directors representing employee shareholders (see section 6.6.3.3). The Chairman of the Board of Directors and the Chief Executive Officer do not receive any attendance fees, in accordance with the compensation policies applicable to them (see sections 6.6.1.2 and 6.6.1.3).

6.6.3.1 Rules for allocating attendance fees

The rules applicable for allocating attendance fees as from 2018, as described in Article 23.2 of the Board's Internal Rules are as follows:

> for attendance at Board meetings:
- fixed annual fee:
  - per Director (excluding the Chairman and the Chief Executive Officer) = €11,000,
  - calculated proportionately to the number of meetings held during the year if a Director leaves or joins the Board part way through the year;
- variable fee per meeting:
  - no attendance fees for the Chairman and the Chief Executive Officer
  - for other Directors = €3,700;

> for attendance at Board committees and special temporary committees:
- variable fee per meeting (no fixed fee):
  - for the Chairs of the standing Board Committees (Audit and Risk Committee, Appointments and Compensation Committee and Innovation and Technology Committee = €7,400
  - for other Committee members (including the Chairs of any special committees) = €3,700 (no additional fees for the Chair of any special committee),
- additional fee for geographical distance:
  - for Directors who live outside Metropolitan France, there will be an additional fee of €1,250 for each meeting attended in person,
- potential adjustment:
  - if applying these rules results in an overall amount of fees that is higher than the aggregate maximum amount authorized by shareholders at the Annual General Meeting, then the overall amount paid will be reduced proportionately until it reaches this maximum authorized amount,
- cap:
  - the gross annual amount of attendance fees will be capped at €100,000 per Director (cap applicable if the calculation rules result in attendance fees representing more than this amount).

6.6.3.2 Summary table of attendance fees paid to members of the Board of Directors

	Amount of attendance fees			
	2017		2018	
	Gross amount	Net amount paid in 2018	Gross amount	Net amount paid in 2019
NON-EXECUTIVE DIRECTORS (EXCLUDING REPRESENTATIVES OF THE FRENCH STATE AND DIRECTORS PUT FORWARD BY THE FRENCH STATE)				
Christian Streiff (Director until May 25, 2018)	€81,042.41	€56,729.69(1)	€29,200.00	€20,440.00(8)
Hélène Auriol Potier (Director since June 15, 2017)	€19,996.59	€13,997.62(1)	€66,500.00	€46,550(8)
Giovanni Bisignani (Director until June 15, 2017)	€38,102.54	€33,225.41(2)	-	-
Frédéric Bourges (Director until February 26, 2018)	€67,313.92	€55,735.92(3)	€8,500.00	€7,038.00(3)(8)
Éliane Carré-Copin	€38,528.36	€26,969.85(4)	€44,300.00	€31,010.00(7)(8)
Jean-Lou Chameau	€63,992.51	€44,794.75(1)	€70,200.00	€49,140.00(8)
Monique Cohen	€76,613.86	€53,629.71(1)	€85,000.00	€59,500.00(8)
Odile Desforges	€76,171.01	€53,319.71(1)	€81,300.00	€56,910.00(8)
Didier Domange (Director since May 25, 2018)	-	-	€42,100.00	€29,470.00(8)
Jean-Marc Forneri (Director until May 25, 2018)	€59,785.39	€41,849.77(1)	€10,700.00	€7,490.00(8)
F&P, represented by Robert Peugeot (Director since May 25, 2018)	-	-	€49,500.00	€49,500.00
Brigitte Lesschaeve (Director since February 26, 2018)	-	-	€43,200.00	€35,769.60(3)(8)
Gérard Mardiné	€47,385.45	€39,235.16(3)	€66,500.00	€55,062.00(3)
Daniel Mazaltarim	€49,599.73	€41,068.57(3)	€62,800.00	€51,998.40(3)(8)
Patrick Pélata (Director since June 15, 2017)	€26,639.41	€18,647.59(1)	€73,900.00	€51,730.00(8)
Sophie Zurquiyah (Director since June 15, 2017)	€33,282.23	€29,022.11(2)	€66,550.00	€46,585.00(8)
Total attendance fees paid to non-executive Directors excluding representatives of the French State and Directors put forward by the French State	**€739,158.57**	**€550,719.47**	**€164,000.00**	**€164,000.00**
Amount paid to the French Treasury(5)	€151,013.46	€151,013.46		
Total attendance fees paid to non-executive Directors	**€890,172.03**	**€701,732.93**	**€964,250.00**	**€762,193.00**
THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER				
Ross McInnes	€73,513.88	€66,088.97(6)	-	-
Philippe Petitcolin	€36,314.09	€32,646.36(6)	-	-
Total attendance fees paid to the Chairman and the Chief Executive Officer	**€109,827.97**	**€98,735.33**	**-**	**-**
TOTAL ATTENDANCE FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS	**€1,000,000.00**	**€801,187.73**	**€964,250.00**	**€762,193.00**

(1) *After the 21% withholding tax applicable for individuals domiciled in France for tax purposes (in accordance with Article 117* quater of *the French Tax Code* (Code général des impôts) *and social security contributions of 15.5%.*
(2) *After the 30% withholding tax applicable for individuals not domiciled in France for tax purposes.*
(3) *As the Directors representing employees requested that their attendance fees be paid over to their trade union these amounts were exempt from tax and social security contributions.*
(4) *The attendance fees of the Director representing employee shareholders are paid into Safran's personal risk insurance plan (after taxes and social security contributions).*
(5) *For representatives of the French State and Directors put forward by the French State.*
(6) *Estimated amount. The gross amount is subject to social security contributions. These attendance fees will be taxed in the same way as for salaries.*
(7) *Director representing employee shareholders who pays her fees to charities (after taxes and social security contributions).*
(8) *After the 17.2% deduction for social security contributions and the 12.8% tax deduction applicable for individuals domiciled in France for tax purposes.*

6.6.3.3 Compensation in 2018 of Directors representing employee shareholders and Directors representing employees

Brigitte Lesschaeve, who has been a Director representing employees since February 26, 2018, received gross compensation of €72,528 between that date and December 31, 2018, under her employment contract with Safran Landing Systems. She also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2018, the estimated theoretical amount[1] of the annuity that could be paid to Brigitte Lesschaeve under the defined contribution supplementary pension plan of which she is a beneficiary (Article 83 Core Plan) was €1,114.

Frédéric Bourges, who was a Director representing employees until February 26, 2018, received gross compensation of €5,274 under his employment contract with Safran Aircraft Engines for the months of January and February 2018. He also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. He was not a beneficiary of Safran's defined contribution supplementary pension plans (Article 83).

Daniel Mazaltarim, a Director representing employees, received €85,313 in gross compensation in 2018 under his employment contract with Safran Aircraft Engines. He also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2018, the estimated theoretical amount[1] of the annuity that could be paid to Daniel Mazaltarim under the defined contribution supplementary pension plan of which he is a beneficiary (Article 83 Core Plan) was €1,856.

Éliane Carré-Copin, a Director representing employee shareholders, received €71,734 in gross compensation in 2018 under her employment contract with Safran. She also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2018, the estimated theoretical amount[1] of the annuity that could be paid to Éliane Carré-Copin under the defined contribution supplementary pension plan of which she is a beneficiary (Article 83 Core Plan) was €1,373.

Gérard Mardiné, a Director representing employee shareholders, received €137,687 in gross compensation in 2018 under his employment contract with Safran Electronics & Defense. He also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2018, the estimated theoretical amount[1] of the annuity that could be paid to Gérard Mardiné under the defined contribution supplementary pension plan of which he is a beneficiary (Article 83 Core Plan) was €2,731.

6.6.4 Long-term incentive plan

6.6.4.1 Stock options

No stock options were granted during 2018 and there are currently no stock options outstanding.

When the merger of Zodiac Aerospace into Safran was completed on December 1, 2018, Safran took over from Zodiac Aerospace with respect to all of the obligations resulting from the commitments given by Zodiac Aerospace to holders of Zodiac Aerospace stock options outstanding at the merger completion date. Consequently, the outstanding Zodiac Aerospace stock options are now exercisable for ordinary Safran shares based on the exchange ratio used for the merger. The characteristics of the plans in force are described in section 7.3.7.3. None of Safran's corporate officers hold any of these stock options.

6.6.4.2 2018 performance share plan

Performance share grants are a common method used by companies in order to strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders.

In the 17th resolution of the May 25, 2018 Annual General Meeting, the Company's shareholders authorized the Board of Directors to grant performance shares to (i) employees or certain categories of employees of the Company and/or of other entities in the Group, and/or (ii) corporate officers of the Company and/or of other entities in the Group (except for the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law. The shareholders gave full powers to the Board of Directors to determine the beneficiaries of the grants.

The total number of performance shares granted could not exceed 0.4% of the Company's capital as at the date on which the Board of Directors decides to make the share grants (main ceiling), or two-thirds of this percentage in any given fiscal year (sub-ceiling).

In addition, it was specified that for each grant of performance shares the maximum number of shares granted to each of the Company's corporate officers could not exceed 5% of the total number of shares making up the grant (representing a sub-ceiling of 0.01% of the Company's capital per corporate officer per fiscal year).

Acting on the recommendation of the Appointments and Compensation Committee, at its July 24, 2018 meeting, the Board of Directors decided to grant 574,712 performance shares to certain Group managers and senior executives under the 2018 Long-Term Incentive Plan, which is designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over a period of several years.

The shares granted could either be new shares or existing shares previously bought back by the Company.

(1) *Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).*

The main conditions and characteristics of these share grants authorized by the Board are the same as those presented at the Annual General Meeting of May 25, 2018 (see section 8.2.2 of the 2017 Registration Document) and are set out below.

Conditions

The vesting of all of the performance shares granted is subject to the achievement of internal and external performance conditions, which are similar for all beneficiaries and are assessed over three full consecutive fiscal years, including 2018 – the year in which the performance shares were granted. In addition, the shares will only vest if the beneficiary still forms part of the Group at the vesting date, as explained in section 6.6.2.2 of this Registration Document.

Standard internal conditions applying to all beneficiaries:

These standard internal performance conditions count for at least 70% of the total for all beneficiaries.

However, for the grant made in 2018 to the Chief Executive Officer and certain other beneficiaries, the vesting of the shares is subject to additional conditions to take into account the expected performance of the new Zodiac Aerospace scope integrated into the Group. Consequently the standard internal conditions count for 45% and the additional conditions count for 25%.

The two standard internal performance conditions are based on:

- ROI (adjusted recurring operating income, as defined in section 2.1.2);
- FCF (free cash flow, as defined in section 2.2.3);

each count for half of the weighting assigned to these two conditions.

The achievement levels for these conditions will be measured by reference to the average of the targets for ROI and FCF set for the fiscal year in which the grant takes place and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels have been set for these conditions:

- lowest achievement level: if 80% of the MTP target is achieved, 40% of the shares contingent on that target will vest;
- target achievement level: if 100% of the MTP target is achieved, 80% of the shares contingent on that target will vest;
- highest achievement level (cap): if 125% of the MTP target is achieved, 100% of the shares contingent on that target will vest;
- between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned will vest.

For the grants made in 2018, as the reference MTP does not yet include the Zodiac Aerospace scope, additional internal conditions have been set in order to incorporate performance targets related to the new scope for beneficiaries directly or specifically involved in Zodiac Aerospace's integration into the Group (see below). For future grants, the Group's reference MTP will include Zodiac Aerospace's expected performance, which will therefore be included in the internal performance conditions that would apply to all beneficiaries.

The performance criteria would be measured by comparing results against a same-scope reference base. If an entity is deconsolidated, the reference bases used for past grants will be adjusted to exclude the amounts related to the deconsolidated entity for the years concerned. For the first performance share grant after a new entity has been consolidated, additional performance conditions may be added in line with the method presented in the paragraph above. Past grants will continue to be measured based on the previous scope of consolidation (i.e., not including the newly-consolidated entity).

Additional internal conditions – 2018 grant:

As indicated above, in order to take into account the new Zodiac Aerospace scope, for the 2018 performance share grant, additional internal conditions have been added for the Chief Executive Officer and beneficiaries directly or specifically involved in Zodiac Aerospace's integration into the Group.

These additional conditions count for 25% for the Chief Executive Officer and other relevant beneficiaries.

The two additional internal performance conditions are based on:

- adjusted recurring operating income for the Zodiac Aerospace scope (adjusted for currency effects and based on Safran's definition of adjusted recurring operating income), which count for 10%;
- the amount of synergies unlocked as a result of Zodiac Aerospace's integration at end-2020, which count for 15%.

The achievement levels for these conditions will be measured by reference to the business plan used by Safran for the Zodiac Aerospace acquisition (data for 2018 to 2020, reconstituted on a calendar year basis and adjusted for currency effects). The levels will be as follows:

- lowest achievement level: if 80% of the business plan target is achieved, 40% of the shares contingent on that target will vest;
- target achievement level: if 100% of the business plan target is achieved, 100% of the shares contingent on that target will vest;
- between the lowest achievement level and the target level, the shares will vest on a linear basis. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned will vest.

For the Chief Executive Officer, the additional performance conditions do not affect the cap on the value of grants made to him set in the compensation policy.

External performance condition:

The external performance condition counts for 30% of the total vested shares for the Chief Executive Officer and is based on Safran's total shareholder return (TSR) performance as measured relative to a composite index that enables simultaneous comparison with the European market, the US market and the reference index for the French market. This composite index is made up of:

- the STOXX® Europe TMI Aerospace & Defense index (Stoxx A&D Net Return);
- the S&P Aerospace & Defense Industry Select index (S&P A&D);
- the CAC 40 index (CAC 40 Gross Return).

Each of these three indices counts for one-third of the composite index.

The following performance achievement levels have been set for this condition:

- lowest achievement level: if Safran's TSR is equal to that of the composite index, 40% of the shares contingent on the external performance condition will vest;
- target achievement level: if Safran's TSR is 8 points higher than that of the composite index, 80% of the shares contingent on the external performance condition will vest;
- highest achievement level: if Safran's TSR is 12 points higher than that of the composite index, 100% of the shares contingent on the external performance condition will vest;
- Between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary on a linear basis. Below the lowest achievement level, none of the shares contingent on the external performance condition will vest.

Vesting and lock-up periods

The shares granted are subject to a three-year vesting period as set by the Board of Directors.

In addition, the shares granted to the Chief Executive Officer and members of Safran's Executive Committee are subject to a lock-up period of at least one year following their vesting date.

In accordance with the Board of Directors' Internal Rules, the Chief Executive Officer is required to hold in registered form a proportion of his vested shares, as set by the Board of Directors, until his term of office as Chief Executive Officer ends.

In addition, each beneficiary has given a formal undertaking not to hedge the risks related to the shares granted to them until those shares become freely transferable (i.e., at the end of either the vesting period or the lock-up period set by the Board of Directors, depending on the beneficiary concerned).

Performance shares granted to the Chief Executive Officer

On July 24, 2018, the Board of Directors decided to grant 13,600 performance shares to the Chief Executive Officer under the 2018 Long-term Incentive Plan, which represented less than 5% of the total grant and 0.003% of the Company's capital at the grant date.

Summary table of performance share plans at December 31, 2018

	2016 Plan – July 28, 2016	2017 Plan – March 23, 2017	2018 Plan – July 24, 2018
Shareholder authorization	May 19, 2016	May 19, 2016	May 25, 2018
Grant date by the Board of Directors	July 28, 2016	March 23, 2017	July 24, 2018
Number of performance shares granted	558,840	567,747	574,712
Of which to corporate officers	27,390	27,165	13,600
Philippe Petitcolin	*27,390*	*27,165*	*13,600*
Of which to the ten employees (non-corporate officers) who received the most shares	57,300	58,980	61,713
Number of beneficiaries at the grant date	506	430	440
Vesting date	July 30, 2019	March 25, 2020	July 26, 2021
Availability date	*July 30, 2019*	*March 25, 2020*	*July 26, 2021*
Availability date for the Chief Executive Officer (end of lock-up period)	*July 31, 2020*	*March 26, 2021*	*July 27, 2022*
Availability date for other Executive Committee members (end of lock-up period)	July 31, 2020	March 26, 2021	July 27, 2022
Performance conditions	See section 6.6.4.2 of the 2016 Registration Document	See section 6.6.4.2 of the 2017 Registration Document	See section 6.6.2.2 of this Registration Document
Total number of shares canceled or forfeited	90,709	26,691	1,400
Number of performance shares vested at December 31, 2018	0	0	0
Number of performance shares outstanding at December 31, 2018	468,131	541,056	573,312

6.7 CROSS-REFERENCE TABLE FOR THE CORPORATE GOVERNANCE REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE

This report was reviewed by the Appointments and Compensation Committee (for the parts falling within its remit), before being submitted to the Board of Directors, which approved it at its meeting on March 27, 2019.

Cross-reference table

The table below lists the references to the chapters and sections of this Registration Document in which information is provided on the topics required in the corporate governance report.

	Topics required in the corporate governance report	2018 Registration Document chapter(s) and section(s)
1	**Framework Corporate Governance Code**	Section 6.1
2	**Structure of Executive Management**	Section 6.1.1
3	**Powers and responsibilities of the Chief Executive Officer and restrictions on these powers and responsibilities**	Sections 6.1.3 and 6.1.4.2
4	**Membership structure of the Board of Directors**	Section 6.2
5	**Offices and positions held by Safran's Directors**	Section 6.2.2
6	**Organization and operating procedures of the Board of Directors and the Board Committees**	Section 6.3
7	**Self-assessment by the Board of its operating procedures**	Section 6.3.5
8	**Diversity policy**	Sections 6.2.4.2 and 5.2.4
9	**Principles and criteria used to determine the compensation of the corporate officers and the related proposed resolutions presented to the shareholders at the Annual General Meeting**	Sections 6.6 and 8.2.1
10	**Compensation and benefits paid in 2018**	Sections 6.6.2 to 6.6.4
11	**Related party agreements and commitments**	Sections 7.1.4 and 8.3.1
12	**Commitments given by the Company to its corporate officers**	Sections 6.6.2 and 8.3.1
13	**Terms and conditions of shareholders' participation in General Meetings and any restrictions on such participation**	Section 7.1.2.2
14	**Ownership structure**	Section 7.3
15	**Authorizations currently in force granted to the Board of Directors**	Section 8.2.6
16	**Items with a potential impact in the event of a public offering**	Sections 7.1.2.2, 7.1.4.2 and 7.1.2.6


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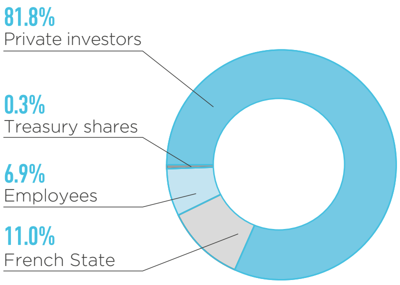
INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

7

IN BRIEF

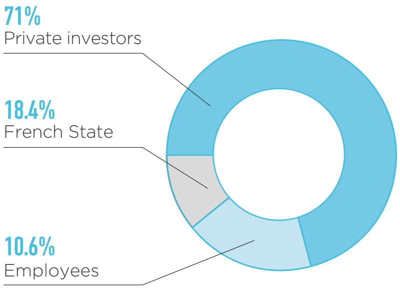
BREAKDOWN OF SHARE CAPITAL

At December 31, 2018



BREAKDOWN OF EXERCISABLE VOTING RIGHTS

At December 31, 2018



INDICES

Safran's share has been included in the CAC 40 index since September 19, 2011 and the Euro STOXX 50 index since September 21, 2015.

GENERAL INFORMATION

The Company is registered with the Paris Trade and Companies Registry under number 562 082 909.

Safran's registered office is located at 2, boulevard du Général Martial-Valin, 75015 Paris, France.

SUBSCRIBED SHARE CAPITAL

At December 31, 2018, Safran's share capital amounted to €87,153,590.20, comprising 435,767,951 shares, made up of:

- 409,116,893 fully paid-up ordinary shares with a par value of €0.20 each; and
- 26,651,058 fully paid-up (unlisted) Class A Preferred Shares with a par value of €0.20 each.

RELATIONS WITH SHAREHOLDERS

To ensure good relations with the financial community, the Financial Communications Department regularly organizes events to enable financial analysts and institutional investors to meet with Executive Management.

In addition to the Annual General Meeting, which is held in Paris every year, in 2019, Safran is organizing three meetings especially for individual shareholders, with a view to developing a close, trust-based relationship with them.

SAFRAN SHARE PRICE

Main stock market data over three years	2016	2017	2018
Number of shares as of December 31	**417,029,585**	**417,029,585**	**435,767,951**
Safran share price *(in €)*			
High	69.890	92.250	122.250
Low	48.865	61.510	81.040
Closing	68.420	85.910	105.400
Market capitalization as of December 31 *(in € millions)*	**28,533**	**35,827**	**45,930**

7.1 GENERAL INFORMATION AND BYLAWS

7.1.1 General information

Corporate name

Safran.

Registered office

2, boulevard du Général-Martial-Valin, 75015 Paris – France.

Tel.: +33 (0)1 40 60 80 80

Legal form

Safran is a French *société anonyme* (joint-stock corporation).

Registration

The Company is registered with the Paris Trade and Companies Registry under number 562 082 909.

Incorporation date and term

The Company was incorporated on August 16, 1924.

The Company's term has been set at 99 years from the date of registration with the Trade and Companies Registry, i.e., expiring on August 28, 2023, unless said term is extended or the Company is wound up in advance.

Corporate purpose

Under Article 3 of the bylaws, the Company's purpose, in any and all countries, for its own account, on behalf of third parties, or directly or indirectly in conjunction with third parties, is to carry out research, design, development, testing, manufacturing, sales, maintenance and support operations for high-technology activities, and notably for:

- all aviation and Aerospace activities for the civilian and military markets, particularly those related to:
  - aviation and Aerospace Propulsion solutions, including the operation of systems that produce or use energy, and equipment designed to be used with such systems, and
  - equipment and sub-systems used in aircraft, helicopters, launch vehicles and missiles;
- all air, land and naval defense activities, particularly those related to:
  - optronics, avionics and navigation solutions and services, and
  - electronics and critical software for Aerospace and Defense applications;

  and generally, to conduct any and all transactions of a commercial, industrial or financial nature or involving movable assets or real estate that relate directly or indirectly to the above corporate purpose or to anything incidental or conducive to the achievement of said corporate purpose.

Fiscal year

The fiscal year begins on January 1 and ends on December 31.

7.1.2 Principal provisions of the bylaws

With the increase in share capital on February 13, 2018 (see sections 2.5 and 7.2.1), Articles 6, 7, 9, 11 and 12 of the bylaws were modified to reflect the new share capital and establish the features of Class A Preferred Shares, and a new Article 36 was added with respect to the Special Shareholders' Meeting of holders of Class A Preferred Shares.

Article 6 regarding the share capital was revised to reflect the capital increase resulting from the merger of Zodiac Aerospace into Safran at December 1, 2018 (see sections 2.5 and 7.2.1) and the capital reduction which took place on December 17, 2018 (see section 7.2.1).

7.1.2.1 Board of Directors

Membership structure

Under the terms of Article 14 of the bylaws, the Company is administered by a Board of Directors with at least three and no more than thirteen members, including, where applicable, a representative appointed by the French State and/or Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government *ordonnance* (order) 2014-948 of August 20, 2014 regarding the governance of companies in which the French State has a stake and regarding corporate actions involving these companies.

The maximum number of thirteen Board members may be increased to allow for the inclusion of Directors representing employee shareholders, appointed as provided for in Article 14.8 of the bylaws, and Directors representing employees, appointed as provided for in Article 14.9 of the bylaws.

The Board of Directors appoints a Chairman and, if applicable, a Vice-Chairman from among its members, who must be individuals.

Representatives of employee shareholders

The Safran Board of Directors includes two Directors representing employee shareholders, who are elected by the Annual General Meeting in accordance with Article 14.8 of the bylaws.

Representatives of employees

In accordance with the law on securing employment of June 14, 2013, the Safran Board of Directors includes two Directors representing employees, who are elected under Article 14.9 of the Company's bylaws.

Shareholding

Under Article 14.5 of the bylaws, each member of the Board of Directors shall be required to own a certain number of shares in the Company for his/her entire term of office in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. As an exception, this shareholding obligation shall not apply to the representative of the French State and/or Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government *ordonnance* (order) 2014-948 of August 20, 2014, or Directors representing employees or Directors representing employee shareholders. However, under Article 14.8 of the bylaws, each Director representing employee shareholders shall be required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership program – at least one share or a number of units in the fund equivalent to at least one share.

Term of office – age limit

Members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting for a term of four years, ending at the close of the Ordinary Shareholders' Meeting held during the year in which their term of office expires in order to approve the financial statements for the previous year. Members of the Board of Directors may be re-appointed, it being specified that:

- the number of Directors (both individuals and permanent representatives of legal entities) over the age of 70 may not exceed one-quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- no Director over the age of 70 may be appointed if such appointment would raise the number of Directors over the age of 70 to more than one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- if the number of Directors over the age of 70 exceeds one quarter of the total number of Directors in office, and if no Director over the age of 70 resigns, the oldest Board member shall automatically be deemed to have resigned.

Article 15 of the bylaws stipulates that the duties of the Chairman and Vice-Chairman shall end no later than at the close of the first Ordinary Shareholders' Meeting following the date on which they reach the age of 75.

Meetings

Under the terms of Article 18 of the bylaws, the Board of Directors shall meet as often as required in the interests of the Company and at least four times a year. Meetings shall be called by the Chairman, or if he is unable to do so, by the Vice-Chairman.

If the Board has not met for more than two months, a group of at least one-third of the Directors may ask the Chairman to call a meeting to discuss a specific agenda.

The Chief Executive Officer or the Deputy Chief Executive Officer(s) may also request that the Chairman call a Board meeting to consider a specific agenda.

In both of these cases the Chairman is bound by such requests and must call a Board meeting within seven days of receiving the request (or within a shorter timeframe in the event of urgency).

Board meetings shall only be validly constituted if at least half of the Directors are present.

Directors who participate in Board meetings by videoconference or any other telecommunications media that comply with the technical criteria set in the applicable laws and regulations shall be considered as being physically present for the purposes of calculating the quorum and voting majority, in accordance with the terms and conditions set out in the Board of Directors' Internal Rules.

Directors may give written proxy to another Director to represent them at Board meetings, provided that no Director holds more than one proxy at any single meeting.

Powers

Under Article 19 of the bylaws, the Board of Directors shall determine the Company's overall business strategy and oversee its implementation. Subject to the powers directly vested in Shareholders' Meetings (appointment of Directors and Statutory Auditors, approval of the financial statements and related-party agreements, decisions that amend the bylaws), the Board is responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

Subject to the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules, the roles and responsibilities of the Board of Directors shall include, but shall not be limited to:

- calling the Annual General Meeting and setting its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual management report;
- authorizing related-party agreements governed by Article L.225-38 of the French Commercial Code (*Code de commerce*);
- selecting the Company's management structure;
- appointing and removing from office (i) the Chairman of the Board of Directors, and the Vice-Chairman (if any), and (ii) the Chief Executive Officer and, on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors and the Vice-Chairman (if any), and the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Audit and Risk Committee and the members of any other Board committees set up in accordance with the provisions of the bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees among the Board members, in accordance with the Board of Directors' Internal Rules;
- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board Advisors (*censeurs*);
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees and endorsements, setting for each fiscal year:
  - an overall ceiling and, where appropriate,
  - a maximum amount per transaction;
- authorizing in advance any transactions that would result in exceeding the above-mentioned overall ceiling or maximum amount per transaction set by the Board, as indicated in the point above.

In addition to the legal and regulatory requirements concerning prior authorizations that must be obtained from the Board of Directors, a number of specific transactions must also be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures of the Company and Group. These transactions are listed in the Board of Directors' Internal Rules (see section 6.1.4.2).

The Board of Directors shall perform any checks and controls that it deems appropriate. Each Director shall be provided with all the information required to carry out his/her duties and may request any documents he or she deems useful.

Attendance fees

Under Article 17 of the bylaws, at the Annual General Meeting, the Company's shareholders shall set an annual aggregate amount of attendance fees, effective for the current year and, if appropriate, subsequent years until the shareholders decide otherwise.

The Board of Directors shall allocate the attendance fees among its members as it deems fit, in accordance with the rules set out in the Board's Internal Rules (see section 6.6.3.1).

Board Advisors

Under Article 20 of the bylaws, shareholders in an Ordinary Shareholders' Meeting may appoint up to two Board Advisors to attend Board meetings in an advisory capacity. However, if the French State's interest in the Company's capital falls below 10%, the French State would automatically be entitled to appoint a Board Advisor and the maximum number would be increased to three. Board Advisors are appointed for four years and may be re-appointed. Any Board Advisor reaching the age of 70 shall be deemed to have resigned.

Executive Management

Under Article 21 of the bylaws, the Company's management shall be placed under the responsibility of either:

- the Chairman of the Board of Directors; or
- another individual appointed by the Board, who shall hold the title of Chief Executive Officer and who may or may not be a Director.

Under Article 22 of the bylaws, the Chief Executive Officer shall have the broadest powers to act in all circumstances in the Company's name. The Chief Executive Officer shall exercise these powers within the scope of the Company's corporate purpose and subject to:

- the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors; and
- any restrictions placed on his powers and any matters that require the prior approval of the Board of Directors in accordance with the Board of Directors' Internal Rules.

The Board of Directors shall determine compensation payable to the Chief Executive Officer and the length of his term of office. The age limit for the Chief Executive Officer is set at 68 years.

Deputy Chief Executive Officer(s)

Under Article 23 of the bylaws, at the proposal of the Chief Executive Officer, the Board of Directors may appoint up to three Deputy Chief Executive Officers (who may or may not be Directors) to assist the Chief Executive Officer in his duties.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers vested in the Deputy Chief Executive Officer(s). The Board of Directors shall also set their compensation, in accordance with Article 24 of the bylaws.

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer with respect to third parties.

The age limit for holding office as Deputy Chief Executive Officer is set at 68 years.

7.1.2.2 General Shareholders' Meetings

Convening and participating

General Shareholders' Meetings shall be called in accordance with the applicable laws and regulations.

The conditions for the participation of shareholders in General Meetings are governed by the legal provisions and regulations in effect and by Articles 30 *et seq.* of Safran's bylaws. Any shareholder, regardless of the number of shares held, is entitled to attend General Meetings, on proof of identity and of his/her capacity as a shareholder, provided that the shareholder's shares are registered in his/her name in Safran's share register managed by BNP Paribas Securities Services, or in the securities accounts managed by the authorized intermediary, no later than zero hours (CET) on the second business day preceding the meeting.

Proxy/postal voting forms for General Shareholders' Meetings may be sent in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

Where a shareholder electronically submits a proxy or postal voting form, the shareholder's signature must be a secure electronic signature or be subject to a reliable identification procedure to ensure signature security, for example by registering a unique identification code and password.

Shareholders who have not paid up the amounts due on their shares within 30 days of a notice to pay issued by the Company shall not be entitled to participate in General Shareholders' Meetings and the shares concerned shall be deducted from the total of the Company's outstanding shares for the purposes of calculating the quorum.

Exercising voting rights – double voting rights – restriction on voting rights

Under Article 31 of the bylaws, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or regulations.

The General Shareholders' Meeting of June 21, 1974 decided to allocate double voting rights in respect of all fully paid-up shares registered in the name of the same holder for at least two years (Article 31.8 of the bylaws).

In the event of a capital increase paid up by capitalizing retained earnings, profits or additional paid-in capital, the registered bonus shares allocated in respect of shares carrying double voting rights shall also carry double voting rights.

Double voting rights shall be forfeited if registered shares are converted into bearer shares or transferred. However, registered shares shall not be stripped of double voting rights and the qualifying period shall continue to run following a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an inter vivos gift to a spouse or a relative in the direct line of succession.

Any merger or demerger of the Company shall have no impact on double voting rights, which may be exercised in the surviving company if its bylaws so provide.

In accordance with the law, double voting rights may not be abolished by the Extraordinary Shareholders' Meeting unless this decision is first approved by a special meeting of holders of shares with double voting rights.

Under Article 31.12 of the bylaws, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself/herself and in the capacity as proxy for another shareholder that are attached to shares (i) that he/she holds directly or indirectly and (ii) that are owned by another shareholder for which he/she is acting as proxy.

For the purposes of these provisions:

- the total number of voting rights attached to the Company's shares taken into account shall be calculated as at the date of the General Shareholders' Meeting concerned and the shareholders shall be informed thereof at the start of the meeting;
- the number of voting rights held directly or indirectly shall mean those voting rights attached to shares held by:
  - a private individual, either personally or as part of jointly-owned property, or
  - a company, group of entities, association or foundation;

  as well as voting rights attached to shares held by a company that is controlled – within the meaning of Article L.233-3 of the French Commercial Code – by a company, private individual, association, group of entities or foundation;
- the restrictions set out above shall not include voting rights exercised by the Chairman of a General Shareholders' Meeting when said voting rights are (i) attached to shares for which a proxy form has been returned to the Company without any named proxy, and (ii) do not individually infringe the specified restrictions.

The restrictions provided for above shall automatically become null and void, without the requirement for a new decision by shareholders in an Extraordinary Shareholders' Meeting, in the event that an individual or entity - acting alone or in concert with one or more other individuals or entities - acquires an interest in the Company representing two-thirds of the Company's capital or voting rights following a public tender offer for all of the Company's shares.

7.1.2.3 Rights and restrictions attached to shares

Under Article 9 of the bylaws:

- fully paid-up ordinary shares may be held either in registered or bearer form, at the shareholder's discretion, subject to compliance with the provisions of the applicable laws and regulations and the Board of Directors' Internal Rules concerning the form of shares held by certain categories of shareholder;
- Class A Preferred Shares must be held in registered form.

Under Article 12 of the bylaws, each share shall entitle its holder to a proportion of the Company's profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.

Where a shareholder must own a specific number of shares to exercise a particular right, notably in the event of an exchange or allocation of shares, a stock split, reverse stock-split, a capital increase or reduction, a merger, demerger, partial asset transfer, dividend payment or any other corporate action, any shares held that fall below the required number shall not confer any rights on their holders with respect to the Company, and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares or rights, including through purchases or sales of shares or rights where required.

Non-transferability of Class A Preferred Shares

Class A Preferred Shares have the following characteristics:

- under Articles 11.1 and 12 of Safran's bylaws, Class A Preferred Shares are non-transferable for a period of thirty-six (36) months (the "Non-transferability Period") as from the date of their issue;
- during the Non-transferability Period, they may not be transferred in any way except in connection with (i) an inheritance, settlement of marital property or donation, (ii) a universal asset transfer (*transmission universelle de patrimoine*), (iii) a contribution to a public offer on the Company's entire share capital, or (iv) the enforcement of a pledge;
- according to the 32nd resolution of the June 15, 2017 Annual General Meeting creating this share category, Class A Preferred Shares are not admitted to trading on the Euronext Paris market;
- under Article 12.7 of Safran's bylaws, each Class A Preferred Share will automatically become transferable, rank *pari passu* with the Company's ordinary shares and be converted into one ordinary share at the earlier of the following two dates:
  - the end of the Non-transferability Period,
  - the date at which the Company were to be merged into another company not controlled by it within the meaning of Article L.233-3 of the French Commercial Code.

  The shares will then be admitted to trading on Euronext Paris pursuant to the 32nd resolution of the Annual General Meeting of June 15, 2017.

  It should be noted that the conversion of Class A Preferred Shares into ordinary shares will have no impact on the double voting rights attached to the Class A Preferred Shares or on the minimum holding period required to qualify for double voting rights provided for in Article 31.8 of the bylaws, under the conditions provided for by law;
- under Article 7.2 of Safran's bylaws, in the event of a capital increase through the issue of ordinary shares with pre-emptive subscription rights, the holders of Class A Preferred Shares will have, under the conditions set out in the applicable laws and regulations, a pre-emptive right to subscribe to ordinary shares in proportion to the number of Class A Preferred Shares held, exercisable under the same conditions as the pre-emptive subscription rights attached to ordinary shares.

7.1.2.4 Conditions governing changes to share capital and shareholders' rights

The Company's bylaws do not require that the conditions to change share capital and shareholders' rights be more restrictive than prevailing legislation. These changes are subject to the approval of the shareholders at the Extraordinary Shareholders' Meeting deliberating in accordance with the rules of quorum and majority set out in the applicable laws and regulations.

Special Shareholders' Meeting for holders of Class A Preferred Shares

Under Article 36 of the amended bylaws, holders of Class A Preferred Shares are consulted, under the conditions provided for by law, on matters falling specifically within their remit under the terms of the law. Special Shareholders' Meetings are called for holders of Class A Preferred Shares to decide on any changes in the rights attached to this class of share.

7.1.2.5 Disclosure obligation in the event of exceeding the threshold for ownership set out in the bylaws

Under Article 13 of the bylaws, in addition to the disclosures required under the applicable laws and regulations when certain ownership thresholds are crossed, any person or legal entity, acting alone or in concert with others, that becomes the owner – directly or indirectly through one or more companies controlled by said person or entity within the meaning of Article L.233-3 of the French Commercial Code – of 1% or more of the Company's capital or voting rights or any multiple thereof, as calculated in accordance with Articles L.233-7 and L.233-9 of the French Commercial Code and the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), must notify the Company of the total number of shares and voting rights held as well as the total number of securities held that carry deferred rights to the Company's capital and the potential voting rights attached thereto.

Said notification shall be sent to the Company by registered letter with recorded delivery within four trading days of the relevant threshold being crossed.

The same disclosures are required – within the same timeframe and in accordance with the same conditions – in cases where a shareholder's interest falls below any of the thresholds referred to above.

The sanctions provided for by law in the event of a failure to comply with the disclosure requirements applicable when a legal threshold is crossed shall also apply if a shareholder does not comply with the disclosure requirements applicable in the bylaws, where requested by one or more shareholders holding at least 5% of the Company's capital or voting rights (with said request duly recorded in the minutes of the relevant General Shareholders' Meeting).

7.1.2.6 Provisions that could delay, postpone or prevent a change in control of the Company

The provisions of the bylaws or other contractual documents related to the Company that could delay, postpone or prevent a change in the Company's control are as follows: (i) the granting of double voting rights to any shareholder owning fully paid-up shares which the shareholder must prove have been registered in the name of the same shareholder for at least two years, (ii) the restriction on voting rights provided for by Article 31.12 of the bylaws (see section 7.1.2.2), (iii) an agreement with the French State (see section 7.1.4.2).

7.1.3 Information on investments

7.1.3.1 Direct and indirect investments as of December 31, 2018

The direct and indirect investments which meet the criteria defined by the European Securities and Markets Authority (ESMA) in its March 2013 recommendation are set out in section 3.1, Note 37 and section 3.3, Note 3.1.

7.1.3.2 Investments

In accordance with the provisions of Article L.233-6 of the French Commercial Code, in 2018 Safran acquired the following investments within the meaning of said Article:

- acquisition of a stake of 91.36% in Zodiac Aerospace by Safran (see sections 2.5 and 3.3, Note 1);
- acquisition of a stake of around 7% in Oxis Energy Ltd by Safran Corporate Ventures;
- acquisition of an additional stake of around 7% in Kalray by Safran Corporate Ventures as a result of subscribing to the capital increase carried out by said company;
- acquisition of an additional stake of around 22% in Krono Safe by Safran Corporate Ventures as a result of subscribing to the capital increase carried out by said company.

7.1.4 Relations with related parties

The list of joint ventures and associates accounted for under the equity method is presented in section 3.1, Note 37.

Quantified information on joint ventures is presented in section 3.1, Note 32. Transactions with associates were not material in 2017 or 2018,

Information on management compensation is presented in section 3.1, Note 33, section 3.3, Note 5.4 and section 6.6.2.

Information on transactions with related parties other than joint ventures is presented in section 3.1, Note 33.

7.1.4.1 Relations with the French State

In 2018, Safran generated adjusted revenue of €817 million with the French State and entities in which it has interests, primarily in military areas.

The Aerospace Propulsion business (see section 1.3.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects.

The Aircraft Equipment business (see section 1.3.2) participates in major French military aviation programs, primarily in terms of landing gear and braking systems.

The Defense business (see section 1.3.3) applies the following technology on behalf of French government agencies across all defense areas (national defense and security of information systems):

- inertia for independent positioning, navigation and guidance systems for all types of vehicles and engines; inertia for flight command systems for helicopters;
- flight command systems for helicopters;
- optronics and signal processing for monitoring, observation, day/night imaging, warning and guidance systems;
- information technologies and systems integration.

In the Aerosystems businesses (see section 1.3.4), Safran supplies safety and protection systems (mainly parachutes, lifejackets and rafts, as well as oxygen systems and masks), fuel management systems and electrical systems.

7.1.4.2 Agreement with the French State relating to strategic assets and subsidiaries

In order to protect national interests and preserve national independence, and in the context of the proposed combination of Sagem and Snecma's businesses through the merger of these two companies, the French State reminded these companies of its right to a "golden share" with regard to Snecma of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to a "golden share", the French State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of a "golden share" was entered into by Sagem and Snecma (now Safran) and the French State on December 21, 2004 (the "2004 Agreement").

In view of the 2005 merger of Snecma and Sagem that led to the creation of Safran, and the various transactions completed by Safran since that date which have substantially altered the Group's scope, Safran and the French State decided to amend the 2004 Agreement with six successive addendums between 2011 and 2016.

In 2018, Safran and the French State wished to consolidate the 2004 Agreement and its amendments into a single document (the "Agreement") and to update its contents.

This Agreement, authorized by the Board of Directors on March 22, 2018 and signed on March 26, 2018, cancels and replaces the 2004 Agreement as of that date. The Agreement notably provides as follows:

On corporate governance matters:

- Safran's competent bodies shall be invited to appoint the French State as a Director if its interest in the Company's share capital is less than 10% but more than 1%;
- Safran's competent bodies shall in addition be invited to appoint a member proposed by the French State to the Board of Directors if its interest in the Company's share capital is more than 5%,

the shareholders will thus be invited to approve the terms of office of these Directors;

- at the request of the French State, the Board of Directors shall be invited to appoint one of the persons referred to above to any Board committees that may be set up for the purpose of addressing matters directly related to its rights under the Agreement;

- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries (Safran Ceramics and Safran Power Units) and subsidiaries owning sensitive defense assets.

On strategic or sensitive defense assets and the entities that hold such assets:

- the French State shall have a prior right of approval over:
  - sales of assets (other than those that do not affect the defense activities) owned by strategic subsidiaries and accordingly identified as strategic; sales of shares in strategic subsidiaries Safran Ceramics and Safran Power Units; and sales of shares in ArianeGroup Holding,
  - sales of certain assets identified as defense sensitive (such as engines, components and systems, high precision inertial navigation and missile guidance systems, financed directly or indirectly by the French Defense Ministry) owned by Group entities,
  - sales of shares in Safran Electronics & Defense, which owns sensitive defense assets,
  - acquisitions of interests resulting in a holding of more than 33.33% or more than 50% of the share capital or voting rights of the other Group companies that own sensitive defense assets,
  - projects conferring special management or information rights over strategic or sensitive defense assets or rights of representation on the administrative or management bodies of Safran Ceramics, Safran Power Units, ArianeGroup Holding or another entity owning sensitive defense assets controlled by Safran,

  the French State's failure to respond within a period of 30 business days shall be deemed to constitute agreement, except in the case of proposals to sell shares in ArianeGroup Holding, in which case failure to respond shall be deemed to constitute refusal;
- the French State shall be informed beforehand of any proposal by a strategic subsidiary or an entity controlled by Safran that owns sensitive defense assets to sell assets that do not fall into these protected categories but whose sale could have a material impact on the independent management on French territory of the entity's strategic assets or sensitive defense assets;
- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries Safran Ceramics and Safran Power Units and the stake in ArianeGroup Holding at a price to be set by a panel of experts.

7.1.4.3 Other related-party agreements

Related-party commitments made to the Chairman of the Board and the Chief Executive Officer were authorized by the Board of Directors on February 26, 2018 and approved by the Annual General Meeting of May 25, 2018. They are outlined in sections 6.6.2.1 and 6.6.2.2 of this Registration Document, as well as in the Statutory Auditors' special report (see section 8.3.1).

The related-party agreements and commitments authorized in previous years and which had continuing effect during 2018, are presented in the Statutory Auditors' special report in section 8.3.1 of this Registration Document.

7.2 INFORMATION ON SHARE CAPITAL

7.2.1 Share capital

As of December 31, 2017, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up shares with a par value of €0.20 each.

On February 13, 2018, Safran's share capital was increased by €5,330,211.60 to €88,736,128.60 through the creation of 26,651,058 Class A Preferred Shares (see section 7.2.2.1). These 26,651,058 Class A Preferred Shares shall only be listed at the end of a 36-month period from their date of issue.

On December 1, 2018, as a result of the merger of Zodiac Aerospace into Safran, the share capital was increased by €698,038.40 to €89,434,167 through the creation of 3,490,192 ordinary shares. These 3,490,192 new ordinary shares were admitted to trading on Euronext Paris.

Further to a decision of the Board of Directors' meeting of November 27, 2018, the share capital was reduced by €2,280,576.80 on December 17, 2018 through the cancellation of 11,402,884 ordinary shares held by Safran in treasury.

The share capital at that date therefore amounted to €87,153,590.20, comprising 435,767,951 shares with a par value of €0.20 each, made up of:

- 409,116,893 fully paid-up ordinary shares with a par value of €0.20;
- 26,651,058 fully paid-up Class A Preferred Shares with a par value of €0.20.

7.2.2 Authorizations granted to the Board of Directors

7.2.2.1 Authorizations granted by the Annual General Meeting to the Board of Directors with respect to share capital increases

The authorizations with respect to share capital increases currently in force, already granted by shareholders to the Board of Directors, are summarized in section 8.2.6 of this Registration Document.

The authorization granted to the Board of Directors in the 33rd resolution of the Annual General Meeting of June 15, 2017 for the purpose of issuing, without pre-emptive subscription rights, Class A Preferred Shares in the event of a public exchange offer initiated by the Company, was used in February 2018 to compensate the 88,847,828 Zodiac Aerospace shares tendered by Zodiac Aerospace shareholders to the subsidiary exchange offer described in section 2.5 of this Registration Document.

The authorization to make free share grants of the Company's existing shares or shares to be issued granted to the Board of Directors in the 17th resolution of the May 25, 2018 Annual General Meeting was used in July 2018 (see section 7.3.7.1).

Pursuant to the authorization granted to the Board of Directors in the 20th resolution of the June 15, 2017 Annual General Meeting, in June 2018 Safran carried out an issue of bonds convertible and/or exchangeable for new and/or existing shares (OCÉANE) maturing on June 21, 2023 (see section 7.2.3.2.1 below).

The other authorizations with respect to share capital increases granted to the Board of Directors by the Annual General Meeting were not used in 2018 nor as of the filing date of this Registration Document.

7.2.2.2 Authorizations submitted for approval at the Annual General Meeting of May 23, 2019

At the Annual General Meeting of May 23, 2019, the shareholders will be asked to grant the Board of Directors new authorizations to replace those expiring. The new authorizations are described in section 8.2.5.

7.2.3 The Company's securities

7.2.3.1 Other securities not representing the Company's capital

Other securities issued by Safran not representing the Company's capital as of the date of this Registration Document are set out in section 3.1, Note 26 and section 3.3, Note 3.9 of this Registration Document.

7.2.3.2 Securities carrying rights to shares of the Company

7.2.3.2.1 OCÉANE 2023 bonds

Pursuant to the Board of Directors' decision of May 25, 2018 acting on the shareholder authorization granted in the 20th resolution of the June 15, 2017 Annual General Meeting, on June 21, 2018 Safran carried out an issue of bonds convertible and/or exchangeable for new and/or existing shares maturing on June 21, 2023 (OCÉANE 2023). The issue was carried out by way of a private placement in France and outside France – apart from in the United States, Canada, Australia and Japan – among persons or entities falling within the scope of Article L.411-2-II of the French Monetary and Financial Code (*Code monétaire et financier*). The placement corresponded to an amount of €699,999,983.10, represented by 4,996,431 bonds with a nominal unit value of €140.10. In the event that Safran decided to provide only new shares, the maximum dilution as estimated at the date of this Registration Document would be 1.15%. The terms and conditions of this issue are described in section 3.1, Note 22 and section 3.3, Note 3.9.

Reports were drawn up by the Board of Directors and the Statutory Auditors on the use made of this authorization These reports are set out in section 1.8 of Safran's 2018 interim financial report (available on Safran's website at https://www.safran-group.com/finance).

7.2.3.2.2 OCÉANE 2020 bonds

It should be recalled that further to a decision of the Board of Directors' meeting of December 17, 2015, on January 5, 2016 Safran carried out an issue of bonds convertible and/or exchangeable for new and/or existing shares maturing on December 31, 2020 (OCÉANE 2020), through a private placement. The placement corresponded to an amount of €649,999,950.60, represented by 7,277,205 bonds with a nominal unit value of €89.32. The reports of the Chief Executive Officer and the Statutory Auditors on the terms and conditions of this issue can be found in sections 8.3 and 8.6.3 of the 2015 Registration Document.

Further to a decision of the Board of Directors' meeting of October 25, 2018, on October 30, 2018 Safran redeemed OCÉANE 2020 bonds via a reverse bookbuilding process carried out on the same date, for a total nominal amount of €633,557,121.12, or 97.47% of the initial issue. The OCÉANE 2020 bonds were redeemed at a unit price of €113.33, with the underlying Safran share trading at an average price of €112.43 during the period for setting the bond redemption price. The settlement date for the redemption was November 7, 2018.

The redeemed OCÉANE 2020 bonds, along with the associated conversion rights, were canceled pursuant to the terms and conditions of the bonds.

On December 31, 2018, pursuant to the terms and conditions of the bonds, Safran redeemed ahead of maturity, in cash and at par, all outstanding OCÉANE 2020 bonds that it had not redeemed or that had not been converted at that date, after having informed the bondholders of its intention. These bonds were redeemed at €89.32 per bond.

7.2.3.3 Ratings

Safran has not, at this time, sought a rating from a financial rating agency. Moreover, to the best of the Company's knowledge, no unsolicited rating of Safran has been made by a financial rating agency.

7.2.4 History of the share capital since 2005

Date	Transaction	Safran share price *(in €)*	Amount of share capital *(in €)*	Number of shares	Additional paid-in capital *(in € thousands)*
Situation as of December 31, 2018		**0.20**	**87,153,590.20**	**435,767,951(1)**	**43,515,615.37**
December 17, 2018	Capital reduction by canceling treasury shares	0.20	87,153,590.20	435,767,951(1)	-
December 1, 2018	Merger of Zodiac Aerospace into Safran	0.20	89,434,167	447,170,835(1)	43,515,615.37
February 13, 2018	Settlement of Class A Preferred Shares delivered in exchange as part of the Safran subsidiary exchange offer for Zodiac Aerospace shares	0.20	88,736,128.60	443,680,643(1)	5,526,723
May 11, 2005	Merger of Snecma into Sagem SA, now Safran	0.20	83,405,917	417,029,585	3,288,568
March 17, 2005	Settlement of Sagem shares delivered in exchange as part of the Sagem public exchange offer for Snecma shares	0.20	73,054,834	365,274,170	3,214,696
Situation as of January 1, 2005		0.20	35,500,000	177,500,000	163,366

(1) Including 26,651,058 Class A Preferred Shares (see sections 7.2.1 and 7.2.2.1).

7.2.5 Pledging of shares

To the best of the Company's knowledge, 274,859 shares representing 0.06% of the share capital were pledged as of December 31, 2018, compared with 125,893 shares representing 0.03% of the share capital as of December 31, 2017.

7.2.6 Treasury shares

SITUATION AS OF DECEMBER 31, 2018

	Number of shares	% share capital	Carrying amount as of Dec. 31, 2018 *(in €)*	Total nominal value *(in €)*
Treasury shares, held directly	1,439,723	0.33	85,280,358.57	287,944.60
Treasury shares, held indirectly	-	-	-	-
TOTAL	**1,439,723**	**0.33**	**85,280,358.57**	**287,944.60**

7.2.7 Share buyback programs

The Annual General Meeting of May 25, 2018 in its 14th resolution had authorized the Board of Directors, for a period of 18 months, to set up a share buyback program with the following main characteristics:

Purpose of the program:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions;
- for cancellation, pursuant to the authorization in effect granted by the Annual General Meeting.

Maximum percentage of share capital to be bought back:

- 10% of share capital.

Maximum purchase price per share:

- €118.

Total maximum amount that may be invested in the share buyback program:

- €5.2 billion.

As of May 25, 2018, this program had terminated the previous share buyback program authorized by the Annual General Meeting of June 15, 2017 (15th resolution), with the same objectives, a maximum purchase price of €95 per share and a total maximum amount of €3.9 billion to be invested in the buyback program.

On May 24, 2017, Safran had announced that it intended to buy back €2.3 billion worth of its own shares over a two-year period, starting as soon as its tender offer for Zodiac Aerospace had been completed (see section 7.2.7.1).

In view of Safran's share performance, the maximum purchase price of €118 set by the Annual General Meeting of May 25, 2018 was achieved and then exceeded in September of that year. Consequently, the Company's liquidity agreement and the share buyback program announced on May 24, 2017 were both temporarily suspended.

In order to avoid further interruptions and be able to (i) continue to implement the share buyback program announced on May 24, 2017, (ii) maintain a liquid market in the Company's shares via the liquidity agreement entered into with an investment services firm, and (iii) cover the Company's long-term incentive plans and its issued OCÉANE convertible bonds, the Shareholders' Meeting of November 27, 2018 was asked to renew the Board of Directors' authorization with a higher maximum purchase price per share than that set by the Annual General Meeting of May 25, 2018 so as to take into account the change in the Safran share price.

Accordingly, the Shareholders' Meeting of November 27, 2018 granted a new authorization to the Board of Directors for a period up to June 30, 2019, the main characteristics of which are as follows:

Purpose of the program:

- Identical to that set by the Annual General Meeting of May 25, 2018.

Maximum percentage of share capital to be bought back:

- 10% of share capital.

Maximum purchase price per share:

- €140.

Total maximum amount that may be invested in the share buyback program:

- €6.2 billion.

As of November 27, 2018, this program terminated the previous share buyback program authorized by the Annual General Meeting of May 25, 2018 in its 14th resolution.

7.2.7.1 Treasury share transactions in 2018

Liquidity agreement

The liquidity agreement has been managed by Oddo Corporate Finance since February 1, 2012.

Share buybacks

As part of the €2.3 billion share buyback program announced on May 24, 2017, in 2018:

- the Company bought back an initial tranche of its own shares, for €122 million, in accordance with an agreement signed on March 27, 2018 with an investment services firm;
- on June 29, 2018, the Company signed an agreement with another investment services firm to buy back a second tranche of its own shares for up to €400 million by October 31, 2018, subsequently extended on October 5, 2018 to November 22, 2018.

As of December 31, 2018, the two tranches had been successively completed and a total of 5,158,309 shares had been purchased during the year on the market under the above agreements for a total amount of €522 million.

Furthermore, the potential dilution on conversion of all of the OCÉANE 2020 convertible and/or exchangeable bonds was partially hedged in 2016 by the purchase of 6.43 million shares.

Following the redemption and cancellation of most of the OCÉANE 2020 bonds (see section 7.2.3.2.2), coverage is only needed for the OCÉANE 2020 bonds not redeemed or previously converted, representing €0.18 million. Accordingly, 6.25 million treasury shares allocated to the OCÉANE bonds were reallocated to the cancellation objective of the share buyback program.

This reallocation represented an effective contribution of €702 million to the share buyback program, in addition to the €522 million worth of shares purchased as described above, bringing the total value of shares bought back under the program announced on May 24, 2017 to €1.2 billion, i.e., a total of 11.4 million shares.

On January 10, 2019, Safran announced that it had signed a share purchase agreement with an investment services firm for a new tranche. Under the terms of this agreement, Safran agrees to purchase a maximum amount of €600 million in shares by May 10, 2019 at the latest. The average share price will be calculated on the basis of the arithmetic mean of the volume-weighted average price of the Company's shares during the term of the agreement. The unit purchase price shall not exceed the maximum price of €140 set by the Ordinary and Extraordinary Shareholders' Meeting of November 27, 2018.

In 2018, Safran purchased 2,624,833 treasury shares under a liquidity agreement (that complies with the AMAFI Code of Ethics) entered into with Oddo Corporate Finance:

- 493,017 shares were purchased between January 1 and May 25, 2018, at an average price of €87.50;
- 1,715,298 shares were purchased between May 26 and November 27, 2018, at an average price of €108.10;
- 416,518 shares were purchased between November 28 and December 31, 2018, at an average price of €106.36.

Sales of shares

In 2018, Safran sold 2,506,189 treasury shares under the above-mentioned liquidity agreement:

- 568,373 shares were sold between January 1 and May 25, 2018, at an average price of €88.93;
- 1,547,422 shares were sold between May 26 and November 27, 2018, at an average price of €108.55;
- 390,394 shares were sold between November 28 and December 31, 2018, at an average price of €107.51.

Cancellation of shares

A total of 11,402,884 ordinary shares held in treasury were canceled on December 17, 2018, representing a capital reduction of €2,280,576.80.

Delivery of free shares

None.

Situation as of December 31, 2018

As of December 31, 2018, Safran directly held 1,439,723 of its own shares, representing 0.33% of its capital.

These treasury shares were held for the following purposes:

- for allocation or sale to employees: 1,112,523 shares, representing 0.26% of the Company's capital;
- to cover exchangeable debt securities: 13,200 shares, representing 0.003% of the Company's capital;
- to maintain a liquid market in the Company's shares via a liquidity agreement: 314,000 shares, representing 0.07% of the Company's capital;
- for cancellation: 0.

Situation as of February 28, 2019

As of February 28, 2019, Safran directly held 3,356,511 of its own shares, representing 0.77% of its capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees: 1,108,741 shares, representing 0.25% of the Company's capital;
- to cover exchangeable debt securities: 13,200 shares, representing 0.003% of the Company's capital;
- for cancellation: 2,103,570 shares, representing 0.48% of the Company's capital;
- maintaining a liquid market in the Company's shares via a liquidity agreement: 131,000 shares, representing 0.03% of the Company's capital.

7.2.7.2 Description of the share buyback program to be approved by the Annual General Meeting of May 23, 2019

Under the 14th resolution, the Annual General Meeting of May 23, 2019 is invited to authorize a new share buyback program. Drafted in accordance with the provisions of Article 241-2 of the AMF's General Regulations, the program's description is presented below and will not be published separately pursuant to Article 241-3 of said Regulations.

The number of shares and percentage of share capital held directly or indirectly by the Company as of February 28, 2019 are set forth in section 7.2.7.1 of this Registration Document.

Objectives of the share buyback program

In accordance with Regulation (EU) no. 596/2014 of the European Parliament, the AMF's General Regulations and market practices permitted by the AMF, the objectives of the share buyback program to be approved by the Annual General Meeting of May 23, 2019 are to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the AMAFI Code of Ethics, approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions;
- for cancellation, subject to the approval of the 29th resolution by the shareholders at the Annual General Meeting of May 23, 2019.

The program is also designed to enable any current or future market practices permitted by the AMF to be carried out and, more generally, to enable any other authorized operations or operations that would be authorized in the future by the applicable regulations. The Company will inform its shareholders in a press release prior to carrying out any such operations.

Maximum percentage of share capital, maximum number and purchase price, and characteristics of the shares the Company wishes to acquire

The number of shares that may be bought back under the program may not exceed 10% of the Company's total shares. This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity agreement, the number of shares included for the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the authorization period.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

For information purposes, as of February 28, 2019, the Company's capital comprised 435,767,951 shares. Given the 3,356,511 shares already directly held by the Company at this date, the maximum number of shares the Company could acquire in connection with this buyback program would be 43,241,144 shares.

Shares may not be purchased at a price of more than €155 per share and the maximum amount that may be invested in the program is €6.7 billion.

Generally, Safran sets the maximum purchase price at around 130% of the highest closing price of the Safran share over the 12 months preceding the pricing date. It does not prescribe a target price.

The maximum number of shares and the maximum purchase price as indicated above may be adjusted to reflect the impact on the share price of any share capital transactions carried out by the Company.

Share buyback program procedures

Shares may be purchased, sold, or transferred in one or several transactions and by any method allowed under the laws and regulations applicable at the transaction date, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, except during, or in the run-up to, a public offer for the Company's shares.

Term of the share buyback program

This new share buyback program shall be valid for a period of 18 months as from the approval of the Annual General Meeting of May 23, 2019, i.e., until November 22, 2020 at the latest.

7.3 SHARE OWNERSHIP

7.3.1 Breakdown of share capital and voting rights

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2018:

	Shares		Exercisable voting rights		Theoretical voting rights[3]	
Shareholders	Number	% capital	Number	%	Number	%
Private investors	356,388,863	81.79	371,363,962	71.05	371,363,962	70.86
o/w The Capital Group, Inc.[2]	*27,134,320*	*6.12*	*27,134,320*	*5.22*	*27,134,320*	*5.10*
o/w BlackRock, Inc.[4]	*26,530,694*	*5.98*	*26,530,694*	*5.10*	*26,530,694*	*4.98*
French State	47,983,131	11.01	95,966,262	18.36	95,966,262	18.31
Employees[1]	29,956,234	6.87	55,338,194	10.59	55,338,194	10.56
o/w FCPE Safran Investissement	*20,371,400*	*4.67*	*40,742,800*	*7.79*	*40,742,800*	*7.77*
Treasury shares, held directly	1,439,723	0.33	-	-	1,439,723	0.27
Treasury shares, held indirectly	-	-	-	-	-	-
TOTAL	**435,767,951**	**100.00**	**522,668,418**	**100.00**	**524,108,141**	**100.00**

(1) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.
(2) Number of shares and voting rights declared by The Capital Group, Inc. as of December 13, 2018 (AMF notice no. 218C2007).
(3) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Article 223-11 of the AMF's General Regulations).
(4) Number of shares and voting rights declared by BlackRock, Inc. as of November 27, 2018 (AMF notice no. 218C1901).

To the best of the Company's knowledge, no shareholder apart from those listed in the table above held more than 5% of Safran's share capital or voting rights as of December 31, 2018.

Double voting rights

As of December 31, 2018, 88,341,830 shares are entitled to double voting rights pursuant to Article 31.8 of the Company's bylaws.

The main Safran shareholders do not have different voting rights from those of other shareholders. Any shareholder may be entitled to double voting rights in accordance with the conditions stipulated in Article 31.8 of the Company's bylaws (see section 7.1.2.2).

7.3.2 Breakdown of share ownership

According to a survey on identifiable bearer shares carried out by Euroclear France, as of December 31, 2018, Safran's free-float shareholders break down as approximately 83% institutional investors, 6% other institutional holdings, around 7.5% individual investors and 3.5% unidentified.

The breakdown of the institutional investors identified by geographic area is as follows: 47% are from North America, 23% are from the United Kingdom and Ireland, 17% are from France and 13% are from other countries.

Individual shareholders represent around 6% of Safran's share capital, the majority of them being French.

7.3.3 Change in the breakdown of share capital and voting rights over the last three years

	December 31, 2016			December 31, 2017			December 31, 2018		
Shareholders	Number of shares	% capital	% voting rights[(2)]	Number of shares	% capital	% voting rights[(2)]	Number of shares	% capital	% voting rights[(2)]
Private investors	295,517,241	70.87	60.26	299,146,355	71.73	62.01	356,388,863	81.79	71.05
o/w The Capital Group, Inc.	-[(3)]	-[(3)]	-[(3)]	-[(3)]	-[(3)]	-[(3)]	*27,134,320*[(4)]	*6.12*	*5.22*
o/w BlackRock, Inc.	*21,545,597*[(5)]	*5.17*	*4.17*	*20,885,775*[(6)]	*5.01*	*4.11*	*26,530,694*[(7)]	*5.98*	*5.10*
French State	58,393,131	14.00	22.62	58,393,131	14.00	22.97	47,983,131	11.01	18.36
Employees[(1)]	38,515,045	9.23	12.48	30,861,700	7.40	10.91	29,956,234	6.87	10.59
o/w FCPE Safran Investissement	*21,880,000*	*5.25*	*8.41*	*20,736,800*	*4.97*	*8.16*	*20,371,400*	*4.67*	*7.79*
Treasury shares, held directly	1,838,487	0.44	-	7,742,624	1.86	-	1,439,723	0.33	-
Treasury shares, held indirectly	-	-	-	-	-	-	-	-	-
TOTAL	**417,029,585**	**100.00**	**100.00**	**417,029,585**	**100.00**	**100.00**	**435,767,951**	**100.00**	**100.00**

(1) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.
(2) Exercisable voting rights.
(3) Less than 5%.
(4) Number of shares and voting rights declared by The Capital Group, Inc. as of December 13, 2018 (AMF notice no. 218C2007).
(5) Number of shares and voting rights declared by BlackRock, Inc. as of December 28, 2016 (AMF notice no. 216C2966).
(6) Number of shares and voting rights declared by BlackRock, Inc. as of September 14, 2017 (AMF notice no. 217C2147).
(7) Number of shares and voting rights declared by BlackRock, Inc. as of November 27, 2018 (AMF notice no. 218C1901).

7.3.4 Disclosure thresholds

7.3.4.1 Significant movements during 2018

Disclosure of the crossing of legal thresholds

The main legal thresholds that were crossed and disclosed were as follows:

1. The Capital Group, Inc., on behalf of Capital Research and Management Company and clients and funds managed by the latter, disclosed that it had:
   - exceeded the 5% threshold of share capital on October 10, 2018, holding 22,185,154 shares, or 5% of Safran's share capital, and 4.08% of its voting rights at that date;
   - exceeded the 5% threshold of voting rights on December 13, 2018, holding 27,134,320 shares, or 6.1% of Safran's share capital and 5.09% of its voting rights at that date.
2. BlackRock, Inc. made several disclosures, on behalf of the clients and funds that it manages, that it had both exceeded and fallen below the 5% legal threshold. Most recently, it reported that on November 26, 2018, it had fallen below the 5% threshold of voting rights and that it held at that date, on behalf of its clients and funds, 26,530,694 shares, representing 5.98% of Safran's share capital and 4.98% of its voting rights at that date.
3. On October 1, 2018, the French State disclosed that it had fallen below the 20% threshold of voting rights, as a result of selling shares representing 2.35% of Safran's share capital, holding 47,983,131 shares and 95,966,262 voting rights, representing 10.81% of Safran's share capital and 17.67% of its voting rights at that date.

Disclosure of the crossing of thresholds set out in the bylaws

In addition to the legal threshold disclosures described above, the following are the material crossings of thresholds set out in the bylaws, as disclosed to Safran:

Shareholder	Date of crossing	Reported bylaw threshold crossed	Upward or downward	Reported number of shares post-crossing	Reported % of capital post-crossing	Reported % of voting rights[1] post-crossing
TCI Fund Management Limited	November 29, 2018	3% of voting rights	Upward	15,995,819	-	3
BlackRock, Inc.	January 11, 2018	6% of the Company's capital	Upward	25,901,800	6.21	5.02
FCPE Safran Investissement	September 14, 2018	8% of voting rights	Downward	20,852,700	4.69	7.78
Harris Associates LP	May 28, 2018	1% of voting rights	Downward	5,102,653	-	0.94
GIC Private Limited	May 8, 2018	1% of the Company's capital	Upward	4,461,379	1	0.82
Lone Pine Capital LLC	June 6, 2018	2% of the Company's capital	Downward	8,817,938	1.98	1.62
Lone Pine Capital LLC	March 19, 2018	2% of voting rights	Downward	10,690,969	2.41	1.97
Fonds Stratégique de Participation, FFP Invest and FFP[2]	March 1, 2018	1% of voting rights	Upward	5,980,889	1.35	1.10
Fonds Stratégique de Participation, FFP Invest and FSP[2]	February 13, 2018	1% of the Company's capital	Upward	5,251,027	1.18	0.97
French State[3]	February 15, 2018	14% of the Company's capital and 22% of voting rights	Downward	58,393,131	13.16	21.52
FIDOMA	February 14, 2018	1% of the Company's capital	Upward	4,577,346	1.10	0.89

(1) Theoretical voting rights.
(2) Joint crossing of threshold.
(3) Passive crossing of threshold.

7.3.4.2 Significant movements since January 1, 2019

The main reported threshold crossings as declared between January 1, 2019 and March 15, 2019 were as follows:

1. On January 10, 2019, the French State disclosed that it had exceeded the 11% threshold of share capital, holding 47,983,131 shares carrying 95,966,262 voting rights, representing 11.01% of the Company's share capital and 18.31% of its voting rights at that date (passive crossing of threshold).
2. BlackRock, Inc. made several disclosures, on behalf of the clients and funds that it manages, that it had both exceeded and fallen below the 5% legal threshold since January 1, 2019. Most recently, it disclosed that it had fallen below the 5% threshold of voting rights on March 4, 2019, holding 26,182,191 shares representing 6% of the Company's share capital and 4.99% of its voting rights at that date on behalf of said clients and funds.
3. GIC Private Limited disclosed that it had fallen below the 1% threshold of share capital on January 24, 2019, holding 4,340,320 shares representing 0.99% of the Company's share capital and 0.82% of its voting rights at that date.
4. TCI Fund Management Limited, acting on behalf of the clients and funds that it manages, disclosed that it had exceeded the 5% threshold of voting rights on February 21, 2019, holding on that date, on behalf of said clients and funds, 16,624,819 shares and 31,033,662 voting rights, representing 3.82% of the Company's share capital and 5.77% of its voting rights.

7.3.4.3 Trigger level for mandatory bids – grandfather clause

No shareholder benefits from a "grandfather" clause providing an exception from the legal trigger level for mandatory filing of a public offer.

The French State, a shareholder of the Company, benefited from a grandfather clause from February 2011 to March 2013 (described in section 7.3.4.3 of the 2013 Registration Document).

7.3.5 Control of the Company – shareholders' agreement

As of the date of filing of this Registration Document, no shareholder held, directly or indirectly, jointly or in concert with another shareholder, a percentage of voting rights conferring control of the Company.

To the best of the Company's knowledge, there are no current shareholder agreements relating to Safran shares.

7.3.6 Agreements whose implementation could lead to a change in control of the Company

To the best of the Company's knowledge, there are no agreements whose implementation at a later date could lead to a change in control of the Company.

7.3.7 Employee shareholders

7.3.7.1 Free share grants

At its July 24, 2018 meeting, using the authorization granted in the 17th resolution of the Annual General Meeting of May 25, 2018, the Board of Directors authorized a grant of performance shares to certain managers and executives of the Group (2018 Long-Term Incentive Plan, as described in section 6.6.4.2 of this Registration Document). The number of performance shares to be delivered after the three-year vesting period will depend on the extent to which the different performance conditions, applicable over 2018-2020 and described in section 6.6.4.2 of this Registration Document, are achieved. Under the 2018 Long-Term Incentive Plan, 13,600 performance shares were granted to the Chief Executive Officer (see section 6.6.2.2 of this Registration Document).

Safran affiliates have not granted free shares.

Following the merger of Zodiac Aerospace into Safran with effect from December 1, 2018, Safran superseded Zodiac Aerospace in all of its obligations resulting from commitments undertaken by the latter with respect to beneficiaries of Zodiac Aerospace free shares subject to a vesting period at that date, such that the beneficiaries' entitlement is now exercisable for ordinary Safran shares based on the exchange ratio used for the merger, it being specified that pursuant to Article L.225-197-1-III of the French Commercial Code, the resulting rights will not vest until the end of their remaining vesting period, followed by the applicable lock-up period.

7.3.7.2 Other transactions

Following the sale by the French State of 2.35% of the Company's share capital on October 1, 2018 (see section 7.3.4.1 of the this Registration Document) in accordance with Article 31.2 of French government *ordonnance* (order) 2014-948 of August 20, 2014 regarding the governance of companies in which the French State has a stake and regarding corporate actions involving these companies, as amended by French Act 2015-990 of August 6, 2015 on growth, business and equal economic opportunities, 1,156,667 additional shares representing 0.26% of the capital will be offered to current and former employees of Safran and its subsidiaries at a later date.

7.3.7.3 Stock options

There is no outstanding authorization to grant options entitling the holder to purchase shares.

At November 30, 2018, there was no outstanding authorization to grant options entitling the holder to subscribe for new shares of the Company.

Following approval of the merger of Zodiac Aerospace into Safran by the Extraordinary Shareholders' Meeting of November 27, 2018 in its 2nd resolution, the shareholders approved Safran's takeover of all of Zodiac Aerospace's obligations resulting from the commitments given to holders of Zodiac Aerospace stock subscription options outstanding at the merger completion date, i.e., December 1, 2018.

Consequently, the outstanding Zodiac Aerospace stock options are now exercisable for ordinary Safran shares based on the exchange ratio used for the merger.

Zodiac Aerospace stock subscription options exercisable for Safran shares	Zodiac Aerospace Plan 11b	Zodiac Aerospace Plan 12	Zodiac Aerospace Plan 13	Zodiac Aerospace Plan 14
Date of the (Zodiac Aerospace) Shareholders' Meeting	01/10/2011	01/10/2011	01/10/2011	01/08/2014
Date of the (Zodiac Aerospace) Supervisory Board or Management Board meeting	12/29/2011	05/13/2013	12/04/2013	02/12/2015
Option exercise start date	12/29/2012	05/13/2014	12/04/2014	02/12/2016
Option expiration date	12/29/2019	05/13/2021	12/04/2021	02/12/2023
Executive corporate officers concerned	0	0	0	0
Option subscription price	€45.43	€68.89	€88.67	€107.47
Number of shares subscribed at December 31, 2018	185,503	111,484	62,278	0
Total number of options canceled or forfeited	14,275	18,855	40,009	41,007
Options outstanding at December 31, 2018	14,754	18,159	45,914	155,818
Maximum number of Safran shares to which the options grant entitlement	14,754	18,159	45,914	155,818

Safran affiliates do not grant stock subscription or purchase options.

7.3.8 Temporary transfer of Safran shares

In accordance with French law, any individual or legal entity (with the exception of the investment services firms described in paragraph IV-3 of Article L.233-7 of the French Commercial Code) holding alone or in concert a number of shares representing more than 0.5% of the Company's voting rights pursuant to one or more temporary transfers or similar transactions within the meaning of Article L.225-126 of the aforementioned Code, is required to notify the Company and the AMF of the number of shares owned on a temporary basis no later than the second business day preceding the Shareholders' Meeting at zero hours.

If no notification is sent, any shares acquired under a temporary transfer will be stripped of voting rights at the Shareholders' Meeting concerned and at any Shareholders' Meeting that may be held until such shares are resold or returned.

No disclosures of temporary transfers were notified to the Company in 2018.

No disclosures of temporary transfers were notified to the Company between January 1, 2019 and the filing date of the Registration Document.

7.4 RELATIONS WITH SHAREHOLDERS

7.4.1 Accessible financial information

The following financial information and financial publications are available on Safran's website, at www.safran-group.com:

- the annual report (including the sustainable development report);
- the Registration Document (including the annual financial report) and the half-year financial report filed with the AMF;
- financial press releases and financial publications (results, Capital Markets Day, roadshow, etc.);
- documents relating to the Shareholders' Meeting;
- the shareholders' newsletter, the shareholders' guide, the site visit program (reserved for members of the Safran Shareholders' Club).

The information can be mailed upon request from the Financial Communications Department.

Lastly, a website dedicated to the public offer targeting Zodiac Aerospace shares was created in 2017 to bring together all of the documentation concerning this transaction.

7.4.2 Relations with institutional investors and financial analysts

To ensure good relations with the financial community, the Financial Communications Department regularly organizes events to enable financial analysts and institutional investors to meet with Executive Management.

In 2018, Executive Management participated in conference calls during which it presented the periodic financial publications (quarterly revenue, first-half and annual results), including from first-quarter 2018 information relating to Zodiac Aerospace, and answered questions from investors and financial analysts.

During the year, Executive Management and the Financial Communications Department also participated in meetings with the financial community (financial analysts and institutional investors) in the form of conference calls and roadshows in France and abroad. These regular contacts contribute to developing a relationship of trust.

On November 29, 2018, Safran organized an investor meeting (Capital Markets Day) at the Safran Campus for financial analysts and investors. The event was introduced by the Chairman of the Board of Directors and hosted by the Chief Executive Officer, with the participation of Safran's Executive Committee and management team.

During the meeting, the Chief Executive Officer and Chief Financial Officer discussed Safran's strategic priorities, financial situation and capital allocation policy. From an operational standpoint, management presentations focused on the challenges posed by the transition from CFM56 to LEAP engines, the integration and turnaround plan for business activities resulting from the Zodiac Aerospace acquisition, and the innovation policy paving the way for the Group's development going forward.

The Safran share is monitored by more than 20 financial analysts.

7.4.3 Relations with individual shareholders

Safran organized two meetings for individual shareholders in 2018, in Lyon on October 2 and in Rennes on December 6, with a view to developing a close, trust-based relationship with them.

To further strengthen these relationships, Safran offers site visits or conferences on economic issues to members of the Shareholders' Club. Seven half-day visits and one conference on economic issues were organized in 2018, during which 145 people got an insider's view of the Group's business activities.

7.4.4 Provisional shareholders' calendar

First-quarter 2019 revenue: April 26, 2019

Ordinary and Extraordinary Shareholders' Meeting: May 23, 2019 (2 p.m.) at "Espace Grande Arche", La Défense in Paris – France

First-half 2019 results: September 5, 2019

7.4.5 Investor relations' contacts

2, boulevard du Général-Martial-Valin

75724 Paris Cedex 15 – France

Tel.: +33 (0)1 40 60 80 80

Investors and analysts	Individual shareholders and Shareholders' Club
> E-mail: **investor.relation@safrangroup.com**	> Toll-free number (France only): **0 800 17 17 17** > E-mail: **actionnaire.individuel@safrangroup.com**

7.5 STOCK MARKET INFORMATION

The Safran share (ISIN code: FR0000073272 – Ticker symbol: SAF) is listed on compartment A of the Euronext Paris Eurolist market and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

Since September 19, 2011, the Safran share has been included in the CAC 40, CAC 40 Equal Weight, CAC Large 60, SBF 120, CAC All-Tradable, CAC All-Share, CAC Industrials, CAC Aero & Def., Euronext 100 and Euronext FAS IAS indices. The Safran share has been included in the LC 100 Europe index since March 21, 2011 and the Euro STOXX 50 index since September 21, 2015.

Main stock market data over three years	2016	2017	2018
Number of shares as of December 31	**417,029,585**	**417,029,585**	**435,767,951**
Safran share price *(in €)*			
High	69.890	92.250	122.250
Low	48.865	61.510	81.040
Closing	68.420	85.910	105.400
Market capitalization as of December 31 *(in € millions)*	28,533	35,827	45,930

Change in share price from January 1, 2018 to February 28, 2019		Average share price* *(in €)*	High *(in €)*	Low *(in €)*	Average daily transactions *(in number of shares)*	Average market capitalization** *(in € millions)*
January	**2018**	89.655	92.360	83.780	811,266	37,389
February		87.724	91.560	81.040	1,085,656	38,921
March		86.399	90.700	81.560	1,052,352	38,334
April		89.663	97.480	83.300	1,010,104	39,782
May		99.979	102.900	96.780	813,966	44,359
June		101.378	105.350	97.080	1,024,961	44,979
July		105.666	108.650	101.550	859,755	46,882
August		108.387	113.650	105.000	620,451	48,089
September		117.568	122.250	108.600	950,626	52,162
October		111.324	121.150	104.750	1,378,998	49,392
November		110.159	117.050	104.600	924,359	48,875
December		106.139	112.700	99.980	867,035	46,252
January	**2019**	108.239	115.050	101.100	815,030	47,167
February		116.258	120.600	112.050	747,230	50,661

Source: Euronext.
(*) Average closing price.
(**) Out of the 417,029,585 shares that comprised the share capital from January 1 to February 13, 2018, the 443,680,643 shares that comprised the share capital from February 13 to November 30, 2018, the 447,170,835 shares that comprised the share capital from December 1 to December 17, 2018, and the 435,767,951 shares that comprised the share capital from December 17, 2018 to February 28, 2019.

7


SAFRAN
ASSEMBLÉE
GÉNÉRALE MIXTE
SAFRAN

ANNUAL GENERAL MEETING

8

IN BRIEF

PRESENTATION OF THE RESOLUTIONS

- Approval of the parent company and consolidated financial statements for the year ended December 31, 2018.
- Appropriation of profit for the year and approval of the recommended dividend.
- Ratification, re-appointments and appointment of Directors.
- Approval of the components of compensation and benefits paid or awarded to corporate officers.
- Compensation policy.
- Authorization for the Board of Directors to carry out a share buyback program.
- Amendment to the Company's bylaws.
- Financial authorizations.
- Powers to carry out formalities.

14
Ordinary resolutions

16
Extraordinary resolutions

1
Resolution concerning powers to carry out formalities

The Annual General Meeting will be held on **May 23, 2019** at "Espace Grande Arche", La Défense in Paris, France.

DIVIDEND

At the Annual General Meeting on May 23, 2019, the Board of Directors will recommend the payment of a **€1.82 per-share dividend** for 2018, representing a total payout of approximately €793 million.

Year	2015	2016	2017
Dividend per share	€1.38	€1.52	**€1.60**

8.1 AGENDA

Ordinary resolutions

First resolution:	Approval of the parent company financial statements for the year ended December 31, 2018
Second resolution:	Approval of the consolidated financial statements for the year ended December 31, 2018
Third resolution:	Appropriation of profit for the year and approval of the recommended dividend
Fourth resolution:	Re-appointment of Ross McInnes as a Director
Fifth resolution:	Re-appointment of Philippe Petitcolin as a Director
Sixth resolution:	Re-appointment of Jean-Lou Chameau as a Director
Seventh resolution:	Appointment of Laurent Guillot as a Director
Eighth resolution:	Ratification of the Board's temporary appointment of Caroline Laurent as a Director
Ninth resolution:	Re-appointment of Vincent Imbert as a Director
Tenth resolution:	Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chairman of the Board of Directors for 2018
Eleventh resolution:	Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chief Executive Officer for 2018
Twelfth resolution:	Approval of the compensation policy applicable to the Chairman of the Board of Directors
Thirteenth resolution:	Approval of the compensation policy applicable to the Chief Executive Officer
Fourteenth resolution:	Authorization for the Board of Directors to carry out a share buyback program

Extraordinary resolutions

Fifteenth resolution:	Amendment of Article 14.8 of the bylaws in order to clarify the procedures for the appointment of Directors representing employee shareholders
Sixteenth resolution:	Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may not be used during, or in the run-up to, a public offer for the Company's shares
Seventeenth resolution:	Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may not be used during, or in the run-up to, a public offer for the Company's shares
Eighteenth resolution:	Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may not be used during, or in the run-up to, a public offer for the Company's shares
Nineteenth resolution:	Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may not be used during, or in the run-up to, a public offer for the Company's shares
Twentieth resolution:	Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 16th, 17th, 18th or 19th resolutions), which may not be used during, or in the run-up to, a public offer for the Company's shares
Twenty-first resolution:	Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may not be used during, or in the run-up to, a public offer for the Company's shares
Twenty-second resolution:	Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may only be used during, or in the run-up to, a public offer for the Company's shares
Twenty-third resolution:	Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may only be used during, or in the run-up to, a public offer for the Company's shares

Twenty-fourth resolution:	Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may only be used during, or in the run-up to, a public offer for the Company's shares
Twenty-fifth resolution:	Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may only be used during, or in the run-up to, a public offer for the Company's shares
Twenty-sixth resolution:	Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights (pursuant to the 22nd, 23rd, 24th or 25th resolutions), which may only be used during, or in the run-up to, a public offer for the Company's shares
Twenty-seventh resolution:	Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may only be used during, or in the run-up to, a public offer for the Company's shares
Twenty-eighth resolution:	Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares to employees who are members of a Group employee savings plan, without pre-emptive subscription rights for existing shareholders
Twenty-ninth resolution:	Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares
Thirtieth resolution:	Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Group entities, with a waiver of shareholders' pre-emptive subscription rights

Resolution concerning powers to carry out formalities

Thirty-first resolution:	Powers to carry out formalities

8.2 REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PROPOSED TO THE ANNUAL GENERAL MEETING AND TEXT OF THE PROPOSED RESOLUTIONS

The proposed resolutions that will be submitted for shareholder approval at Safran's Annual General Meeting on May 23, 2019 are presented below.

Each of the resolutions is preceded by an explanatory paragraph providing a description of the resolution and setting out the reasons why it is being proposed.

8.2.1 Ordinary resolutions

Approval of the parent company and consolidated financial statements for the year ended December 31, 2018

Presentation of the first and second resolutions

The shareholders are invited to approve the parent company and consolidated financial statements for the year ended December 31, 2018 as well as the expenses incurred during the year that are not deductible for tax purposes (company vehicles):

- the parent company financial statements show that the Company ended 2018 with profit of €1,705 million;
- the consolidated financial statements show attributable profit for the year amounting to €1,283 million.

Text of the first resolution

Approval of the parent company financial statements for the year ended December 31, 2018

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the parent company financial statements, the shareholders approve the financial statements of the parent company for the year ended December 31, 2018 as presented – showing profit for the year of €1,705,042,464.10 – together with the transactions reflected in those financial statements and referred to in those reports.

Pursuant to Article 223 *quater* of the French Tax Code (*Code général des impôts*), the shareholders approve the non-deductible expenses governed by Article 39-4 of said Code, which totaled €233,984 and gave rise to a tax charge of €80,561.

Text of the second resolution

Approval of the consolidated financial statements for the year ended December 31, 2018

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements, the shareholders approve the consolidated financial statements for the year ended December 31, 2018 as presented, together with the transactions reflected in those financial statements and referred to in those reports.

Appropriation of profit for the year and approval of the recommended dividend

Presentation of the third resolution

The Company's distributable profit for 2018 totals €3,221 million, breaking down as €1,705 million in profit for the year plus €1,516 million in retained earnings brought forward from the previous year.

The Board of Directors is recommending a total dividend payout of €793 million, corresponding to a per-share dividend of €1.82 (as the Company's capital is divided into 435,767,951 shares, of which 409,116,893 ordinary shares and 26,651,058 Class A Preferred Shares – see section 7.2.1 of this Registration Document). This recommended dividend payment is 14% higher than the dividend paid for 2017.

The remaining €2,428 million of distributable profit would be allocated to retained earnings.

For individual shareholders domiciled for tax purposes in France, this dividend will be subject to the 12.8% flat-rate tax provided for in Article 200 A of the French Tax Code. This flat-rate tax will automatically apply unless the taxpayer expressly opts to be taxed based on the standard income tax bands for all of his or her investment income. For shareholders who exercise this option, the dividend will be eligible for the 40% tax relief provided for in Article 158, 3-2° of the French Tax Code.

The ex-dividend date will be May 27, 2019 and the dividend will be paid on May 29, 2019.

Text of the third resolution

Appropriation of profit for the year and approval of the recommended dividend

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and based on the Board of Directors' recommendation, the shareholders resolve to appropriate the profit for the year ended December 31, 2018 as follows:

Profit for 2018	€1,705,042,464.10
Retained earnings(1)	€1,515,812,333.94
Profit available for distribution	€3,220,854,798.04
Appropriation:	
Dividend	€793,097,670.82
Retained earnings	€2,427,757,127.22

(1) Including €14,576,710.40 corresponding to the 2017 dividend due on shares held in treasury at the dividend payment date and after allocating the amount of €949,785,671.12 representing the difference between the carrying amount of the 11,402,884 treasury shares canceled on December 17, 2018 and their nominal amount.

Accordingly, the dividend paid will be €1.82 per share.

The ex-dividend date will be May 27, 2019 and the dividend will be paid on May 29, 2019.

For individual shareholders domiciled for tax purposes in France, this dividend will be subject to the 12.8% flat-rate tax provided for in Article 200 A of the French Tax Code. This flat-rate tax will automatically apply unless the taxpayer expressly opts to be taxed based on the standard income tax bands for all of his or her investment income. For shareholders who exercise this option, the dividend will be eligible for the 40% tax relief provided for in Article 158, 3-2° of the French Tax Code.

The shareholders resolve that dividends not payable on shares held in treasury at the dividend payment date will be credited to retained earnings.

The shareholders note that dividends paid for the past three years were as follows:

	Number of shares carrying dividend rights(1)	Net dividend per share	Total payout
2017	434,570,199	€1.60	€695,312,318.40(4)
2016	409,239,433(2)	€1.52	€626,602,111.28(5)
2015	416,410,610(3)	€1.38	€574,637,624.40(5)

(1) Total number of shares making up the Company's capital (443,680,643) less the number of Safran shares held in treasury at the dividend payment date.
(2) An interim dividend (€0.69) was paid on 415,845,481 shares and the remainder of the dividend (€0.83) was paid on 409,239,433 shares.
(3) An interim dividend (€0.60) was paid on 416,395,581 shares and the remainder of the dividend (€0.78) was paid on 416,410,610 shares.
(4) Subject to the 12.8% flat-rate tax provided for under Article 200 A of the French Tax Code or, on a discretionary basis, tax levied at the progressive rate after the 40% tax relief provided for in Article 158, 3-2° of the French Tax Code.
(5) Fully eligible for the 40% tax relief provided for in Article 158, 3-2° of the French Tax Code.

Re-appointments/Appointment of Directors

Presentation of the fourth resolution – Re-appointment of Ross McInnes as a Director

Ross McInnes' terms of office as both a Director and Chairman of the Board of Directors are due to expire at the close of the May 23, 2019 Annual General Meeting.

On the recommendation of the Appointments and Compensation Committee, the Board of Directors is inviting the shareholders to re-appoint him as a Director, for a four-year term expiring at the close of the 2023 Annual General Meeting.

The Board of Directors has decided that if Ross McInnes is re-appointed as a Director, it will then re-appoint him as Chairman of the Board of Directors following the 2019 Annual General Meeting, for the same duration as his term of office as a Director.

These decisions by the Board reflect its satisfaction with (i) the current governance structure based on segregated roles of Chairman of the Board and Chief Executive Officer, and (ii) Ross McInnes' performance of his duties as the Board's Chairman. These observations were also reflected in the findings of the formal assessment of the Board's work and operating procedures that was carried out during the year by a specialist international firm (see section 6.3.5 of this Registration Document). In this assessment – in which institutional investors were also invited to give their views on Safran's corporate governance – the Directors unanimously praised the Chairman for his work in leading, organizing and sharing information. The Board wishes to continue to benefit from Ross McInnes' committed work, expertise and professionalism, both in his role as Chairman of the Board and in the additional assignments entrusted to him.

Ross McInnes has informed the Board that if he is re-appointed as Chairman, then, in a personal capacity and in view of his specific situation, he intends to terminate his employment contract (which is currently suspended) in order to comply with the recommendation set out in the AFEP/MEDEF Code concerning corporate officers not holding employment contracts.

Text of the fourth resolution

Re-appointment of Ross McInnes as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Ross McInnes as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2022.

Presentation of the fifth resolution – Re-appointment of Philippe Petitcolin as a Director

Philippe Petitcolin's term of office as a Director is also due to expire at the close of the May 23, 2019 Annual General Meeting.

On the recommendation of the Appointments and Compensation Committee, the Board of Directors is inviting the shareholders to re-appoint him as a Director.

This decision reflects the Board's continuing belief that it is useful, necessary and of real value for the Chief Executive Officer to also be a Director of the Company, as it enables the CEO to be among his peers around the Board table, and also enables the Board to draw on his contribution to its discussions. This would also apply to his successor in the position of Chief Executive Officer.

As Safran's bylaws state that all Directors must be appointed for four-year terms, if Philippe Petitcolin is re-appointed, his term of office would expire at the close of the 2023 Annual General Meeting. This would mean that the duration of his directorship would not be the same as his term of office as Chief Executive Officer, which is due to expire at the close of the 2020 Annual General Meeting. Consequently, Philippe Petitcolin has undertaken to tender his position to the Board of Directors at the time of the expiration of his term of office as Chief Executive Officer, such that his successor could also be appointed as a Director.

Text of the fifth resolution

Re-appointment of Philippe Petitcolin as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Philippe Petitcolin as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2022.

Presentation of the sixth and seventh resolutions – Re-appointment and appointment of independent Directors

The shareholders are invited to:

- re-appoint Jean-Lou Chameau as an independent Director; and
- appoint Laurent Guillot as an additional independent Director, who would also be called to join the Audit and Risk Committee.

The Board is able to propose the appointment of this additional independent Director due to the vacant seat that has arisen as a result of a reduction from two to one in the number of Directors put forward by the French State (see the presentation of the 9th resolution below).

If the shareholders approve the above appointment and re-appointment, the independence rate of the Board of Directors would increase to 61.5%*.

Sixth resolution: Re-appointment of Jean-Lou Chameau as an independent Director

Jean-Lou Chameau's term of office as a Director is due to expire at the close of the May 23, 2019 Annual General Meeting.

On the recommendation of the Appointments and Compensation Committee, the Board of Directors is therefore inviting the shareholders to re-appoint him as a Director, for a four-year term expiring at the close of the 2023 Annual General Meeting.

The Board has verified that Jean-Lou Chameau still meets the criteria to qualify as an independent Director and has also appraised his individual contribution to the work of the Board and of the Appointments and Compensation Committee and the Innovation and Technology Committee, both of which he is a member. The findings of these two reviews were positive.

Jean-Lou Chameau brings to the Board his experience as a Director in international industrial groups and structures. He has in-depth expertise in research, technological development and innovation, as well as in compensation matters, and extensive international experience (in North America, the Middle East and Asia).

The profile of Jean-Lou Chameau is set out in section 6.2.2 of this Registration Document.

Seventh resolution: Appointment of Laurent Guillot as an additional independent Director

Following a selection procedure led by the Chairman of the Board, the Senior Independent Director and the Appointments and Compensation Committee, the profile (skills and experience) of Laurent Guillot was chosen as the one that most closely matched the candidate requirements drawn up by the Board. Laurent Guillot is independent, has financial expertise that will add to that of the Audit and Risk Committee, has experience in other areas of interest for the Board, has led an international career within a large industrial corporation and has the requisite availability.

The shareholders are therefore invited to appoint Laurent Guillot as an independent Director, for a four-year term expiring at the close of the 2023 Annual General Meeting.

The profile of Laurent Guillot is set out in section 8.2.4 of this Registration Document.

Text of the sixth resolution

Re-appointment of Jean-Lou Chameau as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Jean-Lou Chameau as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2022.

Text of the seventh resolution

Appointment of Laurent Guillot as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders appoint Laurent Guillot as a Director to replace Caroline Laurent whose term of office is due to expire at the close of this Meeting.

Laurent Guillot is appointed for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2022.

* *In accordance with the AFEP-MEDEF Code, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.*

Presentation of the eighth and ninth resolutions – Ratification of the Board's temporary appointment of a Director put forward by the French State and appointment/re-appointment of a Director put forward by the French State

The terms of office of the two Directors put forward by the French State are due to expire at the close of the May 23, 2019 Annual General Meeting. The Directors concerned are Vincent Imbert and Caroline Laurent.

Following the May 23, 2019 Annual General Meeting, the number of Directors put forward by the French State will have been reduced from two to one. This reduction will result from applying, as agreed with the French State, the provisions of the *ordonnance*(1) that sets out the terms and conditions for State representation on the Boards of Directors of companies in which it holds an ownership interest, due to the change in the French State's ownership interest in Safran (11.01% at February 28, 2019)(2).

The shareholders are therefore invited to:

- ratify the Board's temporary appointment of Caroline Laurent as a Director, it being specified that this term of office will expire at the close of the 2019 Annual General Meeting; and
- re-appoint Vincent Imbert as a Director put forward by the French State.

Eighth resolution: Ratification of the Board's temporary appointment of Caroline Laurent as a Director

Having been put forward by the French State, Caroline Laurent was appointed as a Director by the Board at its meeting on February 7, 2019.

She was appointed to replace Patrick Gandil, who stepped down for the purpose of Caroline Laurent's appointment. In accordance with Article 6 of the above-mentioned ordonnance, having been put forward by the French State, Patrick Gandil was appointed by the shareholders as a Director at the 2015 Annual General Meeting, for a four-year term expiring at the close of the 2019 Annual General Meeting.

The shareholders are therefore invited to ratify the Board's temporary appointment of Caroline Laurent as a Director, it being specified that her term of office will expire at the close of the 2019 Annual General Meeting.

The profile of Caroline Laurent – Strategy Director at the French Directorate General of Weapons Procurement (DGA) – is set out in section 6.2.2 of this Registration Document.

Ninth resolution: Re-appointment of Vincent Imbert as a Director put forward by the French State

The shareholders are invited to re-appoint Vincent Imbert as a Director put forward by the French State, for a four-year term expiring at the close of the 2023 Annual General Meeting.

Text of the eighth resolution

Ratification of the Board's temporary appointment of Caroline Laurent as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Board of Directors' report, the shareholders ratify the Board's decision of February 7, 2019 to appoint Caroline Laurent as a Director on a temporary basis, to replace Patrick Gandil, for the remainder of Patrick Gandil's term of office, which expires at the close of the Annual General Meeting held in 2019 to approve the financial statements for the year ended December 31, 2018.

Text of the ninth resolution

Re-appointment of Vincent Imbert as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Vincent Imbert as a Director put forward by the French State, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2022.

(1) Ordonnance *2014-948 dated August 20, 2014, regarding the governance of companies in which the French State holds an ownership interest and regarding corporate actions involving these companies (Article 4 for the representative of the French State, Article 6 for the Director put forward by the French State and appointed by the shareholders).*

(2) *This reduces the number of Directors with a link to the French State from three to two, Hélène Dantoine having been appointed Representative of the French State on the Board of Directors by way of a ministerial decree dated March 13, 2019, in accordance with the provisions of the ordonnance.*

Approval of the components of compensation and benefits paid or awarded to corporate officers for 2018

Presentation of the tenth and eleventh resolutions

At the Annual General Meeting of May 25, 2018, the shareholders were asked to approve the compensation policies adopted by the Board of Directors for (i) the Chairman of the Board of Directors, in the 12th resolution, and (ii) the Chief Executive Officer, in the 13th resolution (ex-ante vote).

The Board set the Chairman's and the Chief Executive Officer's compensation packages for 2018 in accordance with these policies.

In compliance with Article L.225-100 of the French Commercial Code *(Code de commerce)*, the Board of Directors is now asking the shareholders to vote on the components of compensation and benefits paid or awarded to Safran's corporate officers for 2018 (ex-post say-on-pay vote):

- fixed compensation;
- variable compensation;
- exceptional compensation;
- performance shares;
- supplementary pension plans;
- directors' attendance fees;
- benefits-in-kind.

In accordance with Article L.225-37-2 of the French Commercial Code, payment of the corporate officers' variable compensation and any exceptional compensation for the past fiscal year ("Year Y-1") has to be approved by shareholders in a General Meeting held the following fiscal year ("Year Y").

Payment of the Chief Executive Officer's annual variable compensation for 2018 is therefore subject to the approval of the shareholders at the Annual General Meeting of 23 May 2019.

Consequently:

- in the 10th resolution, the shareholders are asked to approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for 2018 to Ross McInnes, Chairman of the Board of Directors; and
- in the 11th resolution, the shareholders are asked to approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for 2018 to Philippe Petitcolin, Chief Executive Officer.

COMPONENTS OF COMPENSATION PAID OR AWARDED TO ROSS MCINNES, CHAIRMAN OF THE BOARD OF DIRECTORS, IN RESPECT OF 2018

Components of compensation paid or awarded for 2018	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€450,000** (paid in 2018)	At its meeting on February 26, 2018, acting on the recommendation of the Appointments and Compensation Committee, the Board decided to raise Ross McInnes' fixed annual compensation to €450,000 for 2018, which is the first increase since he became Chairman in 2015 (see section 6.6.2.1 of this Registration Document).
Annual variable compensation	**N/A**[1]	Ross McInnes does not receive any annual variable compensation.
Multi-year variable compensation	**N/A**	Ross McInnes does not receive any multi-year variable compensation.
Exceptional compensation	**N/A**	Ross McInnes did not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Stock options: **N/A**	Ross McInnes does not receive any stock options.
	Performance shares: **N/A** Other long-term compensation: **N/A**	Ross McInnes does not receive any performance shares or any other long-term compensation.
Attendance fees	**N/A**	Ross McInnes did not receive any attendance fees for 2018.
Benefits-in-kind	**€2,912.13** (accounting value)	Ross McInnes has the use of a company car.
Termination benefits	**N/A**	Ross McInnes is not entitled to any termination benefits in his capacity as Chairman of the Board of Directors.
Non-compete indemnity	**N/A**	Ross McInnes is not subject to any non-compete clause.
Supplementary pension plan		No specific supplementary pension plan was in place for the Chairman of the Board of Directors in 2018.
	€0	**"Article 83" defined contribution plans** In accordance with a decision taken by the Board of Directors on February 26, 2018, the Chairman is a beneficiary of Safran's two defined contribution supplementary pension plans set up in France for all Group managerial-grade staff pursuant to Article 83 of the French Tax Code (the "Article 83 Core Plan" and the "Article 83 Additional Plan") and in force at January 1, 2018 (see section 6.6.2.1 of this Registration Document), subject to the same terms and conditions as the other plan members. This commitment given by the Company to enable Mr. McInnes to be a beneficiary of these plans was approved at the Annual General Meeting of May 25, 2018, pursuant to the provisions of Article L.225-40 of the French Commercial Code. The contributions to the plans are based on the fixed compensation that Ross McInnes receives for his role as Chairman of the Board of Directors. The expenses recorded in the 2018 financial statements relating to the contributions paid for Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €11,721 and €13,708 respectively. At December 31, 2018, the estimated theoretical amount[2] of the annuities that could be paid to Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €6,782 and €1,212 respectively.

(1) N/A = not applicable.
(2) Calculated based on the assumption that the annuity would be received as from January 1, 2019, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

Components of compensation paid or awarded for 2018	Amounts (or accounting value) submitted to the shareholder vote	Presentation
	Additional payment: €12,897.48	**"Article 82" defined contribution plan** In accordance with a decision taken by the Board of Directors on March 23, 2017, the Chairman is a beneficiary of Safran's defined contribution supplementary pension plan set up in France (see section 6.6.2.1 of this Registration Document) for all Group managerial-grade staff pursuant to Article 82 of the French Tax Code (the "Article 82 Plan"), subject to the same terms and conditions as the other plan members. The Article 82 Plan was put in place to compensate for the closure of Safran's Article 39 defined benefit plan as from January 1, 2017 (see below). In order for entitlements to accrue under the plan, the Company is required to: > pay monthly contributions to an insurer, the rate of which is set based on the beneficiary's reference compensation for year Y-1 (Insurer Contribution) and which may represent up to 12.735% of that reference compensation; and > pay a cash amount to the beneficiary corresponding to the Insurer Contribution (Additional Payment) so that the beneficiary can pay the applicable tax (the plan provides for up-front taxation so that the capital accrued and received on the beneficiaries' retirement is net of tax and social security contributions). The contributions to the plan are based on the fixed compensation that Ross McInnes receives for his role as Chairman of the Board of Directors. Under the Article 82 Plan, the Insurer Contribution and Additional Payment for the Chairman for 2018 totaled €12,897.48 each (i.e., €25,794.96 altogether), corresponding in each case to 3.685% of his reference compensation (7.37% in total). At December 31, 2018, the estimated theoretical amount(2) of the annuity that could be paid to Ross McInnes under the Article 82 Plan was €2,890.
	€0	**"Article 39" defined benefit plan (closed to new entrants and entitlements frozen)** The Article 39 defined benefit supplementary pension plan(3) of which the Chairman was previously a beneficiary (further to the decision of the Board of Directors on April 23, 2015 and by the shareholders at the May 19, 2016 Annual General Meeting) is now closed to new entrants and the benefit entitlements have been frozen, including for the Chairman. However, he could still be eligible for any pension entitlement he had accrued under the plan at December 31, 2016 provided the applicable terms and conditions are met (see section 6.6.2.1 of this Registration Document). At December 31, 2018, the estimated theoretical amount(2) of the annuity that could be paid to the Chairman corresponded to the cap set in the plan, i.e., €121,572 (corresponding to three times the annual social security ceiling [PASS], based on the 2019 value of the PASS). **Concerning the above-described Article 82 Additional Plan and the Article 39 Plan (closed)** As a reminder, in 2017, the Board decided to change Safran's supplementary pension system. The new system involved (i) closing the Article 39 defined benefit plan to new entrants and freezing existing entitlements and, (ii) to compensate for the closure of this plan, setting up new plans, including the Article 82 Plan. The resolution relating to the Chairman remaining a beneficiary under the new system was submitted to shareholders at the June 15, 2017 Annual General Meeting and was rejected. At its July 27, 2017 meeting, the Board of Directors ratified its decision to include the Chairman as a beneficiary under the new supplementary pension plan system, subject to the same terms and conditions as the system's other managerial-grade beneficiaries.

(1) N/A = not applicable.
(2) Calculated based on the assumption that the annuity would be received as from January 1, 2019, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).
(3) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code (Code de la sécurité sociale).

COMPONENTS OF COMPENSATION PAID OR AWARDED TO PHILIPPE PETITCOLIN, CHIEF EXECUTIVE OFFICER, IN RESPECT OF 2018

Components of compensation paid or awarded for 2018	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€800,000** (paid in 2018)	At its meeting on February 26, 2018, acting on the recommendation of the Appointments and Compensation Committee, the Board decided to raise Philippe Petitcolin's annual fixed compensation to €800,000 for 2018, which was the first increase since he became Chief Executive Officer in 2015 and came at the same time as his reappointment (see section 6.6.2.2 of this Registration Document).
Annual variable compensation	**€960,000** (payable for 2018; to be paid in 2019)	The Chief Executive Officer's annual variable compensation for 2018 was determined by the Board of Directors in accordance with the compensation policy approved by the shareholders at the Annual General Meeting of May 25, 2018 (see section 6.6.1.1 of the 2017 Registration Document) and described in section 6.6.2.2 of this Registration Document. At its meeting on February 26, 2019, the Board of Directors reviewed the achievement of the objectives set for the variable compensation payable to the Chief Executive Officer for 2018, after consultation with the Appointments and Compensation Committee. Following this review, it set Philippe Petitcolin's variable compensation for 2018 at €960,000, i.e., 120% of his annual fixed compensation. This amount reflects: > an overall actual achievement rate of 114% for the portion related to the Group's financial performance (accounting for two-thirds of the Chief Executive Officer's variable compensation), for which the objectives related to: • recurring operating income (60% weighting): 111% achievement, • free cash flow (30% weighting): 125% achievement, • working capital, comprising the following components: – operating assets (Inventories) (5% weighting): 104% achievement, and – unpaid receivables (5% weighting): 102% achievement; > an overall actual achievement rate of 108% for the portion related to individual quantitative and qualitative performance objectives (accounting for one-third of the Chief Executive Officer's variable compensation, see section 6.6.2.2 of this Registration Document). Payment of the Chief Executive Officer's annual variable compensation for 2018 is subject to shareholders' approval at the Annual General Meeting of May 23, 2019.
Multi-year variable compensation	**N/A**(1)	No multi-year variable compensation was awarded to Philippe Petitcolin for 2018.
Exceptional compensation	**N/A**	Philippe Petitcolin did not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Stock options: **N/A**	Philippe Petitcolin did not receive any stock options.
	Performance shares: **€956,205** (accounting value on grant date)	At its meeting on July 24, 2018, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors used the authorization granted in the 17th resolution of the May 25, 2018 Annual General Meeting and decided to grant 13,600 performance shares to Philippe Petitcolin (see section 6.6.2.2 of this Registration Document). The general terms and conditions of this performance share plan and the terms and conditions relating specifically to the Chief Executive Officer are described in section 6.6.4.2 of this Registration Document. The estimated accounting value of these performance plans, as measured at the grant date, corresponds to €956,205(2).
	Other long-term compensation: **N/A**	Philippe Petitcolin did not receive any other long-term compensation.
Attendance fees	**N/A**	Philippe Petitcolin did not receive any attendance fees for 2018.
Value of benefits-in-kind	**€4,786.84** (accounting value)	Philippe Petitcolin has the use of a company car.
Termination benefits	**N/A**	Philippe Petitcolin is not entitled to any termination benefits in his capacity as Chief Executive Officer.
Non-compete indemnity	**N/A**	Philippe Petitcolin is not subject to any non-compete clause.

(1) Not applicable.
(2) In accordance with IFRS 2, the value of the performance shares was measured at the grant date (i.e., July 24, 2018) and not based on compensation received by the beneficiary during the year (see section 3.1, Note 1.q).

Components of compensation paid or awarded for 2018	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Supplementary pension plan		No specific supplementary pension plan was in place for the Chief Executive Officer in 2018.
	€0	**"Article 83" defined contribution plans** In accordance with a decision taken by the Board of Directors on February 26, 2018, the Chief Executive Officer is a beneficiary of Safran's two defined contribution supplementary pension plans set up in France for all Group managerial-grade staff pursuant to Article 83 of the French Tax Code (the "Article 83 Core Plan" and the "Article 83 Additional Plan") and in force at January 1, 2018, (see section 6.6.2.1 of this Registration Document) subject to the same terms and conditions as the other plan members. This commitment was approved by the shareholders at the Annual General Meeting of May 25, 2018. The contributions to the plans are based on the compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer. The expenses recorded in the 2018 financial statements relating to the contributions paid for Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €27,614 and €13,708 respectively. At December 31, 2018, the estimated theoretical amount(3) of the annuities that could be paid to Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €25,730 and €1,308 respectively.
	Additional payment: €171,349.44	**"Article 82" defined contribution plan** In accordance with a decision taken by the Board of Directors on March 23, 2017, the Chief Executive Officer is a beneficiary of Safran's defined contribution supplementary pension plan set up in France (see section 6.6.2.1 of this Registration Document) for all Group managerial-grade staff pursuant to Article 82 of the French Tax Code (the "Article 82 Plan"), subject to the same terms and conditions as the other plan members. In order for entitlements to accrue under the plan, the Company is required to: > pay monthly contributions to an insurer, the rate of which is set based on the beneficiary's reference compensation for year Y-1 (Insurer Contribution) and which may represent up to 12.735% of that reference compensation; and > pay a cash amount to the beneficiary corresponding to the Insurer Contribution (Additional Payment) so that the beneficiary can pay the applicable tax (the plan provides for up-front taxation so that the capital accrued and received on the beneficiaries' retirement is net of tax and social security contributions). The contributions to the plan are based on the annual compensation (fixed and variable) that Philippe Petitcolin receives for his role as Chief Executive Officer. The commitment given by the Company to enable Mr. Petitcolin to be a beneficiary under this plan was approved by the shareholders at the Annual General Meeting of June 15, 2017, pursuant to the provisions of Article L.225-40 of the French Commercial Code. Under the Article 82 Plan, the Insurer Contribution and Additional Payment for the Chief Executive Officer for 2018 totaled €171,349.44 each (i.e., €342,698.88 altogether), corresponding in each case to 12.735% of his reference compensation (25.47% in total). At December 31, 2018, the estimated theoretical amount(3) of the annuity that could be paid to Philippe Petitcolin under the Article 82 Plan was €14,135.
	€0	**"Article 39" defined benefit plan (closed to new entrants and entitlements frozen)** The Chief Executive Officer was previously a beneficiary of Safran's defined benefit supplementary pension plan set up in France for all Group managerial-grade staff pursuant to Article 39(4) of the French Tax Code (the "Article 39 Plan", see section 6.6.2.1 of this Registration Document), subject to the same terms and conditions as the other plan members. Mr. Petitcolin was originally a beneficiary of this plan in his former capacity as a Company employee. The Chief Executive Officer could still be eligible for the pension entitlement he had accrued at December 31, 2016 provided the applicable terms and conditions are met (see section 6.6.2.1 of this Registration Document). This commitment was approved by the shareholders at the Annual General Meeting of June 15, 2017. At December 31, 2018, the estimated theoretical amount(3) of the annuity that could be paid to Philippe Petitcolin corresponded to the cap set in the plan, i.e., €121,572 (corresponding to three times the annual social security ceiling [PASS], based on the 2019 value of the PASS).

(1) Not applicable.
(2) In accordance with IFRS 2, the value of the performance shares was measured at the grant date (i.e., July 24, 2018) and not based on compensation received by the beneficiary during the year (see section 3.1, Note 1.q).
(3) Calculated based on the assumption that the annuity would be received as from January 1, 2019, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).
(4) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code.

Text of the tenth resolution

Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chairman of the Board of Directors for 2018

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, in accordance with Articles L.225-37-2 and L.225-100 of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded to Ross McInnes, Chairman of the Board of Directors, for the year ended December 31, 2018, as presented in the Company's corporate governance report prepared in application of Article L.225-37 of the French Commercial Code and set out in chapter 6 of this Registration Document.

Text of the eleventh resolution

Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chief Executive Officer for 2018

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, in accordance with Articles L.225-37-2 and L.225-100 of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded to Philippe Petitcolin, Chief Executive Officer, for the year ended December 31, 2018, as presented in the Company's corporate governance report prepared in application of Article L.225-37 of the French Commercial Code and set out in chapter 6 of this Registration Document.

Compensation policy

Presentation of the twelfth and thirteenth resolutions

In accordance with Article L.225-37-2 of the French Commercial Code, at least once each year the shareholders are asked to give a forward-looking (ex-ante) vote on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers. which together constitute the compensation policy adopted by the Board of Directors.

Acting on the recommendation of the Appointments and Compensation Committee, on February 26, 2019 the Board of Directors decided to retain the compensation policies for the Chairman and the Chief Executive Officer as approved by the shareholders at the May 25, 2018 Annual General Meeting, without substantive modifications. However, in accordance with the law, the unchanged compensation policies will be submitted for shareholder approval at the Annual General Meeting of May 23, 2019.

These compensation policies are set out in section 6.6.1 of this Registration Document, including:

- the principles and rules for determining the compensation and benefits packages of corporate officers;
- the compensation policy concerning the Chairman of the Board of Directors; and
- the compensation policy concerning the Chief Executive Officer.

In the 12th and 13th resolutions of the May 23, 2019 Annual General Meeting, shareholders are invited to approve the compensation policies that will be applicable respectively to the Chairman of the Board of Directors and the Chief Executive Officer.

Text of the twelfth resolution

Approval of the compensation policy applicable to the Chairman of the Board of Directors

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Board of Directors' report on the compensation policy applicable to corporate officers drawn up in accordance with Article L.225-37-2 of the French Commercial Code, the shareholders approve the compensation policy applicable to the Chairman of the Board of Directors, as presented in sections 6.6.1.1 and 6.6.1.2 of the 2018 Registration Document.

Text of the thirteenth resolution

Approval of the compensation policy applicable to the Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Board of Directors' report on the compensation policy applicable to corporate officers drawn up in accordance with Article L.225-37-2 of the French Commercial Code, the shareholders approve the compensation policy applicable to the Chief Executive Officer, as presented in sections 6.6.1.1 and 6.6.1.3 of the 2018 Registration Document.

Authorization for the Board of Directors to carry out a share buyback program

Presentation of the fourteenth resolution

Share buyback programs

The Company needs to have the necessary flexibility to react to changes in financial markets by buying back Safran shares.

The shareholders are therefore invited to renew the authorization given to the Board of Directors to carry out a share buyback program, with the following main conditions:

- the number of shares that may be bought back may not exceed 10% of the Company's total outstanding shares (for information purposes, 43,576,795 shares based on the issued capital at February 28, 2019) and the Company may at no time directly or indirectly hold a number of Safran shares representing more than 10% of the Company's capital;
- the shares may be purchased, sold or transferred by any authorized method, including through block trades for all or some of the program, subject to the regulations in force at the date on which the authorization is implemented.

Subject to the limits authorized by the applicable laws and regulations, the Board of Directors may use this authorization at any time, except during, or in the run-up to, a public offer for the Company's shares.

The maximum purchase price per share would be set at €155 and the maximum total investment in the buyback program would be €6.7 billion.

Generally, Safran sets the maximum purchase price at around 130% of the highest closing price of the Safran share over the 12 months preceding the pricing date. It does not prescribe a target price.

The buyback program would be used to purchase shares for the following purposes:

- to maintain a liquid market in the Company's shares via a liquidity agreement entered into with an investment services firm;
- for allocation or sale to employees and/or certain corporate officers, notably in connection with a profit-sharing plan, free share grants or the Group employee savings plan;
- for delivery on the exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- for delivery in payment or exchange for external growth transactions; and
- for cancellation, subject to the approval of the 29th resolution by the shareholders at the May 23, 2019 Annual General Meeting.

This program is also designed to enable any future market practices permitted by the French financial markets authority (*Autorité des marchés financiers* – AMF) to be carried out and, more generally, to enable any other authorized operations or operations that may be authorized in the future by the applicable regulations. In such a case, the Company will inform its shareholders in a press release.

This authorization would be given for a period of 18 months and would supersede the previous authorization granted for the same purpose in the 1st resolution of the General Meeting held on November 27, 2018.

Report on the utilization in 2018 of previous shareholder-approved share buyback programs

As part of the €2.3 billion share buyback program announced on May 24, 2017, during 2018:

- the Company bought back an initial tranche of its own shares, for €122 million, in accordance with an agreement signed on March 27, 2018 with an investment services firm;
- on June 29, 2018, the Company signed an agreement with another investment services firm to buy back a second tranche of its own shares for up to €400 million by October 31, 2018, subsequently extended on October 5, 2018 to November 22, 2018.

At December 31, 2018, the two tranches had been successively completed and a total of 5,158,309 shares had been purchased during the year on the market under the above agreements for a total amount of €522 million.

Furthermore, the potential dilution on conversion of all of the OCÉANE 2020 convertible and/or exchangeable bonds was partially hedged in 2016 by the purchase of 6.43 million shares.

Following the redemption and cancellation of most of the OCÉANE 2020 bonds (see section 7.2.3.2.2 of this Registration Document), the 6.25 million treasury shares allocated to hedging the OCÉANE bonds were reallocated to the cancellation objective of the share buyback program (see section 7.2.7.1).

This reallocation represented an effective contribution of €702 million to the share buyback program, in addition to the €522 million worth of shares purchased as described above, bringing the total value of shares bought back under the program announced on May 24, 2017 to €1.2 billion, i.e., a total of 11,402,884 million shares.

In 2018, the aggregate number of shares purchased under the liquidity agreement entered into with Oddo Corporate Finance amounted to 2,624,833.

The total number of shares sold under this liquidity agreement during the year amounted to 2,506,189.

A total of 11,402,884 ordinary shares purchased under the buyback program were canceled in 2018, representing all of the treasury shares held for cancellation under said program.

At December 31, 2018, Safran directly held 1,439,723 of its own shares, representing 0.33% of the Company's capital.

These treasury shares were held for the following purposes:

- for allocation or sale to employees: 1,112,523 shares, representing 0.26% of the Company's capital;
- to cover exchangeable debt securities: 13,200 shares, representing 0.003% of the Company's capital;
- to maintain a liquid market in the Company's shares via a liquidity agreement: 314,000 shares, representing 0.07% of the Company's capital;
- for cancellation: 0 shares.

Text of the fourteenth resolution

Authorization for the Board of Directors to carry out a share buyback program

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Board of Directors' report, the shareholders grant the Board of Directors – or any representative duly empowered in accordance with the law – an authorization to purchase, directly or indirectly, the Company's shares in accordance with the conditions set out in Articles L.225-209 *et seq.* of the French Commercial Code and EC Regulation 596/2014 dated April 16, 2014, as well as any other laws and regulations that may be applicable in the future.

The authorization may be used to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grants, the exercise of stock options, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on the exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold in treasury for subsequent delivery in payment or exchange for external growth transactions; and
- for cancellation, pursuant to the share capital reduction authorization in effect, granted by the Annual General Meeting.

This authorization is also designed to enable any future market practices permitted by the AMF to be carried out and, more generally, to enable any other operations authorized by the applicable regulations. In such a case, the Company will inform its shareholders in a press release.

Shares may be purchased, sold, or transferred by any method allowed under the applicable laws and regulations, on one or more occasions, including, in accordance with the regulations in force at the date of this Meeting, over the counter and through block trades for all or part of the program, as well as through the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable laws and regulations, except during, or in the run-up to, a public offer for the Company's shares.

The number of shares that may be bought back under this authorization may not exceed 10% of the Company's total outstanding shares (for information purposes, 43,576,795 shares based on the issued capital at February 28, 2019). This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery in payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity agreement, the number of shares included in the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the period covered by this authorization.

Under no circumstances may the Company hold, either directly or indirectly, more than 10% of its capital.

The shares may not be purchased at a price of more than €155 per share and the maximum amount that may be invested in the program is €6.7 billion. However, the Board of Directors may adjust this maximum purchase price to take into account the impact on the share price of any corporate actions.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to carry out this share buyback program, set the applicable terms and conditions, make the required adjustments as a result of any corporate actions, place any and all buy and sell orders, enter into any and all agreements notably for the keeping of registers of share purchases and sales, make any and all filings with the AMF and any other organization, carry out all other formalities, and generally do everything necessary to use this authorization.

This authorization is given for a period of 18 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 1st resolution of the General Meeting held on November 27, 2018.

8.2.2 Extraordinary resolutions

Presentation of the fifteenth resolution

In view of the structure of Safran's employee shareholder base up until 2019, nominations for Director candidates representing employee shareholders to be put forward for appointment at the Annual General Meeting were, until now, made only by the members of the Supervisory Boards of the Group's corporate mutual funds, and the candidates were chosen from among those members.

The terms of office of the Directors representing employee shareholders will expire at the close of the 2020 Annual General Meeting and the procedure for nominating Director candidates has to take place in advance of this Meeting.

Pursuant to French Act 2015-990 of August 6, 2015 on growth, business and equal economic opportunities, the nomination process for Director candidates representing employee shareholders has to involve not only employees who hold their shares in a corporate mutual fund but also employees who hold registered shares received under free share plans.

As from 2019, Safran's employee shareholders will include employees who hold shares received under performance share plans.

Consequently, in view of the above-mentioned Act and the change in the structure of Safran's employee shareholder base, the provisions of the Company's bylaws setting out the terms and conditions for nominating candidates for appointment as Directors representing employee shareholders need to be amended prior to the consultation process that will be held for the purpose of nominating the candidates to be put forward for appointment by the shareholders at the 2020 Annual General Meeting.

The shareholders are therefore invited to amend Article 14.8 of the Company's bylaws. These modifications essentially provide clarification and further details on the procedures for appointing candidates and the steps to be taken if a position becomes vacant to ensure the ongoing representation of employee shareholders.

Text of the fifteenth resolution

Amendment of Article 14.8 of the bylaws in order to clarify the procedures for the appointment of Directors representing employee shareholders

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report, the shareholders resolve to make clarifications to the Company's bylaws relating to the procedures for the appointment of Directors representing employee shareholders, and accordingly to amend Article 14.8 of the bylaws as follows:

Previous wording	New wording
14.8. Directors representing employee shareholders If the report presented by the Board at the Annual General Meeting in accordance with article L.225-102 of the French Commercial Code shows that the shares held by employees of the Company – or of companies related to it within the meaning of article L.225-180 of said Code – represent more than 3% of the Company's capital, then one or more Directors representing employee shareholders shall be elected at an Ordinary General Meeting in accordance with the terms and conditions set down in the applicable laws and regulations as well as in these bylaws. This requirement shall not, however, apply if the Board's members already include (i) one or more Directors who are employee representative members of the Supervisory Board of a corporate mutual fund or (ii) one or more employee representatives appointed in application of article L.225-27 of the French Commercial Code. Prior to the Ordinary General Meeting at which Directors representing employee shareholders are to be elected, the Chairman of the Board of Directors shall contact the Supervisory Boards of the corporate mutual funds set up as part of the Group's employee share ownership program – whose investments mainly comprise shares in the Company – in order to carry out a consultation procedure with the employee shareholders in accordance with the conditions set down in these bylaws.	**14.8. Directors representing employee shareholders** If the report presented by the Board of Directors at the Annual General Meeting in accordance with Article L.225-102 of the French Commercial Code shows that the shares held by employees of the Company – or of companies related to it within the meaning of Article L.225-180 of said Code – represent more than 3% of the Company's capital, then one or more Directors representing employee shareholders shall be appointed at an Ordinary General Meeting in accordance with the terms and conditions set down in applicable laws and regulations as well as in these bylaws. Prior to the Ordinary General Meeting at which Directors representing employee shareholders are to be appointed, the Chairman of the Board of Directors shall determine the procedures for appointing or electing candidates not defined by applicable laws or regulations or by these bylaws. The Chairman shall consult the Supervisory Boards of the corporate mutual funds set up as part of the Group's employee share ownership program – whose investments mainly comprise shares in the Company (see a) below) – in order to conduct employee elections as defined in points b) and c) below.

Previous wording	New wording
Candidate Directors representing employee shareholders shall be selected as follows: > When the voting rights attached to the shares held by the employees concerned are exercised on their behalf by the members of the Supervisory Board of a corporate mutual fund, said Supervisory Board may select one or more candidates from among its members who represent employees. When there are several corporate mutual funds, the Supervisory Boards of these funds may agree together to present one or more joint candidates, selected from among all of their members representing employees. > When the voting rights attached to the shares held by the employees concerned are exercised directly by the employees, candidates may be selected through consultation procedures organized by the Company. These consultations, which must be preceded by calls for candidates, may be organized by the Company using any technical means that offer a secure voting process, including electronic or postal voting systems. In order to be eligible, candidate applications must be presented by a group of shareholders representing at least 5% of the shares held by employees who exercise their voting rights directly.	Candidate Director(s) representing employee shareholders shall be designated as follows: a) When employees hold shares through a corporate mutual fund and the voting rights attached to these shares are exercised by the members of the Supervisory Board of said fund, that Supervisory Board may designate one or more candidates from among its members who represent employees. When there are several corporate mutual funds, the Supervisory Boards of these funds may agree together to present one or more joint candidates, designated from among all of their members representing employees. b) When the voting rights attached to the shares held by employees through the corporate mutual fund are directly exercised by those employees, the candidate(s) shall be elected by said employees from among the members of the Supervisory Board of said fund, under the conditions set out below. c) Employees directly holding shares in the Company (within the meaning of Article L.225-102 of the French Commercial Code) elect candidates by means of a vote conducted as described below.
A special-purpose electoral committee set up by the Company may be tasked with ensuring that the overall process is properly conducted. The only candidate(s) submitted for election at the Ordinary General Meeting shall be the candidate(s) presented either by the Supervisory Boards of the corporate mutual funds or by the groups of employee shareholders as described above.	As regards points b) and c), candidates shall be designated during elections held by the Company within each of the groups of employees concerned. These elections, which must be preceded by calls for candidates, may be organized by the Company using any technical means that offer a secure voting process, including electronic or postal voting systems.
The reports presenting the candidates drawn up by the Supervisory Boards of the corporate mutual funds or by the special-purpose electoral committee must be given to the Board of Directors at least eight days before it meets to approve the resolutions to be proposed at the Annual General Meeting at which Directors representing employee shareholders will be elected.	A report is drawn up for each of the procedures set out in points a), b) and c) above, specifying the number of votes cast for each candidate. The reports are provided to the Board of Directors at least eight days before the Board of Directors meets to approve the resolutions of the Annual General Meeting relating to the appointment of Directors representing employee shareholders. In order to be valid, each candidate file put forward must include a proposed position holder and a deputy.
In order to be valid, each candidate file put forward must include a proposed position holder and a deputy. The deputy, who must meet the same eligibility criteria as the position holder, will be appointed by the Board of Directors to replace the representative elected at the Annual General Meeting in the event that this representative has to terminate his duties before the end of his term of office. Any such appointment by the Board would be subject to ratification at the following General Shareholders' Meeting.	Directors representing employee shareholders shall be appointed at an Ordinary General Meeting from among the candidates designated according to the procedures set out in points a), b) and c) above and in accordance with the same conditions as for appointing other Directors. Directors who represent employee shareholders shall not be included for the purpose of determining the minimum and maximum number of Directors referred to in Article 14.1 above.
If the deputy Director representing employee shareholders also has to step down before the end of his term, in order to ensure that employee shareholders continue to be represented, the Chairman of the Board of Directors shall request the body that originally presented the candidate (i.e., the Supervisory Board of the corporate mutual fund or the group of employee shareholders) to select a new candidate Director to be put forward for election at the following Shareholders' Meeting. Any terms and conditions for selecting candidates that are not provided for in the applicable laws and regulations or in these bylaws shall be determined by the Chairman of the Board of Directors, notably the timeframe for the candidate selection process. Directors representing employee shareholders shall be elected at an Ordinary General Meeting in accordance with the same conditions as for electing other Directors. Directors who represent employee shareholders shall not be included for the purpose of determining the minimum and maximum number of Directors referred to in Article 14.1 above.	Directors representing employee shareholders shall be appointed for a four-year term, expiring at the close of the Ordinary General Meeting held during the year in which their term expires in order to approve the financial statements for the previous year. However, the term of a Director representing employee shareholders shall automatically be terminated and the Director shall be deemed to have resigned if he or she ceases to be an employee of the Company (or of a company or inter-company partnership related to the Company within the meaning of Article L.225-180 of the French Commercial Code or when the company which employs the person concerned ceases to be related to the Company within the meaning of the aforementioned article), or ceases to be a shareholder (or member of a corporate mutual fund holding shares in the Company), or under the conditions set down by law. The deputy, who must meet the same eligibility criteria as the position holder, shall be appointed by the Board of Directors to replace the representative appointed at the Annual General Meeting in the event that this representative has to terminate his or her duties before the end of his or her term of office. Any such appointment by the Board would be subject to ratification at the following Annual General Meeting.

Previous wording	New wording
Directors representing employee shareholders shall be appointed for a four-year term, expiring at the close of the Ordinary General Meeting held during the year in which their term expires in order to approve the financial statements for the previous year. However, the term of a Director representing employee shareholders shall automatically be terminated and the Director shall be deemed to have resigned if he ceases to be either (i) an employee of the Company (or of a company or inter-company partnership related to the Company within the meaning of article L.225-180 of the French Commercial Code), or (ii) a shareholder (or member of a corporate mutual fund holding shares in the Company). If a position of Director representing employee shareholders falls vacant for any reason, it shall be filled in accordance with the conditions described above, and the new Director shall be elected by shareholders in an Ordinary General Meeting for the remainder of his predecessor's term of office.	Exceptionally, the deputy shall not be appointed by the Board of Directors if such appointment is not in compliance with Article L.225-18-1 of the French Commercial Code. In this case, and pursuant to Article L.225-24 of the French Commercial Code, the Board of Directors shall provisionally appoint a new Director to represent employee shareholders from among the employee shareholders or from among the members of the Supervisory Boards of the corporate mutual funds. If the position of Director representing employee shareholders falls vacant for any reason whatsoever, and if the deputy is also unable to fulfill this position throughout the term of office, or cannot be appointed for a reason other than that referred to in the paragraph above, the Chairman of the Board of Directors shall take the necessary decisions to allow a new candidate to be designated for appointment by the Board of Directors or by the following Ordinary General Meeting in order to ensure that employee shareholders continue to be represented.
In such a case, the Board of Directors may meet and validly conduct business until the new Director(s) representing employee shareholders is/are replaced.	In such a case, the Board of Directors may meet and validly conduct business until the new Director(s) representing employee shareholders is/are appointed.
The provisions set out in the first paragraph of this Article shall cease to apply if, at the end of a fiscal year, the above-mentioned report drawn up in accordance with article L.225-102 of the French Commercial Code shows that the shares held by employees of the Company – or of companies related to it within the meaning of article L.225-180 of said Code – represent less than 3% of the Company's capital. However, the term of office of Directors representing employee shareholders elected in application of the first paragraph of this Article shall continue to run until their expiration date.	The provisions set out in the first paragraph of Article 14.8 above shall cease to apply if, at the end of a fiscal year and with regard to the aforementioned Article L.225-102, the shares in the Company held by employees of the Company – or of companies related to it within the meaning of the aforementioned Article L.225-180 – represent less than 3% of the Company's capital. However, the term of office of Directors representing employee shareholders appointed in application of the first paragraph of Article 14.8 above shall continue to run until their expiration date.
The provisions of Article 14.5 relating to the number of the Company's shares that must be held by a Director shall not apply to Directors representing employee shareholders. However, each such Director shall be required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership program – at least one share or a number of units in the fund equivalent to at least one share.	The provisions of Article 14.5 relating to the number of the Company's shares that must be held by a Director shall not apply to Directors representing employee shareholders. However, each such Director shall be required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership program – at least one share or a number of units in the fund equivalent to at least one share.

Financial authorizations

Safran needs to have the flexibility required to raise financing swiftly to support its ongoing operations and business development, based on opportunities arising in financial markets and using the most suitable financial instruments. To this end shareholders are invited to grant the Board of Directors the necessary authorizations to issue ordinary shares and/or securities carrying immediate or deferred rights to shares of the Company.

The Board of Directors is seeking these authorizations in order to carry out the operations considered necessary for the effective running and future growth of the Company and the Group. If the new authorizations are adopted, they will supersede the previous authorizations granted to the Board of Directors for the same purpose.

In order to take into consideration the diversity and expectations of shareholders, two sets of financial authorizations are being submitted to the shareholders for their approval:

- a first set of authorizations which may not be used during, or in the run-up to, a public offer for the Company's shares;
- a second set of authorizations which are similar but may only be used during, or in the run-up to, a public offer for the Company's shares.

A summary table is provided in section 8.2.5 of this Registration Document setting out the financial authorizations that the shareholders are being asked to approve.

Ceilings

The authorizations given in these resolutions would enable the Board of Directors to increase the Company's capital by a maximum nominal amount of €20 million (blanket ceiling set in the 16th resolution), corresponding to a maximum of 100 million shares and representing less than 23% of the Company's capital.

The following individual ceilings provided for in the various resolutions are included in this blanket ceiling (expressed in terms of nominal value):

Resolutions that may not be used during, or in the run-up to, a public offer for the Company's shares

- €20 million ceiling applicable to capital increases carried out with pre-emptive subscription rights for existing shareholders (16th resolution);
- €8 million ceiling (less than 10% of the Company's capital) applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, by way of a public offer (17th resolution);
- €8 million ceiling applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company (18th resolution);
- €8 million ceiling applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, through a private placement (19th resolution);
- ceiling currently equal to 15% of any issues carried out pursuant to the 16th to 19th resolutions which are oversubscribed (20th resolution), also subject to the ceiling applicable in the relevant resolution;
- €12.5 million ceiling applicable to capital increases carried out by capitalizing reserves (21st resolution).

Resolutions that may only be used during, or in the run-up to, a public offer for the Company's shares

- €8 million ceiling applicable to capital increases carried out with pre-emptive subscription rights for existing shareholders (22nd resolution);
- €8 million ceiling (less than 10% of the Company's capital) applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, by way of a public offer (23rd resolution);
- €8 million ceiling applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company (24th resolution);
- €8 million ceiling applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, through a private placement (25th resolution);
- ceiling currently equal to 15% of any issues carried out pursuant to the 22nd to 25th resolutions which are oversubscribed (26th resolution), also subject to the ceiling applicable in the relevant resolution;
- €8 million ceiling applicable to capital increases carried out by capitalizing reserves (27th resolution).

The blanket ceiling set in the 16th resolution also includes any capital increases carried out as a result of employee share issues, which are capped at 1% of the Company's capital (28th resolution).

None of the above ceilings include the par value of any additional shares that may be issued in the event of further corporate actions, in accordance with the applicable laws and regulations and any contractual provisions, to protect the rights of existing holders of securities carrying rights to shares of the Company or beneficiaries of free share grants.

If the authorizations granted in the 16th to 20th and 22nd to 26th resolutions are used to issue debt securities, the aggregate nominal amount of said debt securities may not exceed €1.8 billion (or the equivalent of this amount for issues denominated in foreign currency or a monetary unit determined by reference to a basket of currencies).

Sub-ceilings applicable to issues carried out without pre-emptive subscription rights for existing shareholders

Issues carried out without pre-emptive subscription rights for existing shareholders (pursuant to the 17th to 20th and 23rd to 26th resolutions) are subject to a cumulative sub-ceiling of €8 million for capital increases (less than 10% of the Company's capital) and €1.8 billion for issues of debt securities (irrespective of whether or not the issues are carried out during, or in the run-up to, a public offer for the Company's shares).

Sub-ceiling applicable to capital increases carried out during, or in the run-up to, a public offer for the Company's shares

The maximum aggregate nominal amount of all capital increases that may be carried out, either with or without pre-emptive subscription rights, during, or in the run-up to, a public offer for the Company's shares (pursuant to the 22nd to 27th resolutions) would be set at €8 million (i.e., less than 10% of the Company's capital).

Use of previous authorizations

The financial authorizations given to the Board of Directors at the June 15, 2017 and May 25, 2018 Annual General Meetings were used as follows:

- authorization granted to the Board of Directors in the 33rd resolution of the Annual General Meeting of June 15, 2017 for the purpose of issuing, without pre-emptive subscription rights, Class A Preferred Shares in the event of a public exchange offer initiated by the Company, was used in February 2018 to compensate the 88,847,828 Zodiac Aerospace shares tendered by Zodiac Aerospace shareholders to the subsidiary exchange offer described in sections 2.5;
- pursuant to the Board of Directors' decision of May 25, 2018 acting on the shareholder authorization granted in the 20th resolution of the June 15, 2017 Annual General Meeting, on June 18, 2018 Safran carried out an issue of bonds convertible and/or exchangeable for new and/or existing shares, maturing on June 21, 2023 (see sections 3.1, Note 22, 3.3, Note 3.9 and 7.2.3.2.1 of this Registration Document).

The other authorizations given to the Board of Directors by shareholders in order to increase the Company's capital were not used in 2018.

Authorizations which may not be used during, or in the run-up to, a public offer for the Company's shares

Presentation of the sixteenth resolution

Issue of various shares and/or other securities with pre-emptive subscription rights

The purpose of the 16th resolution is to authorize the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders. The pre-emptive rights granted to existing shareholders may be detached from the shares to which they relate and may be transferred or traded throughout the subscription period of any issues carried out under this authorization.

These pre-emptive subscription rights would entitle their holders to subscribe for a number of new shares proportionate to the number of pre-emptive rights held, during a period corresponding to at least five trading days from the opening of the subscription period.

The Board of Directors would be able to use this authorization at any time **except during, or in the run-up to, a public offer** for the Company's shares.

The maximum nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on the exercise of rights to shares of the Company – would be set at €20 million (representing approximately 23% of the Company's capital).

This €20 million ceiling corresponds to a **blanket ceiling covering all of the capital increases** that may be carried out pursuant to this resolution as well as the 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th and 28th resolutions.

The maximum principal amount of any debt securities issued would be set at €1.8 billion. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €20 million blanket ceiling on capital increases set in the 16th resolution.

This €1.8 billion ceiling corresponds to a blanket ceiling covering the principal amount of all debt securities that may be issued pursuant to this resolution as well as the 17th, 18th, 19th, 20th, 22nd, 23rd, 24th, 25th and 26th resolutions.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the 17th resolution of the Annual General Meeting held on June 15, 2017.

Text of the sixteenth resolution

Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may not be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129-2, L.225-132 and L.228-91 *et seq.* of the French Commercial Code, and having noted that the share capital has been fully paid up, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital by issuing, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration), with pre-emptive subscription rights for existing shareholders. The Board will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies.

   However, if a third party launches a public offer for the Company's shares, the Board may not use this authorization during, or in the run-up to, the offer, unless it obtains the prior approval of the shareholders in a General Meeting.
2. Resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – is set at €20 million corresponding to 100 million shares. This €20 million ceiling represents a blanket ceiling covering all of the capital increases that may be carried out under this authorization and the authorizations granted in the 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th and 28th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;

- the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This €1.8 billion ceiling represents a blanket ceiling covering the principal amount of all debt securities that may be issued under this authorization and the authorizations granted in the 17th, 18th, 19th, 20th, 22nd, 23rd, 24th, 25th and 26th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

  For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.

3. Resolve that existing shareholders will have pre-emptive rights to subscribe for the securities issued pursuant to this authorization, in proportion to their existing holdings.
4. Note that in accordance with the law, the Board of Directors may grant shareholders additional pre-emptive rights to subscribe for any securities not taken up by other shareholders exercising their pre-emptive subscription rights. Such additional rights will also be exercisable in proportion to shareholders' existing holdings and within the limits of their requests.
5. Resolve that if an issue is not taken up in full by shareholders exercising their pre-emptive rights as described above, the Board of Directors may take one or more of the following courses of action, in accordance with the law and in the order of its choice:
   - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up;
   - freely allocate all or some of the unsubscribed securities;
   - offer some or all of the unsubscribed securities on the open market, either in France or abroad.
6. Resolve that Safran stock warrants may be offered for subscription on the above basis or allocated without consideration to existing shareholders. In the latter case, the Board of Directors will have full powers to decide that rights to fractions of warrants will not be transferable or tradable and that the corresponding warrants will be sold.
7. Resolve that the Board of Directors may suspend the exercise of rights to shares of the Company for a maximum period of three months, and make any adjustments in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares.
8. Note that in the event of an issue of securities carrying rights to shares of the Company, this authorization automatically entails the waiver by shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

> use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type and form of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company;

> charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally

> in the case of the issue of debt securities, determine (i) whether the debt should be subordinated or unsubordinated (and the ranking of any subordinated debt), (ii) the interest rate, (iii) the life of the securities (i.e., dated or undated), (iv) their redemption price (which may be fixed or variable and with or without a premium) and repayment terms, depending on market conditions, (v) the terms of their exercise for shares of the Company, and (vi) any other terms and conditions of the issue, including any collateral or other form of guarantee, as well as to amend any of said terms and conditions during the life of the securities concerned;

> take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 17th resolution of the Annual General Meeting held on June 15, 2017.

Presentation of the seventeenth to nineteenth resolutions

Issue of shares and/or other securities without pre-emptive subscription rights

The purpose of the 17th to 19th resolutions is to authorize the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders.

The Board of Directors would be able to use these authorizations at any time **except during, or in the run-up to, a public offer** for the Company's shares.

The maximum nominal amount of any capital increases carried out using these three authorizations would be set (both per authorization and cumulatively) at €8 million, representing approximately 9.2% of the Company's capital. The amounts used under these authorizations would be included in the blanket ceiling set in the 16th resolution.

The maximum principal amount of any debt securities issued using these three authorizations would be set (both per authorization and cumulatively) at €1.8 billion. The amounts used under these authorizations would be included in the €1.8 billion blanket ceiling set in the 16th resolution. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €8 million individual and cumulative ceiling set in the 17th to 19th resolutions (and therefore in the blanket ceiling set in the 16th resolution).

These authorizations would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the 18th, 19th and 20th resolutions of the Annual General Meeting held on June 17, 2017.

> 17th **resolution** (public offers). In this resolution the Board is seeking an authorization to issue ordinary shares and/or securities carrying rights to shares of the Company, by way of a public offer. If this resolution is adopted, the Board of Directors would be able to grant shareholders a priority subscription right for a period of at no less than three trading days but this right would be non-transferable and non-tradable. The waiver of shareholders' pre-emptive subscription rights would make it easier to carry out public offers, especially when an issue has to be organized swiftly in order for it to be successful, or when shares or other securities are offered in financial markets both in France and abroad.

> 18th **resolution** (issues carried out in the event of a public exchange offer initiated by the Company). The purpose of this resolution is to authorize the Board to issue shares of the Company and/or securities carrying rights to shares of the Company as payment for securities of another company that are tendered to a public exchange offer initiated by the Company in France or abroad.

> 19th **resolution** (private placements governed by Article L.411-2-II of the French Monetary and Financial Code [*Code monétaire et financier*]). This resolution would authorize the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, by way of a private placement carried out through an offer to qualified investors or a restricted group of investors. The simplified procedure for this type of private placement would enable the Company to react swiftly to market opportunities and rapidly raise the funds it requires.

Text of the seventeenth resolution

Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may not be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129 *et seq.* of the French Commercial Code, notably Articles L.225-129-2, L.225-135 and L.225-136 as well as Articles L.228-91 *et seq.* of said Code, and having noted that the share capital has been fully paid up, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital by issuing, on one or more occasions and through a public offer, ordinary shares of the Company and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration). The Board will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies.

   However, if a third party launches a public offer for the Company's shares, the Board may not use this authorization during, or in the run-up to, the offer, unless it obtains the prior approval of the shareholders in a General Meeting.

2. Resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – is set at €8 million. This €8 million ceiling (i) represents an overall ceiling on the nominal amount of the capital increases that may be carried out under this authorization and the authorizations granted in the 18th, 19th, 20th, 23rd, 24th, 25th and 26th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization), and (ii) is included in the blanket ceiling set in the 16th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 16th resolution during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This €1.8 billion ceiling (i) represents an overall ceiling on the principal amount of debt securities that may be issued under this authorization and the authorizations granted in the 18th, 19th, 20th, 23rd, 24th, 25th and 26th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization), and (ii) is included in the blanket ceiling set in the 16th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 16th resolution during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

   For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.

3. Resolve to waive shareholders' pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization. However, in accordance with paragraph 5 of Article L.225-135 and Article R.225-131 of the French Commercial Code, the Board of Directors may offer existing shareholders a priority right to subscribe for all or part of any issue(s) carried out under this authorization for a period of no less than three trading days. Such priority rights will not be transferable or tradable and will be exercisable in proportion to shareholders' existing interests.
4. Resolve that if an issue is not taken up in full (including by shareholders exercising their above-mentioned priority rights), the Board of Directors may take one or the other of the following courses of action, in accordance with the law and in the order of its choice:
   - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up;
   - freely allocate all or some of the unsubscribed securities.
5. Note that in the event of an issue of securities carrying rights to shares of the Company, this authorization automatically entails the waiver by shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.
6. Resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, corresponding at the date of this Meeting to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type and form of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company;
- suspend, where appropriate, the exercise of any rights attached to new or existing securities in accordance with the applicable laws and regulations, and make any adjustments in order to take into account the impact of any issues on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to the Company's shares, in accordance with the applicable laws, regulations and contractual provisions;
- in the case of the issue of debt securities, determine (i) whether the debt will be subordinated or unsubordinated (and the ranking of any subordinated debt), (ii) the interest rate, (iii) the life of the securities (i.e., dated or undated), (iv) their redemption price (which may be fixed or variable and with or without a premium) and repayment terms, depending on market conditions, (v) the terms of their exercise for shares of the Company, and (vi) any other terms and conditions of the issue, including any collateral or other form of guarantee, as well as to amend any of said terms and conditions during the life of the securities concerned;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 18th resolution of the Annual General Meeting held on June 15, 2017.

Text of the eighteenth resolution

Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may not be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129-2 to L.225-129-6, L.225-148 and L.228-91 *et seq.* of the French Commercial Code, the shareholders:

1. Authorize the Board of Directors to issue ordinary shares of the Company and/or securities carrying immediate or deferred rights to shares of the Company as payment for securities of another company tendered to a public exchange offer initiated by the Company. The shareholders further authorize the Board to cancel existing shareholders' pre-emptive rights to subscribe for the shares and/or other securities issued under this authorization.

   This authorization may be used in connection with any public exchange offer initiated by the Company, in France or abroad, for the securities of another company listed on one of the regulated markets referred to in Article L.225-148 of the French Commercial Code, or any other type of public offer that complies with the applicable laws and regulations, including notably any public exchange offer, any alternative public purchase or exchange offer, any stock-for-stock and stock-for-cash purchase or exchange offer, any public purchase or exchange offer combined with a secondary purchase or exchange offer, or any other type of public offer that complies with the applicable laws and regulations.

   However, if a third party launches a public offer for the Company's shares, the Board may not use this authorization during, or in the run-up to, the offer, unless (i) the Company has already announced its own public offer prior to that period, and (ii) it obtains the prior approval of the shareholders in a General Meeting.
2. Note that in accordance with Article L.225-132 of the French Commercial Code, in the event of an issue of securities carrying immediate or deferred rights to shares of the Company, this authorization entails the waiver by existing shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.

3. Resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – is set at €8 million. This ceiling is included in the €8 million overall ceiling set in the 17th resolution above and the blanket ceiling set in the 16th resolution (or any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling is included in the €1.8 billion overall ceiling set in the 17th resolution above and the blanket ceiling set in the 16th resolution (or in any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

   For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.
4. Resolve that the Board of Directors will have full powers to use this authorization, in particular to carry out issues of shares and/or securities carrying immediate or deferred rights to shares of the Company in connection with public offers that fall within the scope of this resolution, and notably to:
   - set the exchange ratio as well as any balance to be paid in cash;
   - place on record the number of securities tendered to the exchange;
   - determine the timing and other terms and conditions of the issue(s) and notably the price and cum-rights date (which may be retroactive) of the securities issued in accordance with this resolution;
   - suspend, where appropriate, the exercise of any rights attached to new or existing securities in accordance with the applicable laws and regulations, and make any adjustments in order to take into account the impact of any issues on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to shares of the Company, in accordance with the applicable laws, regulations and contractual provisions;
   - credit the difference between the issue price of the new shares and their par value to a "contribution premium" account to which all shareholders will have equivalent rights;
   - charge all the issuance costs against the contribution premium; and more generally;
   - take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.
5. Authorize the Board of Directors, within the limits set in advance by the Board, to delegate to the Chief Executive Officer or, in agreement with him and where applicable, to one or more Deputy Chief Executive Officers, the authorization given under this resolution.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 19th resolution of the Annual General Meeting held on June 15, 2017.

Text of the nineteenth resolution

Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may not be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129 *et seq.* of the French Commercial Code, notably Articles L.225-129-2, L.225-135 and L.225-136 as well as Articles L.228-91 *et seq.* of said Code and Article L.411-2-II of the French Monetary and Financial Code, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital by issuing, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration) through a private placement that complies with the conditions set out in Article L.411-2-II of the French Monetary and Financial Code. The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies.

   However, if a third party launches a public offer for the Company's shares, the Board may not use this authorization during, or in the run-up to, the offer, unless it obtains the prior approval of the shareholders in a General Meeting.
2. Resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of capital increases that may be issued pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – will be €8 million. This ceiling is included in the €8 million overall ceiling set in the 17th resolution above and the blanket ceiling set in the 16th resolution (or in any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;

- the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling is included in the €1.8 billion overall ceiling set in the 17th resolution above and the blanket ceiling set in the 16th resolution (or in any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

  For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.

3. Resolve to waive shareholders' pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization.
4. Resolve that if an issue is not taken up in full, the Board of Directors may limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up.
5. Note that in the event of an issue of securities carrying rights to shares of the Company, this authorization automatically entails the waiver by shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.
6. Resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, corresponding at the date of this Meeting to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type and form of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company;
- suspend, where appropriate, the exercise of any rights attached to new or existing securities in accordance with the applicable laws and regulations, and make any adjustments in order to take into account the impact of any issues on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to the Company's shares, in accordance with the applicable laws, regulations and contractual provisions;
- in the case of the issue of debt securities, determine (i) whether the debt will be subordinated or unsubordinated (and the ranking of any subordinated debt), (ii) the interest rate, (iii) the life of the securities (i.e., dated or undated), (iv) their redemption price (which may be fixed or variable and with or without a premium) and repayment terms, depending on market conditions, (v) the terms of their exercise for shares of the Company, and (vi) any other terms and conditions of the issue, including any collateral or other form of guarantee, as well as to amend any of said terms and conditions during the life of the securities concerned;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s) and private placement(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 20th resolution of the Annual General Meeting held on June 15, 2017.

Presentation of the twentieth resolution

In the 20th resolution, the Board of Directors is seeking an authorization to increase the number of securities to be issued in the event that an issue carried out with or without pre-emptive subscription rights as decided by the Board of Directors pursuant to the 16th, 17th, 18th or 19th resolutions is oversubscribed.

The Board of Directors would be able to use this authorization at any time except during, or in the run-up to, a public offer for the Company's shares. The additional securities would be issued at the same price as for the original issue in accordance with the timeframes and ceilings specified in the applicable laws and regulations in force on the issue date (currently, they must be issued within 30 days of the close of the original subscription period and may not represent more than 15% of the original issue amount). The sub-ceilings and ceilings set in the 16th, 17th, 18th and 19th resolutions would apply if the 20th resolution is used. Any issues of additional securities carried out under this resolution may not result in the ceiling(s) set in the original resolution being exceeded.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the 21st resolution of the Annual General Meeting held on June 15, 2017.

Text of the twentieth resolution

Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 16th, 17th, 18th or 19th resolutions), which may not be used during, or in the run-up to, a public offer for the Company's shares

Having considered the Board of Directors' report, in accordance with French company law, notably Articles L.225-135-1 and R.225-118 of the French Commercial Code, and subject to the adoption of the 16th, 17th, 18th or 19th resolutions, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights as decided by the Board of Directors pursuant to the 16th, 17th, 18th or 19th resolutions, notably in order to grant an overallotment option in accordance with standard market practices. The additional securities will be issued at the same price as for the original issue in accordance with the timeframes and ceilings specified in the applicable laws and regulations in force on the issue date (currently, they must be issued within 30 days of the close of the original subscription period and may not represent more than 15% of the original issue amount). In the case of an issue carried out with pre-emptive subscription rights, any additional securities issued pursuant to this resolution may only be offered to shareholders in proportion to their existing holdings.

   However, if a third party launches a public offer for the Company's shares, the Board may not use this authorization during, or in the run-up to, the offer, unless it obtains the prior approval of the shareholders in a General Meeting.

2. Resolve that the nominal amount of any capital increases carried out as a result of the shares or other securities issued pursuant to this resolution will be included in the ceiling(s) provided for in the resolution under which the original issue is decided (or in any ceiling(s) set in any resolution with the same purpose that could supersede the resolution concerned during the validity period of this authorization).

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 21st resolution of the Annual General Meeting held on June 15, 2017.

Presentation of the twenty-first resolution

Capitalization of reserves, retained earnings or additional-paid in capital

The purpose of the 21st resolution is to authorize the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital brought forward from prior years.

The maximum nominal amount of any capital increases carried out pursuant to this resolution would be set at €12.5 million, which would be included in the €20 million blanket ceiling set in the 16th resolution.

The Board of Directors would be able to use this authorization at any time except during, or in the run-up to, a public offer for the Company's shares. This authorization would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purpose in the 22nd resolution of the Annual General Meeting held on June 15, 2017.

Text of the twenty-first resolution

Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may not be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in extraordinary session but in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and having considered the Board of Directors' report, in accordance with the applicable laws and regulations and in particular with Articles L.225-129-2 and L.225-130 of the French Commercial Code, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital on one or more occasions, to be paid up by capitalizing reserves, retained earnings, additional paid-in capital and/or other items that may be capitalized in accordance with the applicable laws and the Company's bylaws, by issuing bonus shares and/or raising the par value of existing shares. The amounts and timing of such issues will be determined at the Board's discretion.

   However, if a third party launches a public offer for the Company's shares, the Board may not use this authorization during, or in the run-up to, the offer, unless it obtains the prior approval of the shareholders in a General Meeting.

2. Resolve to set the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization at €12.5 million. This ceiling is included in the blanket ceiling set in the 16th resolution (or in any ceiling set in any resolution with the same purpose that could supersede the 16th resolution during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company.

3. Resolve that rights to fractions of shares will not be transferable or tradable and that the corresponding shares will be sold, with the proceeds allocated to the holders of the rights in accordance with the applicable laws.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization and to take any and all measures and carry out any and all formalities required to successfully complete the capital increase(s), as well as to place on record the capital increase(s) and amend the Company's bylaws to reflect the new capital.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 22nd resolution of the Annual General Meeting held on June 15, 2017.

Authorizations which may only be used during, or in the run-up to, a public offer for the Company's shares

Presentation of the twenty-second resolution

Issue of various shares and/or other securities with pre-emptive subscription rights

The purpose of this resolution is the same as for the 16th resolution, but it may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.

The maximum nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on the exercise of rights to shares of the Company – would be set at €8 million (representing approximately 9.2% of the Company's capital). This amount would be included in the blanket ceiling set in the 16th resolution.

The maximum principal amount of any debt securities issued would be set at €1.8 billion, which would be included in the €1.8 billion blanket ceiling set in the 16th resolution. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €8 million ceiling for capital increases set in this resolution (and therefore in the blanket ceiling for capital increases set in the 16th resolution).

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the 23rd resolution of the Annual General Meeting held on June 15, 2017.

Text of the twenty-second resolution

Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may only be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129-2, L.225-132 and L.228-91 *et seq.* of the French Commercial Code, and having noted that the share capital has been fully paid up, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital by issuing, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration), with pre-emptive subscription rights for existing shareholders. The Board will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies.

   This authorization may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.

2. Resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – is set at €8 million. This €8 million ceiling (i) represents an overall ceiling on the nominal amount of the capital increases that may be carried out under this authorization and the authorizations granted in the 23rd, 24th, 25th, 26th and 27th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization), and (ii) is included in the €20 million blanket ceiling set in the 16th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 16th resolution during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This €1.8 billion ceiling (i) represents an overall ceiling on the principal amount of debt securities that may be issued under this authorization and the authorizations granted in the 23rd, 24th, 25th and 26th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization), and (ii) is included in the €1.8 billion blanket ceiling set in the 16th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 16th resolution during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.

3. Resolve that existing shareholders will have pre-emptive rights to subscribe for the securities issued pursuant to this authorization, in proportion to their existing holdings.
4. Note that in accordance with the law, the Board of Directors may grant shareholders additional pre-emptive rights to subscribe for any securities not taken up by other shareholders exercising their pre-emptive subscription rights. Such additional rights will also be exercisable in proportion to shareholders' existing holdings and within the limits of their requests.
5. Resolve that if an issue is not taken up in full by shareholders exercising their pre-emptive rights as described above, the Board of Directors may take one or more of the following courses of action, in accordance with the law and in the order of its choice:
    - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up;
    - freely allocate all or some of the unsubscribed securities;
    - offer some or all of the unsubscribed securities on the open market, either in France or abroad.
6. Resolve that Safran stock warrants may be offered for subscription on the above basis or allocated without consideration to existing shareholders. In the latter case, the Board of Directors will have full powers to decide that rights to fractions of warrants will not be transferable or tradable and that the corresponding warrants will be sold.
7. Resolve that the Board of Directors may suspend the exercise of rights to shares of the Company for a maximum period of three months, and make any adjustments in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares.
8. Note that in the event of an issue of securities carrying rights to shares of the Company, this authorization automatically entails the waiver by shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

> use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type and form of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company;

> charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally

> in the case of the issue of debt securities, determine (i) whether the debt will be subordinated or unsubordinated (and the ranking of any subordinated debt), (ii) the interest rate, (iii) the life of the securities (i.e., dated or undated), (iv) their redemption price (which may be fixed or variable and with or without a premium) and repayment terms, depending on market conditions, (v) the terms of their exercise for shares of the Company, and (vi) any other terms and conditions of the issue, including any collateral or other form of guarantee, as well as to amend any of said terms and conditions during the life of the securities concerned;

> take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 23rd resolution of the Annual General Meeting held on June 15, 2017.

Presentation of the twenty-third to twenty-seventh resolutions

Issue of shares and/or other securities without pre-emptive subscription rights, and capital increases carried out by capitalizing reserves, retained earnings or additional paid-in capital

These resolutions are similar to the 17th to 21st resolutions but may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.

The maximum aggregate nominal amount of any capital increases carried out pursuant to the 23rd to 26th resolutions – either immediately or on the exercise of rights to shares of the Company – would be set (both per authorization and cumulatively) at €8 million, representing approximately 9.2% of the Company's capital. The amounts used under these authorizations would be included in (i) the ceilings set in the 22nd and 17th resolutions and (ii) the blanket ceiling set in the 16th resolution. The maximum aggregate nominal amount of all capital increases that may be carried out, either with or without pre-emptive subscription rights, during, or in the run-up to, a public offer for the Company's shares (pursuant to the 22nd to 27th resolutions) would be set at €8 million (i.e., less than 10% of the Company's capital).

The maximum principal amount of any debt securities issued under the 23rd to 25th resolutions would be set (both per authorization and cumulatively) at €1.8 billion. The amounts used under these authorizations would be included in (i) the €1.8 billion ceiling set in the 17th resolution, (ii) the €1.8 billion ceiling set in the 22nd resolution, and (iii) the €1.8 billion blanket ceiling set in the 16th resolution. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €8 million individual and cumulative ceiling set in the 23rd to 25th resolutions (and therefore in the ceilings on capital increases set in the 22nd and 16th resolutions).

Any issues carried out under the 26th resolution (increase in the number of securities to be issued in the event of an oversubscribed issue) and any capital increase carried out under the 27th resolution (by capitalizing reserves, retained earnings or additional paid-in capital) would be subject to the same terms and conditions as in the 20th and 21st resolutions above.

These authorizations would supersede, as from the date of this Meeting, the authorizations granted to the Board of Directors for the same purpose in the 24th to 28th resolutions of the Annual General Meeting held on June 15, 2017.

Text of the twenty-third resolution

Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may only be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129 *et seq.* of the French Commercial Code, notably Articles L.225-129-2, L.225-135 and L.225-136 as well as Articles L.228-91 *et seq.* of said Code, and having noted that the share capital has been fully paid up, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital by issuing, on one or more occasions and through a public offer, ordinary shares of the Company and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration). The Board will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies.

   This authorization may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.

2. Resolve that if the Board of Directors uses this authorization:

   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – is set at €8 million. This €8 million ceiling (i) represents an overall ceiling on the nominal amount of the capital increases that may be carried out under this authorization and the authorizations granted in the 24th, 25th and 26th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization), and (ii) is included in the €8 million ceiling set in the 22nd resolution, in the €8 million ceiling set in the 17th resolution, and the blanket ceiling set in the 16th resolution (or in any ceilings set in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;

   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This €1.8 billion ceiling (i) represents an overall ceiling on the principal amount of debt securities that may be issued under this authorization and the authorizations granted in the 24th, 25th and 26th resolutions of this Annual General Meeting (as well as any authorizations granted in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization), and (ii) is included in the €1.8 billion ceiling set in the 22nd resolution, the €1.8 billion ceiling set in the 17th resolution, and the blanket ceiling set in the 16th resolution (or in any ceiling set in resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

   For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.

3. Resolve to waive shareholders' pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization. However, in accordance with paragraph 5 of Article L.225-135 and Article R.225-131 of the French Commercial Code, the Board of Directors may offer existing shareholders a priority right to subscribe for all or part of any issue(s) carried out under this authorization for a period of no less than three trading days. Such priority rights will not be transferable or tradable and will be exercisable in proportion to shareholders' existing interests.

4. Resolve that if an issue is not taken up in full (including by shareholders exercising their above-mentioned priority rights), the Board of Directors may take one or the other of the following courses of action, in accordance with the law and in the order of its choice:

   - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up;
   - freely allocate all or some of the unsubscribed securities.

5. Note that in the event of an issue of securities carrying rights to shares of the Company, this authorization automatically entails the waiver by shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.

6. Resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, corresponding at the date of this Meeting to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

> use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type and form of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company;

- suspend, where appropriate, the exercise of any rights attached to new or existing securities in accordance with the applicable laws and regulations, and make any adjustments in order to take into account the impact of any issues on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to the Company's shares, in accordance with the applicable laws, regulations and contractual provisions;
- in the case of the issue of debt securities, determine (i) whether the debt will be subordinated or unsubordinated (and the ranking of any subordinated debt), (ii) the interest rate, (iii) the life of the securities (i.e., dated or undated), (iv) their redemption price (which may be fixed or variable and with or without a premium) and repayment terms, depending on market conditions, (v) the terms of their exercise for shares of the Company, and (vi) any other terms and conditions of the issue, including any collateral or other form of guarantee, as well as to amend any of said terms and conditions during the life of the securities concerned;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 24th resolution of the Annual General Meeting held on June 15, 2017.

Text of the twenty-fourth resolution

Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may only be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129-2 to L.225-129-6, L.225-148 and L.228-91 *et seq.* of the French Commercial Code, the shareholders:

1. Authorize the Board of Directors to issue ordinary shares of the Company and/or securities carrying immediate or deferred rights to shares of the Company as payment for securities of another company tendered to a public exchange offer initiated by the Company. The shareholders further authorize the Board to cancel existing shareholders' pre-emptive rights to subscribe for the shares and/or other securities issued under this authorization.

   This authorization may be used in connection with any public exchange offer initiated by the Company, in France or abroad, for the securities of another company listed on one of the regulated markets referred to in Article L.225-148 of the French Commercial Code, or any other type of public offer that complies with the applicable laws and regulations, including notably any public exchange offer, any alternative public purchase or exchange offer, any stock-for-stock and stock-for-cash purchase or exchange offer, any public purchase or exchange offer combined with a secondary purchase or exchange offer, or any other type of public offer that complies with the applicable laws and regulations.

   This authorization may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.

2. Note that in accordance with Article L.225-132 of the French Commercial Code, in the event of an issue of securities carrying immediate or deferred rights to shares of the Company, this authorization entails the waiver by existing shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.

3. Resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – is set at €8 million. This ceiling is included in the €8 million ceilings set in the 23rd resolution, the 22nd resolution and the 17th resolution and the blanket ceiling set in the 16th resolution (or any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling is included in the €1.8 billion ceilings set in the 23rd resolution, the 22nd resolution and the 17th resolution and the blanket ceiling set in the 16th resolution (or in any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

     For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.

4. Resolve that the Board of Directors will have full powers to use this authorization, in particular to carry out issues of shares and/or securities carrying immediate or deferred rights to shares of the Company in connection with public offers that fall within the scope of this resolution, and notably to:
   - set the exchange ratio as well as any balance to be paid in cash;
   - place on record the number of securities tendered to the exchange;
   - determine the timing and other terms and conditions of the issue(s) and notably the price and cum-rights date (which may be retroactive) of the securities issued in accordance with this resolution;
   - suspend, where appropriate, the exercise of any rights attached to new or existing securities in accordance with the applicable laws and regulations, and make any adjustments in order to take into account the impact of any issues on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to shares of the Company, in accordance with the applicable laws, regulations and contractual provisions;
   - credit the difference between the issue price of the new shares and their par value to a "contribution premium" account to which all shareholders will have equivalent rights;
   - charge all the issuance costs against the contribution premium; and more generally
   - take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for listing the securities issued.
5. Authorize the Board of Directors, within the limits set in advance by the Board, to delegate to the Chief Executive Officer or, in agreement with him and where applicable, to one or more Deputy Chief Executive Officers, the authorization given under this resolution.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 25th resolution of the Annual General Meeting held on June 15, 2017.

Text of the twenty-fifth resolution

Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may only be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with the applicable laws and regulations and in particular Articles L.225-129 *et seq.* of the French Commercial Code, notably Articles L.225-129-2, L.225-135 and L.225-136, as well as Articles L.228-91 *et seq.* of said Code and Article L.411-2-II of the French Monetary and Financial Code, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital by issuing, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration) through a private placement that complies with the conditions set out in Article L.411-2-II of the French Monetary and Financial Code. The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies.

   This authorization may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.
2. Resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either immediately or on the exercise of rights to shares of the Company – is €8 million. This ceiling is included in the €8 million ceilings set in the 23rd, 22nd and 17th resolutions and the blanket ceiling set in the 16th resolution (or in any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.8 billion (or the euro-equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies). This ceiling is included in the €1.8 billion ceilings set in the 23rd resolution, the 22nd resolution and the 17th resolution and the blanket ceiling set in the 16th resolution (or in any ceilings set in any resolutions with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it is separate from and does not include the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code.

     For the purpose of calculating the above ceilings for debt securities, the euro-equivalent of the principal amount of any debt securities issued in foreign currency will be measured at the issue date.

3. Resolve to waive shareholders' pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization.
4. Resolve that if an issue is not taken up in full, the Board of Directors may limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up.
5. Note that in the event of an issue of securities carrying rights to shares of the Company, this authorization automatically entails the waiver by shareholders of their pre-emptive rights to subscribe for any shares to be issued on the exercise of the rights attached to said securities.
6. Resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, corresponding at the date of this Meeting to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type and form of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company;
- suspend, where appropriate, the exercise of any rights attached to new or existing securities in accordance with the applicable laws and regulations, and make any adjustments in order to take into account the impact of any issues on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to the Company's shares, in accordance with the applicable laws, regulations and contractual provisions;
- in the case of the issue of debt securities, determine (i) whether the debt will be subordinated or unsubordinated (and the ranking of any subordinated debt), (ii) the interest rate, (iii) the life of the securities (i.e., dated or undated), (iv) their redemption price (which may be fixed or variable and with or without a premium) and repayment terms, depending on market conditions, (v) the terms of their exercise for shares of the Company, and (vi) any other terms and conditions of the issue, including any collateral or other form of guarantee, as well as to amend any of said terms and conditions during the life of the securities concerned;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s) and private placement(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 26th resolution of the Annual General Meeting held on June 15, 2017.

Text of the twenty-sixth resolution

Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights (pursuant to the 22nd, 23rd, 24th or 25th resolutions), which may only be used during, or in the run-up to, a public offer for the Company's shares

Having considered the Board of Directors' report, in accordance with French company law, notably Articles L.225-135-1 and R.225-118 of the French Commercial Code, and subject to the adoption of the 22nd, 23rd, 24th or 25th resolutions, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights as decided by the Board of Directors pursuant to the 22nd, 23rd, 24th or 25th resolutions, notably in order to grant an overallotment option in accordance with standard market practices. The additional securities will be issued at the same price as for the original issue in accordance with the timeframes and ceilings specified in the applicable laws and regulations in force on the issue date (currently, they must be issued within 30 days of the close of the original subscription period and may not represent more than 15% of the original issue amount). In the case of an issue carried out with pre-emptive subscription rights, any additional securities issued pursuant to this resolution may only be offered to shareholders in proportion to their existing holdings.

   This authorization may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.
2. Resolve that the nominal amount of any capital increases carried out as a result of the shares or other securities issued pursuant to this resolution will be included in the ceiling(s) provided for in the resolution under which the original issue is decided (or in any ceiling(s) set in any resolution with the same purpose that could supersede the resolution concerned during the validity period of this authorization).

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 27th resolution of the Annual General Meeting held on June 15, 2017.

Text of the twenty-seventh resolution

Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may only be used during, or in the run-up to, a public offer for the Company's shares

Deliberating in extraordinary session but in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and having considered the Board of Directors' report, in accordance with the applicable laws and regulations and in particular with Articles L.225-129-2 and L.225-130 of the French Commercial Code, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital on one or more occasions, to be paid up by capitalizing reserves, retained earnings, additional paid-in capital and/or other items that may be capitalized in accordance with the applicable laws and the Company's bylaws, by issuing bonus shares and/or raising the par value of existing shares. The amounts and timing of such issues will be determined at the Board's discretion.

This authorization may only be used during, or in the run-up to, a public offer launched by a third party for the Company's shares.

2. Resolve to set the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization at €8 million. This ceiling is included in the €8 million ceiling set in the 22nd resolution and the blanket ceiling set in the 16th resolution (or in any ceiling set in any resolution with the same purpose that could supersede the aforementioned resolutions during the validity period of this authorization). However, it does not include the nominal amount of any additional shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company.
3. Resolve that rights to fractions of shares will not be transferable or tradable and that the corresponding shares will be sold, with the proceeds allocated to the holders of the rights in accordance with the applicable laws.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization and to take any and all measures and carry out any and all formalities required to successfully complete the capital increase(s), as well as to place on record the capital increase(s) and amend the Company's bylaws to reflect the new capital.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 28th resolution of the Annual General Meeting held on June 15, 2017.

Employee share issues

Presentation of the twenty-eighth resolution

In the 28th resolution, shareholders are invited to authorize the Board of Directors to offer employees who are members of a Group employee savings plan the possibility to subscribe for the Company's shares with a view to involving them more closely in the Group's development.

This resolution is being submitted in accordance with paragraph 1 of Article L.225-129-6 of the French Commercial Code, which states that whenever companies seek authorizations to issue shares to be paid up in cash, they must also submit a resolution on employee share issues.

If this authorization is approved, it will necessarily entail the waiver of existing shareholders' pre-emptive rights to subscribe for the shares covered by the employee share issue(s) concerned.

Employee shareholdings (within the meaning of Article L.225-102 of the French Commercial Code) represented 6.87% of the Company's capital at February 28, 2019.

Shares issued under this resolution could not exceed 1% of the Company's capital and would be included in the €20 million blanket ceiling on capital increases set in the 16th resolution.

In accordance with Article L.3332-19 of the French Labor Code *(Code du travail)*, the purchase price of the shares offered to employees may not be lower than the average price over the 20 trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided for by law as at the date of the Board's decision.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the 29th resolution of the Annual General Meeting held on June 15, 2017.

Text of the twenty-eighth resolution

Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares to employees who are members of a Group employee savings plan, without pre-emptive subscription rights for existing shareholders

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with Articles L.225-129-2, L.225-129-6 and L.225-138-1 of the French Commercial Code, and Articles L.3332-18 *et seq.* of the French Labor Code, the shareholders:

1. Authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital by issuing, on one or more occasions, ordinary shares of the Company to employees of the Company and of any French or foreign companies affiliated to it within the meaning of Article L.225-180 of the French Commercial Code, who are members of the Group employee savings plan or any company employee savings plan in place within the Group. The amounts and timing of such issues will be determined at the Board's discretion.
2. Resolve that the maximum nominal amount of any capital increases carried out pursuant to this authorization may not represent more than 1% of the Company's capital at the date of the Board of Directors' decision to carry out the issue. This ceiling is included in the blanket ceiling for capital increases set in the 16th resolution of this Meeting (or in any ceiling set in any resolution with the same purpose that could supersede the 16th resolution during the validity period of this authorization).
3. Resolve that, in accordance with Article L.3332-19 of the French Labor Code, the purchase price of the shares offered to employees under this authorization may not be lower than the average price over the 20 trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided by law at the date of the Board's decision.

4. Resolve that the Board of Directors will have full powers to grant to the above beneficiaries, free of consideration and in addition to the shares to be subscribed for in cash, new or existing shares in replacement of all or some of the discount compared with the above reference price and/or the employer's top-up contribution, it being specified that the benefits resulting from such grants may not exceed the legal or regulatory limits as provided for in Articles L.3332-1 to L.3332-21 of the French Labor Code.
5. Note that this authorization automatically entails the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares offered to employees under the issue(s) carried out under this resolution.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization, and in particular to (i) set the terms and conditions of the capital increase(s), (ii) draw up the list of companies whose employees will be eligible for the share issue(s), (iii) set the conditions, particularly concerning length of service, that the beneficiaries will have to meet in order to subscribe, on an individual basis or through a corporate mutual fund, for the shares issued pursuant to this authorization, (iv) set the dates and terms and conditions of the issue(s), (v) set the start and end dates of the subscription period(s), (vi) determine the price and the cum-rights date of the shares issued, (vii) determine the method by which the shares will be paid up, (viii) charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level, and more generally (ix) take all appropriate measures and enter into any agreements to successfully complete the share issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the shares issued.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 29th resolution of the Annual General Meeting held on June 15, 2017.

Capital reduction by canceling treasury shares

Presentation of the twenty-ninth resolution

In the 29th resolution, the Board of Directors is seeking an authorization to reduce the Company's capital by canceling all or some of the treasury shares purchased under share buyback programs previously authorized by shareholders as well as the new program proposed in the 14th resolution of this Meeting.

The Company may choose to cancel treasury shares in order to achieve certain financial objectives, such as actively managing its capital, optimizing its balance sheet structure or offsetting the dilutive impact of capital increases.

In compliance with the applicable law, the number of shares canceled in any 24-month period could not exceed 10% of the Company's capital.

This authorization would be given for a period of 24 months and would supersede the authorization given for the same purpose in the 30th resolution of the Annual General Meeting held on June 15, 2017, which was used in December 2018 (see sections 7.2.1 and 7.2.7.1 of this Registration Document).

Text of the twenty-ninth resolution

Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with Article L.225-209 of the French Commercial Code, the shareholders:

1. Authorize the Board of Directors to reduce the Company's capital on one or more occasions, in the proportions and on the dates it deems appropriate, by canceling all or some of the treasury shares held by the Company as a result of implementing a share buyback program. The number of treasury shares that may be canceled within any 24-month period may not exceed 10% of the Company's capital. This 10% ceiling will apply to the amount of the Company's capital as adjusted, where applicable, to take into consideration any corporate actions that may be carried out after this Annual General Meeting.
2. Resolve that the Board of Directors – or any representative duly empowered in accordance with the law – will have full powers to implement this resolution and in particular to:
   - set the definitive amount of the capital reduction;
   - set the terms and conditions of the capital reduction and carry it out;
   - charge the difference between the carrying amount of the canceled shares and their par value against any available reserves and additional paid-in capital accounts;
   - place on record the completion of the capital reduction and amend the Company's bylaws accordingly; and
   - carry out any formalities and other measures and generally do everything necessary to complete the capital reduction.

This authorization is given for a period of 24 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 30th resolution of the Annual General Meeting held on June 15, 2017.

Performance shares (free share grants)

Presentation of the thirtieth resolution

In the 30th resolution, shareholders are invited to authorize the Board of Directors to grant performance shares to (i) employees or certain categories of employees of the Company and/or of other Group entities, and/or (ii) corporate officers of the Company and/or other Group entities (except the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law.

Free performance share grants are a common method used by companies in order to strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders. They are also in line with the strategy of linking the incentives of senior executives to share performance – with the inherent risks and rewards that this involves – in order to encourage long-term reasoning in their actions.

The Board of Directors would determine the beneficiaries of the grants and set the terms and conditions thereof as well as the applicable eligibility criteria.

The shares granted could either be new shares or existing shares bought back by the Company under the terms and conditions provided for by law.

This authorization would entail the waiver by existing shareholders of their pre-emptive rights to subscribe for any shares issued pursuant to this resolution.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the 17th resolution of the Annual General Meeting held on May 25, 2018.

The main characteristics of any performance share grants carried out using this authorization would be as follows:

Performance conditions

Performance share grants would be subject to the achievement of internal and external performance conditions, assessed over three full consecutive fiscal years, including the year of grant.

This rule would apply to all beneficiaries regardless of the weighting of the various conditions, which vary according to the different beneficiary categories.

Standard internal conditions applying to all beneficiaries

These standard internal performance conditions would count for at least 70% of the total for all beneficiaries.

These two standard internal performance conditions would be based on:

- ROI (adjusted recurring operating income as defined in section 2.1.2 of this Registration Document);
- FCF (free cash flow as defined in section 2.2.3 of this Registration Document);
- each would count for half of the weighting assigned to these two conditions.

The achievement levels for these conditions would be measured by reference to the average of the targets for ROI and FCF set for the fiscal year in which the grant takes place and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels would be set for these conditions:

- lowest achievement level: if 80% of the MTP target is achieved, 40% of the shares contingent on that target would vest;
- target achievement level: if 100% of the MTP target were achieved, 80% of the shares contingent on that target would vest;
- highest achievement level (cap): if 125% of the MTP target were achieved, 100% of the shares contingent on that target would vest;
- between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that would vest would vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned would vest.

The performance criteria would be measured by comparing results against a same-scope reference base. If an entity is deconsolidated, the reference bases used for past grants will be adjusted to exclude the amounts related to the deconsolidated entity for the years concerned. For the first performance share grant after a new entity has been consolidated, additional performance conditions may be added. Past grants will continue to be measured based on the previous scope of consolidation (i.e., not including the newly-consolidated entity).

Possible additional performance conditions

As well as the portion attributed to the "standard" performance conditions, the Board of Directors may, at its discretion, apply demanding, quantifiable additional performance conditions for which it would define the parameters, to take into account the Group's medium-term priorities and challenges. In such a case, the additional performance conditions and their parameters would be disclosed and their weighting would reduce the weighting of the "standard" internal performance conditions.

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External condition

The external performance condition would be based on Safran's total shareholder return (TSR) performance as measured relative to a group of peer companies operating in the same business sectors as Safran or enlarged to include other comparable companies operating in other sectors, or including or made up of one or more indexes. The composition of this panel of peer companies may change in order to factor in changes in the structure or operations of the Group or of the peer companies concerned. The composite index currently used enables simultaneous comparison with the European market, the US market and the reference index for the French market. This composite index is made up of:

- the STOXX® Europe TMI Aerospace & Defense index (Stoxx A&D Net Return);
- the S&P Aerospace & Defense Industry Select index (S&P A&D);
- the CAC 40 index (CAC 40 Gross Return).

Each of these three indices counts for one-third of the composite index.

This external condition would count for 30% for the Chief Executive Officer and members of Safran's Executive Committee. For other beneficiaries, it could count for a lower percentage, but would in any event not be less than 10%.

The following achievement levels would be set for this condition:

- lowest achievement level: if Safran's TSR were equal to that of the composite index, 40% of the shares contingent on the external performance condition would vest;
- target achievement level: if Safran's TSR were 8 points higher than that of the composite index, 80% of the shares contingent on the external performance condition would vest;
- highest achievement level: if Safran's TSR were 12 points higher than that of the composite index, 100% of the shares contingent on the external performance condition would vest;
- between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that would vest would vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the external performance condition would vest.

Under the rules of the performance share plan, the shares will only vest if the beneficiary still forms part of the Group on the vesting date, apart from in a limited number of cases (death, disability, retirement of the beneficiary or a specific decision by the Board of Directors).

Ceilings

The total number of performance shares granted could not exceed 0.4% of the Company's capital at the date of the Board of Directors' decision to make the share grants (main ceiling), or two-thirds of this percentage in any given fiscal year (sub-ceiling).

In addition, for each grant of performance shares, the maximum number of shares granted to each of the Company's corporate officers would be set at 5% of the total number of shares making up the grant (representing a sub-ceiling of 0.01% of the Company's capital per corporate officer and fiscal year).

Anticipated use

If this authorization is approved by shareholders, in line with its long-term compensation policy, the Board of Directors intends to set up annual performance share plans which would have the characteristics and be subject to the performance conditions and ceilings described above.

Use of authorization previously granted

Using the authorization granted in the 17th resolution of the Annual General Meeting of May 25, 2018, the Board of Directors authorized grants of performance shares to certain managers and senior executives of the Group, first on July 24, 2018 (2018 Long-Term Incentive Plan, as described in section 6.6.4.2 of this Registration Document), and then on March 27, 2019 (see the press release available on the Company's website, www.safran-group.com/group/governance).

Text of the thirtieth resolution

Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Group entities, with a waiver of shareholders' pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the Board of Directors' report and the Statutory Auditors' special report, in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code, the shareholders:

1. Authorize the Board of Directors to grant, on one or more occasions, existing or new Safran shares, free of consideration, to (i) employees or certain categories of employees of the Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code, and/or (ii) corporate officers of the Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code (except for the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law. The amounts and timing of such grants will be determined at the Board's discretion.
2. Resolve that the total number of existing or new shares granted free of consideration pursuant to this authorization may not exceed (i) 0.4% of the Company's capital at the date of the Board of Directors' decision to grant free shares, or (ii) two-thirds of this percentage in any given fiscal year.
3. Resolve that the shares granted pursuant to this authorization will be subject to performance conditions set by the Board of Directors based on the recommendations of the Appointments and Compensation Committee and assessed over a minimum period of three consecutive fiscal years, including the year of grant.
4. Resolve that for each grant of free shares, any shares granted to the Company's corporate officers in accordance with the conditions provided for by law may not represent more than 5% of the total number of shares making up the grant (per corporate officer).
5. Resolve that the shares granted will be subject to a vesting period which will be set by the Board of Directors but may not be less than three years, followed, in certain cases, by a lock-up period whose duration will also be set by the Board of Directors.
6. Resolve that any free shares granted to the Company's corporate officers and members of the Executive Committee will be subject to a lock-up period which will be set by the Board of Directors but may not be less than one year as from the vesting date.

7. Resolve that the shares will vest before the expiration of the above-mentioned vesting period and will be freely transferable before the expiration of the above-mentioned lock-up period in the event that the beneficiary becomes disabled, within the meaning of the definition set down in the second or third categories under Article L.341-4 of the French Social Security Code (or the equivalent in any foreign country).
8. Note that if new shares are issued for the purpose of allocating the free shares, this authorization will result in capital increases paid up by capitalizing reserves, retained earnings or additional paid-in capital as the shares vest, as well as a corresponding waiver by shareholders of their pre-emptive rights to subscribe for the shares issued as part of these capital increases.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization within the limits set by the applicable laws and regulations and in particular to:

- determine if the shares granted free of consideration will be new shares or existing shares, it being specified that the Board may change its choice before the vesting date;
- draw up the list or categories of eligible beneficiaries;
- set the applicable performance and vesting conditions, notably the duration of the vesting period and lock-up period, particularly concerning the Company's corporate officers and members of the Executive Committee;
- provide for the possibility to provisionally suspend the beneficiaries' rights to receive the shares;
- place on record the vesting dates of the shares granted and the dates from which the shares may be freely transferred or sold;
- make any adjustments required during the vesting period to the number of free shares granted in order to protect the rights of beneficiaries, it being specified that the shares granted in connection with any such adjustments will be deemed to have been granted on the same date as the initial grant;
- in the event of the issue of new shares, (i) deduct, where applicable, from reserves, retained earnings or additional paid-in capital, the amounts necessary to pay up the shares, (ii) place on record the capital increases carried out pursuant to this authorization, (iii) amend the Company's bylaws to reflect the new capital; and generally
- take all appropriate measures and enter into any and all agreements to successfully complete the share grants.

This authorization is given for a period of 26 months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 17th resolution of the Annual General Meeting held on May 25, 2018.

8.2.3 Resolution concerning powers to carry out formalities

Presentation of the thirty-first resolution

The 31st resolution concerns the powers that are necessary to carry out the filing and other legal formalities required for the resolutions adopted at the meeting.

Text of the thirty-first resolution

Powers to carry out formalities

The shareholders give full powers to the bearer of an original, extract or copy of the minutes of this Meeting to carry out any and all filing, publication, declaration and other formalities required by the applicable laws and regulations.

8.2.4 Nominees to the Board of Directors

Ratification of the temporary appointment of Caroline Laurent by the Board of Directors

The profile of Caroline Laurent, whose temporary appointment as a Director is being submitted to the shareholders for ratification, is set out in section 6.2.2 of this Registration Document.

Re-appointments of Directors proposed by the Board of Directors

The profiles of Ross McInnes, Philippe Petitcolin, Jean-Lou Chameau and Vincent Imbert, whose re-appointments are being proposed to the shareholders, are set out in section 6.2.2 of this Registration Document.

8

Appointment of a new Director proposed by the Board of Directors

The shareholders are invited to appoint Laurent Guillot as a Director (see profile below).

Laurent GUILLOT

SAINT-GOBAIN - Les Miroirs - 18, avenue d'Alsace - 92400 Courbevoie - France

Number of Safran shares held: pursuant to the Board of Directors' Internal Rules, each Director is required to own at least 500 registered shares of the Company

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1969, Laurent Guillot, a French national, is a graduate of École Polytechnique and of École des Ponts Paris Tech engineering school, and holds a postgraduate degree in macroeconomics from Université Paris I.

He began his career with the French Ministry of Finance in 1996, initially as head of the Energy unit in the Forecasting Department and then as head of the Central Africa unit within the Treasury Department's International Division. In 1999, he was appointed technical advisor to the Minister of Infrastructure, Transport and Housing, first on maritime issues and then on budgetary, financial and industrial issues.

He joined Compagnie de Saint-Gobain in 2002 as Vice President of Corporate Planning. He was appointed Vice-President of Construction Abrasives in 2004, becoming Vice President of High-Performance Refractories and Diesel Particulate Filters the following year. In 2007, he was appointed General Delegate for Brazil, Argentina and Chile.

Laurent Guillot served as Saint-Gobain's Chief Financial Officer from 2009 to the end of 20015, in which capacity he was also in charge of Group procurement and information systems.

In 2016, he was appointed Vice-President of the HighPerformance Materials business. The following year, he became Senior Vice-President of Compagnie de Saint-Gobain in charge of the High-Performance Materials business, with direct oversight over the Performance Plastics business.

Since January 1, 2019, he has been Senior Vice-President of Compagnie de Saint-Gobain in charge of High-Performance Solutions and also has responsibility for information systems.

Laurent Guillot would bring to the Board his financial expertise, skills and experience as an operational and functional manager of a global industrial group, as well as his expertise in high-performance materials, industrialization and information systems.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Senior Vice-President of Compagnie de Saint-Gobain, Chief Executive Officer of High-Performance Solutions

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

SAFRAN GROUP

None

NON-GROUP – POSITIONS HELD IN THE SAINT-GOBAIN GROUP

- Non-executive Director and Chairman of the Risk Management Committee, member of the Remuneration and Nomination Committee, and member of the Corporate Social Responsibility Committee of Grindwell Norton Ltd (listed company) (India)
- Chairman, Chief Executive Officer and Director of Zenpure Corporation (United States); Zenpure Americas, Inc. (United States)
- Chairman and Director of Saint-Gobain Ceramics & Plastics, Inc. (United States)
- Chairman of Saint-Gobain Cristaux & Détecteurs; Saint-Gobain Performance Plastics Europe; Saint-Gobain Centre De Recherche et d'Etudes Européen; Saint-Gobain Quartz SAS; Saint-Gobain Coating Solutions; Savoie Réfractaires; Saint-Gobain Matériaux Céramiques; Saint-Gobain Consulting Information and Organization; Saint-Gobain Performance Plastics France; Valoref; Société Européenne des Produits Réfractaires – S.E.P.R.
- Chief Executive Officer and Director of Saint-Gobain Solar Gard, LLC (United States)
- Deputy Director of Saint-Gobain Archives
- Director of Z-tech, LLC (United States); Phoenix Coating Resources, Inc. (United States); Saint-Gobain Hycomp, LLC (United States); Carborundum Ventures, Inc. (United States); Fluocabron Components, Inc. (United States); Saint-Gobain Performance Plastics Corporation (United States); Saint-Gobain Abrasives, Inc. (United States); Saint-Gobain Solar Gard Australia Pty, Ltd (Australia); Saint-Gobain High Performance Materials UK Limited (United Kingdom)
- Saint-Gobain Tm K.K (Japan)
- Saint-Gobain K.K. (Japan)
- Saint-Gobain Advanced Ceramics (Shanghai) Co Ltd (China)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP – POSITIONS HELD IN THE SAINT-GOBAIN GROUP

- Chairman of the Board of Directors of Sepr Italia SpA (Italy) until march 2019
- Director of Farecla Products Ltd (United Kingdom) until January 2019; Saint-Gobain Performance Plastics Rencol Limited (United Kingdom) until January 2019; Saint-Gobain (China) Investment Co., Ltd (China) until June 2016
- Chairman and Chief Executive Officer of Phoenix Coating Resources, Inc. (United States) until January 2017; Z-tech, LLC (United States) until January 2017
- Chairman of Vertec until January 2016; Spafi – Société de Participations Financières et Industrielles until January 2016
- Chairman of the Board of Directors of International Saint-Gobain (Switzerland) until September 2016
- Director of: Saint-Gobain Performance Plastic H-old SpA (Spain) until March 2019; Verlona until May 2016; Saint-Gobain Pam until January 2016; Saint-Gobain Bénélux (Belgium) until January 2016

8.2.5 Summary table of authorizations for the Board of Directors submitted for approval at the Annual General Meeting

The proposed authorizations to be granted by shareholders to the Board of Directors are summarized below.

Type of authorization	Date of authorization Term and expiration	Ceiling *(maximum nominal amount of capital increases and maximum principal amount of debt securities authorized)*
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may not be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (16th resolution) 26 months, i.e., until July 22, 2021	€20 million €1.8 billion (debt securities)
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may not be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (17th resolution) 26 months, i.e., until July 22, 2021	€8 million(1) €1.8 billion (debt securities)(2)
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may not be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (18th resolution) 26 months, i.e., until July 22, 2021	€8 million(1)(3) €1.8 billion (debt securities)(2)(4)
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may not be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (19th resolution) 26 months, i.e., until July 22, 2021	€8 million(1)(3) €1.8 billion (debt securities)(2)(4)
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 16th, 17th, 18th or 19th resolutions), which may not be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (20th resolution) 26 months, i.e., until July 22, 2021	15% of the original issue(5)
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may not be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (21st resolution) 26 months, i.e., until July 22, 2021	€12.5 million(1)
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may only be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (22nd resolution) 26 months, i.e., until July 22, 2021	€8 million(1) €2 billion (debt securities)(2)
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may only be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (23rd resolution) 26 months, i.e., until July 22, 2021	€8 million(1)(3)(6) €1.8 billion (debt securities)(2)(4)(7)
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may only be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (24th resolution) 26 months, i.e., until July 22, 2021	€8 million(1)(3)(6)(8) €1.8 billion (debt securities)(2)(4)(9)
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may only be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (25th resolution) 26 months, i.e., until July 22, 2021	€8 million(1)(3)(6)(8) €1.8 billion (debt securities)(2)(4)(9)
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 22nd, 23rd, 24th or 27th resolutions), which may only be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (26th resolution) 26 months, i.e., until July 22, 2021	15% of the original issue(10)

Type of authorization	Date of authorization Term and expiration	Ceiling (maximum nominal amount of capital increases and maximum principal amount of debt securities authorized)
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may only be used during, or in the run-up to, a public offer for the Company's shares	May 23, 2019 AGM (27th resolution) 26 months, i.e., until July 22, 2021	€8 million(1)(6)
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares to employees who are members of a Group employee savings plan, without pre-emptive subscription rights for existing shareholders	May 23, 2019 AGM (28th resolution) 26 months, i.e., until July 22, 2021	1% of the Company's capital(1)
Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares	May 23, 2019 AGM (29th resolution) 24 months, i.e., until May 22, 2021	10% of the Company's capital
Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Group entities, with a waiver of shareholders' pre-emptive subscription rights	May 23, 2019 AGM (30th resolution) 26 months, i.e., until July 22, 2021	0.40% of the Company's capital at the grant date

(1) This amount is included in the €20 million ceiling for capital increases set in the 16th resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(2) This amount is included in the €1.8 billion ceiling for issues of debt securities set in the 16th resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(3) This amount is included in the €8 million ceiling for capital increases set in the 17th resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(4) This amount is included in the €1.8 billion ceiling for issues of debt securities set in the 17th resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(5) The ceilings applicable to the 16th, 17th, 18th and 19th resolutions submitted to the shareholders' vote at the May 23, 2019 AGM still apply if the option provided for in the 20th resolution of that AGM is used.

(6) This amount is included in the €8 million ceiling for capital increases set in the 22nd resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(7) This amount is included in the €2 billion ceiling for issues of debt securities set in the 22nd resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(8) This amount is included in the €8 million ceiling for capital increases set in the 23rd resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(9) This amount is included in the €1.8 billion ceiling for issues of debt securities set in the 23rd resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

(10) The ceilings applicable to the 22nd, 23rd, 24th and 25th resolutions submitted to the shareholders' vote at the May 23, 2019 AGM still apply if the option provided for in the 26th of that AGM resolution is used.

(11) This amount is included in the €8 million ceiling for capital increases set in the 18th resolution submitted to the shareholders' vote at the May 23, 2019 AGM.

8.2.6 Summary table of financial authorizations in force, already granted to the Board of Directors

The financial authorizations in force, already granted by shareholders to the Board of Directors, are summarized below.

Type of authorization	Date of authorization Term and expiration	Ceiling *(maximum nominal amount of capital increases and maximum principal amount of debt securities authorized)*	Amount used at December 31, 2018
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (17th resolution) 26 months, i.e., until August 14, 2019	€20 million €2 billion (debt securities)	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (18th resolution) 26 months, i.e., until August 14, 2019	€8 million(1) €1.8 billion (debt securities)(2)	None
Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (19th resolution) 26 months, i.e., until August 14, 2019	€8 million(1)(3) €1.8 billion (debt securities)(2)(4)	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (20th resolution) 26 months, i.e., until August 14, 2019	€8 million(1)(3) €1.8 billion (debt securities)(2)(4)	**Amount used at Dec. 31, 2018:** €699,999,983.10 **Amount remaining at Dec. 31, 2018:** €1,100,000,016.90
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 17th, 18th, 19th or 20th resolutions), which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (21st resolution) 26 months, i.e., until August 14, 2019	15% of the original issue(5)	None
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (22nd resolution) 26 months, i.e., until August 14, 2019	€12.5 million(1)	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (23rd resolution) 26 months, i.e., until August 14, 2019	€8 million(1) €2 billion (debt securities)(2)	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (24th resolution) 26 months, i.e., until August 14, 2019	€8 million(1)(3)(6) €1.8 billion (debt securities)(2)(4)(7)	None
Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (25th resolution) 26 months, i.e., until August 14, 2019	€8 million(1)(3)(6)(8) €1.8 billion (debt securities)(2)(4)(9)	None

Type of authorization	Date of authorization Term and expiration	Ceiling (maximum nominal amount of capital increases and maximum principal amount of debt securities authorized)	Amount used at December 31, 2018
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (26th resolution) 26 months, i.e., until August 14, 2019	€8 million(1)(3)(6)(8) €1.8 billion (debt securities)(2)(4)(9)	None
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 23rd, 24th, 25th or 26th resolutions), which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (27th resolution) 26 months, i.e., until August 14, 2019	15% of the original issue(10)	None
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (28th resolution) 26 months, i.e., until August 14, 2019	€8 million(1)(6)	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares to employees who are members of a Group employee savings plan, without pre-emptive subscription rights for existing shareholders	June 15, 2017 AGM (29th resolution) 26 months, i.e., until August 14, 2019	1% of the Company's capital(1)	None
Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares	June 15, 2017 AGM (30th resolution) 24 months, i.e., until June 14, 2019	10% of the Company's capital	None
Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Group entities, with a waiver of shareholders' pre-emptive subscription rights	May 25, 2018 AGM (17th resolution) 26 months, i.e., until July 24, 2020	0.40% of the Company's capital at the grant date	**Amount used at Dec. 31, 2018:** 0.13% of the Company's capital **Amount remaining at Dec. 31, 2018:** 0.27% of the Company's capital
Authorization for the Board of Directors to issue Class A Preferred Shares in the event of a public exchange offer initiated by the Company	June 15, 2017 AGM (33rd resolution) 26 months, i.e., until August 14, 2019	€8 million(1)(3)(11)	**Amount used at Dec. 31, 2018:** €5,330,211.60 **Amount remaining at Dec. 31, 2018:** €2,669,788.40

(1) This amount is included in the €20 million ceiling for capital increases set in the 17th resolution of the June 15, 2017 AGM.
(2) This amount is included in the €2 billion ceiling for issues of debt securities set in the 17th resolution of the June 15, 2017 AGM.
(3) This amount is included in the €8 million ceiling for capital increases set in the 18th resolution of the June 15, 2017 AGM.
(4) This amount is included in the €1.8 billion ceiling for issues of debt securities set in the 18th resolution of the June 15, 2017 AGM.
(5) The ceilings applicable to the 17th, 18th, 19th and 20th resolutions of the June 15, 2017 AGM will still apply if the option provided for in the 21st resolution of that AGM is used.
(6) This amount is included in the €8 million ceiling for capital increases set in the 23rd resolution of the June 15, 2017 AGM.
(7) This amount is included in the €2 billion ceiling for issues of debt securities set in the 23rd resolution of the June 15, 2017 AGM.
(8) This amount is included in the €8 million ceiling for capital increases set in the 24th resolution of the June 15, 2017 AGM.
(9) This amount is included in the €1.8 billion ceiling for issues of debt securities set in the 24th resolution of the June 15, 2017 AGM.
(10) The ceilings applicable to the 23rd, 24th, 25th and 26th resolutions of the June 15, 2017 AGM will still apply if the option provided for in the 27th resolution of that AGM is used.
(11) This amount is included in the €8 million ceiling for capital increases set in the 19th resolution of the June 15, 2017 AGM.

8.3 STATUTORY AUDITORS' REPORTS

8.3.1 Statutory Auditors' special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code *(Code de commerce)*, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements and commitments submitted for approval by the Annual General Meeting

We hereby inform you that we were not advised of any agreements or commitments authorized and entered into by the Board of Directors during the year to be submitted for the approval of the Annual General Meeting in accordance with Article L.225-38 of the French Commercial Code.

Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments authorized in previous years and having continuing effect during the year

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in prior years, remained in force during the year.

1. With the French State, ArianeGroup Holding (AGH) and CNES, in the presence of Safran

Persons concerned

The French State (shareholder holding more than 10% of the Company's voting rights).

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, and Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

Nature, purpose, terms and conditions

Arianespace framework protocol

The CNES (French National Space Studies Center), the French State and AGH, in the presence of Airbus Group and Safran, signed the Arianespace Framework Protocol, which relates to the buying back by AGH of Arianespace shares and Ariane brand names held by CNES and establishes the principal terms and conditions of the sale to AGH of Arianespace shares held by CNES, as well as the parties' declarations and commitments. In its capacity as a shareholder of AGH, Safran undertakes to ensure that AGH fully complies with said agreement.

The protocol would provide for a new operating framework for European launchers.

The signature of the protocol was authorized by the Board of Directors on December 17, 2015. It was signed on February 8, 2016 and approved by the Annual General Meeting of May 19, 2016. It subsequently entered into force on June 30, 2016.

2. With Ross McInnes, Chairman of the Board of Directors

Nature, purpose, terms and conditions

Continuation of the personal risk insurance coverage for the Chairman of the Board of Directors

On April 23, 2015, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors decided to authorize Ross McInnes to continue to be covered by the personal risk insurance plan set up for all Safran Group employees, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary under the plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer, as decided by the Board of Directors at its July 27, 2011 meeting. This includes, as decided by the Board of Directors at its December 17, 2014 meeting, the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015.

The contributions to the plans are based on the compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors.

This commitment was approved the Annual General Meeting of May 19, 2016.

The corresponding expense recorded in the 2018 financial statements in respect of this agreement amounted to €6,302.

3. With Philippe Petitcolin, Chief Executive Officer

Nature, purpose, terms and conditions

Continuation of the personal risk insurance coverage for the Chief Executive Officer

On April 23, 2015, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors decided to authorize Philippe Petitcolin to continue to be covered by the personal risk insurance plan set up for all Safran Group employees, subject to the same terms and conditions as the other plan members. Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as a Company employee. This includes the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015.

The contributions to the plans are based on the compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

This commitment was approved the Annual General Meeting of May 19, 2016.

The corresponding expense recorded in the 2018 financial statements in respect of this agreement amounted to €6,088.

Supplementary pension system for the Chief Executive Officer

On March 23, 2017, the Board of Directors decided to change Safran's supplementary pension system. In this context:

- This defined benefit plan (Article 39 Plan) was closed to new entrants and existing entitlements frozen as from December 31, 2016;
- To compensate for the closure of this plan, a defined contribution plan was set up (Article 82 Plan) for senior managers in France, effective from January 1, 2017:

Voluntary collective defined contribution plan (Article 82 Plan)

Unlike for the defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits. It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives *(hors statut)* whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short-term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue under the plan, the Company is required to:

- pay monthly contributions to an insurer, the rate of which is set based on the beneficiary's reference compensation for Y-1 (Insurer Contribution) and which may represent up to 12.7% of that reference compensation;
- pay a cash amount to the beneficiary corresponding to the Insurer Contribution (Additional Payment) so that the beneficiary can pay the applicable tax (the plan provides for up-front taxation so that the capital accrued and received on retirement is net of tax and social security contributions).

The above payments are borne in full by the Company and are subject to social security contributions in the same way as salaries.

Closing the defined benefit plan (Article 39 Plan) to new entrants and freezing existing entitlements

When Philippe Petitcolin was appointed as Chief Executive Officer on April 23, 2015, the Board of Directors decided to authorize him to continue to be a beneficiary of Safran's defined benefit supplementary pension plan set up pursuant to Article 39 of the French Tax Code (Code général des impôts), subject to the same terms and conditions as the other plan members. The Chief Executive Officer was previously a beneficiary under the plan in his former capacity as an employee. The commitment given by the company to enable Mr. Petitcolin to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016. This plan is now closed to new entrants and the benefit entitlements have been frozen, including for the Chief Executive Officer. However, he could still be eligible for the pension entitlement he had accrued at December 31, 2016 provided the applicable terms and conditions are met, it being specified that:

- the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions);
- the seniority taken into account for the plan – which represents an additional 1.8% of the reference compensation per year of service, capped at 18% – will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date. Consequently, the seniority taken into account for the Chief Executive Officer will correspond to 18%.
- the overall replacement rate may not exceed 35% of the reference compensation.
- the supplementary pension annuity is capped at three times the annual social security ceiling (PASS) in force at the date that the general social security retirement pension is paid;
- the payment of this supplementary pension annuity is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

At its meeting on March 23, 2017, the Board of Directors decided that the Chief Executive Officer could be a beneficiary under the new supplementary pension plan system. These commitments were approved by the Annual General Meeting of June 15, 2017 in its 5th resolution.

Concerning the Article 82 Plan, the Insurer Contribution and the Additional Payment to the Chief Executive Officer for 2018 amounted to €171,349.44 each (i.e., a total of €342,698.88).

4. With a pool of banks including BNP Paribas

Person concerned

Monique Cohen, a Director of Safran and BNP Paribas.

Nature, purpose, terms and conditions

Agreement relating to a credit facility

This agreement was authorized by the Board of Directors on October 29, 2015 and signed on December 4, 2015.

The facility amounts to €2,520 million and has a five-year term with two successive one-year extension options. It was granted by a pool of fifteen banks, including BNP Paribas, whose proportion of the facility is the same as that of the other banks which are parties to the agreement.

Both one-year extension options have been exercised, extending the term to December 2022.

This revolving credit facility was put in place to ensure that the Group will have sufficient liquidity over the medium term and to enable it to cover its general financing requirements. By refinancing and replacing two existing facilities with shorter terms than the new facility, the Group was able to take advantage of the current favorable market interest rates.

It was approved by shareholders at the May 19, 2016 Annual General Meeting.

In respect of 2018, a €202,627.38 expense was recorded in Safran's financial statements corresponding to BNP Paribas' share of the no-use fee (split between lenders based on their respective commitments).

5. With the French State (shareholder holding more than 10% of the Company's voting rights)

Persons concerned

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, and Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

Nature, purpose, terms and conditions

ArianeGroup Holding (AGH) Agreement, Arianespace Agreement, Pre-emption Agreement, addendum no. 6 to the agreement of December 21, 2004 and addendum to the Environmental Guarantee Agreement (EGA)

On June 30, 2016, your Company and Airbus Group finalized the combination, carried out in two stages, of their launch vehicle business into Airbus Safran Launchers Holding (since renamed ArianeGroup Holding [AGH]) and its wholly-owned subsidiary Airbus Safran Launchers (since renamed ArianeGroup SAS [AGH SAS]).

In the first half of 2016, the following agreements and addendums, indivisible agreements that are required to establish the combination, were signed with the French State:

- AGH Agreement;
- Arianespace Agreement;
- Pre-emption Agreement;
- addendum no. 6 to the agreement of December 21, 2004;
- addendum to the Environmental Guarantee Agreement (EGA).

The AGH Agreement, the Arianespace Agreement and the Pre-emption Agreement as well as addendum no. 6 to the agreement of December 21, 2004 were authorized by the Board of Directors on December 17, 2015. They were signed on June 24, 2016 and entered into force on June 30, 2016. They were subsequently approved by the Annual General Meeting of June 15, 2017.

Effective from June 30, 2016, the protection of the French State's strategic interests is ensured via:

- **the AGH Agreement**: an agreement between the French State and AGH relating to protected assets and strategic subsidiaries and interests, entered into in the presence of Safran and Airbus Group; and
- **the Arianespace Agreement**: an agreement between the French State and AGH relating to Arianespace Participation and Arianespace SA shares, entered into in the presence of Safran and Airbus Group.

The following agreements were entered into at the same time:

- **the Pre-emption Agreement**: an agreement between Safran, Airbus Group SE and the French State, which sets out the conditions under which Airbus Group SE and Safran may exercise a pre-emptive right on the shares of the other partner in AGH if the French State exercises any of the call options granted to it by Airbus Group and Safran. The French State may only buy back AGH shares once the pre-emptive rights of Safran and Airbus have been used or expire.
- **addendum no. 6 to the agreement of December 21, 2004 between Safran and the French State:**

  This addendum dated December 21, 2004 was approved by shareholders at the May 11, 2005 Annual General Meeting. The agreement, as amended or supplemented by the three addendums signed in 2011 and approved at the May 31, 2012 Annual General Meeting and the two addendums signed in 2014 and approved at the April 23, 2015 Annual General Meeting as well as addendum no. 6, provided that:

  - the French State shall be entitled to appoint a non-voting representative to the Safran Board of Directors should its interest in the Company's share capital fall below 10%;
  - the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries and subsidiaries holding assets with a connection to French combat aircraft engines;
  - the French State shall have a prior right of approval over (i) sales of certain strategic or defense sensitive assets, and (ii) acquisitions of interests resulting in crossing certain ownership or voting rights thresholds in your Company and other Group entities that own sensitive strategic assets.

The agreement of December 21, 2004 as amended by the six addendums, remained in force until March 22, 2018, when it was superseded by the Agreement of March 22, 2018 between your Company and the French State.

Moreover, the **EGA Addendum**, an addendum to an Environmental Guarantee Agreement (EGA) with SNPE authorized by the Board of Directors on December 17, 2015, was signed on May 17, 2016 and entered into force on June 30, 2016. It was subsequently approved by the Annual General Meeting of June 15, 2017. Some sites transferred to AGH, as part of the above described business combination, are covered by an Environmental Guarantee Agreement (EGA) granted to Safran by SNPE and counter-guaranteed by the French State. With the French State's approval, the addendum to the EGA was entered into between SNPE, AGH and Safran in order to transfer the benefit of the EGA to AGH for said sites (Safran being substituted by AGH).

Agreements and commitments approved during the year

We were informed of the implementation during the year of the following agreements and commitments, already approved by the May 25, 2018 Annual General Meeting, as indicated in the Statutory Auditors' special report of March 27, 2018.

1. With Ross McInnes, Chairman of the Board of Directors

Nature, purpose, terms and conditions

The Chairman of your Company was a beneficiary of the two defined contribution supplementary pension plans set up in France pursuant to Article 83 of the French Tax Code for senior executives of the Group:

- the Safran SA Article 83 Core Plan approved in accordance with the procedure applicable to related-party commitments by way of a decision of the Board of Directors on April 23, 2015 and by the shareholders at the May 19, 2016 Annual General Meeting;
- the Article 83 Additional Plan set up in 2017, approved in accordance with the procedure applicable to relatedparty commitments by way of a decision of the Board of Directors on March 23, 2017 and were submitted for a shareholder vote at the June 15, 2017 Annual General Meeting.

Two amendments were made to the two Article 83 plans at the end of 2017 following a collective bargaining process with the

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relevant trade unions, were amended in order to harmonize Group-wide in France this major element of the compensation packages of French managerial staff.

The substance of the commitments relating to the Article 83 plans was not changed and the overall rates of contributions paid under the two new plans do not lead to any increase in the benefit entitlement in substance. However, the pension benefit commitments have, on a separate and individual basis, been amended and replaced by a new system, their form has been altered as follows:

The Safran SA Article 83 Core Plan was replaced by a new Group-level Article 83 Core Plan by way of an agreement signed by your Group on November 6, 2017.

This new Group-level agreement provides:

- for the plan to be financed through employer contributions corresponding to the following rates of the various tranches of beneficiaries' compensation: 1.5% of Tranche A, 4% of Tranches B and C and no contributions on Tranche D (whereas the previous plan was financed through employer contributions amounting to 2% of the beneficiaries' gross compensation, with no cap, i.e., including on Tranche D);
- expressly that its provisions "will automatically replace all of the provisions in force in all consolidated companies" (including Safran SA).

The Article 83 Additional Plan was amended and replaced by way of a new unilateral decision taken by your Company, which provides:

- for the contribution rates for the Article 83 Additional Plan to be changed to 6.5% on Tranche A and 4% on Tranches B and C;
- that this plan "[...] replaces the plan set up on January 1, 2017" and that the Chairman and the Chief Executive Officer will be beneficiaries of the plan subject to the prior approval of the Board of Directors in accordance with the procedure for related-party agreements.

On February 26, 2018, your Board of Directors decided that the Chairman could be a beneficiary of the new Article 83 defined contribution supplementary pension plan system effective from January 1, 2018 under the same terms and conditions as the other managerial-grade staff who are beneficiaries under the system. The new Article 83 defined contribution supplementary pension plan system includes the following:

- the Group's Article 83 Core Plan signed on November 6, 2017, which replaces your Company's previous plan with effect from January 1, 2018; and
- the Article 83 Additional Plan set up by way of a unilateral decision made by your Company, which replaces the previous plan with effect from January 1, 2018.

This commitment was approved the Annual General Meeting of May 25, 2018.

The expenses recorded by your Company in the 2018 financial statements relating to the contributions paid for Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €11,721 and €13,708, respectively.

2. With Philippe Petitcolin, Chief Executive Officer

Nature, purpose, terms and conditions

The Chief Executive Officer of your Company was a beneficiary of the two defined contribution supplementary pension plans set up in France pursuant to Article 83 of the French Tax Code for senior executives of the Group:

- the Safran SA Article 83 Core Plan approved in accordance with the procedure applicable to related-party commitments by way of a decision of the Board of Directors on April 23, 2015 and by the shareholders at the May 19, 2016 Annual General Meeting;
- the Article 83 Additional Plan set up in 2017, approved in accordance with the procedure applicable to related-party commitments by way of a decision of the Board of Directors on March 23, 2017 and were submitted for a shareholder vote at the June 15, 2017 Annual General Meeting.

In late 2017, further changes, identical to those described above for the Chairman, were made to these two Article 83 plans.

On February 26, 2018, the Board of Directors decided that the Chief Executive Officer could be a beneficiary of the new Article 83 defined contribution supplementary pension plan system effective from January 1, 2018 under the same terms and conditions as the other managerial-grade staff who are beneficiaries under the system. The new Article 83 defined contribution supplementary pension plan system includes the following:

- the Group's Article 83 Core Plan signed on November 6, 2017, which replaces your Company's previous plan with effect from January 1, 2018; and
- the Article 83 Additional Plan set up by way of a unilateral decision made by your Company, which replaces the previous plan with effect from January 1, 2018.

This commitment was approved the Annual General Meeting of May 25, 2018.

The expenses recorded by your Company in the 2018 financial statements relating to the contributions paid for Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €27,614 and €13,708, respectively.

3. With the French State (shareholder holding more than 10% of the Company's voting rights)

Persons concerned

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, and Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

Nature, purpose, terms and conditions

Consolidation and update of the 2004 agreement related to strategic defense assets and subsidiaries and its addendums in a single document

When Snecma was privatized following its merger with Sagem, the French State agreed to waive its right, pursuant to Article 10 of the privatization act of August 6, 1986, to take a golden share in Snecma, provided that equivalent contractual rights were granted in an agreement.

In order to protect France's national interests and preserve the country's national independence, the French State therefore entered into an agreement on December 21, 2004 with Sagem and Snecma related to strategic defense assets and subsidiaries (the "2004 Agreement"). The 2004 Agreement is designed to (i) give the French State control over the ownership and, where applicable, the devolution of all or part of certain assets and shares of subsidiaries or other equity investments held by the companies party to the 2004 Agreement, combined with certain acquisition thresholds, and (ii) to give the French State rights of representation on the governing bodies of the strategic subsidiaries and subsidiaries holding assets related to French combat aircraft engines.

The merger between Snecma and Sagem which created Safran in 2005 and the various transactions completed by Safran since then have significantly changed the Group's scope, prompting Safran and the French State to amend the 2004 Agreement through a series of six successive addendums.

Safran and the French State wished to consolidate the 2004 Agreement and its amendments into a single document (the "Agreement") and to update its contents.

The Agreement supersedes the 2004 Agreement, and notably provides as follows:

On corporate governance matters:

- Safran's competent bodies shall be invited to appoint the French State as a Director if its interest in the Company's share capital is less than 10% but more than 1%;
- Safran's competent bodies shall in addition be invited to appoint a member proposed by the French State to the Board of Directors if its interest in the Company's share capital is more than 5%;
- at the request of the French State, the Board of Directors shall be invited to appoint one of the persons referred to above to any Board committee that may be set up for the purpose of addressing matters directly related to its rights under the Agreement;
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries (Safran Ceramics and Safran Power Units) and subsidiaries owning sensitive defense assets.

On strategic or sensitive defense assets and the entities that hold such assets:

- the French State shall have a prior right of approval over:
  - sales of assets (other than those that do not affect the defense activities) owned by strategic subsidiaries and accordingly identified as strategic; sales of shares in strategic subsidiaries Safran Ceramics and Safran Power Units; and sales of shares in ArianeGroup Holding,
  - sales by Group companies of certain assets identified as defense sensitive (such as engines, components and systems, high precision inertial navigation and missile guidance systems, financed directly or indirectly by the French Defense Ministry) owned by Group entities,
  - sales of shares in Safran Electronics & Defense, which owns sensitive defense assets,
  - acquisitions by Group companies of interests resulting in a holding of more than 33.33 % or more than 50% of the share capital or voting rights of the other Group companies that own sensitive defense assets,
  - projects conferring special management or information rights over strategic or sensitive defense assets or rights of representation on the administrative or management bodies of Safran Ceramics, Safran Power Units, ArianeGroup Holding or another entity owning sensitive defense assets controlled by Safran,
- the French State's failure to respond within a period of 30 business days shall be deemed to constitute agreement, except in the case of proposals to sell shares in ArianeGroup Holding, in which case failure to respond shall be deemed to constitute refusal;
- the French State shall be informed beforehand of any proposal by a strategic subsidiary or an entity controlled by Safran that owns sensitive defense assets, to sell assets that do not fall into these protected categories but whose sale could have a material impact on the independent management on French territory of the entity's strategic assets or sensitive defense assets;
- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries Safran Ceramics and Safran Power Units and the stake in ArianeGroup Holding at a price to be set by a panel of experts.

The Agreement was authorized by the Board of Directors at its meeting on March 22, 2018. It was signed by your Company on March 26, 2018.

It was approved by shareholders at the May 25, 2018 Annual General Meeting.

Agreements and commitments authorized and signed in prior years but not approved by the Annual General Meeting

We hereby report to you on the following commitment which was authorized and entered into during 2017 and was not approved by the Annual General Meeting of June 15, 2017.

With Ross McInnes, Chairman of the Board of Directors

Nature, purpose, terms and conditions

Supplementary pension plan for the Chairman of the Board of Directors

On March 23, 2017, the Board of Directors decided to change Safran's supplementary pension system. In this context:

- This defined benefit plan (Article 39 Plan) was closed to new entrants and existing entitlements frozen as from December 31, 2016.
- To compensate for the closure of this plan, a defined contribution plan was set up (Article 82 Plan) for senior managers in France, effective from January 1, 2017:

Voluntary collective defined contribution plan (Article 82 Plan)

Unlike for the defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits. It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives *(hors statut)* whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short-term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue under the plan, the Company is required to:

- pay monthly contributions to an insurer, the rate of which is set based on the beneficiary's reference compensation for Y-1 (Insurer Contribution) and which may represent up to 12.7% of that reference compensation;
- pay a cash amount to the beneficiary corresponding to the Insurer Contribution (Additional Payment) so that the beneficiary can pay the applicable tax (the plan provides for up-front taxation so that the capital accrued and received on retirement is net of tax and social security contributions).

The above payments are borne in full by the Company and are subject to social security contributions in the same way as salaries.

Closing the defined benefit plan (Article 39) to new entrants and freezing existing entitlements

When Ross McInnes was appointed as Chairman on April 23, 2015, the Board of Directors decided to authorize him to continue to be a beneficiary of Safran's defined benefit supplementary pension plan set up pursuant to Article 39 of the French Tax Code, subject to the same terms and conditions as the other plan members. The Chairman was previously a beneficiary under the plan in his former capacity as Deputy Chief Executive Officer. The commitment given by the company to enable Mr. Petitcolin to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016. This plan is now closed to new entrants and the benefit entitlements have been frozen, including for the Chairman. However, he could still be eligible for the pension entitlement he had accrued at December 31, 2016 provided the applicable terms and conditions are met, it being specified that:

- the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions);
- the seniority taken into account for the plan – which represents an additional 1.8% of the reference compensation per year of service, capped at 18% – will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date. Consequently, the seniority taken into account for the Chairman will correspond to 14%.
- The overall replacement rate may not exceed 35% of the reference compensation.
- the supplementary pension annuity is capped at three times the annual social security ceiling (PASS) in force at the date that the general social security retirement pension is paid;
- the payment of this supplementary pension annuity is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

At its meeting on March 23, 2017, the Board of Directors decided that the Chairman could be a beneficiary under the new supplementary pension plan system. These commitments were rejected by the Annual General Meeting of June 15, 2017 in its 4th resolution. On the recommendation of the Appointments and Compensation Committee, at its July 27, 2017 meeting, the Board of Directors ratified its decision of March 23, 2017 to include the Chairman as a beneficiary under the new supplementary pension plan system, subject to the same terms and conditions as the other managerial-grade staff who are beneficiaries under the system.

Concerning the Article 82 Plan, the Insurer Contribution and the Additional Payment to the Chairman for 2018 amounted to €12,897.48 each (i.e., a total of €25,794.96).

Courbevoie and Paris-La Défense, March 27, 2019

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Gaël Lamant	Christophe Berrard	Jean-Roch Varon	Nicolas Macé

8.3.2 Statutory Auditors' reports on the proposed authorizations presented to the Annual General Meeting of May 23, 2019

8.3.2.1 Statutory Auditors' report on the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and/or securities carrying rights to shares (sixteenth, seventeenth, eighteenth, nineteenth, twenty-second, twenty-third, twenty-fourth and twenty-fifth resolutions)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. 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 our capacity as Statutory Auditors of your Company and in compliance with Articles L.228-92 and L.225-135 *et seq.* of the French Commercial Code *(Code de commerce)*, we hereby report on the proposed delegation to the Board of Directors of various issues of ordinary shares and/or securities carrying rights to shares, an operation on which you are called to vote.

The Board of Directors proposes that, on the basis of its report, it be authorized, with the ability to sub-delegate, for a maximum period of 26 months from the date of this Meeting, to carry out the following transactions and set the final conditions for these issues and proposes, where necessary, to cancel your pre-emptive subscription rights:

> Outside of periods during, or in the run-up to, a public offer for the Company's shares:
- issuing ordinary shares of your Company or securities carrying rights to ordinary shares existing or to be issued of your Company, without cancellation of pre-emptive subscription rights (sixteenth resolution),
- issuing by way of public offering ordinary shares of your Company or securities carrying rights to ordinary shares existing or to be issued of your Company, with cancellation of the pre-emptive subscription rights (seventeenth resolution),
- issuing shares or securities carrying rights to shares of your Company, in the event of a public exchange offer initiated by your Company (eighteenth resolution),
- issuing ordinary shares of your Company or securities carrying rights to ordinary shares existing or to be issued of your Company, within the scope of an offering set out in section II of Article L.411-2 of the French Monetary and Financial Code (Code monétaire et financier), with cancellation of pre-emptive subscription rights (nineteenth resolution).

> During, or in the run-up to, a public offer for the Company's shares:
- issuing ordinary shares of your Company or securities carrying rights to ordinary shares existing or to be issued of your Company, without cancellation of pre-emptive subscription rights (twenty-second resolution),
- issuing by way of public offering ordinary shares of your Company or securities carrying rights to ordinary shares existing or to be issued of your Company, with cancellation of the pre-emptive subscription rights (twenty-third resolution),
- issuing shares or securities carrying rights to shares of your Company, in the event of a public exchange offer initiated by your Company (twenty-fourth resolution),
- issuing ordinary shares of your Company or securities carrying rights to ordinary shares existing or to be issued of your Company, within the scope of an offering set out in section II of Article L.411-2 of the French Monetary and Financial Code, with cancellation of pre-emptive subscription rights (twenty-fifth resolution).

The maximum aggregate nominal amount of any capital increases likely to be realized immediately or in the future may not, according to the sixteenth resolution, exceed €20 million under the sixteenth to twenty-eighth (or on the basis of the delegations granted by any similar resolution that may supersede such resolution during the period of validity of the present delegation), it being specified that:
- the maximum aggregate nominal amount of any capital increases likely to be realized, individually and cumulatively, may not exceed €8 million according to the seventeenth to nineteenth resolutions,
- the maximum aggregate nominal amount of any capital increases likely to be realized, individually by authorization and cumulatively, may not exceed €8 million according to the twenty-third to twenty-fifth resolutions, this amount will count towards the sub-ceiling of €8 million set by the seventeenth and twenty-second resolutions.

The maximum aggregate nominal amount of any debt securities likely to be issued immediately or in the future may not, according to sixteenth resolution, exceed €1.8 billion under the sixteenth to twentieth resolutions and the twenty-second to the twenty-sixth resolutions (or on the basis of the delegations granted by any similar resolution that may supersede such resolution during the period of validity of the present delegation), it been specified that:
- the nominal amount of any debt securities likely to be issued, may not, individually and cumulatively, exceed €1.8 billion according to the seventeenth to nineteenth resolutions,
- the nominal amount of any debt securities likely to be issued, individually by authorization and cumulatively, may not exceed €1.8 billion according to the twenty-third to twenty-fifth resolutions, this amount will count towards the sub-ceiling of €1.8 billion set by the seventeenth to twenty-second resolutions.

These caps take into account the number of shares to be created within the scope of the implementation of the delegations referred to in the sixteenth, seventeenth, eighteenth and nineteenth resolutions if you vote in favor of the twentieth resolution and within the scope of the implementation of the delegations referred in the twenty-second, twenty-third, twenty-fourth and twenty-fifth resolutions, if you vote in favor of the twenty-sixth resolution, in accordance with the provisions of Article L.225-135-1 of the French Commercial Code.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R.225-113 *et seq.* of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of pre-emptive subscription rights and on certain other disclosures relating to the issues contained in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French National Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to these operations and the methods used to determine the issue price of the capital securities to be issued.

Subject to a subsequent examination of the conditions for the proposed issues, we have no matters to report as to the methods used to determine the issue price of the capital securities to be issued provided in the Board of Directors' report in respect of the seventeenth, nineteenth, twenty-third and twenty-fifth resolutions.

Furthermore, as this report does not specify the conditions for determining the issue price of the capital securities to be issued within the scope of the implementation of the sixteenth, eighteenth, twenty-second and twenty-fourth resolutions, we cannot report on the choice of constituent elements used to determine the issue price.

As the issue price of the capital securities has not yet been determined, we cannot report on the final conditions for the issue, and, consequently, on the cancellation of pre-emptive subscription rights proposed in the seventeenth, nineteenth, twenty-third and twenty-fifth resolutions.

In accordance with Article R.225-116 of the French Commercial Code, we will issue a supplementary report if necessary when your Board of Directors has used the delegations in the event of issues of securities that are equity securities that give access to other equity securities or carry rights to the allocation of debt securities, in the event of issues of securities that give access to equity securities to be issued and in the event of issues of ordinary shares with cancellation of the pre-emptive subscription rights.

Courbevoie and Paris-La Défense, March 27, 2019

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Gaël Lamant	Christophe Berrard	Jean-Roch Varon	Nicolas Macé

8.3.2.2 Statutory Auditors' report on the share capital increase reserved for employees who are members of Group employee savings plans (twenty-eighth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. 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 our capacity as Statutory Auditors of your Company and in compliance with Articles L.225-135 *et seq.* of the French Commercial Code *(Code de commerce)*, we hereby report on the proposed delegation of authority to the Board of Directors to carry out a capital increase by means of the issue of ordinary shares with cancellation of pre-emptive subscription rights, reserved for employees of the Company, or of companies related to it within the meaning of Article L.225-180 of the French Commercial Code, who are members of Group savings plans or of any company savings plan existing within your Group, an operation on which you are called to vote.

The maximum nominal amount of any capital increase(s) carried out under this authorization would not represent over 1% of the Company's capital at the date of the Board of Directors' decision to carry out the issue. This ceiling shall be included in the blanket ceiling of €20 million applicable to capital increases as defined in the sixteenth resolution of this Annual General Meeting.

This capital increase is submitted for your approval in accordance with Article L.225-129-6 of the French Commercial Code and Articles L.3332 18 *et seq.* of the French Labor Code *(Code du travail)*.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of 26 months from the date of this Meeting, to decide on whether to proceed to carry out one or more capital increases, and proposes to cancel your pre-emptive subscription rights to ordinary shares to be issued. If necessary, the Board of Directors will determine the final conditions of this operation.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of pre-emptive subscription rights and on certain other disclosures relating to the share issue contained in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation and the methods used to determine the issue price.

Subject to a subsequent examination of the conditions for the capital increase that would be decided, we have no matters to report as to the methods used to determine the issue price for the ordinary shares to be issued provided in the Board of Directors' report.

As the final conditions of the capital increase have not yet been determined, we cannot report on the final conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with Article R.225-116 of the French Commercial Code, we will issue a supplementary report, if necessary, when your Board of Directors has used this authorization.

Courbevoie and Paris-La Défense, March 27, 2019

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Gaël Lamant	Christophe Berrard	Jean-Roch Varon	Nicolas Macé

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8.3.2.3 Statutory Auditors' report on the share capital decrease (twenty-ninth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. 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 our capacity as Statutory Auditors of your Company and in compliance with Article L.225-209 of the French Commercial Code *(Code de commerce)*, in respect of the share capital decrease by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions for the proposed capital reduction.

The Board of Directors proposes that it be granted full powers, for a period of 24 months from the date of this Meeting, to cancel, on one or more occasions, the shares purchased under the Company's share buyback program, pursuant to an authorization granted within the framework of the above-mentioned article, up to a maximum of 10% of the share capital per 24-month period.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* for this type of engagement. These procedures consisted in verifying that the reasons for and the terms and conditions of the proposed capital reduction, which is not considered to affect shareholders, comply with the applicable legal provisions.

We have no matters to report on the reasons for and terms and conditions of the proposed capital reduction.

Courbevoie and Paris-La Défense, March 27, 2019

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Gaël Lamant	Christophe Berrard	Jean-Roch Varon	Nicolas Macé

8.3.2.4 Statutory Auditors' special report on the authorization to grant new or existing shares, free of consideration (thirtieth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. 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 our capacity as Statutory Auditors of your Company and in compliance with Article L.225-197-1 of the French Commercial Code *(Code de commerce)*, we hereby report on the proposed authorization to grant new or existing shares of the Company, free of consideration, to (i) employees or certain categories of employees of the Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code, and (ii) corporate officers of your Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code (except for the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law, which is submitted for your approval.

The total number of existing or new shares granted free of consideration pursuant to this authorization may not exceed (i) 0.4% of the Company's capital at the date of the Board of Directors' decision to grant free shares, or (ii) two thirds of this percentage in any given fiscal year.

The shares granted pursuant to this authorization will be subject to performance conditions set by the Board of Directors based on the recommendations of the Appointments and Compensation Committee and assessed over a minimum period of three consecutive fiscal years, including the year of grant.

For each grant of free shares, any shares granted to the Company's corporate officers in accordance with the conditions provided for by law may not represent more than 5% of the total number of shares making up the grant (per corporate officer). Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of 26 months from the date of this Meeting, to grant new or existing shares, free of consideration.

It is the responsibility of the Board of Directors to prepare a report on the proposed operation. It is our responsibility to report to you on the information provided to you on the proposed operation.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement. These procedures consisted mainly in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed authorization to grant new or existing shares of the Company, free of consideration.

Courbevoie and Paris-La Défense, March 27, 2019

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Gaël Lamant	Christophe Berrard	Jean-Roch Varon	Nicolas Macé

ADDITIONAL INFORMATION

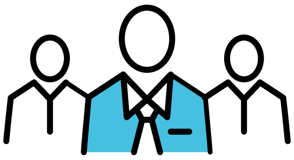
9

IN BRIEF

PERSONS RESPONSIBLE

Person responsible for the Registration Document
Philippe Petitcolin
Chief Executive Officer

Person responsible for the financial information
Bernard Delpit
Chief Financial Officer



STATUTORY AUDITORS

Statutory Auditors
Mazars
61, rue Henri-Regnault
92400 Courbevoie

Ernst & Young et Autres
1-2, place des Saisons
Paris-La Défense 1
92400 Courbevoie

The terms of office of the Statutory Auditors will expire at the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021

CROSS-REFERENCE TABLES

9.1 PERSONS RESPONSIBLE

9.1.1 Person responsible for the Registration Document

Philippe Petitcolin

Chief Executive Officer of Safran

9.1.2 Declaration by the person responsible for the Registration Document

"I hereby declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings in the consolidation taken as a whole, and that the management report (the cross-reference table for which is shown in section 9.5.1) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings in the consolidation taken as a whole, and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the Statutory Auditors, Mazars and Ernst & Young et Autres, in which they state that they have audited the information contained in this document relating to the financial position and the financial statements contained herewithin, and that they have read this document in its entirety."

Paris, March 29, 2019

Chief Executive Officer,

Philippe Petitcolin

9.1.3 Person responsible for the financial information

Bernard Delpit

Chief Financial Officer

Telephone: +33 (0)1 40 60 81 24

Email: bernard.delpit@safrangroup.com

9.2 STATUTORY AUDITORS

For the period covered by the historical financial information, Safran's Statutory Auditors are as follows:

Statutory Auditors

Mazars	Ernst & Young et Autres
Represented by:	Represented by:
Gaël Lamant and Christophe Berrard	**Jean-Roch Varon and Nicolas Macé**
61, rue Henri-Regnault – 92400 Courbevoie	1-2, place des Saisons – Paris-La Défense 1 – 92400 Courbevoie
> Start date of first term of office: May 19, 2016 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)	> Start date of first term of office: May 19, 2016 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)
> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021	> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021

Mazars and Ernst & Young are members of the Versailles regional auditing body *(Compagnie régionale des commissaires aux comptes de Versailles)*.

Alternate auditors

Gilles Rainaut	Auditex
60, rue du Général-Leclerc – 92100 Boulogne-Billancourt	1-2, place des Saisons – Paris-La Défense 1 – 92400 Courbevoie
> Start date of first term of office: May 19, 2016 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)	> Start date of first term of office: May 19, 2016 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)
> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021	> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021

New terms of office and non-renewal

None.

9.3 HISTORICAL FINANCIAL INFORMATION

In accordance with Article 28 of Regulation (EC) 809/2004 of the European Commission, the following information is incorporated by reference in this Registration Document:

For 2017

The information required in the management report is presented in section 9.5.1, the consolidated and parent company financial statements are presented in sections 3.1 and 3.3 and the corresponding Statutory Auditors' reports are presented in sections 3.2 and 3.4 of the 2017 Registration Document, which was filed with the AMF on March 29, 2018 under number D.18-0225.

For 2016

The information required in the management report is presented in section 8.4.1, the consolidated and parent company financial statements are presented in sections 3.1 and 3.3 and the corresponding Statutory Auditors' reports are presented in sections 3.2 and 3.4 of the 2016 Registration Document, which was filed with the AMF on March 30, 2017 under number D.17-0275.

List of regulatory information published over the last 12 months

The list of regulatory information published by the Group from January 1, 2018 to the date of filing of this Registration Document on March 29, 2019, is available on the Group's corporate website at: www.safran-group.com/finance/regulated-information

Date of latest financial information

December 31, 2017.

9.4 DOCUMENTS ON DISPLAY

Availability of documents and information concerning the Company

Safran's legal documents that must be made available to shareholders, in accordance with the applicable regulations, may be consulted at the registered office located at 2, boulevard du Général-Martial-Valin, 75015 Paris.

Safran provides its shareholders with a wide range of tools for the frequent communication of transparent and accessible information on the Group, its businesses and its results. The Group website (www.safran-group.com) contains information for the public, such as presentations to analysts, financial press releases, and registration documents (last five years).

9.5 CROSS-REFERENCE TABLES

9.5.1 Share Registration Document cross-reference table

This Registration Document includes the information to be included in registration documents as set out in Annex 1 of EC Regulation No. 809/2004.

The following table presents the cross-references between the two documents.

	EC Regulation No. 809/2004 Annex 1 headings	Section(s)	Pages
1	**Persons responsible**		
1.1	Name and positions of the persons responsible	9.1.1	401
1.2	Declaration by the persons responsible	9.1.2	401
2	**Statutory Auditors**		
2.1	Names and addresses of the issuer's auditors	9.2	402
2.2	Change in auditors, where applicable	9.2	402
3	**Selected financial information**		
3.1	Historical financial information	Results of operations	4
3.2	Interim financial information	N/A	N/A
4	**Risk factors**	4	196 - 211
5	**Information about the issuer**		
5.1	History and development of the issuer		
5.1.1	Legal and commercial name of the issuer	7.1.1	325
5.1.2	Place of registration of the issuer and its registration number	7.1.1	325
5.1.3	Date of incorporation and the length of life of the issuer	7.1.1	325
5.1.4	Domicile and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	7.1.1	325
5.1.5	Important events in the development of the issuer's business	1.1.1	13 - 14
5.2	Investments		
5.2.1	Past principal investments	1.1.1, and 1.5.5, 1.6.2 and 1.7	13 - 14, 42, 43, 44
5.2.2	Principal investments in progress	1.6.2	43
5.2.3	Future principal investments	1.5	36 - 42

	EC Regulation No. 809/2004 Annex 1 headings	Section(s)	Pages
6	**Business overview**		
6.1	Principal activities		
6.1.1	Nature of the issuer's operations and its principal activities	1.1.4 and 1.3	16, 18 - 36
6.1.2	New products	1.3 and 2.1.3	18 - 36, 56 - 70
6.2	Principal markets	1.3, 2.1.3 and 3.1 Note 5	18 - 36, 110 - 114
6.3	Exceptional factors	2.5	78
6.4	Extent to which the issuer is dependent on patents or licenses, industrial contracts or manufacturing processes	1.5.3	40
6.5	Competitive position	1.4	36
7	**Organizational structure**		
7.1	Brief description of the Group	1.1.2, 1.1.3 and 1.1.4	14 - 15, 15, 16
7.2	List of significant subsidiaries	1.1.3, 1.1.4 and 3.1 Note 37	15, 16, 160 - 163
8	**Property, plant and equipment**		
8.1	Material property, plant and equipment	1.7	44
8.2	Environmental issues	4.3.2.1 and 5.3	207 - 209, 238 - 242
9	**Operating and financial review**		
9.1	Financial position	2.1 and 2.2	51 - 70, 71 - 73
9.2	Operating results		
9.2.1	Significant factors materially affecting the issuer's income from operations	2.1	51 - 70
9.2.2	Explanation of material changes in net sales or revenue	2.1	51 - 70
9.2.3	Policies or factors that have materially affected, directly or indirectly, the issuer's operations	2.1	51 - 70
10	**Capital resources**		
10.1	Issuer's capital resources	3.1 Note 22 and 3.3 Note 3.7	135 - 136, 183 - 184
10.2	Source and amounts of cash flows	3.1 (including the statement of cash flows)	83 - 164
10.3	Borrowing requirements and the funding structure of the issuer	3.1 Note 26	142 - 145
10.4	Restrictions on the use of capital resources	N/A	N/A
10.5	Information regarding the anticipated sources of funds	2.2.3, 2.4 and 3.1 Notes 20 and 26	73, 77, 132, 142 - 145
11	**Research and development, patents and licenses**	1.5	36 - 42
12	**Trend information**		
12.1	Most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	N/A	N/A
12.2	Information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current fiscal year	2.4 and 2.6	77, 79
13	**Profit forecasts or estimates**	N/A	N/A
14	**Administrative, management, and supervisory bodies and executive management**		
14.1	Members of the administrative and management bodies	6.1 and 6.2	251 - 255, 256 - 287
14.2	Administrative and management bodies conflicts of interest	6.2.5	285

	EC Regulation No. 809/2004 Annex 1 headings	Section(s)	Pages
15	**Compensation and benefits**		
15.1	Compensation paid and benefits in kind	6.6.2	306 - 314
15.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	6.6.2	306 - 314
16	**Board practices**		
16.1	Date of expiration of the current terms of office	6.2.6.3	287
16.2	Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	6.2.5	285
16.3	Information about Board committees	6.3.4	291 - 296
16.4	Statement of compliance with the corporate governance regime in force	6.4	298
17	**Employees**		
17.1	Number and breakdown of employees	5.2.7	237
17.2	Shareholdings and stock options	6.2.2 and 6.6.4	308 - 312, 317 - 319
17.3	Arrangements for involving the employees in the capital of the issuer	5.2.3 and 7.3.7	231 - 233, 339
18	**Major shareholders**		
18.1	Major shareholders	7.3.1	336
18.2	Breakdown of voting rights	7.3.1	336
18.3	Controlling shareholder	7.3.5	338
18.4	Change in control	7.3.6	339
19	**Related-party transactions**	7.1.4	330 - 331
20	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
20.1	Historical financial information	3.1 and 3.3	80 - 195
20.2	Pro forma financial information	3.1 Note 3	101 - 108
20.3	Financial statements	3.1 and 3.3	80 - 195
20.4	Auditing of historical annual financial information		
20.4.1	Statement that the historical financial information has been audited	3.2, 3.4 and 9.3	165 - 170, 193 - 195, 402 - 403
20.4.2	Indication of other financial data that has been audited by the auditors	8.3	387 - 392
20.4.3	Indication of the source of the data and the absence of verification of the financial data appearing in the Registration Document that is not taken from the issuer's audited financial statements	N/A	N/A
20.5	Date of latest financial information	9.3	402 - 403
20.6	Interim and other financial information		
20.6.1	Quarterly or half-yearly financial information	N/A	N/A
20.6.2	Interim financial information	N/A	N/A
20.7	Dividend policy		
20.7.1	Amount of dividend	2.3.3 and 8.2.1	75 - 77, 347 - 359
20.8	Legal and arbitration proceedings	3.1 Note 35	159
20.9	Significant change in the issuer's financial or trading position	3.1 Note 36	159
21	**Additional information**		
21.1	Share capital		
21.1.1	Amount of issued capital	7.2.1 and 7.2.2.1	331, 332
21.1.2	Securities not representing capital	7.2.3	332
21.1.3	Shares held by the issuer	7.2.6	333
21.1.4	Convertible securities, exchangeable securities or securities with warrants	7.2.3.2	332

	EC Regulation No. 809/2004 Annex 1 headings	Section(s)	Pages
21.1.5	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	N/A	N/A
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	N/A	N/A
21.1.7	History of share capital	7.2.4	333
21.2	Bylaws		
21.2.1	Corporate purpose	7.1.1	325
21.2.2	Provisions of the issuer's bylaws with respect to administrative, management and supervisory bodies	7.1.2.1	326 - 327
21.2.3	Rights, preferential rights and restrictions attached to shares	7.1.2.2 and 7.1.2.3	328, 328
21.2.4	Change in shareholder rights	7.1.2.4	329
21.2.5	Notice of meeting and admission to Shareholders' Meetings	7.1.2.2	328
21.2.6	Change in control	7.1.2.6	329
21.2.7	Share ownership thresholds	7.1.2.5 and 7.3.4	329, 337 - 338
21.2.8	Description of conditions imposed by the bylaws governing changes in capital, where such conditions are more stringent than is required by law	7.1.2.4	329
22	**Material contracts**	7.1.4.2	330
23	**Third party information, statements by experts and declarations of interest**		
23.1	Statement or report attributed to a person as an expert	N/A	N/A
23.2	Information sourced from a third party	N/A	N/A
24	**Documents on display**	9.4	403
25	**Information on investments**	7.1.3, and 3.1 Note 33 and 3.3 Note 3.1	330, 155 - 156, 179 - 181

9.5.2 Annual Financial Report cross-reference table

This Registration Document includes the information contained in the Annual Financial Report mentioned in paragraph 1 of Article L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations.

The following table presents the cross-references between the two documents.

Annual Financial Report headings	Section(s)	Pages
Declaration by the person responsible	9.1.2	401
Board of Directors' management report	See cross-reference tables, 9.5.3 and 9.5.4	407, 408 - 409
Financial statements and reports		80 - 195
Parent company financial statements	3.3	170 - 195
Consolidated financial statements	3.1	83 - 164
Board of Directors' corporate governance report	6.7	320
Statutory Auditors' report on the Board of Directors' corporate governance report	3.4	193 - 195
Legal and arbitration proceedings	3.1 Note 35	159
Significant change in the issuer's financial or trading position	3.1 Note 36	159
Statutory Auditors' reports	3.2, 3.4 and 8.3	165 - 170, 193 - 195, 387 - 397
Audit fees	3.1 Note 38	164

9.5.3 Board of Directors' management report cross-reference table

This Registration Document includes the information contained in the Board of Directors' management report provided for by Articles L.225-100, L.225-100-2, L.225-102 and L.225-102-1 of the French Commercial Code.

The table below lists the references to excerpts of the Registration Document corresponding to the various sections of the management report as approved by the Board of Directors:

	Board of Directors' management report headings	Section(s)	Pages
1	**Group activities in 2018**	**Profile and 2.1**	**3, 51 - 70**
	Summary of key figures by business (adjusted data)	**Profile and 2.1.3**	**57 - 70**
2	**Human resources**		
2.1	Headcount	5.2.7	237
2.2	Human resources policy	5.2 and 5.2.1	228 - 230, 228 - 237
2.3	Labor relations	5.2.2	231
2.4	Statutory and optional profit-sharing schemes	5.2.3	231 - 233
2.5	Group employee savings plan and international Group employee savings plan	5.2.3	231 - 233
2.6	Importance of sub-contracting	5.1.6	224 - 226
2.7	Group andhics and values	5.1.1	217 - 220
3	**Non-financial information statement and duty of care plan**		
3.1	Non-financial information statement	5	212 - 247
3.2	Duty of care plan	5.1.7	226 - 227
4	**Research and development**		
4.1	Major technological focuses	1.5.1	37 - 39
4.2	Technical and scientific partnerships	1.5.2	39 - 40
4.3	Innovation and intellectual property	1.5.3	40
5	**Operating and financial position**		
5.1	Consolidated income statement	2.1.1, 2.2.1 and 3.1	51 - 53, 71 - 72, 83 - 164
5.2	Consolidated balance sheand	2.2.2 and 3.1	72, 83 - 164
5.3	Research and development expenditure	1.5.5	42
5.4	Information concerning supplier payment periods	2.3.3	75 - 77
5.5	Parent company financial statements	2.3 and 3.3	74 - 77, 170 - 195
5.6	Non-deductible expenses	2.3.3	75 - 77
5.7	Proposed appropriation of profit	2.3.3 and 8.2.1	75 - 77, 347 - 381
6	**Risk factors**		
6.1	Identified risk factors	4.2	200 - 202
6.2	General risk management policy	4.1	199 - 200
6.3	Insurance	4.3	203 - 210
6.4	Health, safandy and environmental risks	5.3	238 - 242
7	**Investments**	**7.1.3.2**	**330**
8	**Share capital and share ownership**		
8.1	Breakdown of share capital and voting rights	7.3.1	336
8.2	Shareholder agreements	7.3.5	338
8.3	Agreement with the French State	7.1.4.2	330 - 331
8.4	Undertaking to hold securities	7.3.6	339
8.5	Stock options	7.3.7.3	339
8.6	Free share grants	7.3.7.1	339
8.7	Share buyback programs	7.2.7	333 - 336
8.8	Safran share	7.5	341

	Board of Directors' management report headings	Section(s)	Pages
9	**Corporate officers**		
9.1	Terms of office and duties	6.2.2	260 - 279
9.2	Compensation and benefits	6.6	300 - 319
9.3	Transactions in the Company's shares	6.5.3	299
10	**Outlook for 2019 and significant subsequent events**	2.4, 2.6 and 3.1 Note 36	77, 79, 159
11	**Principal provisions of the bylaws**	7.1.2	326 - 329
Appendices			
Appendix 1	List of subsidiaries and investments	3.1 Note 37	160 - 163
Appendix 2	Five-year financial summary	2.3.3	75 - 77
Appendix 3	Authorizations granted by the AGM to the Board of Directors with respect to share capital increases	8.2.6	385 - 386
Appendix 4	Dividends paid over the past three years	2.3.3 and 8.2.1	75 - 77, 347 - 381

9.5.4 Corporate social responsibility cross-reference table

This Registration Document includes the labor, environmental and social information contained in the Board of Directors' management report in accordance with Article R.225-105-1 of the French Commercial Code.

The following table presents the cross-references between the two documents.

	Headings from Article R.225-105 of the French Commercial Code	Section(s)	Pages
1	**Labor information**		
1.1	**Employment**		
1.1.1	Total headcount and breakdown of employees by gender, age and region	5.2.7	237
1.1.2	New hires and departures	5.2.7	237
1.1.3	Compensation and changes in compensation	5.2.3	231 - 233
1.2	**Working hours**		
1.2.1	Organization of working hours	5.2.2 and 5.2.7	231, 237
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9.6 GLOSSARY

The glossary definitions have been drawn from the following sources:

- Verminen
- Safran

9.6.1 Financial terms

Bonds convertible and/or exchangeable for new and/or existing shares (OCÉANE)

OCÉANE bonds in France are convertible bonds that offer bondholders either newly issued shares or existing shares held in a portfolio, for example as a result of a share buyback. In practice, OCÉANE bonds are rarely redeemed in existing shares as this results in the recognition of a capital gain or loss.

Cash-generating units (CGUs)

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

Corporate governance

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled.

Corporate governance essentially involves balancing the interests of a company's many stakeholders, depending on a company's objectives.

Key stakeholders are shareholders who elect either the Board of Directors, which then grants a mandate to the management, or the Supervisory Board, which appoints members of the Management Board under various conditions specific to the legal status of the company concerned.

Other stakeholders include employees, suppliers, customers, banks and other lenders, the local community, the environment and third parties – in the broadest sense of the term – that may have dealings with the company on account of its businesses, behavior or achievements.

Corporate mutual funds

Corporate mutual funds, or *fonds commun de placement* (FCP), are a type of UCITS (undertakings for the collective investment in transferable securities).

Mutual funds have a specific legal status. A mutual fund is a collective of transferable securities which issues units (shares). It has no legal personality. Each shareholder has a co-ownership right to the fund's assets in proportion to the number of shares it holds in the fund.

Besides conventional mutual funds (money market, bond or share funds), commonly used by retail banks, certain "specific" mutual funds are associated with a greater degree of risk and are designed for well-informed investors (with the exception of corporate mutual funds [FCPE], which represent a sub-category in themselves).

Covenant

Covenants are designed to limit the effects of confiscation by shareholders of part of the value of receivables. There are commonly, but not always, four types of covenants concerning: investment policy, dividend policy, level of net debt and early repayment. Covenants are included in lending agreements and reduce management or shareholders' capacity to conduct certain operations without having received prior approval of the creditors. Failure to comply with these covenants results in the debt immediately falling due.

Depreciation/amortization

Depreciation/amortization is a means of recording an asset's decrease in value for accounting purposes.

Dilution

Dilution is the effect of a financial transaction carried out by a company (capital increase or reduction, acquisition, etc.) or of an instrument (convertible bond, stock warrant, stock option, etc.) that will result in a decrease either in the control held by existing shareholders, or in the company's profitability or other significant input. In contrast, accretion increases one or more of these inputs.

Dividend

A dividend is a payment made by a company to its shareholders. Shareholders are paid dividends without being required to provide any consideration in return, and remain owners of their shares. The opposite situation is termed a share buyback. The shareholders themselves can decide, at shareholders' meetings, whether or not they consider the company is able to pay dividends without harming its operations.

EBITDA

EBITDA, or earnings before interest, taxes, depreciation and amortization, represents a company's net earnings before subtracting interest expenses, taxes, depreciation and amortization and provisions for non-current assets (but after additions to provisions for inventories and trade receivables).

Equity

In accounting, capital, very similar to equity, represents the funds (liabilities) that belong to a company's shareholders, as opposed to debt owed to suppliers or banks for example. Capital is made up of share capital, reserves and retained earnings (profits not distributed as dividends), and profit for the fiscal year.

Equity is a slightly broader definition than capital, as it includes capital + issues of non-voting loan stock + contingent advances + rights of concession grantors. For most companies, equity and capital are virtually the same.

This notion is sometimes extended to "quasi equity", which includes stable sources of funds not qualifying as capital, such as current accounts with shareholders, non-voting loan stock and convertible bonds.

Financial covenant

Financial covenants require the company to respect certain financial ratios.

Foreign Corrupt Practices Act (FCPA)

The Foreign Corrupt Practices Act is a 1977 United States federal law prohibiting companies and their individual officers from influencing foreign officials with any personal payments or rewards. As this law has international ramifications, it is said to be of near-universal jurisdiction. The Act concerns any corrupt practices committed by a US or foreign company or individual, either physically based in the United States or simply listed on a stock market in the United States, or participating in any capacity whatsoever on a financial market regulated in the United States. The Act is notably enforced by the Office of Foreign Assets Control.

Forward rate agreement (FRA)

A forward rate agreement (FRA) is a derivative product used on monetary markets, traded over the counter between two counterparties, the purpose of which is to lock in a future interest rate on a specified principal amount at the date of the FRA for a stated period of time. The interest rate is calculated and published by a third party and will only be known at a future date.

Free cash flow

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

Goodwill

Goodwill is the cost to purchase a business minus the fair value of the identifiable assets and liabilities obtained in the purchase. Goodwill is shown as a specific intangible asset. Under IFRS or US GAAP, goodwill is to be tested for impairment each year and this may result in the recognition of an impairment loss. Under French GAAP, goodwill is amortized on a straight-line basis, commonly over a period of between 5 and 40 years, and most frequently between 10 and 20 years. However, in some cases, goodwill may be allocated to the acquirer's consolidated equity, in which case it is no longer included as a separate caption.

Institutional investor

Institutional investors are savings organizations whose obligations and/or assets are governed by laws and regulations. The return on their investments allow them to service their obligations in the medium or long term.

The singularity of institutional investors lies in the fact that they cannot directly access the capital they invest; they act on behalf of rights holders with which they have signed an agreement. Consequently, the management of any such assets is highly regulated and institutionalized.

Institutional investors are therefore different from (financial or non-financial) companies, which may hold on a proprietary basis various financial assets for short- or long-term investment.

The assets managed by institutional investors generally represent significant sums of money (around €1 billion).

Interest rate swaps

An interest rate swap involves an exchange of interest rates (but not capital) between two parties. It is particularly suited to managing a company's long-term interest rate risk. The swap market has seen fast-paced growth in recent years. Banks now play a decisive role in the swap market. Corporate cash managers appreciate the flexibility of a swap, which allows them to choose the term, the benchmark floating rate and notional amount of the instrument. A swap between a bank and a company can be settled at any time by calculating the present value of the fixed interest payments at the market interest rate compared to the initial notional amount. Swaps are also frequently used to manage interest rate risk on floating- or fixed-rate assets.

Knock-out barrier

Turbo warrants have two main features: an exercise price and a knock-out barrier.

- The exercise – or strike – price is used to determine the value of the turbo warrant.

- The knock-out barrier, as its name suggests, represents the level at which the warrant expires and can be hit at any time while the underlying instrument is traded. When the underlying instrument hits the barrier, the warrant expires ahead of term and can no longer be traded.

Minimum coupon

A coupon payment is the interest regularly paid to bondholders. Coupons may be paid at fairly long intervals or are sometimes capitalized and only paid once on the bond maturity date (zero-coupon bond).

Money market open-ended investment scheme (SICAV)

Like mutual funds, SICAV open-ended collective investment schemes are a type of undertaking for the collective investment in transferable securities (UCITS).

A SICAV is a company that pools the risks and rewards of an investment in transferable securities (shares, bonds etc.), negotiable debt securities, repos and other financial instruments authorized either by the regulations or by the SICAV's bylaws. From the standpoint of French law, SICAVs are legal entities. The company has a Board of Directors and its shareholders have a right to vote at Annual General Meetings.

The SICAV is set up by a credit institution (sponsor) and a custodian which is responsible for ensuring the due and proper nature of management decisions.

Money market SICAVs are investment schemes that are invested in cash.

They tend to benefit from highly stable capital and steady growth in value, and an exit from the fund is permitted at any time.

Money market SICAVs mainly comprise:

> short-term negotiable debt securities and treasury bills;
> short-term bonds (bonds nearing maturity, and therefore with low risk of fluctuations in value) at fixed or floating rates.

Money market SICAVs are used to invest cash or capital that cannot yet be used for other purposes, over a very short period and at a low risk and similar performance to the money market.

They are either:

- conventional money market SICAVs maturing in three months or less;
- "dynamic" money market SICAVs with a maturity of up to two years.

The term of the products making up each money market SICAV will determine the fund's sensitivity to changes in the money market rate. For the most sensitive funds, a slight share of the risk increases the potential yield.

Companies are required to recognize a capital gain upon the sale of money market SICAVs.

The return offered by these monetary SICAVs consists of an increase in the daily net asset value close to that offered by the money market.

Net debt

Net debt is the difference between financial debt and cash, cash equivalents and short-term investments.

Non-recurring income (loss)

Non-recurring income (loss) is a notion used in European accounting. It represents the income or loss derived by a company from one-off events that arose in the fiscal year in question. Non-recurring income (loss) only takes into account non-recurring items. Non-recurring income can include income earned on management transactions (e.g., the unexpected collection of a debt written off) or corporate actions (e.g., proceeds from sales of an asset such as a subsidiary, plant, production machinery, etc.). Similarly, non-recurring expenses can include expenses incurred on management transactions (e.g., restructuring costs) or capital transactions (e.g., residual value after accumulated depreciation of assets sold).

Non-voting loan stock

Non-voting loan stock represents a marketable security that confers neither voting nor ownership rights. In this sense, non-voting loan stock resembles an investment certificate.

Non-voting loan stock offers individuals or investors who are not partners/shareholders the opportunity to invest an unlimited amount in a company for potentially attractive returns.

Non-voting loan stock is particularly well suited for financing a company's organic or acquisition-led growth and is treated as equity.

OPCVM

OPCVM are a French form of UCITS (undertakings for the collective investment in transferable securities) whose funds are invested in transferable securities or other financial instruments.

Operating income (loss)

Operating income (loss) is the income or loss derived by a company from the ordinary use of its factors of production. Operating income (loss) does not include financial income and expenses, non-recurring items, employee profit-sharing or income tax.

Profit attributable to owners of the parent (attributable profit)

Profit attributable to owners of the parent (attributable profit) corresponds to consolidated profit less non-controlling interests in the profit of fully consolidated companies. Attributable profit can exceed aggregate profit when fully consolidated subsidiaries with non-controlling interests report losses.

Public exchange offer

In finance, a public tender offer is an operation launched by a company, financial group or other private institution in the form of a proposal made to the public to purchase, exchange or sell certain shares in a company in accordance with specific procedures that are regulated and controlled by stock market authorities, notably in terms of financial information to be published (in France by the AMF or in the United States by the SEC).

Public tender offers can take the form of a cash tender offer (*offre publique d'achat*, or OPA), an exchange offer (*offre publique d'échange*, or OPE) in which shares are offered as consideration instead of cash, an offer in cash and in shares (*offre publique mixte*), and an alternative offer (*offre publique alternative*) in cash or in shares.

Rating agency

A credit rating agency is a company that assigns credit ratings which rate the ability of a debtor – a company or local authority – to pay back a debt.

Recurring operating income

This represents operating income excluding non-recurring items that are no longer separated from recurring items under IFRS, a significant obstacle when analyzing this metric. Under IFRS, recurring operating income is therefore published by companies as an alternative performance measure.

Shared services center (SSC)

A shared services center is a center that provides operational services for several companies, sites or entities within a given group.

By delegating repetitive, low added-value operational tasks to an SSC, corporate departments can focus on tasks with higher added value.

A shared services center can include services relating to an entity's different internal departments, or may be dedicated to a specific function (finance, human resources, purchasing, legal, aftermarket services, etc.).

Term

The term of fixed-income instruments such as bonds is the average life of the associated cash flows, weighted by their present value. The longer the term of the instrument, the greater the risk.

Treasury shares

Treasury shares arise when a first company controls a second company that holds shares in the capital of the first company. To limit the impact of holding treasury shares, the voting rights attached to the shares are canceled. During a public tender offer, no changes may be made to the treasury share structure of the target company (increase in capital, reclassification of capital into "friendly hands").

UK Bribery Act (UKBA)

The UK Bribery Act 2010 establishes company liability for corrupt acts committed by persons acting on behalf of the company. It is described as the strictest corporate anti-corruption legislation in the world – going beyond the already extremely tough US equivalent, the 1977 Foreign Corrupt Practices Act in several respects. The UKBA was part of a major global step to reinforce the fight against corruption and legislation is likely to be further stepped up under the impetus of the OECD.

The UKBA was adopted by the Parliament of the United Kingdom on April 8, 2010 and came into force on July 1, 2011. This UK law repeals and replaces previous provisions by the four crimes of:

- bribery;
- being bribed;
- the bribery of foreign public officials; and
- the failure of a commercial organization to prevent bribery on its behalf.

This last crime brought in a new liability offense for companies, focusing on prevention rather than just repression. As a result, legal entities are required to put in place internal rules and procedures to prevent corruption (“adequate procedures”). In France, this is taken up by Article 8 of the Act relating to transparency, anti-corruption measures and modernization of the economy. Guidance on adequate procedures was published by the UK Ministry of Justice on March 30, 2011.

Like the FCPA in the United States, the UKBA contains certain provisions with near-universal jurisdiction, allowing for the prosecution of an individual or company with links to the United Kingdom, regardless of where the crime occurred.

US Private Placement (USPP)

A USPP is a private placement of bonds in the United States and is an alternative means of financing to conventional bonds or bank loans. A USPP involves a small number of qualified investors not listed on the market.

Weighted average cost of capital (WACC)

The weighted average cost of capital (WACC) is a financial metric that represents the average annual yield expected by shareholders and creditors on their investment.

WACC measures a company’s ability to put the capital provided to it by shareholders/investors to best use. It is an essential metric for identifying worthwhile future investments. WACC is calculated as the average cost of a company’s capital and financial debt, i.e., the financial resources available for its investments.

In development projects or projects to upgrade industrial facilities, the discount rate – used in the calculations to assess the return on a project – is based on each entity’s specific WACC. WACC is calculated by the Finance department. However, WACC as determined for activities exposed to market price uncertainties and volatility differs from the lower-risk WACC for “regulated” activities or long-term purchase agreements. WACC also varies depending on the country in which the investment is made. To simplify, for the net present value to be positive, the internal rate of return (IRR) must be higher than the WACC calculated: this means that the project considered will increase the value of the company.

For investments in a new company, WACC provides information for partners/shareholders on the appropriateness of the investment; for creditors, WACC is a measure of the risk they take in extending credit to the company.

Working capital (WC)

Working capital (WC) is a measure of the financial resources a company needs to cover gaps in liquidity caused by timing differences between outflows (operating expenses needed for production) and inflows (sales of goods and services) related to its activities. When inflows exceed outflows, this is known as “positive” working capital.

9.6.2 Technical terms

Additive manufacturing

ASTM International defines additive manufacturing as the use of computer-aided design to build objects layer by layer, as opposed to traditional manufacturing, which involves cutting, drilling or grinding away unwanted excess from a solid piece of material. Additive manufacturing is the industry term for what is more commonly known to as 3D printing.

Afterburner (or reheat)

An afterburner, or reheat, is a system used in military supersonic aircraft to provide a temporary boost in thrust. Afterburning involves injecting and igniting additional fuel downstream of the turbine. The additional thrust is especially useful during takeoff on short runways such as those on aircraft carriers, and in combat situations.

AEW&C (Airborne Early Warning & Control) system

An airborne early warning and control system is an airborne radar picket system designed to detect aircraft, ships and vehicles at long ranges and perform command and control of the battlespace in an air engagement by directing fighter and attack aircraft strikes. AEW&C aircraft are used for air, sea and ground surveillance operations in a complex environment.

Attitude control

An attitude control system is an important spacecraft component (on an artificial satellite, space probe, space station or manned spacecraft). Its purpose is to control the attitude (meaning the orientation in space) of the spacecraft and its instruments and solar panels consistent with mission specifications. An attitude control system comprises sensors (to determine the spacecraft’s position), actuators (to reorient the vehicle) and software. Various technologies may be used. The attitude control system is a platform component on an artificial satellite.

Auxiliary power unit (APU)

In aeronautics, an auxiliary power unit (usually in the form of a turbogenerator) generates energy onboard an aircraft to power onboard systems (electrical power, pneumatic and hydraulic pressure, air conditioning) on the ground when the main engines are not running, thereby saving on fuel. APUs may or may not be used in flight. They are generally located at the rear of an aircraft, in the tail cone, and powered by jet fuel from the aircraft’s tanks. Depending on the type of aircraft, APUs generate pneumatic, hydraulic or electrical power for starting the aircraft’s engines.

Boundary layer ingestion

The boundary layer is the name given to the interface between a moving body and the fluid within which it moves. Viscosity effects are significant within the boundary layer, and this is an important consideration in fluid mechanics (aerodynamics, hydrodynamics), meteorology and oceanography.

In aerodynamics, this is an important factor in the performance of a lifting surface: for example, separation of the boundary layer from the surface of an aircraft wing causes a decrease in the lift and an increase in the drag of the wing, resulting in a significant decline in the aircraft's aerodynamic performance. Boundary layer separation occurs at large wing angles of incidence, as with the nose-up aircraft attitude on landing. If the angle is too wide, the boundary layer separates and causes an aerodynamic stall, where the lift is suddenly and drastically impaired. This phenomenon is behind many aircraft accidents, since loss of lift can lead to loss of control of an aircraft.

On some aircraft, there are small vanes fitted either to the wings or at the back of the fuselage, to produce a turbulent flow that impedes separation. These vanes are known as vortex generators.

Boundary layer effects can seriously disrupt the operation of a jet engine, owing to turbulence in the engine air intake flow, and to efficiency reductions arising from the slower air speed in the boundary layer. The problem does not arise when the air intake is at the front (in the aircraft nose) or when the jet engine is fitted in a nacelle under the wings, which is the case in the great majority of civil aircraft.

When the air inlet is located along the fuselage (as in military aircraft), it will often be separated from the fuselage to ensure it is outside the boundary layer. A metal plate may be fitted just in front of the air inlet to keep the boundary layer against the fuselage. This is known as a boundary layer plate.

Bypass ratio

In turbofan engines, the bypass ratio is the ratio between the mass flow rate of the bypass stream to the mass flow rate entering the core. For example, in a turbofan engine, the mass flow entering the core is the flow that contains the gas resulting from combustion of the air/fuel mix, which takes place in what is known as the engine "core". The mass flow of the bypass stream is non-combusted flow that does not go through the engine core.

Ceramic matrix materials

Ceramic matrix materials are robust and lightweight, made of ceramic fibers embedded in a ceramic matrix. Matrix and fibers can be in any ceramic material, including carbon.

Cobotics (collaborative robotics)

Cobotics is the term given to work performed jointly by humans and robots, i.e., a direct or remotely controlled interaction between humans and robots in pursuit of a common goal.

Cobotics is at the interface between human cognition (behavior, decisions, robustness and error management), biomechanics (modeling of the behavior and dynamics of movement) and robotics (use of instruments to produce reliable and/or repetitive mechanical behavior for industrial, military, agricultural, healthcare, collaborative purposes, etc.).

Cockpit

A cockpit or flight desk is the area of the aircraft reserved for the pilot, co-pilot and sometimes an onboard mechanic. It contains the controls and instruments that enable the pilot to fly the aircraft. It is usually situated at the front of an aircraft, affording the pilot a clear view ahead of the aircraft, but also below during landing and taxiing. On most airliners, the cockpit is separated from the cabin by a sealed partition and door.

Composite fan blade

Most turbofan engines have a fan located in front of the low-pressure compressor. This has large blades with varying angles of incidence from the root to the tip. The composite fan blade is a particularly sophisticated component, featuring a titanium leading edge bonded onto the 3D woven composite body. A crucial design point here concerns accurate prediction, by calculation, of the mechanical behavior of the fan blades.

Divert and attitude control systems (DACS)

Flight and attitude control system (see attitude control).

Electric taxiing

Electric taxiing enables aircraft to taxi at airports without having to use their main engines or call upon airport towing services. It primarily addresses economic and environmental challenges, such as reduction in kerosene consumption, CO_2 emissions and noise, and enables more fluid aircraft ground maneuvers.

Three companies including Safran are currently working on electric taxiing systems.

Fan casing

A casing is an enclosure that protects a mechanical system. It is usually sealed, containing the lubricant needed for the system to operate, or simply affording protection against the outside environment. It may be fitted with a filling and drainage aperture for cooling fins, an external lubricating system and a venting system.

FELIN integrated equipment suite

This combat system offers expanded capabilities in five areas: communication, observation, accuracy, protection, and soldier mobility and support. It also ensures enhanced compatibility with weapon systems, equipment, vehicles and aircraft.

Fire control

A fire control system is a network of components (usually comprising a gun data computer, a director and a radar) designed to help a weapon system hit its target. Fire control systems can be carried on fighter planes or tanks, or used as artillery support.

Flight control actuators

In aviation, flight controls constitute the interface between the pilot and the aerodynamic surfaces that determine the aircraft's trajectory. Flight controls comprise the piloting instruments (such as the control yoke), the actuators (hydraulic or electric cylinders) that operate the aerodynamic surfaces, and the transmission systems (of any degree of sophistication) that link the piloting instruments to the actuators.

Full Authority Digital Engine Control (FADEC)

FADEC is a cockpit interface for operating a turbojet, turboprop or turbo engine. It may also be found on certain piston-engine light aircraft, often with compression ignition.

It takes the form of a digital control system based on a computer with two symmetrical, full authority, full redundancy channels. Sensors and actuator electrics are duplicated (one for each channel). Only the hydraulic subsystems (pumps, servovalves, pressure generators) are not duplicated (non-redundant).

A FADEC system performs the following functions:

- flow regulation (fuel input and acceleration/deceleration control);
- automatic start-up;
- transmission of engine parameters to cockpit instruments;
- thrust control and oversight of operation within set limits;
- reverse thrust control.

Future Combat Air System (FCAS)

The Future Combat Air System (FCAS) refers to a joint European program to develop a new sixth-generation combat air system by 2040 with a wide array of interconnected and interoperable elements such as drones, and based largely on artificial intelligence.

Health monitoring

Health monitoring refers to a program for maintaining an aircraft fleet in proper working order while affording operational savings. It is an essential program for helicopter operators, providing valuable foresight on turbine failure risks, thereby reducing the number of unnecessary inspections, limiting major repairs, and reducing the cost of unplanned servicing. The health monitoring system uses an automated device to perform vibration measurements and Fast Fourier Transform (FFT) calculations. It is integrated in the FADEC suite (see definition) to determine the degree of wear in many different parts and schedule replacement accordingly.

Helicopter frame

A helicopter frame comprises the body and undercarriage unit (landing gear).

IFRS 15/16

IFRS 15 superseded IAS 11, “Construction Contracts” and IAS 18, “Revenue” when it came into force on January 1, 2018. Its impact on Safran’s consolidated financial statements is set out in section 3.1, notes 1.g and 3.a of this Registration Document.

In-Flight Entertainment (IFE) system

In-flight entertainment refers to the entertainment available to aircraft passengers during a flight.

Infrared thermography

Infrared thermography is the science of detecting infrared energy emitted from an object, converting it to apparent temperature, and displaying the result as an infrared image known as a thermogram.

Launcher

In cosmonautics, a launcher is a rocket used for placing a payload in orbit around the earth or into interplanetary space. The payload might be an artificial satellite placed into low earth orbit or geostationary orbit, or a space probe that leaves the earth’s gravitational field to explore the solar system.

Leading edge

The leading edge is the front-most edge of an airfoil section (aircraft wing, propeller, etc.), i.e., which penetrates the air. Along the leading edge, there is what is known as the stagnation point, about which the flow splits into two parts, passing along either side of the airfoil. This location of the stagnation point along the airfoil varies with the angle of incidence.

From a geometrical point of view, the leading edge is the portion of the airfoil profile which has the least radius of curvature. Independently of the flow, it defines the chord and the ensuing geometric properties such as chord length, camber and thickness.

On airfoil profiles intended for subsonic speeds, the leading edge has a wide radius (usually 1.5% of the chord). Supersonic airfoil sections have a much sharper angle of attack (a shorter radius).

Milestone

In project management, a milestone marks completion of a specific phase of work. This usually involves a major event, such as signing of a contract or launch of a product. A milestone is a scheduled and measurable event.

Modular air-to-ground weapon (AASM)

The AASM is a new-generation weapon that comprises a guidance kit and a range-extension kit to transform a bomb body into a precision air-to-ground weapon.

It is currently in service on Rafale fighters belonging to the French armed forces. This all-weather, jam-resistant weapon, features a long-range (60km at high altitudes) INS/GPS/laser system. It allows simultaneous, high-precision, multi-target mobile or fixed air-to-ground strikes.

Multifunction goggles

Multifunction goggles are portable optronics systems providing armed forces (infantry in particular) with enhanced visible and infrared surveillance, detection, pointing, identification and target designation capabilities. They are modular and interoperable, incorporating advanced technology devices such as sensors and GPS. They are designed for link-up to telecommunications networks and provide easy-to-use human-machine interfaces.

Nacelle

Nacelles are housings that hold the engines on a multi-engine aircraft. On medium- and long-haul aircraft, nacelles usually include the thrust reverser that brakes the aircraft on landing. A nacelle may be fixed either on the wing or on the fuselage, by means of a mast.

Narrow-body aircraft

A narrow-body (or standard-body) aircraft is a passenger aircraft with a cabin width of three to four meters in which seats are arranged from two to six abreast along a single aisle. Narrow-body aircraft cannot fly transatlantic or transcontinental flights, and are often known as short- or medium-haul aircraft.

They differ from wide-body aircraft in that their single aisle runs along the middle of the cabin.

Non-destructive testing (NDT)

Non-destructive testing refers to a range of methods for examining the soundness of a material, component or system without causing damage, during production, use or maintenance.

Nozzle

A nozzle ("propelling nozzle" in cosmonautics) is a pipe of varying cross-section placed at the rear of an engine producing hot combustion gases. It converts the heat energy of these gases into kinetic energy.

Optronics (and optronic sights)

As the name suggests, optronics (or optoelectronics) stands at the intersection of electronics and optics. Optronics systems usually comprise an optical sensor, an image processing system and a display or storage system.

Organic matrix composites

A composite material (or composite) is a combination of constituent materials of different properties, usually in the form of a framework held in a matrix. The framework, or reinforcement (usually in the form of fibers), provides mechanical stability, and is surrounded and supported by a binding agent known as a matrix.

Good mechanical stability and low density make composites a highly useful material in air transport (civil and military) and aerospace applications.

Plasma thruster

Plasma thrust is a form of electric propulsion. It involves high-speed ejection of xenon ions to generate thrust through a vacuum. Plasma thrusters can be used for placing and keeping satellites in orbit, or for sending exploratory probes into space.

Power electronics

Power electronics refers to a branch of electrical engineering concerned with converting electrical energy from one form to another, by means of converters.

This includes the design, production and maintenance of:

- high-power electrical components;
- structures, control systems and applications of power converters.

Power transmission systems

A power transmission system refers to a mechanical device that harnesses a portion of the engine's energy in order to power essential systems on the aircraft, such as hydraulics and electrics, and on the engine itself (oil, fuel and electricity).

Predictive maintenance

Predictive maintenance involves the scheduling of maintenance interventions before failures occur, by examining the condition of a system with respect to predefined threshold values.

According to French standard NF EN 13306 X 60-319, predictive maintenance is a condition-based maintenance performed on the basis of extrapolations from the analysis of significant deterioration parameters. The principle is to determine any manifest visible or non-visible signs of deterioration.

The challenge is knowing how to recognize these signs. To detect deterioration (physical, chemical, behavioral, electrical, etc.), special equipment is used to measure signs such as untoward changes in temperature, vibration, pressure, dimension, position, noise, etc.

Primary and secondary electric distribution systems

The primary distribution system concentrates the energy produced by all of the aircraft's available sources of power and makes it available for all electrical loads, using network reconfiguration intelligence.

The secondary distribution system provides power to equipment such as interior/exterior lighting and cabin ventilation, which the airframer wishes to be switchable at different flight stages.

Primary mirror

In astronomy, the primary mirror is the main light-gathering surface (the objective) of a reflecting telescope. Light gathered by the primary mirror is directed towards a focal point typically past the location of the secondary mirror. The diameter of a telescope is measured as the diameter of the primary mirror.

Propfan

A propfan, also known as an open rotor engine, is a type of aircraft engine in which the fan is mounted directly on the power turbine outside the nacelle. This has the advantage of increasing the bypass ratio and thereby reducing fuel consumption.

Quick-Response Quality Control (QRQC)

QRQC is a fast problem-solving management method that emphasizes constant vigilance and immediate response.

Research and development (R&D)

Research and development, or R&D, refers to a systematic corporate quest for knowledge (in human behavior, culture and society as well as in technologies as such) with a view to developing applications for this knowledge. It also encompasses fields such as statistics, economics, accounting and organization relating to these activities.

Research and technology (R&T)

Technological research follows on from scientific research groundwork. It involves developing industrial applications for scientific breakthroughs, which are not usually applicable to industrial processes directly. Adaptation to industrial conditions requires upstream work that usually involves experimentation. This work will cover:

- technical feasibility and technical processes;
- macroeconomic implications and long-term profitability;
- ecological and social impacts.

It is conducted by engineers assisted by teams of technicians in each of the fields concerned.

Reverse thrust

In aeronautics, reverse thrust refers to the temporary diversion of some or all of a propeller or jet engine's thrust so that it is directed forward rather than backward, thus decelerating the aircraft to shorten the landing distance.

Ring laser gyroscope

A ring laser gyroscope is a rotation sensor that uses the Sagnac effect to measure the shifting interference pattern of a beam split into two halves, as the two halves move around the ring in opposite directions. With their three gyroscopes, the inertial navigation systems found on certain ships, aircraft, satellites and submarines can measure the angular velocity of a mobile object in all three dimensions. Because of its greater accuracy, the ring laser gyroscope has replaced the mechanical gyroscopes used previously.

Rotating combustion chamber

A combustion chamber is an enclosure capable of withstanding the sudden and extreme changes in pressure and temperature caused by the deliberate combustion of specific chemicals. It is designed to transform the energy produced by this combustion into work, or force, prior to discharge of the exhaust gases.

Semiconductor industry

The semiconductor industry covers the design, manufacture and sale of semiconductor devices such as the integrated circuits that are used in all computer and other electronic systems. It is therefore vital to the production of goods and services in information and communications technologies. Integrated circuits are the core components of IT servers, data network routers and telephony equipment, for example.

Shaft horsepower (shp)

Shaft horsepower is the power delivered to a propeller or turbine shaft. The term is used to quantify the power of helicopter engines.

Short Take-off and Landing (STOL) aircraft

A short take-off and landing (STOL) aircraft is a fixed-wing aircraft capable of using short runways (usually less than 200 meters) to take off and land.

Stationary plasma thruster

A stationary plasma thruster, or Hall-effect thruster (HET), is a type of plasma thruster (generally ring-shaped) in which the propellant is accelerated by an electric field. It is known as a Hall-effect thruster because it traps electrons in a magnetic field for use in ionizing the propellant. These ions are then accelerated to produce thrust. The thruster falls within the category of electric propulsion for space systems.

Surface treatments

Surface treatments are mechanical, chemical, electrochemical or physical operations that modify the appearance or function of the surface of a material in order to adapt it to specified conditions of use.

Turbine

The turbine, a device that converts fluid flow into rotary motion, is a major aviation component. Turbine engines are used for powering helicopters and providing electrical energy onboard commercial aircraft. The Djinn helicopter made direct use of air compressed by a turbine to power its rotor, instead of using mechanical conversion.

Turbofan

A turbofan is a type of jet engine that reduces fuel consumption and increases thrust performance by taking in more air than is needed by the turbine. The additional air flow bypasses the turbine.

Vertical take-off and landing (VTOL) aircraft

A vertical take-off and landing (VTOL) aircraft is a fixed-wing aircraft that does not need the runway space usually required for take-off and landing. VTOL aircraft are sometimes known as hybrid or convertible aircraft, especially in the case of tiltrotor planes. The VTOL category does not extend to air balloons, airships or helicopters.

WEFA — Wireless Extension for Aircraft Condition Monitoring Systems (ACMS)

Flight data are essential in preparing reports for airworthiness authorities, and provide valuable input for improving aircraft performance and optimizing service life. The Aircraft Condition Monitoring Systems (ACMS) developed by Safran Electronics & Defense have very extensive data collection capabilities, making for highly efficient monitoring and management of flight systems and equipment, and of changes in flight conditions and aircraft operation. They are fully customizable, and can be programmed to anticipate risks of aircraft system failure. With the wireless extension, control units for Airbus and Boeing now have 3G flight data transmission capabilities.

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