

**2020
UNIVERSAL
REGISTRATION
DOCUMENT**

including the Annual Financial Report



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2020

UNIVERSAL REGISTRATION DOCUMENT

INCLUDING
THE ANNUAL FINANCIAL REPORT

The annual financial report included in the Universal Registration Document is a translation of the official version of the annual financial report in format ESEF (European Single Electronic Format) and is available on the issuer's website. This document is a translation into English of the Universal Registration Document of the Company issued in French and available on the website of the Issuer.



AUTORITÉ
DES MARCHÉS FINANCIERS
The Universal Registration Document in French was filed on March 31, 2021 with the French financial markets authority (*Autorité des marchés financiers* - AMF) as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of said Regulation. The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market together with any amendments, if applicable, and a securities note and summary approved by the AMF in accordance with Regulation (EU) 2017/1129. 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.



The Universal Registration
Document is available
on the website at
[safran-group.com](https://www.safran-group.com)

INTEGRATED REPORT

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LEAP



The Power of the Future



SAFRAN AT A GLANCE

2020 KEY FIGURES

3rd Global aerospace group, excluding airframers*

€16,498 million REVENUE⁽¹⁾
down 33.0% (down 32.5% on organic basis) on 2019

€1,686 million RECURRING OPERATING INCOME⁽¹⁾
down 55.9% (down 58.6% on organic basis) on 2019

€844 million PROFIT⁽¹⁾
(Group share)
down 68.3% on 2019

€1,073 million
FREE CASH FLOW

€2,792 million
NET DEBT

€449 million
CAPEX

€1,213 million
TOTAL R&D
(including customer-funded R&D)

78,892
EMPLOYEES
(at December 31, 2020)

Long-term credit rating: **BBB+ (with stable outlook)**

Our activities



AEROSPACE
PROPULSION



AIRCRAFT
EQUIPMENT/
DEFENSE/
AEROSYSTEMS



AIRCRAFT
INTERIORS

BREAKDOWN OF
REVENUE⁽¹⁾ BY SEGMENT

€7,633 million **€6,893 million** **€1,922 million**

BREAKDOWN OF
RECURRING OPERATING
INCOME⁽¹⁾ BY SEGMENT

€1,192 million **€687 million** **€(174) million**

BREAKDOWN OF
RECURRING OPERATING
MARGIN⁽¹⁾ BY SEGMENT

15.6% **10.0%** **(9.1)%**

* Classification criteria: revenue - Source: Safran.

(1) Adjusted data. See section 2.1.1 of the 2020 Universal Registration Document for a reconciliation of the consolidated income statement with the adjusted income statement and a breakdown of the adjustment.

IN 2021, SAFRAN WILL CONTINUE TO DRAW STRENGTH FROM ITS ADAPTABILITY

■ ■ Safran has robust fundamentals, and the Board of Directors stands firm in its support of the new Chief Executive Officer on Group-wide efforts to emerge from the crisis in stronger shape and face the future with confidence. The Board of Directors is fully aware of the strategic importance of the climate challenge, and will be working with the Director responsible for monitoring climate issues to ensure the Group achieves its climate roadmap. ■ ■

ROSS McINNES



In 2020, Safran published results that were as good as could be expected given the severe crisis affecting the aerospace industry, confirming the strength of its business model and the impact of the cost reduction measures taken during the year. While implementing the necessary health measures to enable a safe return to work for its employees, Safran reacted rapidly by accelerating the streamlining of its sites and demonstrating organizational flexibility.

Our business was heavily impacted by the crisis, with 2020 revenue down by 33.0% on 2019, at €16.5 billion. Despite the decline, Safran posted recurring operating income⁽¹⁾ of €1.7 billion (for a recurring operating margin⁽¹⁾ of 10.2%) and free cash flow of €1,073 million. Our financial targets for 2020, as reviewed in July 2020, were all reached.

Thanks to the commitment of its employees across the world, Safran swiftly implemented the adaptation plan drawn up in March, showing determination in the face of the crisis and adjusting its capacities to its customers' needs.

The total workforce fell by more than 16,500 people (over 21,000 including temporary staff), from around 95,400 employees at the end of 2019 to around 78,900 at the end of 2020. In France, the Group Activity Transformation Agreement signed in July brought in measures including long-term short-time working (covering up to 40% of working time), in order to preserve skills in production as well as research and technology. Safran also streamlined its industrial footprint, with a number of site closures and production transfers in several regions of the world.

Safran is committed to offering an effective response to the major challenge of climate change, which will prove an essential factor in the ongoing acceptability of air transport. Its strategy seeks to reduce greenhouse gas emissions from its operations and its products.

Innovation is a central feature of the major shift under way. With its broad coverage of aircraft systems, and propulsion systems in particular, Safran is capable of offering technological solutions.

EDITORIAL

Message from the Chairman
of the Board of Directors
ROSS McINNES
and the Chief Executive Officer
OLIVIER ANDRIÈS

■ ■ The total mobilization of all teams enabled Safran to tackle the crisis in 2020. Although uncertainties remain, notably for the first half of 2021, I am determined to push ahead with the ongoing efforts, and I am optimistic for the future of the Group, which will harness full strength from its assets once the recovery is underway. Leadership in low-carbon aviation is a priority, and Safran, as a leading aircraft engine and equipment manufacturer, has a central role to play in achieving the aerospace industry's carbon neutrality objectives by 2050. ■ ■

OLIVIER ANDRIÈS

Our priorities are to contribute to the development of a new generation of ultra-efficient short- and medium-haul aircraft for 2030-2035, powered by an ultra-efficient engine consuming 20% less fuel than the present-day LEAP® and running on up to 100% sustainable fuels. Another development area that will prove essential in meeting carbon neutrality objectives is that of electric and hybrid propulsion systems for short-distance flights.

In late February, Safran released its financial targets for 2021, a year of gradual recovery with back-end loaded in terms of business and profitability.

Air traffic at the start of the year confirms the need for caution in the first half of 2021, especially in service and spare parts activities, where a gradual pick-up is expected from the third quarter. In view of airframers' new production rates, especially on long-haul programs, Safran foresees a slight organic dip in original equipment sales for 2021.

The long-term outlook for Safran remains bright, because we are convinced that people will continue to need and want to travel.

In connecting people and countries, aviation is an accelerator of human and trading links.

Safran will leverage the quality of its many assets, which will together help to drive the recovery:

- LEAP, the engine of choice of airlines for fleet renewal and new investments;
- a young in-service fleet of second-generation CFM56® engines, widely used by airlines even in times of crisis, and the first to benefit from the coming recovery;
- leading global positions in the systems that will equip aircraft in the recovery phase, as customers' aircraft return to the air;
- technical and industrial credibility in Aircraft Interiors, which has restored customers' trust in the business despite being hard hit by the crisis;
- proven organizational agility (as with the introduction of long-term short-time working and teleworking).

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

Regards,

Ross McInnes and Olivier Andriès



(1) Adjusted data.

SAFRAN'S RESPONSE TO THE COVID-19 CRISIS

The magnitude and duration of the unprecedented Covid-19 crisis will have a lasting impact on the aerospace industry. The central scenario points to a very gradual recovery, driven by the short- and medium-haul segment, with air traffic expected to be back to 2019 levels by 2025.



1

Employee protection against Covid-19 and business continuity

The Group crisis management unit formed in January 2020 set two initial priorities: provide optimally safe working conditions for Safran employees, and ensure the continuity of essential businesses.

Safran adapted its work organization in rigorous compliance with the requirements set by governments in its host countries, applying strict health standards and social distancing measures, and even temporarily shutting down some sites for varying durations.

Safran managed to continue serving its customers, while ensuring the protection of its employees. Temporarily closed sites were reopened swiftly, with four sites remaining closed on October 16, 2020 (down from 14 on July 17 and 30 on May 18)⁽¹⁾.

(1) Including sites closed because of a decline in business.

(2) Calculated on the basis of aggregates published in Safran financial communications.

(3) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is the sum of recurring operating income plus net recurring and non-recurring amortization, provisions and depreciation.

* The bridge facility was fully canceled on March 16, 2021 following the March 4, 2021 signature of a long-term €500 million loan with the European Investment Bank, and the March 16, 2021 issue of €700 million in five-year bonds and €700 million in ten-year bonds.

2

Increased liquidity and sound balance sheet to navigate the crisis and finance ongoing business

SECURING LONG-TERM FINANCING

At end-2020, the bridge facility set up at the start of the crisis (April 22, 2020) for a maximum maturity of two years remained undrawn, and the initial amount of €3.0 billion was reduced to €1.4 billion*, with Safran refinancing more than 50% of the undrawn short-term facility with long-term debt (at 7-12 year terms):

- May 15, 2020: issue of €800 million of convertible bonds due May 15, 2027.
- June 29, 2020: issue of senior unsecured notes in euros and US dollars on the US private placement market (USPP), for the equivalent of €564 million (€282 million at 10 years and €282 million at 12 years).
- October 12, 2020: tap issue of €200 million in convertible bonds due May 15, 2027.

Safran also has a €2.52 billion undrawn credit facility available until December 2022.



MAIN FINANCIAL RATIOS ⁽²⁾

Net debt/EBITDA ⁽³⁾

1.13

Net debt/total equity

21.9%

GROUP PROFILE

3

Rapid, proactive implementation of adaptation plan, lowering Safran's breakeven point

| Action | Achievements (in 2020) |
|---|--|
| Workforce resized in line with Company needs | <p>Global workforce reduction of more than 16,500 people, over 21,000 including temporary staff, at end-2020.</p> <p>In France, signature of the Activity Transformation Agreement in July 2020 with all trade unions at Group level, running to the end of 2021 and renewable:</p> <ul style="list-style-type: none"> - Rollout of long-term short-time working, with potential worktime reductions of up to 40-50% in France, granting more flexibility - Wage restraint - Promotion of mobility - Cap of profit-sharing and savings schemes <p>On average from April to December 2020, short-time working concerned 21% of employees worldwide and 23% in France (excluding public holidays and days off)</p> |
| Industrial footprint streamlined | Closure of sites in Seats (Camberley in the United Kingdom, Santa Maria in the United States), Cabin (Sterling in the United States) and Electrical & Power (Eatontown in the United States) |
| Purchasing programs scaled back | <p>-43% purchases of raw materials and supplies (excluding impact of change in inventories)</p> <p>-48% subcontracting expenses</p> |
| Operating expenses reduced⁽¹⁾ | -25% |
| R&D expenses reduced | -35% |
| Capex commitments reduced | -67% and a €246m reduction in cash outflow from 2019 to 2020 |

4

Support for the supply chain

ATTENTIVE MONITORING OF SAFRAN SUPPLIERS

To weather the crisis, Safran set up a watch tower for monitoring and supporting its strategic suppliers, with the following aims:

- identify the suppliers most at risk, with a potential impact on Safran businesses;
- determine the impact of the crisis on these suppliers and their capacity to sustain business;
- examine possible measures (payment term adjustments, advance orders, etc.), and the impact of government support, and, where applicable, guide suppliers towards more structural solutions (backing from other industrial companies, investment funds, etc.).

INDUSTRY-SPECIFIC RELIEF FUND

In 2020, Safran invested €58 million in the Ace Aéro Partenaires fund set up under the French aerospace industry support plan. With contributions from the French State, major industrial contractors and asset management firm Tikehau Capital, initial funds of €630 million were raised in July 2020 (subsequently increased to €730 million), the aim being a total of €1 billion. In contributing to the financing of businesses hit by the crisis, Safran is actively participating in the restructuring and consolidation of the industrial fabric of the French aerospace sector.

In 2020, Safran withstood the crisis thanks to its rapid response capability and resilient business model, drawing on its long-standing presence in the civil engine aftermarket and the short- and medium-haul aircraft segment.

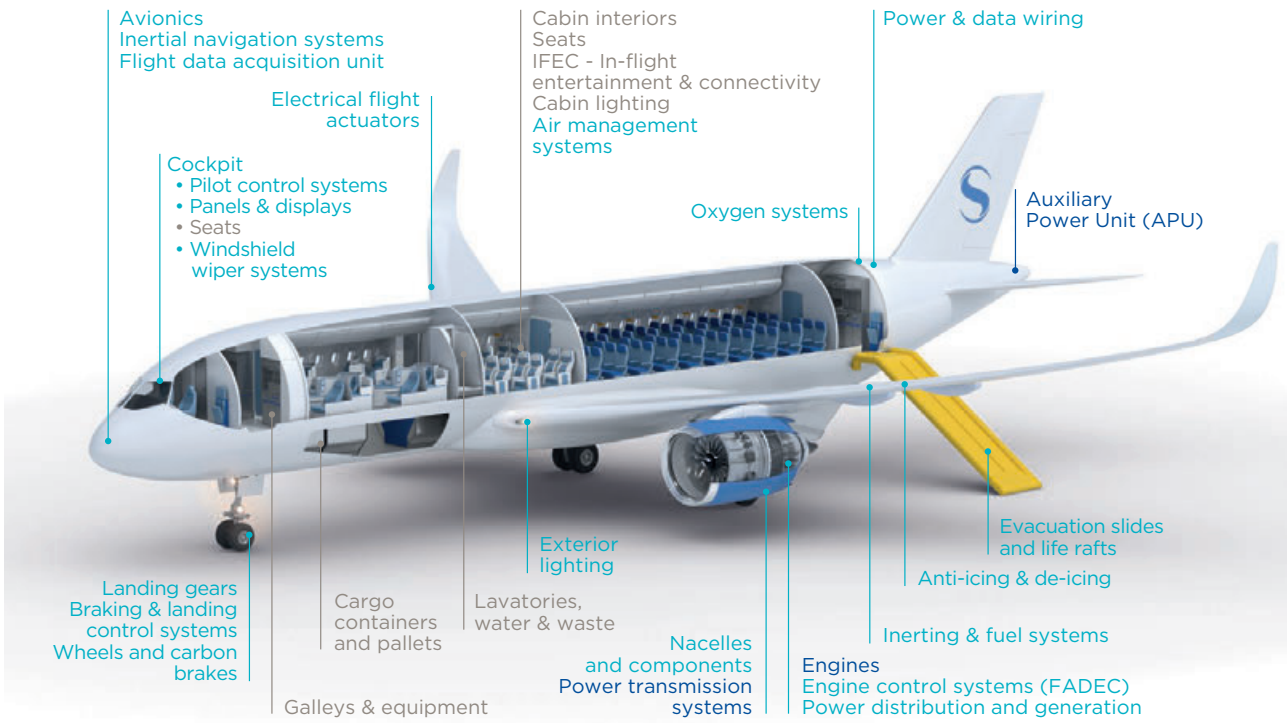
In the longer term, the growth fundamentals behind Safran's business remain unchanged. Safran's technological roadmap remains appropriate thanks to the French government's large-scale support plans (current roadmap pushed back just less than a year behind the pre-Covid-19 roadmap). Climate change will be a central challenge in the recovery process: Safran is committed to green aviation, which will emerge as a major post-crisis trend.

(1) Excluding purchases, including R&D expenditure and government aids on short-time working measures.

GROUP PROFILE

SAFRAN: A COMPREHENSIVE OFFERING

Present in all aircraft components,
Safran strives to build the future of the global aerospace sector
and be the preferred partner of airframers and airlines.



Leadership positions in its main business segments

NO. 1 WORLDWIDE⁽¹⁾



AEROSPACE PROPULSION

engines powering single-aisle
mainline commercial jets⁽²⁾
helicopter turbine engines



AIRCRAFT EQUIPMENT/ DEFENSE/AEROSYSTEMS

landing gear
wheels and carbon brakes
for 100+ seater civil aircraft
electrical wiring
evacuation slides and oxygen systems



AIRCRAFT INTERIORS

cabin interiors for regional
and business aircraft
cabin liners,
galleys,
trolleys,
containers,
onboard water and waste
management systems

(1) Source: Safran.

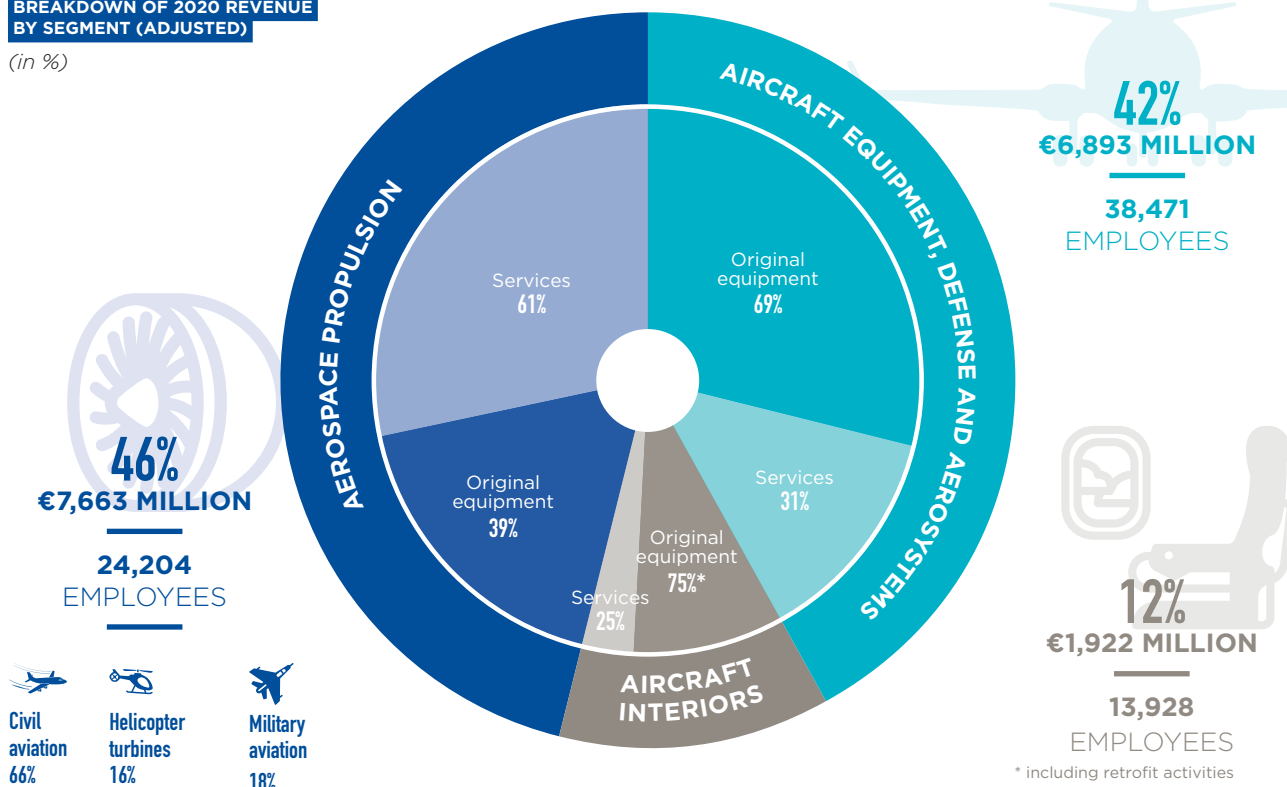
(2) In partnership with GE, under the CFM International joint venture.

GROUP PROFILE

A balanced portfolio across the aerospace and defense sector

BREAKDOWN OF 2020 REVENUE BY SEGMENT (ADJUSTED)

(in %)



Civil aviation 66%
Helicopter turbines 16%
Military aviation 18%

Safran products have common features that contribute to the resilience of its business model: its position as a tier-one supplier to airframers and airlines; high technology content; and leadership positions in its main business segments.



A full-fledged engine manufacturer⁽¹⁾, Safran supplies airframers with engines for commercial aircraft, military aircraft, regional transport aircraft, business jets and helicopters. To increase cost efficiency and share risks, engine manufacturers develop their engine programs in partnership. Safran has primarily partnered with GE since the 1970s, when they set up the 50-50 joint venture CFM International, which develops the CFM56[®] and LEAP[®] engines. This partnership has been extended through to 2040. Safran also contributes to access to space through its 50% stake in the ArianeGroup joint venture, prime contractor for the Ariane 5 and Ariane 6 launchers.



Safran supplies a wide range of **aircraft equipment** including landing and braking systems, nacelles, and related electrical systems and engineering solutions. **Defense:** Safran provides solutions and services in optronics, avionics, navigation systems, tactical drones, electronics and critical software for civil and defense markets. **Aerosystems:** Safran is one of the world's leading players in aerosystems, supplying equipment that assures essential aircraft functions and aircraft safety: safety systems (evacuation slides, oxygen masks, etc.); cockpit systems; and fluid management systems (fuel, pneumatic and hydraulic circuits).

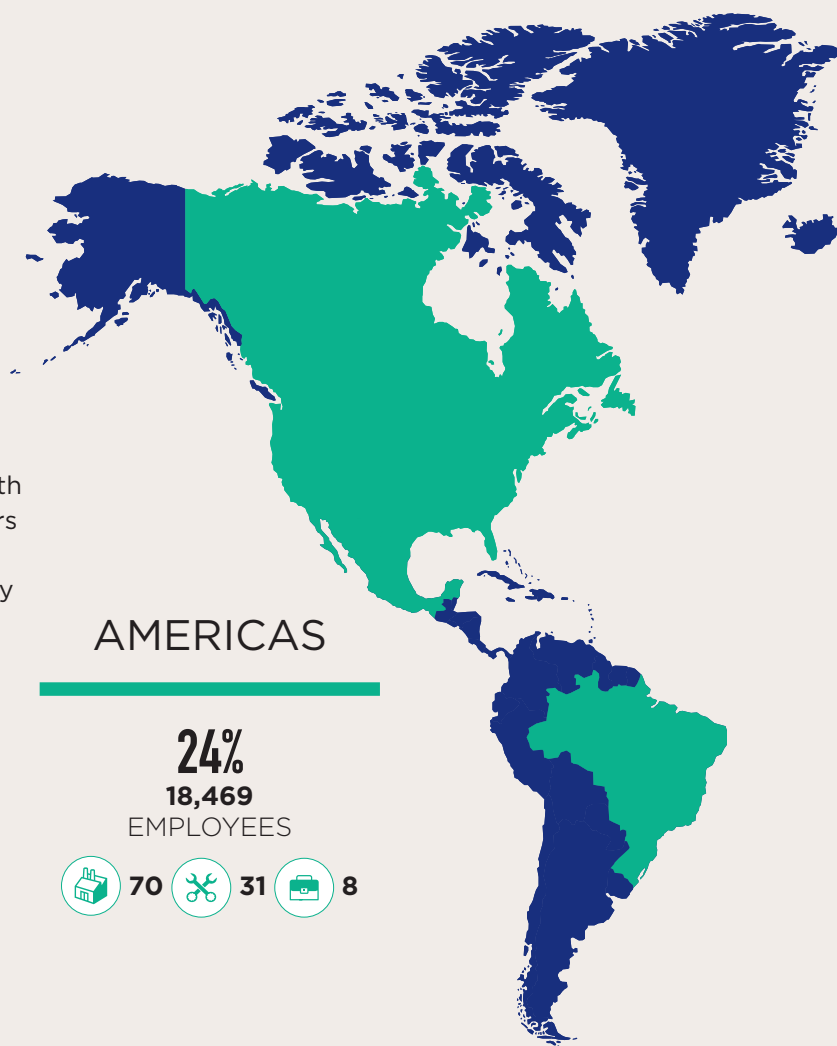


To ensure passenger safety and optimize comfort, Safran develops cabin interiors (overhead bins, lavatories, galley and catering equipment, etc.) passenger and crew seats, water and waste management systems, in-flight entertainment systems (RAVE[™]), and interior refits for commercial aircraft. Safran's aircraft interiors business addresses both airframers (under the SFE⁽²⁾ model) and airline companies (BFE⁽³⁾ model).

(1) A full-fledged engine manufacturer is present in all engine components and all propulsion market segments.
(2) Supplier Furnished Equipment: equipment specified and purchased by the airframer.
(3) Buyer Furnished Equipment: equipment specified and purchased by the airline.

A LEADING GLOBAL PLAYER

Since its creation in 2005, Safran has expanded internationally. With around 78,900 employees in 27 countries, the Group has extended its footprint beyond its European base and is now present in North and South America, Africa, the Middle East, Asia and Oceania.



Leveraging its global footprint, the Group establishes strong and sustainable relationships with the majority of aerospace players and airlines, reflecting its desire to supply its customers promptly from local bases.

AMERICAS

24%

18,469

EMPLOYEES



70



31



8

GEOGRAPHIC SPREAD OF EMPLOYEES AND SITES AT END-2020

Percentage of employees

% of employees in the total Group workforce

Number of sites⁽¹⁾



R&D and production activities



Service and maintenance activities



Commercial and administrative activities

(1) Each site corresponds to a legal entity covering one or more tertiary, production, service or maintenance sites.

GROUP PROFILE

FRANCE



55%

43,315

EMPLOYEES



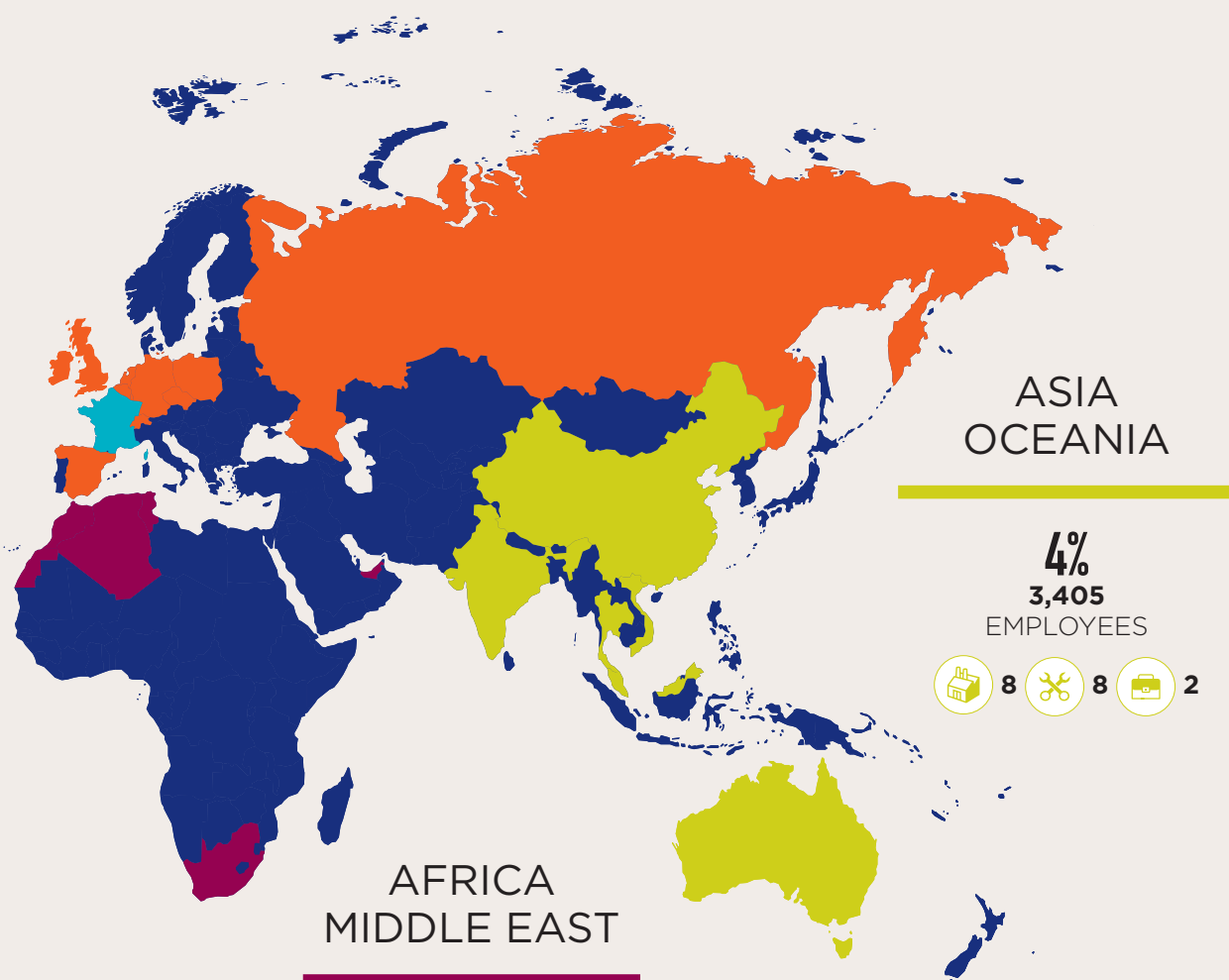
EUROPE
(excl. France)



11%

8,800

EMPLOYEES



ASIA
OCEANIA



4%

3,405

EMPLOYEES



AFRICA
MIDDLE EAST



6%

4,903

EMPLOYEES



A LOOK BACK AT OUR HISTORY

With a rich history spanning over 100 years, Safran has made high technology its hallmark.

1905

Société des Moteurs Gnome is founded in the Paris suburb of Gennevilliers. Gnome rotary engines become the standard for planes around the world.

1912

Creation of Société des Moteurs Le Rhône, Gnome's main competitor before being taken over by its rival.

1924

Creation of Société d'Applications Générales d'Électricité et de Mécanique (Sagem), that will mainly manufacture cameras and artillery equipment and go on to design the world's first infrared guidance system for air-to-air missiles.

1945

Gnome & Rhône is nationalized and renamed Snecma (Société Nationale d'Étude et de Construction de Moteurs d'Aviation).

1945-2002

Several aerospace companies join Snecma: Hispano-Suiza, a specialist in power transmission for aircraft engines, followed by Messier-Hispano-Bugatti, a specialist in landing gear.

In 2000, wiring specialist Labinal and its helicopter engine manufacturer subsidiary Turbomeca join Snecma.

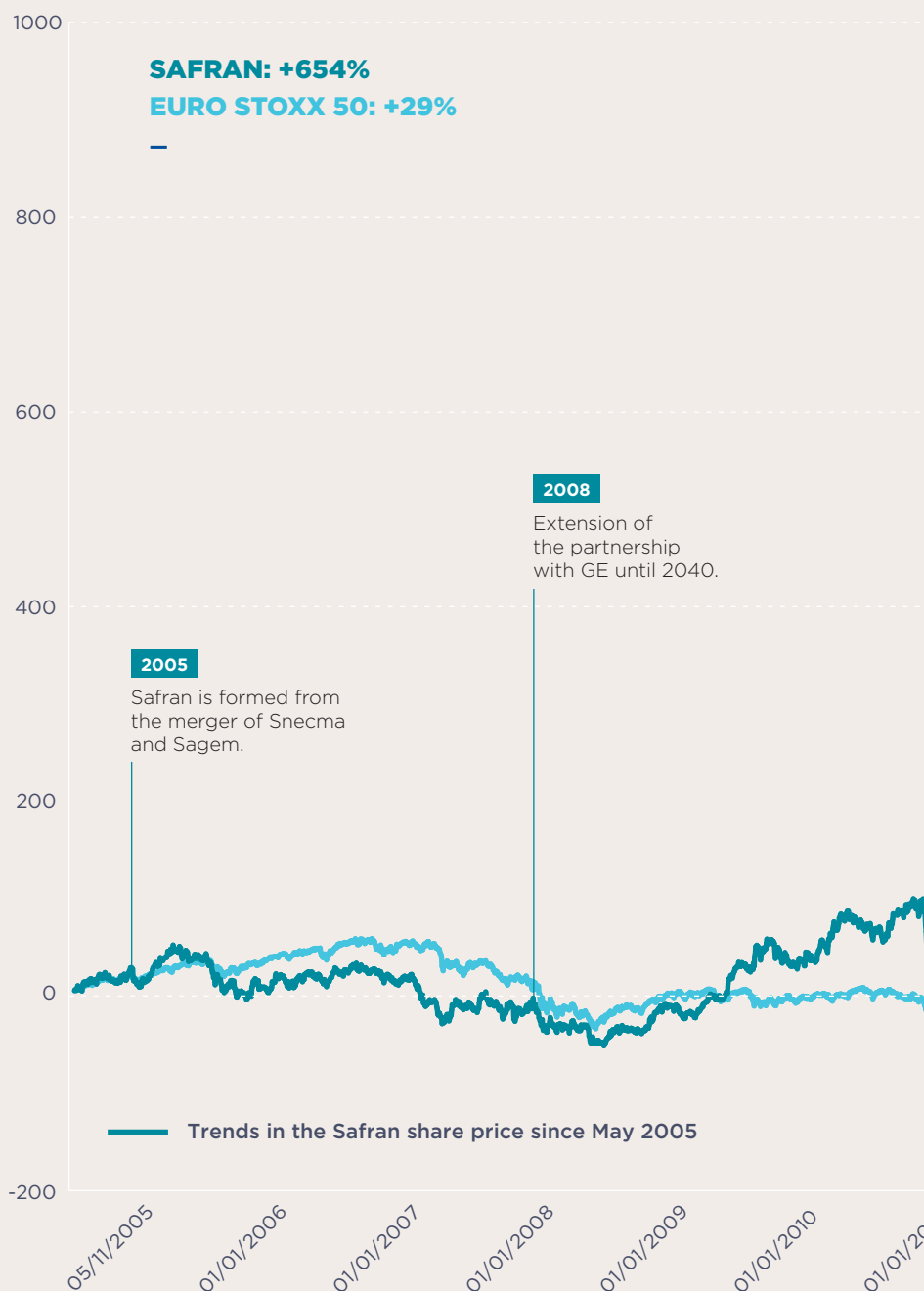
In 2002, nacelles specialist Hurel-Dubois joins Snecma.

1974

Snecma becomes a civil aircraft engine manufacturer through a cooperation agreement with GE for the manufacture of the CFM56 engine.

TRENDS IN THE SAFRAN SHARE PRICE AND THE EURO STOXX 50 INDEX

(in %) (May 11, 2005 to March 25, 2021)



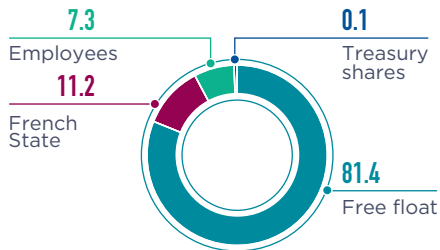
ECOSYSTEM

OWNERSHIP STRUCTURE

(in %)

Share capital at December 31, 2020

Number of shares: 427,235,939



2018

Takeover and merger of Zodiac Aerospace by Safran. Rebranding under the Safran name of all former Zodiac Aerospace businesses.

2017

Business combination agreement between Safran and Zodiac Aerospace. Disposal of the detection, identity and security businesses.

2016

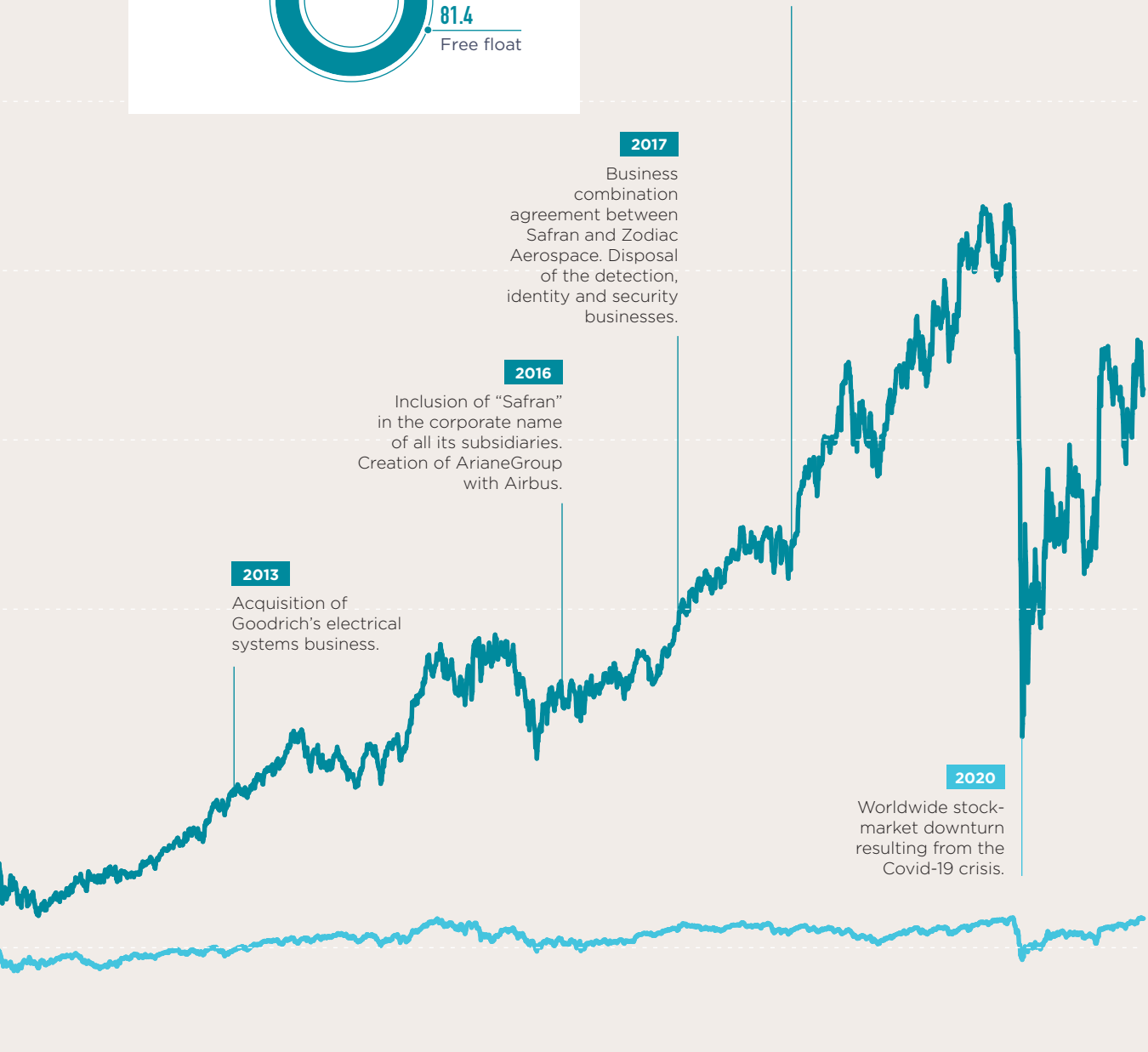
Inclusion of "Safran" in the corporate name of all its subsidiaries. Creation of ArianeGroup with Airbus.

2013

Acquisition of Goodrich's electrical systems business.

2020

Worldwide stock-market downturn resulting from the Covid-19 crisis.



— Trends in the EURO STOXX 50 index since May 2005

01/01/2011 01/01/2012 01/01/2013 01/01/2014 01/01/2015 01/01/2016 01/01/2017 01/01/2018 01/01/2019 01/01/2020 03/25/2021

STAKEHOLDER BENEFITS - OUR CONTRIBUTIONS

In 2020, Safran maintained its essential activities for all its customers.

Throughout the crisis, Safran’s CSR⁽¹⁾ approach proved its worth as a key asset for short-, medium- and long-term value creation.

The Group sought to minimize the impacts of the crisis on its employees and stakeholders, while contributing to a safer, more sustainable world, where air transport is more environmentally friendly, comfortable and accessible.

Expectations shared by all stakeholders, consistent with Safran’s absolute priorities:

- Aviation safety
- Ambitious climate strategy

Business community

Customers (airframers, airlines, etc.)

Suppliers and sub-contractors

Partners (industrial companies, research laboratories, etc.)

Main expectations

- **Customers:** safe, reliable, efficient, available and innovative products and services.
- **Suppliers and subcontractors:** relationships rooted in fulfillment of reciprocal commitments, trust and shared long-term vision.
- **Partners:** pursuit of continuous innovation, and protection of their intellectual property.

Safran contribution

Trust-based relationships renewed with each generation of aircraft; reliable, environmentally-responsible products that create value.

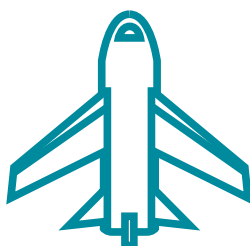
Payment terms met (any potential delays following the March 2020 lockdown in France were caught up during 2020).

Mobilization and everyday commitment with suppliers and subcontractors (especially SMEs

and mid-sized companies) in the pursuit of operational excellence, competitive performance and carbon footprint reduction, in order to offer customers the very best products and services.

Key points

- Safran holds the Responsible Purchasing and Supplier Relations Label⁽²⁾ since 2014.
- €8 billion in purchasing from suppliers (48.5% of Group revenue).
- 42% of purchasing volume sourced in France in 2020, including 83% from SME and mid-sized companies.
- 75% of R&T⁽³⁾ expenditure focused on environmental efficiency.
- More than 1,000 initial patent requests per year worldwide.



Public partners

Government bodies

and local authorities

European and international bodies

Certification authorities

Main expectations

- Ethical business conduct, internal and external CSR commitments.
- Safe products that comply with international standards.
- Contribution to the European Green Deal.

Safran contribution

Systematic communication of the business ethics culture to all our employees and suppliers; sustained R&D. An ambitious climate strategy.

Key points

- In 2012, Safran became the first CAC 40 company to obtain “anti-corruption” certification from the French Agency for the Diffusion of Technological Information (ADIT).
- 43.5% of buyers were trained in responsible purchasing methods in 2020.
- 30% reduction in greenhouse gas emissions across operations by 2025 vs. 2018.

(1) Corporate social responsibility.

(2) The Responsible Purchasing and Supplier Relations Label replaces the Responsible Supplier Relations Label.

(3) Research and Technology.

(4) Task Force on Climate-related Financial Disclosures.

ECOSYSTEM



Employees and employee representatives

Main expectations

Safeguarding of jobs and business; motivating career paths; regular skills development; commitment to workplace health and safety and the environment; and compliance with national and international labor conventions.

Safran contribution

Rapid adaptation to the crisis; commitments on maintaining staff employability; ongoing employee training; expertise retained; active and constructive employee dialogue; steadily decreasing accident rates; new international employee shareholding plan in 2020.

Key points

- Signature of an Activity Transformation Agreement with all trade unions in France in order to protect jobs.
- 7.25% of share capital held by current and former employees in 2020.
- Frequency rate of lost-time work accidents: 2.0 (number of accidents per million hours worked) in 2020.
- Approx. one million training hours worldwide in 2020.

Civil society

Academia, local community, associations and Non-Governmental Organizations (NGOs)

Main expectations

Youth training; exchanges between business and academic worlds; consideration of environmental and social challenges in the Group strategy and throughout the value chain.

Safran contribution

Youth training; school presentations of Safran's businesses; support on developing educational programs; sustained R&D to prepare for the future of the aerospace industry and the development of new products and equipment contributing to decarbonizing the aviation industry.



Key points

- Technological roadmap preserved despite the crisis, thanks to government support.
- Ambitious climate strategy with three focuses: technological breakthrough in next-generation engines, massive development of sustainable fuels, and electric hybridization for propulsion systems.
- More than 5,000 interns, work-study program participants and PhD students across Europe in 2020.
- Sponsorships and foundations on professional and social integration.

Financial community

Institutional investors, individual shareholders and employee shareholders, financial analysts, financial rating agencies

Main expectations

Attractive shareholder value creation and transparency in company management, financial and non-financial commitments, long-term strategy and implementation, and inclusion of CSR criteria.

Safran contribution

Accurate, precise and fair information accessible to the financial community; regular presentation of the Group's multi-year objectives at Capital Markets Days; availability for the entire financial and non-financial community.

Key points

- Publication and fulfillment of financial targets in 2020, despite the unprecedented crisis impacting the aerospace industry.
- Performance recognized by the main non-financial rating agencies.
- Communications reinforced with alignment of climate reporting to TCFD recommendations⁽⁴⁾.
- Safran assigned its first long-term credit rating in February 2021: BBB+ (with stable outlook).



SAFRAN'S CSR⁽¹⁾ STRATEGY: ENGAGE FOR THE FUTURE

Through its commitments and the related actions, Safran's CSR strategy - Engage for the Future - is a reflection of the Company's corporate identity and contributes to the Group's core purpose.

A CSR approach co-constructed with all stakeholders

Safran's CSR strategy - Engage for the Future - sets out commitments addressing stakeholder expectations. It was developed from an update to the materiality matrix of non-financial challenges plotted in early 2020, along with input from working groups formed with Group employees.

- **Update to the materiality matrix** resulting from consultation with more than 70 external stakeholders (suppliers, customers, etc.) and 600 internal stakeholders. Nine challenges for Safran were pinpointed:
 - reduction of atmospheric emissions and the carbon impact linked to the use of products and services;

- innovation and eco-design of products and services;
- technological developments;
- customer satisfaction and trust;
- business ethics and the fight against corruption;
- skills development and talent retention;
- health and safety in the workplace;
- attractiveness of Safran and recruitment of talent;
- quality and safety of products and services.

- **Consultation with more than 160 Group employees**, across over 30 business lines in all of the geographic regions where Safran operates.

"Engage for the Future", a new CSR strategy

"Engage for the Future" was developed in line with the Group's core purpose, as defined in 2020, and actively contributes to it through its objectives, commitments and actions. It is aligned with the UN Global Compact, of which Safran has been a signatory since 2014, and actively contributes to progress toward 12 of the 17 UN Sustainable Development Goals (SDGs) set out below.

CORE PURPOSE

"Thanks to the commitment of our employees, proven innovation and operational excellence, Safran designs, builds and supports high-tech solutions to contribute to a safer, more sustainable world, where air transport is more environmentally friendly, comfortable and accessible. We also apply our skills to develop solutions that meet strategic needs, such as defense and access to space."



1. Decarbonize aerospace
Be recognized as a leader in the decarbonization of the aviation sector



2. Be an exemplary employer
Be considered as an employer of choice by our employees and the talents of the sector



3. Embody responsible industry
Be the benchmark in our production methods and throughout our value chain



4. Affirm our commitment to citizenship
Get involved with our local communities and contribute to their development



1. Make carbon neutral aircraft the R&T priority



4. Accelerate training in the skills and jobs of tomorrow



7. Uphold the highest standards of ethics



10. Be at the forefront of innovation to protect citizens



2. Reduce CO₂ emissions throughout our value chain



5. Ensure health and safety of employees, improve the quality of life at work and maintain a thriving social dialogue



8. Strengthen responsible supply chain management and support suppliers



11. Develop partnerships for training and research



3. Involve employees in the reduction of their carbon footprint



6. Encourage equal opportunities and promote diversity



9. Respect the environment and natural resources



12. Enhance professional and social integration

(1) Corporate social responsibility.

ECOSYSTEM

Key objectives for 2025

To fulfill its ambitions and create value, Safran has set objectives for 2025 that will enable the Group to track progress annually for each pillar in the CSR roadmap. These objectives can also be found on page 51, in the overall table of key performance indicators, marked with the symbol **CSR**.

| PILLAR | 2025 OBJECTIVE | 2019 | 2020 |
|---|---|---|--|
| Decarbonize aerospace | Scope 3 (product usage): 75% of R&T investment focused on environmental efficiency Choose technologies (engines and equipment) contributing to ultra-efficient aircraft for 2035, targeting carbon neutrality for 2050, with 100% sustainable fuels | 75% | 75% |
| | Scopes 1 and 2: 30% reduction in CO ₂ emissions vs. 2018 | 3% (623,619 t CO ₂ eq.) ⁽¹⁾ | -31% (414,988 t CO ₂ eq.) |
| | 100% of facilities to have achieved the five zero targets roadmap ⁽²⁾ | * | * |
| Be an exemplary employer | Maintain the number of training hours per employee per year ⁽³⁾ | 26 | 13 |
| | Frequency rate of lost-time work accidents below 2.5 ⁽⁴⁾ | 3.2 | 2.0 |
| | 100% of employees worldwide to benefit from a minimum level of health cover (medical, optical and dental) | * | * |
| Embody responsible industry | 22% of women among senior managers | 12% | 13% |
| | 100% of senior managers and exposed and affected people trained in anti-corruption ⁽⁵⁾ | - | 66% |
| | 100% of senior managers and exposed and affected people trained in export control ⁽⁶⁾ | * | * |
| | 80% of purchases made from suppliers that have signed the Safran's responsible purchasing charter ⁽⁷⁾ | - | 40% |
| | 100% of sites certified "Gold" to internal HSE standards | 50% | 60% |
| Affirm our commitment to citizenship | Increase the waste recovery ratio (<i>objective to be calculated in 2021</i>) | 68.3% | 70.5% |
| | Increase the number of new PhD students in the company per year (> 65) | 63⁽⁸⁾ | 36 |
| | At least one social or professional integration initiative run by each Safran site | * | * |

* Measured across the whole scope in 2021.

(1) 2019 emissions figures, which included estimated data for fourth-quarter 2019, were revised in 2020 to reflect the actual data.

(2) Zero non-recycled paper in 2021, zero machines or equipment running unnecessarily in 2022, zero single-use plastic cups or dishes in 2023, zero catering products from extracontinental geographic areas in 2024, and zero non-eco-friendly green spaces in 2025.

(3) Compared to 2019. Excluding employees on long-term absence.

(4) Number of accidents per million hours worked.

(5) Purchasing, HR, Sales, Legal, Finance, Audit & Internal Control, Compliance & Business Ethics, Risks and Communications Departments, with customers, suppliers and partners concerned.

(6) People exposed and affected in all Group departments.

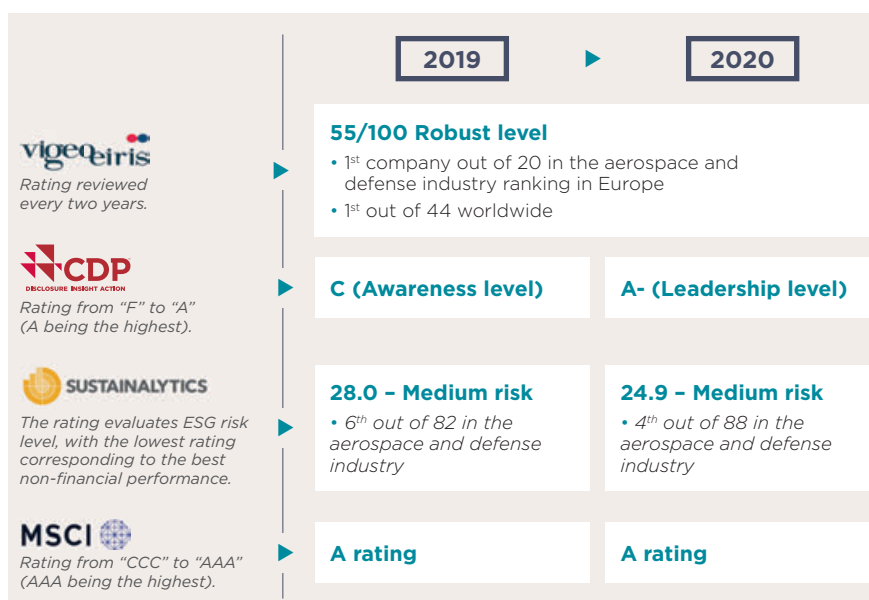
(7) Or using an equivalent responsible purchasing charter.

(8) Average new PhD students over three years (2017-2019).

Non-financial ratings

A dedicated CSR governance

The CSR strategy is led by the Executive Committee and steered by the Executive Vice President, Corporate Human and Social Responsibility, who draws on the work of the CSR Department in defining the CSR strategy, its roadmap and its rollout. The department works with all Group companies and departments to ensure that the CSR strategy is in place across the whole of the Group and engages all employees on its Group-wide commitments. CSR challenges are presented to and monitored by the Board of Directors and the Executive Committee each year.



OUR MARKETS

Despite the impact of the Covid-19 crisis on the aerospace market over the coming years, the underlying air traffic development fundamentals remain solid and should continue to drive strong long-term growth in the global commercial aircraft fleet.

Civil aviation

The Covid-19 crisis has had an unprecedented impact on air traffic: the ICAO⁽¹⁾ estimates a 60% drop in the number of passengers in 2020. Nevertheless, the underlying air traffic growth fundamentals, for the medium and long term, remain:

- the increasing accessibility and popularity of air travel spurred by falling prices;
- higher load factors to win market share and increase profitability in airline company operations;

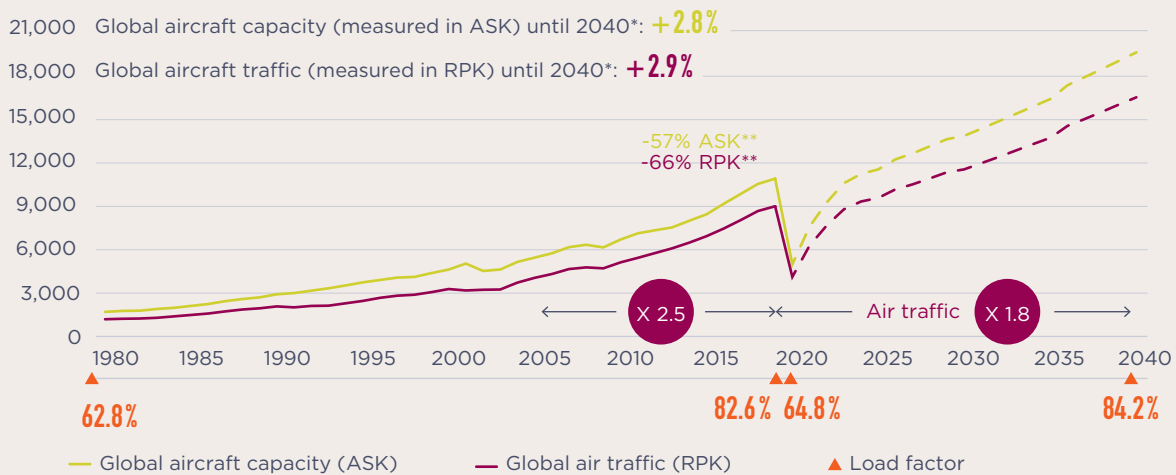
- demand in regions enjoying strong economic growth (in particular China, South-East Asia and India), and renewal of the existing fleet (mainly in North America and Europe).

High growth in air traffic proved resilient against previous global economic crises (in 2001 and 2008), and Safran expects a return to 2019 traffic levels somewhere between 2023 and 2025, followed by sound growth, despite the increasing weight of ecological impact on air transport.

Estimates point to a total of around 34,500 new planes over the next 20 years. This dynamic is especially pronounced in the short- and medium-haul aircraft segment, which expects 22,400 new planes over the same period. In addition, airframers Airbus and Boeing report very high order backlogs despite the crisis (7,184 and 4,997 respectively, at the end of December 2020). The same trend has also been observed in the aftermarket, with strong growth driven by the increasing in-service fleet size.

CIVIL AVIATION, GLOBAL PROJECTIONS

The long-term growth outlook remains strong, despite the short- and medium-term impact of the Covid-19 crisis on air traffic.



RPK: Revenue passenger kilometers, in billions (= number of occupied seats multiplied by the total distance traveled by the global fleet).
 ASK: Available seat kilometers, in billions (= number of available seats multiplied by the distance traveled by the global fleet).

Source: Safran Aircraft Engines.
 * Annual growth (reference year: 2019).
 ** In 2020 vs. 2019 (source: International Air Transport Association).

(1) International Civil Aviation Organization.

ECOSYSTEM



FOCUS ON SAFRAN'S MILITARY ACTIVITIES

Over and above the electronic activities of Safran Electronics & Defense, all Group subsidiaries are present in the military sector, which accounted for approximately 24% of Group revenue in 2020. Products notably include the M88 engines powering the Rafale, military helicopter turbine engines, TP400⁽¹⁾ engines powering the A400M transport plane, electrical wiring for the Rafale, landing gear, tactical drones and auxiliary power units (APUs). Safran also holds 50% of ArianeGroup, which develops launchers for nuclear deterrence.

Defense and space

A clear and ongoing upward trend in defense and space budgets has been observed worldwide over recent years, in a context of persistent or heightening tension in many regions.

In Europe, the initiatives taken in recent years by the European Commission and member states have proved successful, with co-financing for cooperative programs topping €500 million in 2019-2020. The European Defense Fund (EDF)

was formed to co-finance collaborative research and development programs, with a budget of €7 billion over the period covered by the upcoming European Union multi-annual financial framework (2021-2027). Prospects on new space projects are advanced by a record budget of €13.2 billion for 2021-2027, plus confirmation of a firm intention to strengthen European sovereignty in space.



Business aviation and helicopters

Business aviation was less impacted than commercial aviation by the Covid-19 crisis in 2020. Growth prospects for the business aircraft fleet, already limited before the crisis, nevertheless appear uncertain.

At the end of 2020, there were around 21,700 business aircraft in service plus some 500 in storage. The crisis impacted the helicopter market to different extents

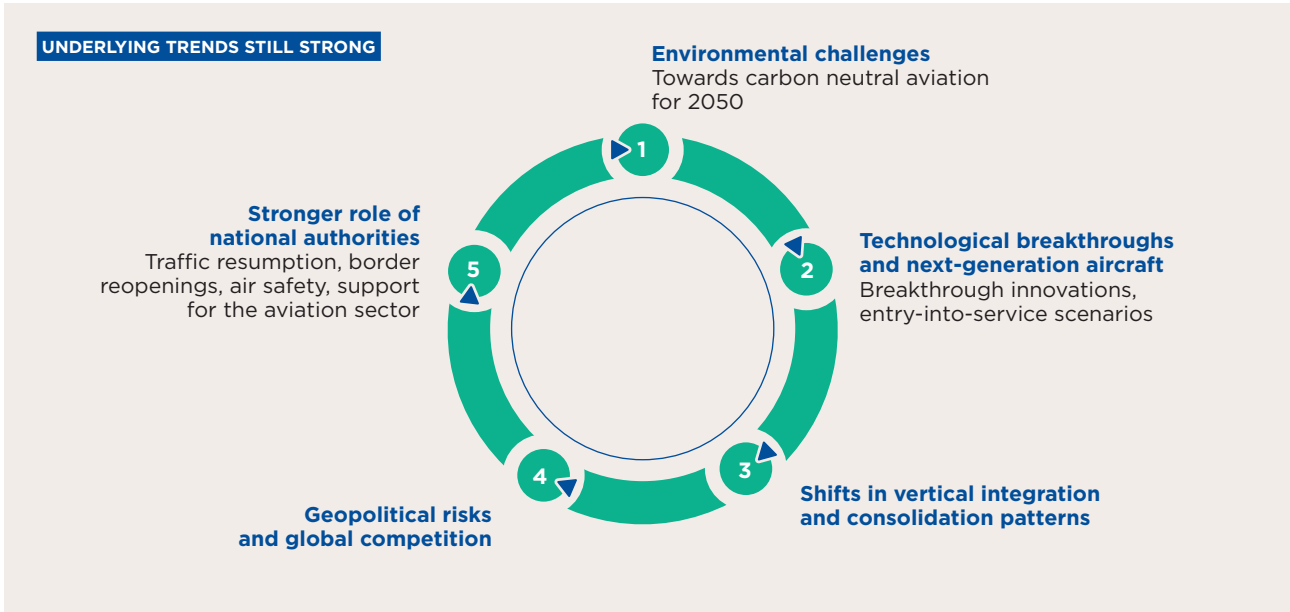
in different contexts, with usage in military, healthcare and public service remaining robust. Overall, the impact was less pronounced than in commercial aviation, with a 25% drop in flight volumes at the worst of the crisis, with a swift return to normal expected. Some 51,000 helicopters were in service worldwide in 2020.

(1) Through the EPI (EuroProp International) consortium.

STRATEGY AND BUSINESS MODEL

AEROSPACE INDUSTRY TRANSFORMATION

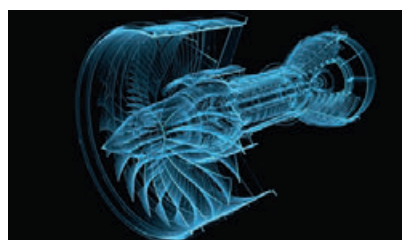
Safran operates in a changing industrial landscape, hit by the short-term impact of the Covid-19 crisis.



1

Environmental challenges

The crisis confirmed expectations with regard to climate change, especially for the aviation sector, which must step up efforts on decarbonization (pages 24 to 27).



2

Technological breakthroughs and next-generation aircraft

Innovation has been a cornerstone of the aerospace sector from the outset. Today's aircraft are five times more fuel efficient than those of the 1950's, chiefly because of engine improvements, and civil aviation is one of the world's safest means of transport.

To meet the climate challenge, disruptive innovations are needed in forthcoming platforms: digitalization, connectivity, autonomy, hybrid and/or electric propulsion, distributed propulsion, materials, processes, sustainable fuels,

hydrogen, etc. Innovations here will pave the way to engine architectures, concepts, production methods, services, players and uses (particularly VTOL⁽¹⁾). At the same time, the Covid-19 crisis creates uncertainty in airframer schedules for forthcoming aircraft generations.



(1) Vertical Take-Off and Landing aircraft.

STRATEGY AND BUSINESS MODEL

3

Shifts in vertical integration and consolidation patterns

Collapse of the Boeing/Embraer merger deal in 2020 marks a halt in the airframer consolidation trend initiated in 2017, when Airbus took over the A220 (formerly the Bombardier C-Series)

program. After the wave of equipment manufacturer and supply-chain mergers in 2018-2019, further consolidations might occur given the crisis impacting the commercial aviation industry.



5

Stronger role of national authorities



Though air transport is today one of the safest means of transport in the world, the two Boeing 737 MAX accidents, in 2018 and 2019, sharpened certification authorities' attention on safety throughout the aircraft life cycle. The flight re-authorization process begun in 2020 revealed intensified expectations on flight safety, a fundamental challenge shared by all Group companies. That aside, the crisis has marked a reinforcement of the roles played by national authorities in the aviation sector, as regards the management of border openings, health measures for passengers, support for airlines, and aid for the aerospace industry.

4

Geopolitical risks and global competition

The Covid-19 crisis comes at a time of geopolitical and commercial tensions, which are affecting the aviation sector and the aerospace industry in various ways: tensions over the resumption of international flights during the crisis, flight re-authorization delays, measures restricting license or export authorizations, etc.

Lastly, aircraft leasing companies, investors and finance companies remain major players in the aviation ecosystem, contributing to the resilience of the crisis-hit sector. In 2020, more than 50% of short- and medium-haul civil aircraft delivered were financed by leasing companies.



OUR AMBITIONS

The major ecosystem trends outlined previously point to a return to solid growth for the sector, which will be required to meet major technological challenges on decarbonization, while upholding safety and competitive performance.

Safran aims to become the world's leading aircraft equipment supplier within the next 15 years. To achieve this goal, the Group draws in particular on:

- a business model building on:
 - products with business cycles of different maturities (from just a few years for an aircraft seat and up to 40 years for an engine);
 - service and aftermarket businesses (including spare parts and long-term contracts), that now generate nearly half of its revenue. These services ensure recurring revenue streams, margins with smooth time-spreads, and improved visibility;

- coverage of all sub-segments of the aerospace and defense sector (regional aircraft, short and medium haul, long haul, business jets, helicopters, military aircraft), to reduce sensitivity to variations in business cycles;
- two key priorities: climate change and aviation safety;
- a clear strategy drawing upon three key Safran assets: sustainable innovation, operating excellence and responsible conduct;
- "Engage for the Future", a CSR strategy with four pillars: decarbonize aerospace, be an exemplary employer, embody responsible industry and affirm our commitment to citizenship.

By focusing on both operating excellence and the investment needed to lead in state-of-the-art technology, the Group is ideally placed to emerge from the crisis in a stronger position and cross a new threshold in business growth and value creation.



(1) Safran is present in all engine components and all segments of the propulsion market.

STRATEGY AND BUSINESS MODEL

CFM56 - LEAP engines leaders on the short- and medium-haul segment, a key asset for Safran

In this segment, CFM International (a 50-50 joint venture between Safran Aircraft Engines and GE) has a market share of around 70% thanks to 40 years of commercial success.

LONG-TERM PROSPECTS

The propulsion business generates significant service activities, mainly comprising the sale of spare parts and maintenance, repair and overhaul (MRO) services. Given the size of the engine fleet in service, Safran has substantial growth potential. The Group has been developing long-term service contracts for a number of years, in response to customer demand, which now apply to the LEAP engine. Aftermarket services for LEAP engine will gradually take over from the CFM56 engine from 2025.

A LARGE CFM56 FLEET IN SERVICE

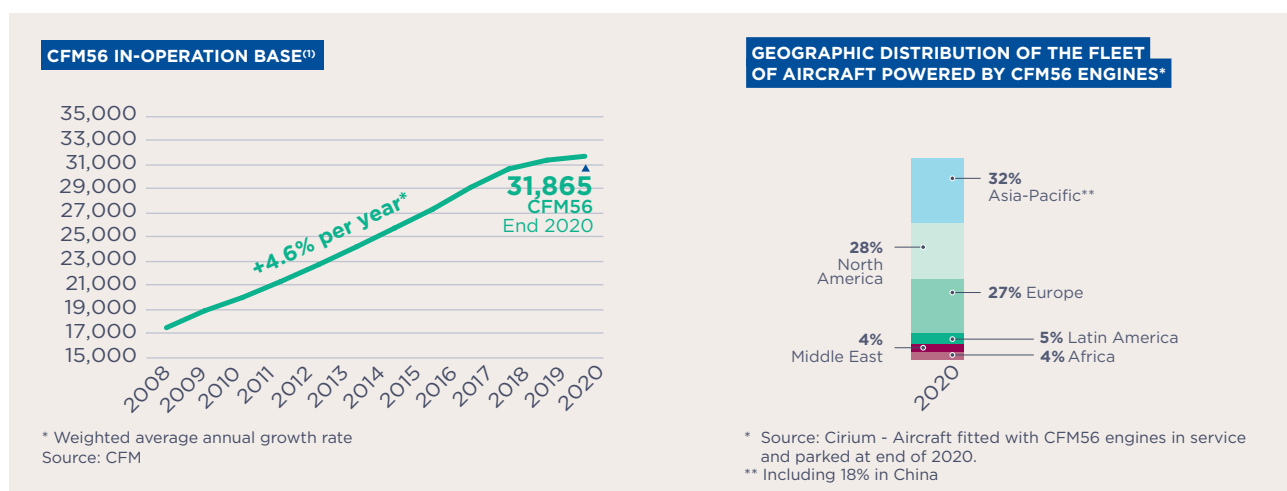
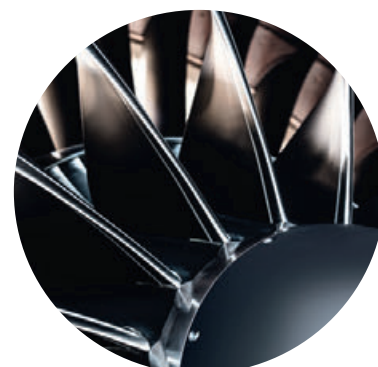
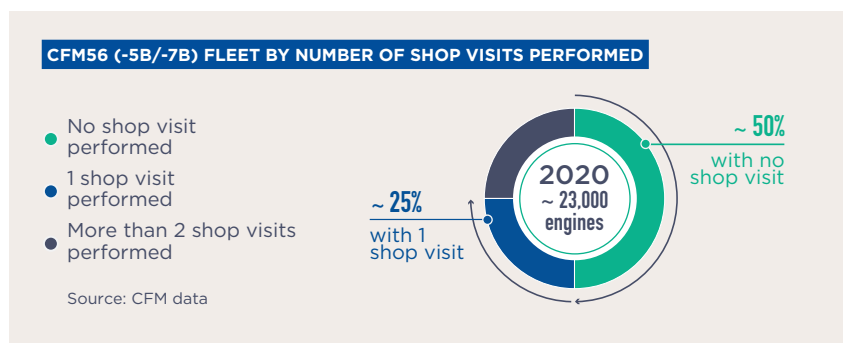
With an in-operation base⁽¹⁾ of **31,865 engines** at the end of 2020 (including some 23,000 CFM56-5B/-7B), the CFM56 is the biggest commercial success in the history of civil aviation. It will continue to generate service activities for Safran over the next 20 years. The fleet of second-generation CFM56 engines (-5B/-7B) is young (roughly 50% under 10 years, and only 10% over 20 years), and boasts proven in-service reliability, **which means withdrawal and part-out risks remain relatively low.**

LEAP, FOLLOWING THROUGH ON THE CFM56 SUCCESS STORY

The successor to the CFM56 is the hugely innovative LEAP engine, which consumes 15% less fuel than its predecessor, the CFM56. The LEAP is a commercial success, with an order backlog⁽²⁾ exceeding 9,600 units at the end of 2020.

It has been selected for three aircraft:

- LEAP-1A for the Airbus A320neo, which came into service in August 2016 (61% market share⁽³⁾);
- LEAP-1B for the Boeing 737 MAX, which came into service in May 2017⁽⁴⁾ (100% market share);
- LEAP-1C for the COMAC C919 (China, exclusive Western source).



(1) In-operation base is equal to engines delivered less engines dismantled or scrapped.
 (2) On the basis of pending orders and cancellations.
 (3) Firm orders at December 31, 2020.
 (4) Boeing 737 MAX grounded from March 2019, with return to service authorized by the US certification agency in November 2020 and by its Canadian and European counterparts in January 2021.

A RESILIENT BUSINESS MODEL

Trends

Our resources⁽¹⁾

Our business model serving our customers

Environmental challenges
Towards carbon neutral aviation for 2050

Technological breakthroughs and next-generation aircraft
Breakthrough innovations, entry-into-service scenarios

Shifts in vertical integration and consolidation patterns

Geopolitical risks and global competition

Stronger role of national authorities
Traffic resumption, border reopenings, air safety, support for the aviation sector

HUMAN CAPITAL

Around 78,900 employees in 27 countries
2.7% of payroll spent on training (France)
Recognized governance

INTELLECTUAL CAPITAL

€1.2 billion total R&D expenditure
16% of Group employees in R&D (including R&T)

INDUSTRIAL CAPITAL

276 sites in the world serving our customers
€449 million in industrial investments
Structuring **alliances and partnerships**, including the CFM International joint venture formed with GE in 1974 and renewed until 2040



FINANCIAL CAPITAL

A **full order backlog**
A **growing base** in operation (up approximately 4.6% annually for short- and medium-haul engines)
One of the strongest financial signatures in the industry
A **stable shareholder base** (employees, French State, long-term institutional investors)
A **strong financial structure** (net debt/EBITDA⁽²⁾ of 1.13)
A foreign exchange risk **hedging policy** providing **visibility**

SOCIAL AND ENVIRONMENTAL CAPITAL

75% of R&T investment focused on reducing our environmental footprint
Training in responsible purchasing and good conduct charter

Our business model

INNOVATION, DESIGN
2020 R&D expenditure: €1.2 billion

ORIGINAL EQUIPMENT SALES
2020 revenue: €9.2 billion (56%)

SERVICES
2020 revenue: €7.3 billion (44%)

Two absolute priorities


CLIMATE CHANGE
(page 24)


AVIATION SAFETY
(page 28)

(1) All figures refer to 2020 except where noted.
(2) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is the sum of recurring operating income plus net recurring and non-recurring amortization, provisions and depreciation.

SERVING OUR CUSTOMERS

A balanced business portfolio

46% AEROSPACE PROPULSION

42% AIRCRAFT EQUIPMENT, DEFENSE AND AEROSYSTEMS

12% AIRCRAFT INTERIORS

3 assets

ASSET NO. 1
SUSTAINABLE INNOVATION
(page 30)

ASSET NO. 2
OPERATIONAL EXCELLENCE
(page 34)

ASSET NO. 3
RESPONSIBLE CONDUCT
(page 36)

Decarbonize aerospace

Be an exemplary employer

Embody responsible industry

Affirm our commitment to citizenship

4 CSR pillars

Our impacts⁽¹⁾

HUMAN CAPITAL

Attractive working conditions and **labor relations model**

49% of employees are Company shareholders and together hold 7.3% of the share capital

INTELLECTUAL CAPITAL

45,000 intellectual property titles

INDUSTRIAL CAPITAL

€250 million of synergies expected in 2022, following the acquisition of Zodiac Aerospace

Agile supply chain

FINANCIAL CAPITAL

Fulfillment of financial targets set in July 2020 during the Covid-19 crisis

Prompt cost adjustment capacity

Faced with 32.5% organic fall in adjusted revenue (with respect to 2019):

- Recurring operating margin of 10.2%
- Free cash flow of €1,073 million
- A disciplined M&A policy 14.27% annual growth in TSR⁽³⁾ from 2005 to 2020

Stock market performance up 654% (from May 11, 2005 to March 25, 2021)

SOCIAL AND ENVIRONMENTAL CAPITAL

LEAP: **-15%** CO₂ emissions and **-50%** NO_x emissions

RESPONSIBLE SUPPLIER RELATIONS **label**

1st CAC 40 company certified "anti-corruption" by the ADIT⁽⁴⁾

(3) Total Shareholder Return corresponds to dividends plus the change in the share price.

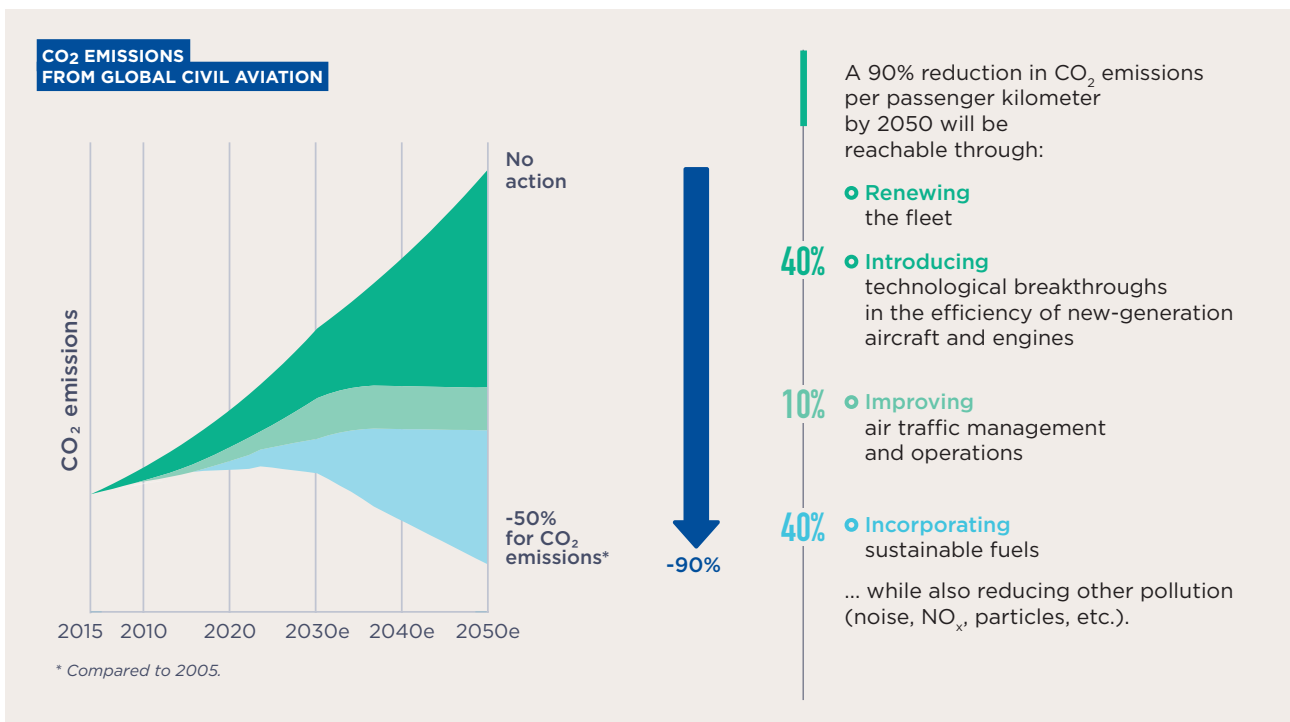
(4) French Agency for the Diffusion of Technological Information (Agence pour la diffusion de l'information technologique - ADIT).



SAFRAN'S CLIMATE STRATEGY

Climate change sets a major and systemic challenge for civil aviation. Safran's climate strategy addresses the challenge in order to offer customers innovative solutions at a competitive cost. With its position in most aircraft-system segments, and all energy systems in particular, the Group spearheads the technological response to climate change.

AN AMBITIOUS COMMITMENT FOR THE AVIATION SECTOR AND SAFRAN'S VISION TO ACHIEVE IT



Civil aircraft in operation account for 2% to 3% of global CO₂ emissions from human activities⁽¹⁾. Considering the effects of emissions other than CO₂ (vapor trails, for example), scientists estimate that aircraft in service are responsible for about 3.5% of global warming⁽²⁾. Because of the significant expansion expected in air transport in the long term, the necessary transition to sustainable aviation is an absolute priority for Safran.

In 2008, the aviation sector took up a voluntary commitment on halving global CO₂ emissions by 2050 compared to 2005 (ATAG)⁽³⁾ to bring a 90% reduction in average emissions per passenger kilometer across the worldwide fleet, taking into account the expected growth in air traffic over the period.

AMBITION: LOW-CARBON AVIATION BY 2030-2035, TOWARDS CARBON NEUTRALITY BY 2050

The aviation sector commitments are consistent with the Paris Agreement on keeping the global temperature rise below 2°C. Our objective is achievable and should involve all players in the sector (industry, airlines, air traffic control, airports, government authorities).

SAFRAN COMMITMENT

At the 2020 Annual General Meeting, Safran made the following commitment in support of sustainable fuels: "Safran notably undertakes to support the launch by the governments and, in particular, the European Union, of investment plans and regulatory measures aiming to promote the availability and utilization of sustainable fuels for aviation. This will have to be done in a sustainable way, taking into consideration the situation of the aerospace industry and, in particular, of our airline customers after the end of the Covid-19 crisis."

(1) Data from IAE (International Energy Agency), ICCT (International Council on Clean Transportation).

(2) *The Contribution of Global Aviation to Anthropogenic Climate Forcing for 2000 to 2018*, David S. Lee et al., Atmospheric Environment, 2020.

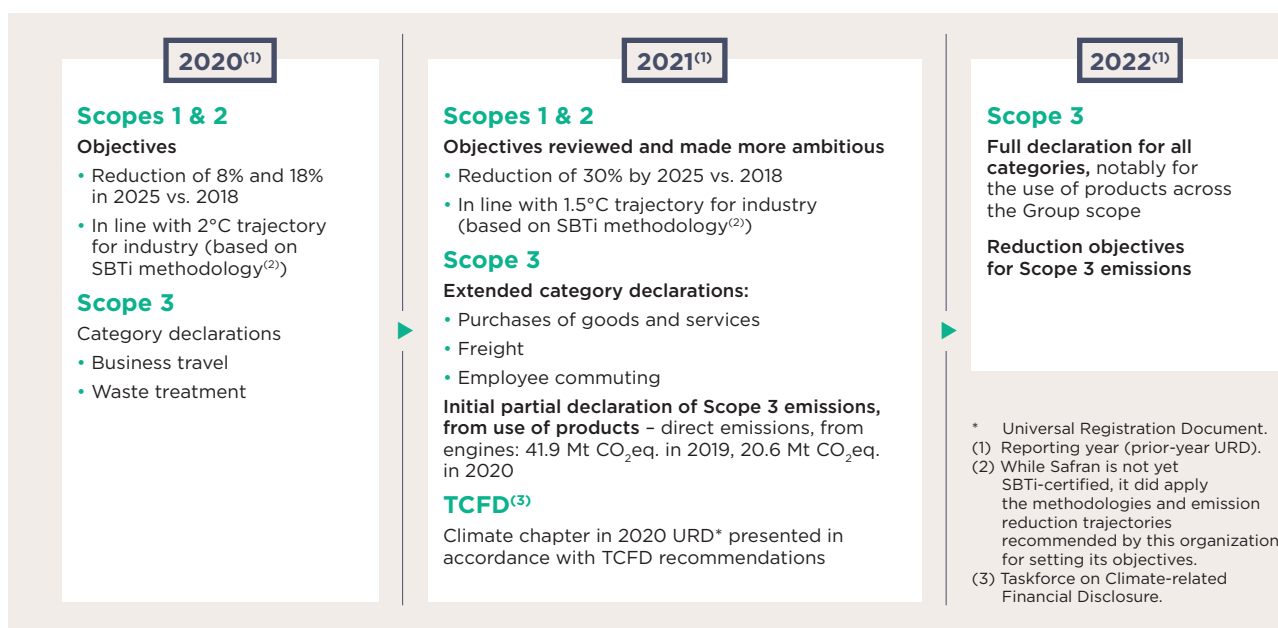
(3) Air Transport Action Group.

SAFRAN'S CLIMATE STRATEGY

Safran intends to lead the way towards decarbonization of the aviation sector, through a climate strategy with two focuses:

- reducing emissions from its operations;
- reducing emissions from the use of its products, its essential mission.

Progress in climate reporting



Reduction in CO₂ emissions from operations

Safran takes a committed and ambitious stance on reducing the carbon footprint of its production methods, through its low-carbon project.

Safran brought in a low-carbon project at the end of 2018, with a dedicated organization relayed through each of the Group's tier-one companies. The first phase of the project involves reducing direct (Scope 1) and indirect (Scope 2) emissions from energy consumption in our operations. The second project phase, launched in early 2020, concerns part of Safran's indirect emissions (referred to as Scope 3 emissions): from logistics operations, purchases of goods and services, and employee travel. An initial evaluation of these emissions was undertaken in 2020, prior to setting reduction objectives in 2021.

In early 2021, Safran stepped up its ambition and objectives on reducing greenhouse gas emissions from its operations. The new objective aligns with an emissions reduction trajectory compatible with a global warming scenario of 1.5°C by the end of the century.

- Direct (Scope 1) and indirect (Scope 2) emissions: **30% reduction by 2025⁽¹⁾**.

Some of the assets employed to meet our objectives are as follows:

- reducing sites' energy consumption, chiefly by improving the energy efficiency of buildings (Valence site, France);
- developing disruptive solutions for heat generation at our sites, by conversions such as replacing gas boilers with biomass boilers;
- on-site production and self-consumption⁽²⁾: solar photovoltaic production facilities have been installed at the Gloucester (United Kingdom), Montluçon (France),

Milmort (Belgium) and Sendayan (Malaysia) sites. Feasibility studies will be conducted with partners in 2021 to continue the installation, notably in the United States;

- choosing low-carbon energy sources, as in Mexico, with a solar power energy contract for power supplies to all Group sites, and in the United Kingdom, with a wind power supply contract;
- phase-in of sustainable fuels for civil engine tests: Safran is committed to using 10% of sustainable fuels by the end of 2021 and 35% by 2025.

In 2020, Safran also introduced an internal carbon price for its investment projects, to swing decisions in favor of solutions including decarbonization actions. By the end of 2020, 20% of the program of actions needed for reaching the 2025 objective had been achieved (measured as the quantity of greenhouse gas emissions to be reduced).

(1) Compared to CO₂ emissions in 2018, i.e., 219,790 t CO₂eq. for Scope 1 and 383,186 t CO₂eq. for Scope 2 (2018 emissions figures were revised in 2020 to reflect the actual data).

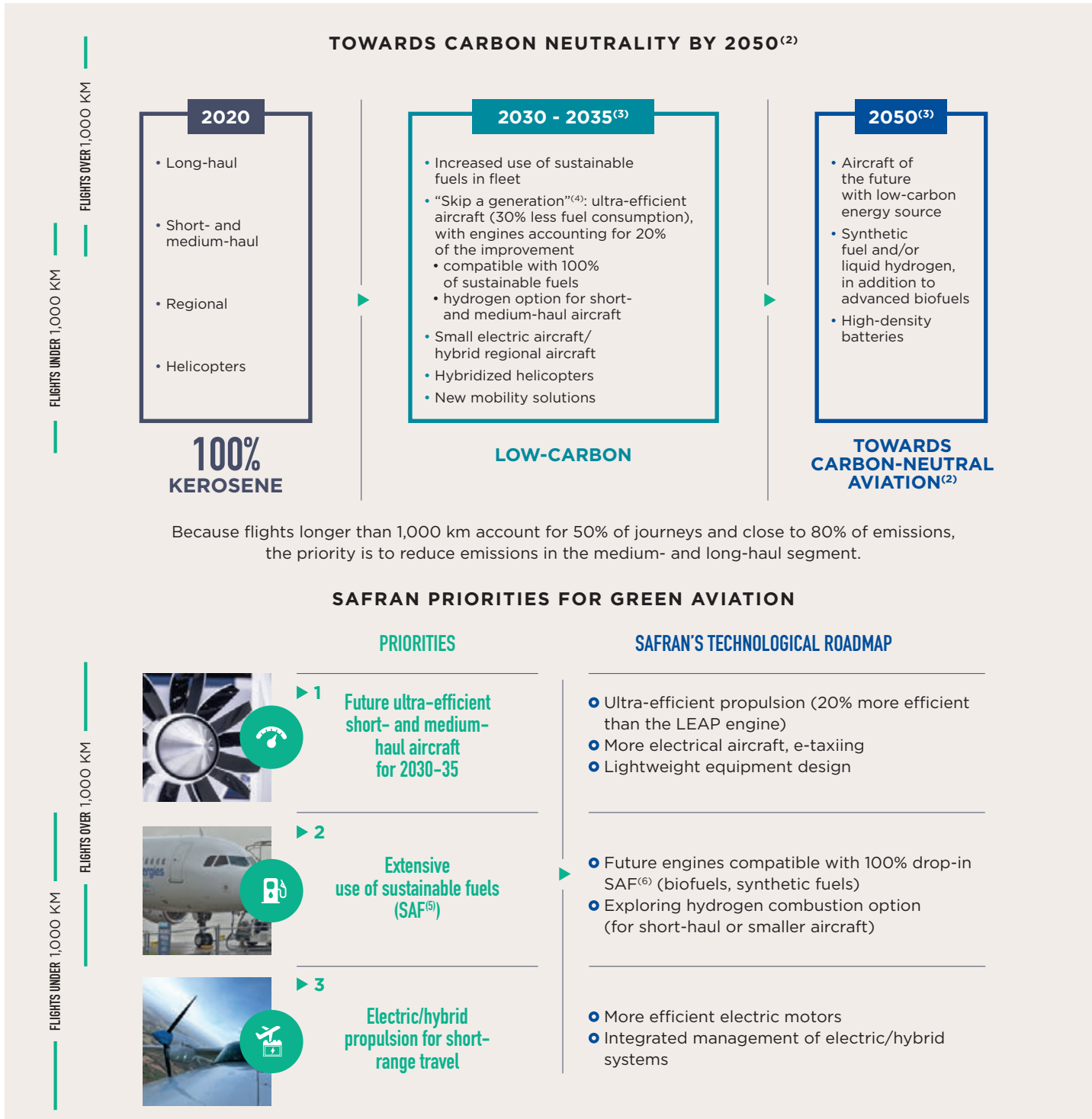
(2) Consumption of electricity produced at Safran sites for its own needs.

STRATEGY AND BUSINESS MODEL

SAFRAN'S CLIMATE STRATEGY

Reduction in CO₂ emissions from products

Because the production of an aircraft accounts for only a small percentage of its emissions over its life cycle, Safran considers that its primary challenge is to reduce CO₂ emissions arising from use of its products (referred to as Scope 3 indirect emissions in the GHG Protocol⁽¹⁾).



(1) Greenhouse Gas Protocol.
 (2) In-flight greenhouse gas emissions & emissions/capture related to fuel production close to zero by 2050.
 (3) Target date for aircraft in service.
 (4) "Skip a generation": new aircraft release bringing twice the usual next-generation gain (15%).
 (5) Sustainable Aviation Fuel.
 (6) Drop-in fuels are fuels that can replace all or some of conventional kerosene without any operational impact, i.e., without requiring modification to infrastructures (at airports, for example) or to aircraft or engines, whether existing or under development.

STRATEGY AND BUSINESS MODEL



► 1. Contributing to the development of a new generation of ultra-efficient engines compatible with carbon neutrality

Safran is convinced that accelerating the transition to carbon neutrality requires “skipping a generation” in terms of efficiency, meaning bringing into service by 2030-2035 a short- and medium-haul aircraft that consumes 30% less fuel than the previous generation. Safran and General Electric (GE) are contributing to this endeavor through work on an **engine that delivers a 20% improvement in fuel consumption compared with the LEAP engine** (LEAP being 15% more efficient than the CFM56), compatible with the use of 100% sustainable fuel, to pave the way to carbon neutrality.

This major challenge calls for breakthrough technologies (open rotor engines, for example) involving an in-depth transformation of aircraft and their architecture, and will require the active involvement of airframers. Tomorrow’s ultra-efficient aircraft will also have to be considerably lighter and use an optimized energy chain. With its very broad coverage, Safran can address all these challenges, with solutions such as e-taxiing (electric motor driving the wheel), lightweight cabin fittings featuring new materials, and optimized electrical systems.

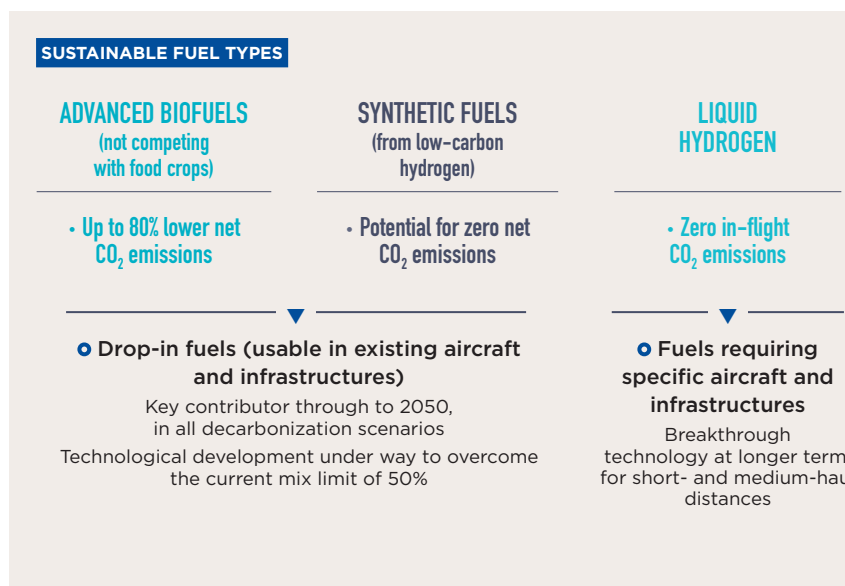


► 3. Electric and hybrid propulsion: a solution for short distances

The short- and medium-term outlook for developments in battery energy density means electric and highly hybrid propulsion will be limited to short-distance flights in low-capacity aircraft: training aircraft, small shuttles, regional aircraft (in the medium term), and new VTOL⁽¹⁾ or STOL⁽²⁾ aircraft for urban or suburban transport. Hybrid propulsion for future aircraft and helicopters will contribute to meeting the highly ambitious objectives on reducing fuel consumption.



► 2. Sustainable fuels: a workable solution for the near future



There is no single solution applicable to all applications without a constraint on resources. All pathways must therefore be pursued, starting now with advanced biofuels, with a preference for the most environmentally virtuous processes. Development in sustainable fuel production (currently three times more expensive than kerosene) requires public policy support.

Safran supports public initiatives, for example by advocating for a European-scale requirement on 10% sustainable fuel in the mix by 2030, under

the ReFuelEU Aviation initiative. It also supports pilot projects on synthetic fuel production. As a supplier of engines and fuel system equipment, **Safran is working on lifting the technical obstacles to enable 100% incorporation of drop-in sustainable fuel** with forthcoming engine generations, and to cross the 50% threshold on present-day engines. This primarily involves solving the issue of the lifespan of seals and pumps for fuel systems and ensuring optimum combustion performance.

At the same time, Safran is also working with other aerospace industry companies to explore the option of hydrogen fuel on short- and medium-haul or small aircraft for around 2035. This option is more ambitious in terms of CO₂ emissions reduction, and requires disruptive innovations in storage (in the form of liquid hydrogen) and the fuel circuit, in addition to the phase-in of drop-in sustainable fuels (biofuels and hydrogen-derived synthetic fuels). A decision is expected around 2025 on the fuel option for the next-generation short- and medium-haul aircraft taking over from the A320neo.

Safran holds a leading position in all-electric and hybrid architectures, developing a range of electric-system products (engines, turbogenerators, energy management systems) and working with innovative companies on batteries. The Group also conducts research on fuel cell technologies. In 2020, Safran’s ENGINEUS™ electric motors flew on VoltAero’s Cassio 1 hybrid aircraft demonstrator, and were selected to power Bye Aerospace’s e-Flyer electric aircraft, orders for which already exceed 700 units.

(1) Vertical Take-Off and Landing aircraft.
(2) Short Take-Off and Landing aircraft.

STRATEGY AND BUSINESS MODEL



AVIATION SAFETY

Aviation safety has always been an absolute Group-wide priority for Safran.

Aviation safety is the responsibility of all Group employees. As a leading global aerospace industry player, Safran gives the utmost importance to safety. The lives of passengers, crew and those on the ground under flight paths depend on this. Safran is as committed as ever to assuring its customers (airframers and airlines), passengers, crew and populations under flight paths that the products and services that it supplies are safe. This is an imperative that influences everything we do.

Aviation safety fundamentals for Safran

At the end of 2021, European regulations will extend coverage of the Safety Management System to design and production functions, in addition to maintenance operations, already bound by this requirement in France, Canada and some Asian countries. Safran is preparing for application of this directive by further improving the visibility and reach of its aviation safety fundamentals. These chiefly involve the implementation of a safety management system at each company, capable of ensuring company-wide employee compliance with safety principles and take-up of a strong aviation safety culture. It is essential that all people in the Group are fully aware of their individual roles

and the possible consequences of their actions, that information sharing is encouraged, and that safety management systems ensure continuous monitoring of and improvement in safety performance. Safran is stepping up its harmonization approach here to attain the highest performance level, standing as the industry benchmark in this field.

Safran has put in place an aviation safety policy; Safran Aircraft Engines, Safran Helicopter Engines and Safran Landing Systems had already drawn up formal flight safety policies based on these fundamentals. The other Safran Group companies will be following suit in 2021.

Each company's policy will come with detailed objectives spanning the whole product life cycle, including design, production and maintenance. Accompanying action plans will include details on organizational and product focuses. Safran is preparing for the amendments to Part 21 European regulations on design and production practices in the civil aerospace industry.



THE STRONGEST POSSIBLE AVIATION SAFETY CULTURE THAT:

- makes aviation safety a top priority;
- prevents and manages aviation safety risks;
- encourages everyone to report aviation safety concerns within a climate of confidence, through a just and fair culture;
- investigates and addresses safety concerns.

SAFETY MANAGEMENT SYSTEM ACROSS ALL SAFRAN COMPANIES, WITH THE ASSURANCE THAT:

- adequate resources are available;
- all Safran employees understand the implications of their own actions on aviation safety;
- aviation safety is promoted;
- aviation safety performance is measured and continuously improved.

Our commitment to aviation safety

FLIGHT SMS⁽¹⁾

Safran encourages employees to report, confidentially, anomalies so that they can be remedied to prevent any possible jeopardy to safety.

Safran Landing Systems employees have access to an anonymous reporting system via the intranet. Reports must be sufficiently precise to ensure the necessary remedial action can be taken, while preserving the anonymity that ultimately ensures that employees will trust the system. The system is also operational at Safran Aircraft Engines, and is ready for other Safran companies.



THE SMS TOOLKIT: INFORM, SHARE AND ANTICIPATE

To strengthen synergies, in 2019 Safran set up a network of SMS leaders in all Group companies. The network coordinates the SMS toolkit, which was made available to all employees in October 2020.

The toolkit includes material for simplifying the application of air safety requirements in design, production and maintenance processes. There is a guide to help companies draw up air safety policies, a scorecard on evaluating SMS management maturity, safety information cards, specific examples of safety analysis, and surveys on organizational and human factors. Tools have been developed for measuring (by means of indicators) the safety performance of our products, operation of the SMS (with



a maturity matrix), and the air safety culture (through surveys).

The toolkit content is continuously upgraded to include shared tools and practical examples. Forthcoming additions include an analysis of the impact of regulatory changes expected in 2021, tools for extending SMS requirements to suppliers, and training materials.

SAFRAN AT THE AIRBUS SUPPLIERS SMS FORUM

Effective communication and interfacing is a key prerequisite in our endeavors on tackling and preventing air safety risks.

Safran is an active participant in the Suppliers SMS forum run by Airbus with its main suppliers and partners. The aim of the forum is to promote air safety and determine joint approaches, through, for example, a joint charter on data sharing, management of new risks arising from the Covid-19 crisis within our organizations and on our products,

accident investigation methodologies, employee awareness-raising, and training on air safety.

The joint charter sets out reciprocal commitments between Airbus and its suppliers on communication, experience sharing, development of an air safety culture, product and organizational risk management, and SMS rollout. Safran took up the charter in March 2021.



(1) Safety management system.

ASSET NO. 1

SUSTAINABLE INNOVATION: SHAPING THE NEXT STATE OF THE ART IN AEROSPACE

In this rapidly changing environment, success depends first and foremost on managing disruptive innovation and technological excellence, to provide customers with a critical edge.

The competitive performance of Safran products depends largely on the Group's innovation capabilities, across a breadth of sectors including electric taxiing, composite 3D-woven fan blades and hemispheric resonator gyros. The Group is implementing an innovation strategy firmly focused on efficient R&T serving all its businesses.

This strategy draws on a dedicated R&T management system and an internal organization providing Group companies with a balance between own development and shared activities. Interactions with the scientific, technological and innovation ecosystem are organized around strategic partnerships, scientific networks and chairs, collaborative innovation in the supply chain and investments in the share capital of innovation-oriented startups.

The number of patents filed bears witness to the creativity of the teams and their capacity to innovate, as well the importance placed on protecting intellectual property. Safran stands among the front-runners for patents filed with the French patents office (*Institut National de la Propriété Industrielle* - INPI). Overall, the Group's patent portfolio protects close to 12,000 inventions and encompasses over 45,000 intellectual property titles.



16%
of workforce
in R&D

**MORE THAN
1,000**
initial patent requests
filed by Safran
worldwide in 2020

75%
of R&T investment
focused on
environmental
efficiency

**5 R&T
PRIORITIES:**

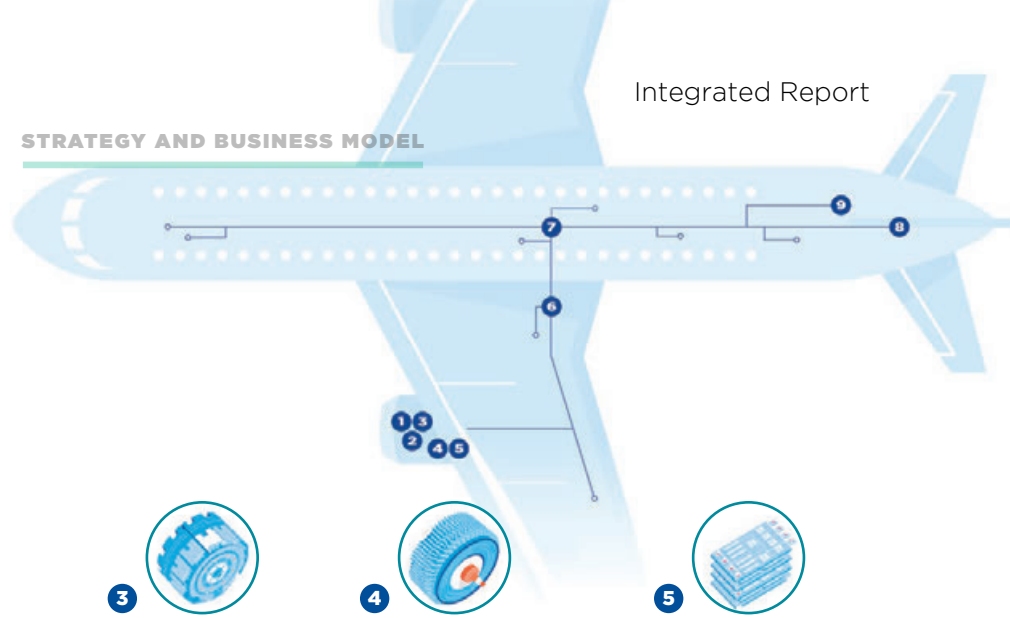
- Aircraft energy and propulsion chain
- High-performance materials and processes
- Aircraft cabin of the future
- Navigation and autonomy technologies
- Digital technologies

THE AEROSPACE INDUSTRY SUPPORT PLAN

Safran's strategy is closely aligned with the measures set out in the French government's aerospace support plan, announced in June 2020, to limit the impacts of the Covid-19 crisis.

In R&D, the plan aims to turn France into one of the most advanced leaders in "green" aviation technologies: ultra-low energy consumption for all future platforms (short- to medium-haul, regional, helicopters), electric hybridization on regional aircrafts and helicopters, and engines compatible with 100% sustainable fuels, etc. Since 2020, Safran has been involved in a number of in-depth research projects, on aircraft engines (successor to the LEAP engine), the hybrid-electric light helicopter demonstrator (HELYBRID project), and the HYPERION project to assess the challenges of a hydrogen engine. The aerospace support plan will enable Safran to maintain its overall research and technology activity on decarbonization over the coming years.

STRATEGY AND BUSINESS MODEL



Aircraft energy and propulsion chain



1 JET ENGINES AND GAS TURBINES

Improving aircraft propulsion systems is presented on pages 26 and 27.



2 POWER TRANSMISSIONS

From materials and processes to system design, Safran keeps upgrading its systems and equipment to enhance integration with engines.



3 ELECTRIC GENERATORS

To meet the needs of more and all-electric aircraft, Safran is developing the most extensive and advanced range of “smart” generators on the market, with fully integrated control electronics.



4 ELECTRIC MOTORS

Safran offers different families of compact yet powerful electric motors with integrated control electronics, tailored for various applications such as landing gear actuation. Other motors are purpose-designed to drive propellers on aircraft with all-electric or hybrid propulsion systems.



5 POWER MANAGEMENT

Power management is taking on an increasingly important role with the electrification of aircraft, to distribute this energy and ensure a stable and protected power supply.



6 WIRING

With more and more functions going electric, aircraft need denser and more complex wiring systems. Safran is developing these systems with its advanced modeling system, and is also working on systems capable of handling the high voltages needed for electric propulsion.



7 ELECTRICAL DISTRIBUTION

Because of the high power required by non-propulsive electrical functions and emerging propulsion needs especially propulsion, the aim is to develop smart distribution systems, capable of managing an increasing number of loads, and supporting high voltages without overheating, short circuits or arcing.



8 AUXILIARY POWER UNITS (APUs)

Emerging more and all-electric architectures are changing the traditional role of the APU, making it less and less “auxiliary”! Safran is therefore developing the eAPU to address the requirements of new more electric aircraft, and is already looking further ahead with fuel cells that could supplement or even replace APUs.



9 BATTERIES

All aircraft are fitted with batteries used to start their engines. Tomorrow’s batteries will have to rise to the challenge of electric propulsion. Safran is naturally focused on significantly increasing battery power density and endurance, while keeping weight as low as possible. Even so, Safran considers the prospect of an all-electric medium- and long-haul aircraft unrealistic for the time being.

NEW AIR MOBILITY: A STRATEGIC FOCUS FOR SAFRAN

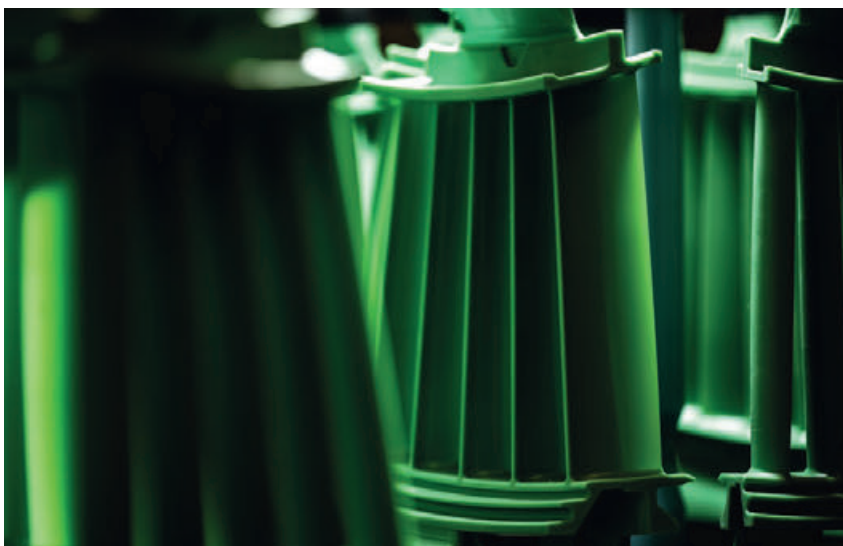
Working in partnership with airframers in a highly dynamic ecosystem, Safran stands out as a leader in key systems (propulsion, equipment and interiors) for players in urban and regional air mobility. Safran is ideally placed to provide electric and hybrid propulsion and autonomy solutions for demonstrators and forthcoming commercial programs. In 2020, Bye Aerospace selected Safran to supply ENGINEUS™ smart electric motors for its e-Flyer aircraft.

STRATEGY AND BUSINESS MODEL

High-performance materials and processes

The need to reduce aircraft and equipment weight leads to an increased use of composite materials. Safran engines and equipment, whether nacelles, landing gear or brakes, are characterized by heavy mechanical loads. To develop these solutions, Safran set up the Safran Composites Center, part of the Group's R&T center, Safran Tech, with resources and expertise in organic matrix composites.

Higher running temperature is also a key factor in improving engine performance. **The Safran Ceramics complex, opened in 2018, centralizes Group research on ceramic matrix composite materials adapted to very high temperatures.** Lastly, a platform for developing new monocrystalline casting techniques for turbine fans was inaugurated in 2019.



Navigation and autonomy technologies

Air, land, sea, satellite and military navigation markets are constantly evolving and expanding. Operational and economic gains are sought by increasing autonomy, and by ensuring land-onboard continuum via secure links. Actions such as these prove to be powerful drivers of renewed technological development. **Safran is actively preparing the shift to autonomous systems for civil and defense applications** based on technologies developed in optronic sensors, inertial navigation, critical onboard electronic systems and image processing and analysis. The use of sensors and artificial intelligence in an integrated system resulted in eRider, an autonomous vehicle demonstrator for military applications that 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 DGA⁽¹⁾. The tender covers autonomous vehicles, small land robots and drones, laying the groundwork for autonomous and collaborative combat systems. Proficiency in technologies merging navigation and environment perception data also enables the development of piloting assistance applications for all types of aircraft.

The aircraft cabin of the future

Through system integration and optimization, the aircraft cabin of the future will offer passengers **enhanced comfort and traveling experience**. Through



Safran Cabin Innovation, Safran offers its customers opportunities for improving revenues (by adding seats capable of generating revenue or providing new services), offering an incomparable passenger experience (with a more spacious and comfortable cabin, new features, etc.), and creating or enhancing brand image (through distinctive service, design and products). Safran is also developing innovative solutions in three major aspects of the aircraft cabin of the future: smaller ecological footprint, equipment connectivity, and cleanliness to rebuild passenger confidence in the wake of the Covid-19 crisis.

(1) French Directorate General of Weapons Procurement (*Direction générale de l'armement*).

STRATEGY AND BUSINESS MODEL

Digital technologies

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 tooling and introducing new methods of optimizing design.

Up to
50 components
replaced
by a single part

Lead time
divided by 6

15%

reduction in
manufacturing costs

25%

mass reduction

These processes also open opportunities for reducing the cost and environmental impact of transportation in the production of parts. Safran Tech's Safran Additive Manufacturing hub **accelerates the development of these processes** for future use in series production and repairs. Safran will be centralizing all its capabilities at a new site under construction in Haillan, near Bordeaux, which will house all the Group's operations in research, industrialization and production of additive manufacturing components, to encourage optimally efficient rollout across all relevant products.

DATA PROCESSING

Techniques used to diagnose and forecast the condition of aircraft 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). With Safran Analytics, front-line digital resources are implemented for complex data purposes.

Such techniques also entail demanding requirements on managing growing volumes of flight data, a field in which Safran holds substantial international experience. In November 2020, Safran Electronics & Defense signed a contract with China Southern Airlines Company

Limited on the rollout of **Cassiopée Alpha, its new flight data decoding and analysis software platform**, across the whole of its fleet of more than 600 aircraft.

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. In systems engineering, Safran is working on **process harmonization**: a software development workshop has been set up for Group-wide rollout.

SAFRAN ECO-DESIGN AND PRODUCT LIFE-CYCLE MANAGEMENT

Environmental impact reduction at each stage of a product's life cycle is an integral factor, from product design onwards. Safran pays particular attention wherever non-renewable natural resources are used, making product reparability a key point in its offering of maintenance solutions. Safran also proposes the use of **reconditioned parts, applying a circular-economy logic in partnership with other industry players**. In 2007, Safran partnered with Airbus and Suez in founding Tarmac Aerosave, which has become the European benchmark operator in storage and dismantling of military and civil aircraft. Since 2007, 250 aircraft and 140 engines have been dismantled and recycled, with a recovery rate of more than 92% of total aircraft weight.

SAFRAN CORPORATE VENTURES:
VENTURE CAPITAL FOR INNOVATION

Safran Corporate Ventures, the Safran investment subsidiary formed in March 2015, contributes to the Group's innovation strategy by financing companies at average first-round amounts of €1 million to €5 million, under an overall portfolio target of €80 million.

Its fields of interest include decarbonization, industry 4.0, new materials, etc.

Since its creation in 2015, Safran Corporate Ventures has invested in 11 tech companies, ten of which are still in its portfolio. In 2020, it provided ongoing support for the companies in its portfolio to help them tackle the crisis, while also taking part in the refinancing of Outsight.

During the year, Safran Corporate Ventures also contributed to half a dozen partnerships or demonstrators between Group companies and innovation-oriented startups.

ASSET NO. 2

OPERATIONAL EXCELLENCE: FOR LASTING CUSTOMER TRUST

Safran aims to become its customers' leading supplier by offering world-class products and services. Flight quality and safety are the number-one decision criteria for all Group employees.

Voice of the customer, a Safran priority



Customer confidence and satisfaction is founded on the Group meeting its commitments to quality-cost-lead time and the safety of products and services delivered.

Performance quality for services is founded on constantly listening to customer needs. Maintenance centers have been located to ensure maximum proximity to customers, and the Group has also developed remote maintenance solutions to enable rapid and efficient troubleshooting and action. For the past 12 years, under a maintenance in operational condition (MCO) contract for helicopter engines with the French government, Safran has been guaranteeing a 100% service rate for all of the 1,600 helicopter engines in service in mainland France and overseas territories and on overseas operations. In 2020, Safran Helicopter Engines opened a new 4.0 aerospace maintenance facility in south-west France that will offer customers a 30% reduction in maintenance cycles.

Digital transformation for the highest operational standards

Tools and resources in design, production, maintenance and services 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 cycle, cost and product quality. **Digital transformation stands at the heart of the Safran strategy.** The Factory of the Future is the method of choice for obtaining the best possible profitability from investments and a disruptive competitiveness tool producing remarkable **productivity gains. It is a major asset for the Group's current activities.** Appropriately paced rollout of this project continued in 2020: of the 49 projects for the production lines of the future identified in 2018, 24 were operational by the end of 2020.

CUSTOMERS ARE SAFRAN'S PRIMARY CONCERN THROUGH THE COVID-19 CRISIS

Throughout the crisis, Safran teams remained particularly focused on providing high quality service to Group customers. The Safran Aircraft Engines customer support center remained open 24 hours a day, 7 days a week despite the crisis and the steep fall in air traffic, continuing to answer all airline company queries within four hours.

Vertical magazine placed Safran Helicopter Engines at the top of its ranking of engine manufacturers, in recognition of the quality of its products and services. Customer support during the crisis was rated good or excellent by 80% of customers, some of which were involved in performing key public service missions during this period (transport of patients, protection of populations, etc.).



Supply-chain performance

Excellence in supply-chain control is a prerequisite for performance quality in product delivery.

Safran's purchasing policy is designed to meet its objectives of excellence, in seamless alignment with its manufacturing strategy. Safran has successfully built a supplier panel that meets its present and future performance needs (cost, quality and lead time) and enables Safran to provide its customers with innovative, value-creating solutions.

To develop an agile supply chain, the Group promotes supplier involvement from the development stage of its products and services, inviting them to put forward their innovations and contribute the full breadth of their expertise. Safran has also designed a policy to diversify suppliers, by **systematically qualifying multiple sources for critical materials and parts**. Safran's suppliers undergo a rigorous selection and approval process. Decisions to award new supply or development contracts are taken collectively by a Supplier Selection Committee spanning industrial, quality and purchasing functions. Suppliers are regularly audited and monitored by supplier quality

assurance managers, responsible for ensuring day-to-day quality of all products purchased. The supplier quality assurance managers are backed by a team of more than 200 supplier performance managers, who identify risks, provide support on risk prevention, measure suppliers' quality and delivery-time performance, and ensure that progress plans are properly implemented and that a business continuity plan is in place.

The requirements that Safran applies to its suppliers are formalized in its general purchasing conditions, in the general quality requirements set out in the SAFe ("SAFran exigencies", French for requirements) document, based on the EN 9100 standard and on customer and regulatory requirements, and in product-specific documents. The 2020 version of SAFe will extend the Advanced Product Quality Planning (APQP) requirements, strengthen requirements on prevention and remediation of quality deviations, clarify design requirements for build-to-spec⁽¹⁾ suppliers and promote industry-wide standardization. Safran's responsible purchasing charter is also an SAFe requirement.

Constant improvement

The Safran+ progress approach encompasses a number of permanent and cross-Group initiatives:

- participative innovation initiatives enabling employees in all sectors to put forward ideas for improving company performance. More than 109,000 employee ideas were taken up across all the Group's business sectors in 2020;
- Lean Sigma, with Green Belts, Black Belts and Master Black Belts driving the Group's transformation through a structured and standardized project management approach;
- QRQC⁽²⁾, initially developed across industrial and technical operations in all Group companies, and now also being phased in across support functions.

PARTICIPATIVE INNOVATION, BOOSTING RESILIENCE IN TIMES OF CRISIS

Leveraging employees' know-how, industrial capabilities and creativity, Safran's structured continuous improvement method helped to achieve effective implementation of multiple ideas, and to identify appropriate solutions in record time, such as using 3D printing tools to produce protective barrier systems for use at Safran sites, and manufacturing metal plates for medical structures in the United States.

OPERATING EXCELLENCE IN HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Safran's health & safety culture

Safran is committed to nurturing a culture of prevention of occupational health and safety risks, for the greater benefit of its employees, suppliers, customers, and all other stakeholders concerned by its operations, in a spirit of transparency and sincerity. Faced with the Covid-19 crisis, Safran teams immediately mobilized to take effective measures on adaptation and employee protection. Alongside the health protection protocol applicable to all sites, Safran also reinforced measures on psychosocial risk prevention. In April 2020, it opened an attention and support service for employees in France and overseas.

Rollout of Safran's occupational health, safety and environment policy draws on:

- a tight-knit organization across all levels, with HSE coordinators at tier-one entities, site prevention officers, occupational health services, ergonomists, a network of decentralized experts, and division coordinators covering several entities locally;
- Safran's global Health, Safety and Environment (HSE) guidelines meeting the requirements of ISO 14001 and ISO 45001 standards, for steering risk management and improving HSE performance.

ONE SAFRAN, AN ASSET IN TIMES OF CRISIS

Safran is pushing ahead with its One Safran initiative on the rollout of top-level industrial standards, launched nearly five years ago. Continuous improvement efforts were rapidly refocused on the operational priorities arising from the impact of the pandemic on the business, in order to uphold core work standards, adapt to health constraints, and guarantee product and service quality and customer satisfaction.

(1) Designed by the supplier according to customer specifications.

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

ASSET NO. 3

RESPONSIBLE CONDUCT: A STAKEHOLDER DEMAND

Safran's leading positions in aerospace, defense and space owe everything to the dedication of its 78,892 employees, and to its many partners.

Safran propagates a culture of integrity to ensure ethical conduct and commercial compliance in all its business relationships. Seeking to increase employee engagement, the Group is committed to developing employability through stimulating career paths.

Strong emphasis is also placed on talent diversity, with Safran convinced of the benefits of a diverse workforce.

Commercial compliance, a decisive factor and complete commitment

In 2012, Safran became the first CAC 40 company to obtain "anti-corruption" certification from the French Agency for the Diffusion of Technological Information (ADIT). This certification, renewed in 2017, attests to the robustness of Safran's anti-corruption program, the requirements of which align with those of the most rigorous international standards: US Foreign Corrupt Practices Act, UK Bribery Act, OECD Convention, the French Sapin II Act, the tenth principle of the United Nations Global Compact, and ISO 37001. In 2020, the French anti-corruption agency (AFA) audited the corruption risk prevention

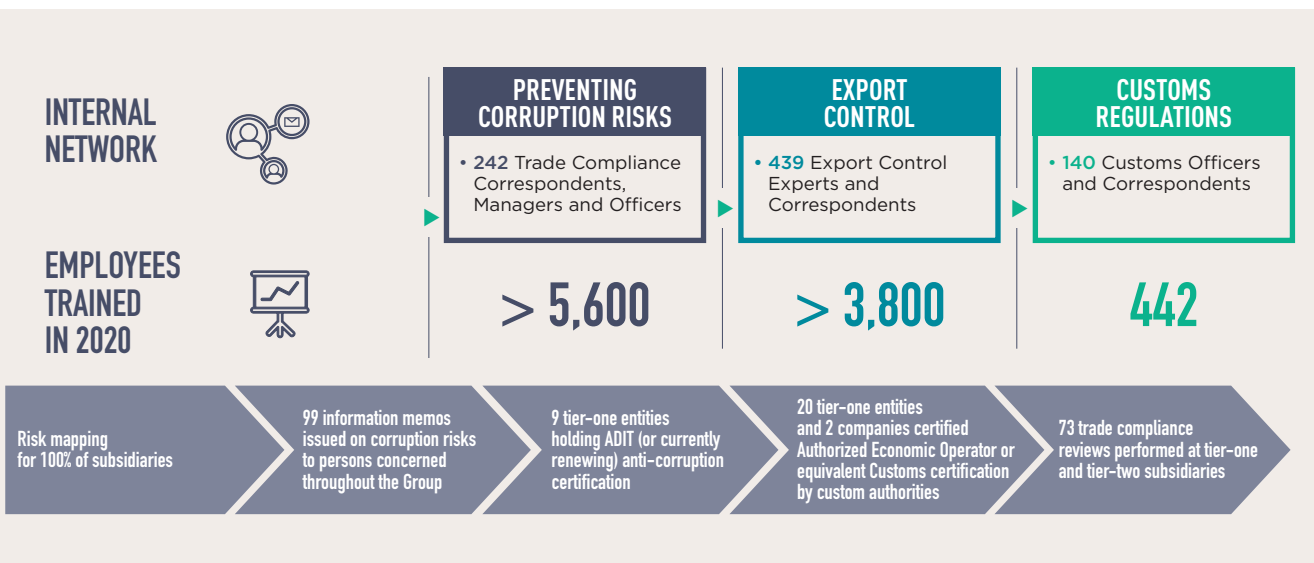
program operated by Safran SA and all the subsidiaries and companies under its control.

Safran's corruption detection and prevention program is based on the requirements set by international conventions and the national regulations applicable to Safran's operations.

It seeks to instill a Group-wide culture of honesty, as set out in Safran's Ethical Guidelines, and convince operational employees that it is imperative to demonstrate exemplary conduct in this regard. With the dual objective of developing personal responsibility and protecting Group assets, the program

takes eight focuses: exemplary conduct from the very top ("tone at the top"); specific risk mapping; code of conduct; dedicated organization; appropriate procedures; information and training program; procedure monitoring; as well as an internal whistleblowing alert system.

The corruption detection and prevention program comprises a series of standard operating procedures applied by each Safran subsidiary in accordance with local legislation applicable to its organization, products and markets. It is also proposed to affiliates in which the Group is not the majority shareholder.



STRATEGY AND BUSINESS MODEL

A responsible relationship with suppliers and subcontractors

Safran operates a purchasing policy that seeks to ensure it works with suppliers guaranteeing high-performance, reliability and strict compliance with all applicable national and international regulations. Suppliers are required to

comply with international trade regulations and with all applicable requirements on environmental protection, personal health and safety, ethics and labor relations.

The policy ensures business is awarded to suppliers capable of meeting the Group's standards, its competitiveness criteria and the demands of the aerospace, defense and space markets. Alongside its suppliers and subcontractors, Safran is committed daily in the search for operational excellence, competitive performance and carbon footprint reduction. The Group seeks to offer its customers the very best, through fair, long-term relationships of trust that address the challenges of the aerospace industry. Safran helps its suppliers and subcontractors tackle the Covid-19 crisis and the repercussions on the aerospace industry, notably with a crisis monitoring and support unit.

Safran holds the Responsible Purchasing and Supplier Relations label⁽¹⁾ since 2014

Safran has been a member of the SME Pact since 2010⁽²⁾

Under its duty of care plan (in application of French law 2017-399 of March 27, 2017 on duty of care), Safran assesses the risks faced by the Group and its main subcontractors and suppliers in the areas of the environment, health, safety and human rights, along with the measures taken to prevent and minimize such risks.

PURCHASING

48.5%
of adjusted Group revenue

42%
of purchasing volume sourced in France, including 83% sourced from SME and mid-sized companies

Safran, a responsible employer

STRONG MOBILIZATION TO LIMIT THE IMPACT OF THE COVID-19 CRISIS

Safran reacted rapidly to minimize the impact of the crisis on its operations, adjusting its organization and applying the measures brought in by local legislation.

In 2020, 16,551 employees left the Group (mainly in the United States and Mexico). In France, an Activity Transformation Agreement was signed with all trade unions in July 2020. This agreement safeguarded around 10,000 jobs, while upholding solidarity among employees and building the skills and expertise needed for business recovery. Under the agreement, Safran also benefits from the French government's short-time working measures.

A RECOGNIZED EMPLOYER BRAND

Safran's policy on constant development of the employer brand and attractiveness is designed to help it draw in top talent. Long-term partnerships are forged to strengthen ties with schools and universities running courses in aerospace-related subjects. Safran also fields a dynamic employee network of 265 Safran ambassadors, graduates from selected schools and universities. Despite the crisis, Safran recruitment continued worldwide, with more than 3,300 new hires across the world and more than 3,200 work-study students in Europe. Safran has a recognized employer brand: 4th place in the Universum "students" ranking, best employer worldwide in Forbes' aerospace and defense sector ranking, and 8th place (2nd in the "Air, Rail & Sea" category) in *Capital* magazine's annual ranking of the best employers in France.

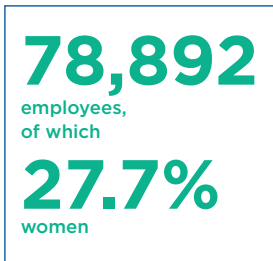
EMPLOYEE SHARE OWNERSHIP, A SAFRAN PRACTICE

Safran successfully encourages its employees to hold shares in the Company, through permanent measures such as savings plans: 49% of Group employees worldwide hold Safran shares. In connection with employee share ownership, two representatives of the employee shareholding funds participate in the work of the Board of Directors. In 2020, Safran launched a new international employee shareholding plan, aimed at associating employees with Safran's objectives, successes and future performance. Employee take-up of the new plan proved enthusiastic. Employee share ownership, totaling 7.25% (10.4% in voting rights) at December 31, 2020, provides a stable long-term shareholder base.

(1) The Responsible Purchasing and Supplier Relations label replaces the Responsible Supplier Relations label.

(2) France agreement scope (excl. Safran Aerosystems, Safran Passenger Solutions, Safran Seats, Safran Cabin).

STRATEGY AND BUSINESS MODEL



**DIVERSITY AND INCLUSION,
CORPORATE CULTURE**

Diversity is at the core of the identity of Safran, whose employees work in over 25 different countries and cover a multitude of professions. This diversity is an intrinsic part of the Group's success: strong strategic fits of profiles, skills and viewpoints is a powerful force behind creativity, innovation and collective performance. It is essential for Safran to recognize and value individual singularities, and to develop an inclusive corporate culture. The Group has a diversity and inclusion policy, promoting equal opportunity and combating all forms of discrimination. Safran has been a signatory to the diversity charter since 2010, and ensures that its principles are applied throughout all the Group's companies.

Workplace gender equality is crucially important for Safran, with the resulting balance and diversity representing a major asset in response to the challenges to come. In 2020, women accounted for 27.7% of the Group's workforce. For 2025, Safran has set an objective of increasing the proportion of women among senior managers to 22%.

Safran is intent on achieving a lasting change in corporate culture, eradicating the gender pay gap, and raising employee awareness to counter discrimination and unconscious stereotypes and biases. It also wishes to become a more attractive employer to women and to increase the number of women in management positions.

For over ten years now, Safran has been running a proactive policy on the inclusion of people with disabilities, covering four key objectives: keeping employees with disabilities on the payroll, hiring people with disabilities, working with sheltered workshops and disabled-staffed companies, and ensuring a disability-friendly workplace (according to the Afnor standard). Safran has set itself an objective of increasing the employment rate of people with disabilities to 6% of the workforce.



Safran is also active in social inclusion and professional integration for young people. In 2020, Safran kept up its efforts despite the economic crisis by welcoming more than 5,000 interns, work-study students, PhD graduates and young people on international corporate volunteer programs. More than 50% of graduate positions were filled by young people trained within the Group.



**EMPLOYEES PREPARED
FOR TOMORROW'S CHALLENGES**

Skill sets and business lines must adapt to address increasingly critical environmental challenges, accelerating change in the aerospace industry, toughening demand for competitiveness, the need to step up Group digitalization, and emerging employee aspirations:

- digital skills in fields such as data governance across all business lines, data science, data architecture, data engineering, digital continuity, predictive maintenance, software, artificial intelligence, additive manufacturing, cybersecurity etc.;
- expertise in systems engineering, navigability and systems architecture are growing in strength to position the Group as a global solutions architect;
- skills in areas such as power electronics, energy management and new fuels must be developed as part of the ecological transition drive;



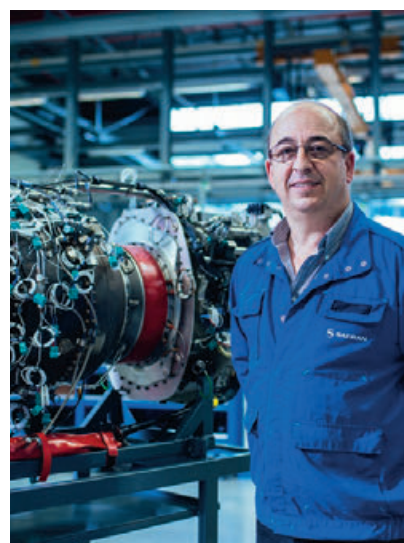
STRATEGY AND BUSINESS MODEL

- organizational and managerial adaptations are a necessity, through collaborative management, autonomous cross-functional teams, multi-machining, multi-skills, internationalization of managerial practices, etc.;
- Safran's well-established skills (in mechanics, avionics and materials) remain major factors in Safran's ability to stand out from the competition and will gradually include digital technologies to offer high-performance products and services.

creation of interactive, mutually supportive networks of executives who develop their transformative capabilities and acquire and transmit the Group's values and culture. Faced with the health crisis in 2020, Safran University reconfigured its operations to ensure effective continuity in its teaching programs and employee training capabilities. In 2020, 77% of Safran University's training was online.

1,418
mobilities and transfers

5.37%
employment rate of disabled workers



Approx. 1 million
hours of training (on-site and distance) worldwide in 2020

67%
attendance at one or more training sessions in 2020 among all employees worldwide

EMPLOYEE TRAINING, A SAFRAN PRIORITY

Each year, Safran's strategic training focuses are shared with all of the Group's HR and managerial teams. Safran University develops a full catalog of training courses, and Group companies assess training priorities in line with these focuses.

Safran University acts as a key vector for onboarding new hires, transforming the organization and instilling leadership across the Group. It handles induction for new recruits and on-site or online training for Group employees from different companies, countries and business lines, in a manner that inspires pride and a sense of belonging in the Safran community. It ensures skills development and participates in the

ENCOURAGEMENT ON VARIED CAREER PATHS

84% of employees attended performance and career development interviews in 2020. Varied career-path propositions are available to all employees, through career committees in operational entities and Group cross-functional committees. Workforce fluidity and opportunities for employees to switch jobs and locations seamlessly, to develop existing skills and acquire new ones, is both a key to maintaining their employability and a prerequisite for the Group's transformation and agility. In the context of the Covid-19 crisis, Safran strengthened its encouragement and support for mobilities across subsidiaries impacted in different ways and to different extents by the pandemic. A total of 1,418 employees changed business function and company in 2020.

At the same time, Safran stepped up its HR policy aimed at allowing employees to sidestep from a declining profession to a growing one. The crisis has actually expanded career opportunities, nudging employees toward openings in growing professions, in digital transformation and ecological transition for example, and encouraging the development of new skills through a program put together with Safran University.



RISK MANAGEMENT

SAFRAN'S ENTERPRISE RISK MANAGEMENT SYSTEM AND ITS MONITORING

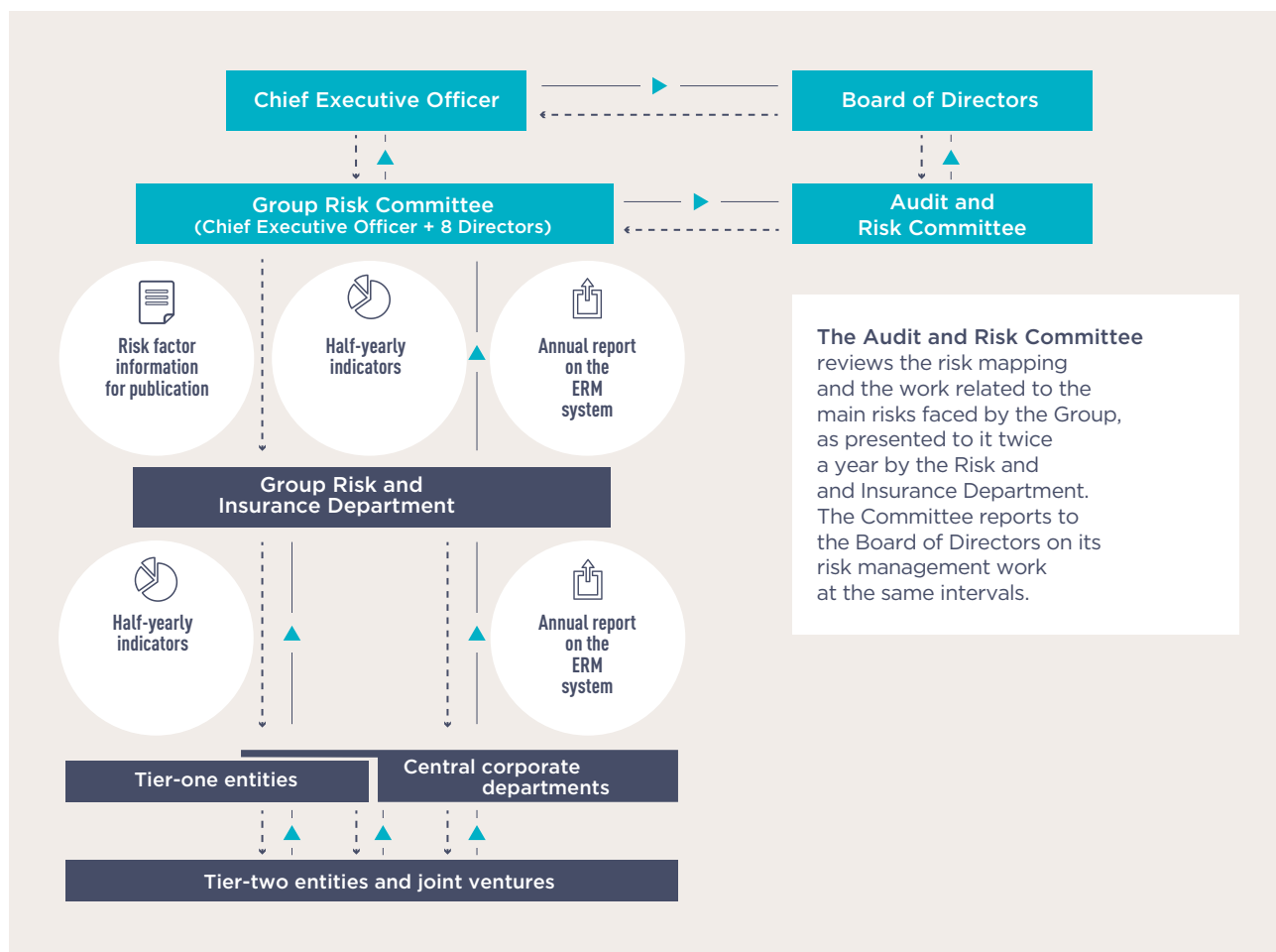
Safran operates a robust Enterprise Risk Management (ERM) system.

Safran's ERM set-up has spawned a strong risk management culture spanning all company processes. Today, it enjoys very strong take-up by all teams, across all units and at all levels throughout the organization. ERM has become one of the Group's key performance drivers. Full details on the system can be found in chapter 4 of the Universal Registration Document. Identification, appraisal, processing and control of major risks is regularly updated by the risk committees of tier-one enti-

ties, the central corporate departments, and ultimately the Group Risk Committee.

The Risk and Insurance Department reports to the Deputy CEO. It comprises the Risk and Insurance Department director and Corporate Risk Managers, and is responsible for implementing the Group's ERM system. It develops methodological techniques and processes to ensure consistent handling of risks by tier-one entities and central corporate departments.

Each **tier-one entity** has a **risk manager** who prepares a risk map and constantly liaises with the Risk and Insurance Department. Risk managers are tasked with implementing the risk management process for their entire operational scope, i.e., in their respective tier-one entities and in their subsidiaries and investments. Each of Safran's **central corporate departments** also prepares a map of the main risks in its scope.



RISK MANAGEMENT

MAIN RISKS

The risks identified by Safran as material are ranked by criticality (in terms of likelihood of occurrence and potential impact) in a limited number of categories, consistent with Safran's three key assets.



FOCUS ON CLIMATE RISK

To contend with the climate change related **physical risks** to which the Group is exposed, Safran has devised an HSE (Health, Safety and Environment) strategy and governance framework to ensure appropriate protection for all its employees and assets.

Safran is deploying a proactive strategy underpinned by quantified objectives for meeting key climate change challenges and the increasing scarcity of fossil fuels, by carefully controlling and reducing its energy consumption and the greenhouse gas emissions produced by its operations and services (Scopes 1 and 2). To manage this **transition risk**, Safran has deployed a number of targeted actions for improving the performance of its new buildings, reducing energy consumption at its existing sites, and switching energy sources by using breakthrough solutions for heat generation, selecting low-carbon energy sources, or introducing biofuels into its engine tests. Safran contributes to the work of international institutions in drafting environmental standards on aerospace industry decarbonization. Following a technological roadmap on reducing the emissions from the use of its products (Scope 3), all of Safran's R&T activities are oriented towards:

- designing engines that consume less fuel and lighter aircraft equipment that contributes to reducing CO₂ emissions;
- participating in research programs on sustainable fuels (biofuels, liquid hydrogen, etc.);
- developing more electric aircraft with an optimized energy chain (electric/hybrid propulsion for short-distance travel).

Risks relating to the environment in which the Group operates

- Changes in the competitive landscape (political and geopolitical uncertainties, health uncertainties, including measures on tackling Covid-19, etc.)
- Changes in economic conditions
- Impact of the aviation cycle
- Competition

Financial market risks

- Foreign currency risk
- Interest rate risk
- Counterparty risk
- Liquidity risk

Legal and regulatory risks

Risks of negative media coverage

Risks relating to climate change

Risks relating to Group operations

- Aircraft accidents
- Delays, program development and industrialization
- Products and services
- Supplier and partner risks
- Health, safety and environmental risks
- Personal safety risks
- Data confidentiality and cybersecurity risks

Risks relating to the Group's strategic development

- Technological evolutions
- Uncertainty regarding returns on investments
- Dependence on government procurement contracts
- Acquisition and restructuring risks

Human resources risks

A BOARD OF DIRECTORS INCORPORATING BEST GOVERNANCE STANDARDS INTO ITS ACTIVITIES

Safran refers to the “Corporate Governance Code of Listed Corporations” drawn up jointly by the French employers’ associations, AFEP and MEDEF. Safran’s Board of Directors determines its strategy and oversees its implementation.

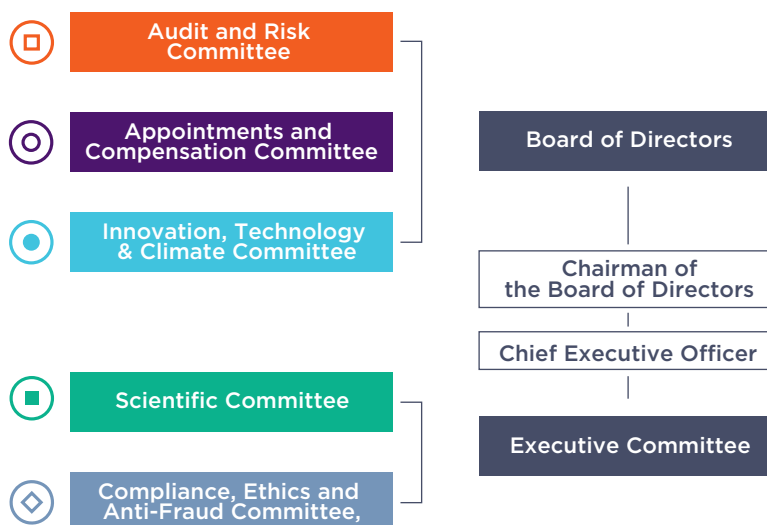
SEPARATION OF THE ROLES OF CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

Since 2015, the Board has chosen to separate the roles of Chairman of the Board of Directors and Chief Executive Officer.

This choice of governance, confirmed with the appointment of Olivier Andriès as the new Chief Executive Officer as from January 1, 2021, brings the Group the combined benefits of his managerial and industrial record in addition to the international stature of the Chairman, Ross McInnes. Complementarity across their profiles will be one of the underlying factors enabling 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, thus guaranteeing an effective segregation of duties.

LEAD INDEPENDENT DIRECTOR

In 2018, the Board of Directors decided to appoint Monique Cohen as Lead Independent Director and define her duties. 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 have such a Director.

AN INDEPENDENT DIRECTOR RESPONSIBLE FOR MONITORING CLIMATE ISSUES

Fully aware of the strategic importance of climate issues for the aerospace industry, in early 2021 the Board of Directors appointed Patrick Pélata as Director responsible for monitoring climate issues, and defined his roles and responsibilities accordingly (see page 45).

INDEPENDENT DIRECTORS

The aim of having independent Directors on the Board is to provide 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. Highly engaged and involved in the Board’s work, their freedom of judgment and expression contributes to the quality of the Board’s discussions and decisions. Their professional and personal experience provides an external view that is beneficial for the Group.

EXECUTIVE SESSIONS AND ASSESSMENT OF BOARD OPERATING PROCEDURES

As part of the formal self-assessment of its operating procedures, the Board decided that an “executive session” should be added at the end of each scheduled Board meeting as from 2021, enabling Directors to discuss functioning of the Board if required. Previously, two “executive sessions” were held per year. At these sessions, not attended by any executive or in-house Directors, the other members of the Board generally discuss the functioning of the Board and its Committees, the performance of the Chairman and the Chief Executive Officer and the work carried out on succession plans, and identify issues to be addressed at subsequent Board meetings.

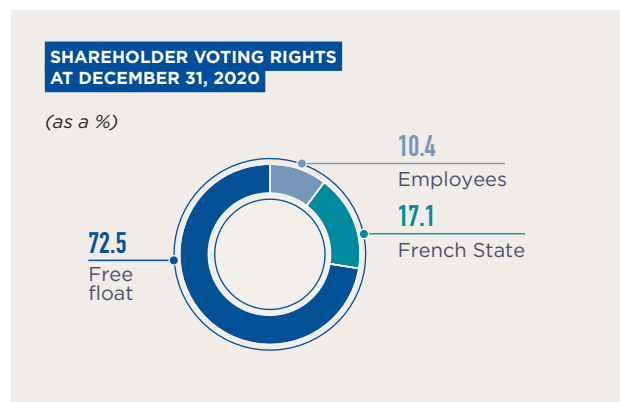
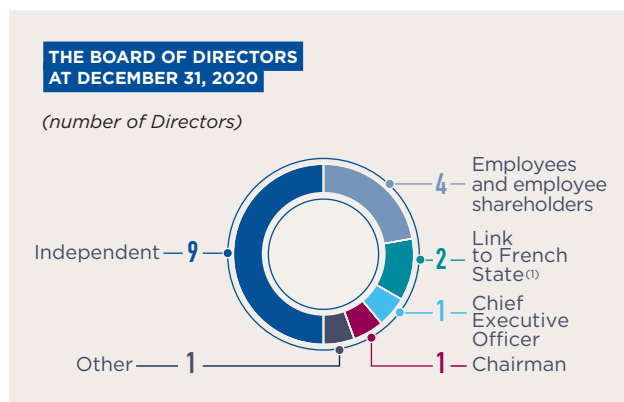
The self-assessment process confirmed the main observations of the 2018 assessment (carried out with input from an external consultancy), namely satisfaction with the separation of the roles of Chairman and Chief Executive Officer, the Board’s functioning (very professional, good balance between operations and strategy, and high-quality documents provided), and the handling of strategic issues.

In 2020, the Directors also noted that progress had been made on the measures and action plans put in place for the areas of improvement that were identified in the 2018 assessment.

CORPORATE GOVERNANCE

AN EXPERIENCED BOARD OF DIRECTORS TAKING UP THE GROUP'S STRATEGIC CHALLENGES

A Board membership structure that is consistent with Safran share ownership.



A diverse range of profiles, expertise and skills within the Board

The Board of Directors has a wide range of experience, making it well equipped to deal with strategy and performance challenges. It regularly considers the desired balance and diversity of its membership structure and that of its Committees. Its diversity policy is structured around principles and objectives related to the size of the Board, the representation of the Company's various stakeholders, the proportion of independent Directors, the depth and fit of the Directors' skills and expertise, international experience, and gender balance.

| Experience and specific positions exercised by Directors in different sectors and activities | Number of Directors |
|--|---------------------|
| Aerospace industry | 11 |
| Other industries | 15 |
| Innovation, R&T, Development, Engineering | 13 |
| International career and experience | 11 |
| Strategy, competition and M&A | 12 |
| Finance and management control | 11 |
| Digital - New technologies | 6 |
| Governance and compensation | 14 |
| Human Resources - CSR | 11 |

Committees addressing the Group's strategic challenges

(2020 key figures)

Audit and Risk Committee

6 meetings
94% attendance

6 members
80% (4 out of 5) independent⁽²⁾

Appointments and Compensation Committee

9 meetings
90% attendance

8 members
71.43% (5 out of 7) independent⁽²⁾

Innovation, Technology & Climate Committee

2 meetings
100% attendance

5 members
75% (3 out of 4) independent⁽²⁾

(1) One representative of the French State appointed by way of a ministerial decree and one Director put forward by the French State and appointed by the Annual General Meeting.

(2) Excluding Directors representing employee shareholders and Directors representing employees, in accordance with the AFEP-MEDEF Code.

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

(AT MARCH 25, 2021)



**ROSS
McINNES**

Chairman of the Board of Directors



**OLIVIER
ANDRIÈS**

Chief Executive Officer



**ANNE
AUBERT**

Director representing employee shareholders



**MARC
AUBRY**

Director representing employee shareholders

ARC



**HÉLÈNE
AURIOL POTIER**

Independent Director

I ACC ITCC



**PATRICIA
BELLINGER**

Independent Director

I ACC



**HERVÉ
CHAILLOU**

Director representing employees

ITCC



**JEAN-LOU
CHAMEAU**

Independent Director

I ACC ITCC



**MONIQUE
COHEN**

Lead Independent Director
Chair of the Appointments and Compensation Committee

I ACC



**ODILE
DESFORGES**

Director
Chair of the Audit and Risk Committee

I ARC



**DIDIER
DOMANGE**

Director

ACC



**LAURENT
GUILLOT**

Independent Director

I ARC



**VINCENT
IMBERT**

Director appointed at the recommendation of the French State

ACC ITCC ARC



**SUZANNE
KUCHAREKOVA
MILKO**

Director representing the French State



**DANIEL
MAZALTARIM**

Director representing employees

ACC



**PATRICK
PÉLATA**

Chairman of the Innovation, Technology & Climate Committee

Director responsible for monitoring climate issues

I ACC ITCC



**ROBERT
PEUGEOT**

Director representing F&P

I ARC



**SOPHIE
ZURQUIYAH**

Independent Director

I ARC

I

Independent

ARC

Audit and Risk Committee

ACC

Appointments and Compensation Committee

ITCC

Innovation, Technology & Climate Committee

CORPORATE GOVERNANCE

BOARD OF DIRECTORS
 (2020 key figures)

**CHANGES IN THE MEMBERSHIP
STRUCTURE OF THE BOARD
OF DIRECTORS IN 2020**

● **Olivier Andriès**, Chief Executive Officer, was also appointed as a Director, effective from January 1, 2021. 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 Chief Executive Officer to be among his peers around the Board

table, and also enables the Board to benefit from his contribution to its discussions.

● At the May 28, 2020 Annual General Meeting:

- **Patricia Bellinger** was appointed as an additional independent Director;
 - **Anne Aubert** and **Marc Aubry** were appointed as Directors representing employee shareholders.

● **Suzanne Kucharekova Milko**, Secretary-General of the French State Investments Agency (APE), was appointed as representative of the French State.

**PROPOSITIONS PRESENTED
TO THE ANNUAL GENERAL
MEETING OF MAY 26, 2021**

Proposed appointment of a new female independent Director, with a change in the composition of the Audit and Risk Committee:

The Board will propose the appointment of Fabienne Lecorvaisier as an independent Director to replace Odile Desforges. She has all of the qualities that the Company was seeking during the selection process.

Fabienne Lecorvaisier would bring to the Board the experience that she has gained in various functions within international industrial groups in France and overseas, as well as her expertise as a Chief Financial Officer and her experience as a Director. She also has the skills, profile and ability to take on other tasks and responsibilities required of a Board member, notably in the areas of strategy, energy transition, risk and financial transaction management, and wide-reaching projects.

She would also make valuable contributions as a member of the Audit and Risk Committee.

Laurent Guillot will take over as the Chairman of the Audit and Risk Committee, after the Annual General Meeting, on expiration of the term of office of Odile Desforges.

Proposed re-appointment of three independent Directors, including the Director responsible for monitoring climate issues:

The Board will also propose the re-appointment of the following three independent Directors:

- **Hélène Auriol Potier**, who is also a member of the Appointments and Compensation Committee and the Innovation, Technology & Climate Committee;
- **Sophie Zurquiyah**, who is also a member of the Audit and Risk Committee;
- **Patrick Péлата**, who is also Chairman of the Innovation, Technology & Climate Committee and a member of the Appointments and Compensation Committee.

With the appointment of Patrick Péлата as the Director responsible for monitoring climate issues, the shareholders would also have the opportunity to express their support for the climate approach adopted by Executive Management and the Board of Directors.

Safran's climate strategy and action plan will be presented at the Annual General Meeting.

DIRECTOR RESPONSIBLE FOR MONITORING CLIMATE ISSUES - PATRICK PÉLATA

Consistent with its shareholders' vision, the Board of Directors is fully aware of the strategic importance of "climate issues" for the aerospace industry. Therefore, the Board has appointed Patrick Péлата as "Director responsible for monitoring climate issues". He is also the independent Chairman of the Innovation, Technology & Climate Committee. He will embody and represent the Board's commitment on climate issues.

He will take the lead in ensuring follow-up of the climate action plan by the Innovation, Technology & Climate Committee, whose name and responsibilities have been changed to reflect its new scope. Within this scope, he and the Committee will be involved in overseeing Executive Management's climate action plan and in preparing information for publication by the Company and for presentation to the Annual General Meeting. He is informed of shareholders' questions on matters falling within the scope of his role and, where necessary, makes himself available to discuss those matters with them, in conjunction with the Chairman of the Board of Directors. His roles and responsibilities are set out in the Board of Directors' Internal Rules.

(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.

AN EXECUTIVE COMMITTEE IMPLEMENTING GROUP STRATEGY AND MANAGING GROUP OPERATIONS

The Executive Committee is in charge of conducting Safran's business in line with the strategy defined by the Board of Directors.

- ◉ **The Executive Committee ensures that Safran's strategy is implemented consistently across all Group entities.** It also monitors its operational performance and facilitates interaction with the various Group companies.
- ◉ **The Executive Committee comprises the Chief Executive Officer, holding company executives and the heads of the Group's main operating companies.** This membership structure provides for balanced representation of the Group's businesses and cross-business support functions.
- ◉ **Under the authority of the Chief Executive Officer,** the Executive Committee meets as often as is necessary and at least once a month. It has 18 members.
- ◉ **To maximize the Group's strengths, which are integral to its success, the Executive Committee is supported by a number of committees, including the Compliance, Ethics and Anti-Fraud Committee and the Scientific Committee.**



Compliance, Ethics and Anti-Fraud Committee

This Committee is responsible for supervising employee 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 any updates and revisions.

This approach is sponsored by the Corporate Secretary, and the responsibilities are handled by the relevant departments (for example, the Group International and Public Affairs Department 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.

Scientific Committee

Led by the Group Director of Innovation, the Scientific Committee is tasked with helping Safran deploy a world-class scientific research policy. It assesses, in particular, the excellence of scientific partnerships and the relevance of the long-term R&T plan. The Committee also contributes to Safran's technological difference by identifying new areas of research.

The Committee comprises eight top-level academics and holds three plenary meetings a year. Recent work includes approximately 15 theme-based reviews in three major areas (software and systems engineering, materials and structures, and sensors and signal processing). These reviews ensure the Group is advancing in the right direction.

CORPORATE GOVERNANCE

EXECUTIVE COMMITTEE MEMBERS

(AT MARCH 25, 2021)

CROSS-BUSINESS FUNCTIONS

BERNARD DELPITDeputy CEO and Chief
Financial Officer**STÉPHANE CUEILLE**Executive VP
R&T and Innovation**STÉPHANE DUBOIS**Executive VP
Corporate Human and
Social Responsibility**BRUNO DURAND**Executive VP
Production, Purchasing
and Performance**CELESTE THOMASSON**Corporate Secretary and
Chair of the Ethics and
Compliance Committee**FRÉDÉRIC VERGER**Executive VP
Chief Digital and Chief
Information Officer**ALEXANDRE ZIEGLER**Executive VP
International and
Public Affairs**OLIVIER
ANDRIÈS**Chief Executive
Officer**EXECUTIVE
COMMITTEE****18**
members*

COMPANY CEOs

JEAN-PAUL ALARYCEO Safran Aircraft
Engines**VINCENT CARO**

CEO Safran Nacelles

**CÉDRIC GOUBET**CEO Safran Landing
Systems**NORMAN JORDAN**

CEO Safran Cabin

**VINCENT MASCRÉ**

CEO Safran Seats

**FRANCK SAUDO**CEO Safran Helicopter
Engines**ALAIN SAURET**CEO Safran
Electrical & Power**MARTIN SION**CEO Safran
Electronics & Defense**SÉBASTIEN WEBER**

CEO Safran Aerosystems

CHANGES IN THE MEMBERSHIP STRUCTURE
OF THE EXECUTIVE COMMITTEE IN JANUARY 2021

- **Olivier Andriès** takes over from Philippe Petitcolin as Chief Executive Officer
- **Bernard Delpit**, Chief Financial Officer, also in charge of Strategy, Mergers & Acquisitions and Real Estate, is appointed Deputy CEO
- **Celeste Thomasson**, Corporate Secretary, is appointed Corporate Secretary and Group Ethics
- **Sébastien Weber** is appointed CEO of Safran Aerosystems
- **Frédéric Verger** is appointed Executive VP, Chief Digital and Chief Information Officer
- **Bruno Durand** is appointed Executive VP, Production, Purchasing and Performance

* Including the Executive VP, Communications whose appointment will be effective in April 2021.

CORPORATE GOVERNANCE

A COMPENSATION POLICY SUPPORTING SHORT- AND LONG-TERM VALUE CREATION

Corporate officer compensation policy

In the interests of the Group and its stakeholders, the compensation policy 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.

CHAIRMAN OF THE BOARD OF DIRECTORS' COMPENSATION POLICY AND STRUCTURE

In line with his position as a non-executive Director and the specific duties conferred on him, the Chairman receives fixed compensation. He does not receive any variable compensation or compensation under a long-term incentive plan. He does not receive attendance fees. The Chairman is covered by the supplementary pension and personal risk insurance plans implemented by the Group.

CHIEF EXECUTIVE OFFICER'S COMPENSATION POLICY AND STRUCTURE

The structure of the Chief Executive Officer's compensation package comprises fixed compensation, annual variable compensation, and performance shares awarded under a long-term incentive (LTI) plan. The Chief Executive Officer is covered by the supplementary pension and personal risk insurance plans implemented by the Group.

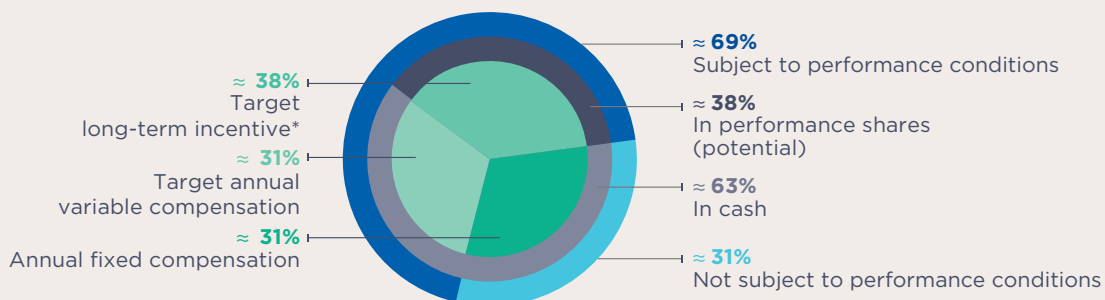
The underlying aim is to closely align the CEO's interests with those of the Group and its shareholders, by achieving a balance between short- and long-term performance, as assessed by the Board. Compensation subject to performance conditions accounts for the largest percentage of the overall compensation package.



PAY RATIO⁽¹⁾

In France, pay ratios between the level of compensation of Safran's corporate officers (Chairman and Chief Executive Officer) and the average compensation of Safran's employees in 2020 were 8 and 32 respectively.

CHIEF EXECUTIVE OFFICER'S RECURRING COMPENSATION STRUCTURE



* Value at grant date in accordance with IFRS.

(1) See chapter 6 of the 2020 Universal Registration Document.

CORPORATE GOVERNANCE

An equivalent variable compensation policy is adapted for certain Group executives and senior managers

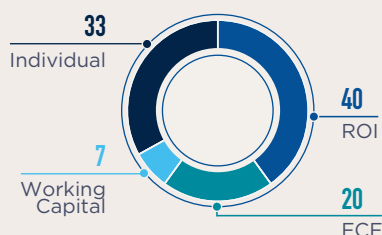
ANNUAL VARIABLE COMPENSATION

The Chief Executive Officer's annual variable compensation is contingent on achieving economic and individual, financial and non-financial, quantitative and qualitative performance objectives, consistent with the Group's overall business.

For 2021, CSR-HR-Climate objectives cover measures and priority actions on the new CSR policy, with a number of specific focuses: improved gender balance in the Executive Committee and companies' management committees; the low-carbon project (including ongoing promotion of sustainable fuels); and safety (frequency rate of occupational accidents).

VARIABLE COMPENSATION OBJECTIVES⁽¹⁾

(as a %)

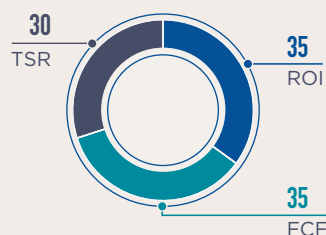


LONG-TERM INCENTIVE PLAN - PERFORMANCE SHARES

This mechanism is well adapted to the Chief Executive Officer position given the level of direct contribution expected from him to the Group's long-term performance. This system helps promote the alignment of management's interests with those of the Company and shareholders. Performance shares are awarded to the Group's top managers. The grant of these shares is currently subject to the attainment of demanding internal (ROI and FCF)⁽²⁾ and external (TSR)⁽²⁾ performance conditions, measured over three years.

LONG-TERM INCENTIVE PLAN PERFORMANCE CRITERIA⁽³⁾

(as a %)



IMPACT OF THE COVID-19 CRISIS ON COMPENSATION



2020

- The metrics of the former Chief Executive Officer's annual variable compensation policy were not adjusted as this represented his contribution to the wage restraint efforts that the Group asked of its employees in view of the current crisis. The reference budget for calculation purposes was therefore as determined for the year before the sudden onset of the Covid-19 crisis. Payment of this annual variable compensation for 2020 will be subject to shareholders' approval at the 2021 Annual General Meeting.

2021

- The Board of Directors decided that the annual fixed compensation of the new Chief Executive Officer for 2021 would be the same as that of the former Chief Executive Officer for 2020. This decision was taken in view of the prevailing situation (the crisis in the aerospace industry and the Covid-19 pandemic) and the current context (Safran's Activity Transformation Agreement, which includes wage restraint measures).
- The 2021 compensation policies for the Chairman of the Board of Directors and the Chief Executive Officer, which will be submitted for approval at the 2021 Annual General Meeting, will also remain substantially unchanged with respect to the figures approved by the 2020 Annual General Meeting.
- As provided for in the Activity Transformation Agreement, employer contributions to defined-contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to such plans for the Chairman of the Board of Directors or the Chief Executive Officer for 2021.

(1) Reference: annual budget.

(2) TSR: Total Shareholder Return corresponds to dividends plus the change in the share price. ROI: Recurring Operating Income. FCF: Free Cash Flow.

(3) Reference on principle: the Group's medium-term plan.

PERFORMANCE AND VALUE CREATION

SUSTAINABLE VALUE CREATION

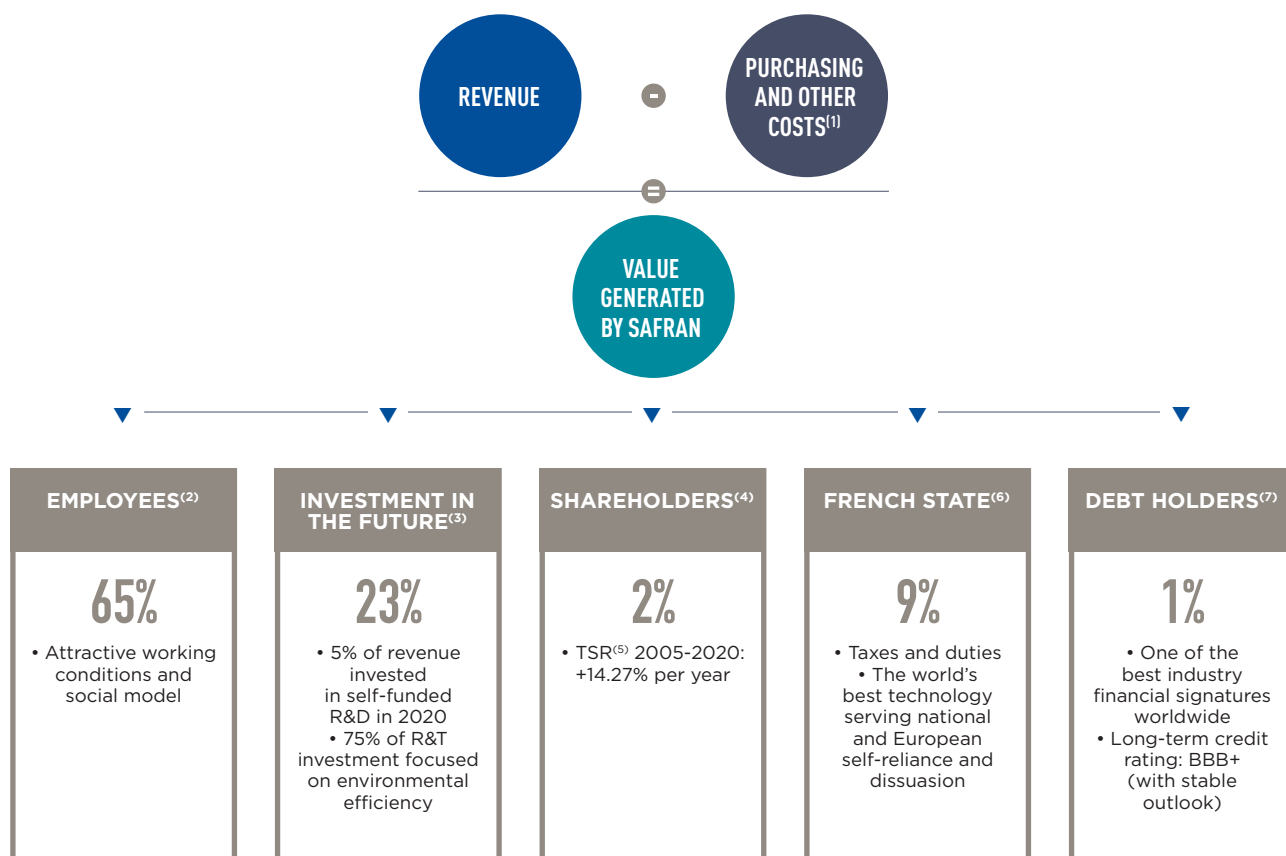
Safran is convinced that in order to sustain prosperity, a company must create and share value with all its stakeholders.

By generating a positive contribution for all its stakeholders and investing in technologies that will contribute to meeting aviation sector greenhouse gas emission commitments, Safran is preparing the foundations for its future growth.

The Group therefore shares the value that it creates among all its stakeholders: customers benefit from differentiating and competitive products serving their businesses, employees enjoy attractive working conditions and a social model where they share in prof-

its, the environment benefits from the Group's technology portfolio and R&D efforts and shareholders receive attractive and sustainable compensation thanks to a capital allocation policy that seeks to provide, over the long term, organic growth in our businesses.

BREAKDOWN OF VALUE CREATED IN 2020



N.B.: Based on 2020 adjusted data.

- (1) Raw materials and consumables used + net charges to provisions + asset impairment + other recurring operating income and expenses + share in profit from joint ventures + other non-recurring operating income and expenses + foreign exchange gain (loss) + other income + change in inventories + capitalized production.
- (2) Personnel costs and benefits, excluding employee share ownership.
- (3) Profit for the year not distributed, plus net charges to depreciation and amortization.
- (4) Dividend proposed to the Annual General Meeting of May 26, 2021.
- (5) Total Shareholder Return corresponds to dividends plus the change in the share price.
- (6) Income tax and other taxes and duties.
- (7) Cost of net debt and other financial income and expenses.

PERFORMANCE AND VALUE CREATION

KEY PERFORMANCE INDICATORS

| Key sustainable innovation indicators | 2019 | 2020 |
|---|--------------------------|-----------------|
| Scope 3 (product usage): R&T investment focused on environmental efficiency CSR | 75% | 75% |
| | Objective for 2025: 75% | |
| Number of new PhD students CSR | 63* | 36 |
| | Objective for 2025: > 65 | |
| R&D expenditure self-funded | €1,337 million | €864 million |
| Number of initial patent requests | More than 1,200 | More than 1,000 |

* Average new PhD students over three years (2017-2019).

| Key operational excellence indicators | 2019 | 2020 |
|---|--|----------------------|
| Number of production lines "of the future" in operation | 22 | 24 |
| Percentage of sites certified "Gold" to internal HSE standards CSR | 50% | 60% |
| | Objective for 2025: 100% of sites | |
| Capex (property, plant and equipment) | €695 million ⁽¹⁾ | €449 million |
| CFM56 in operation | 31,802 | 31,865 |
| LEAP backlog | 15,614 | 9,614 ⁽²⁾ |
| Lost-time accident frequency rate ⁽³⁾ CSR | 3.2 | 2.0 |
| | Objective for 2025: LTAFR < 2.5 | |
| Scope 1 and 2 emissions (t CO ₂ eq.) CSR Change in Scope 1 and 2 emissions ⁽⁴⁾ | 623,619* +3% | 414,988 -31% |
| | Objective for 2025: 30% reduction ⁽⁴⁾ | |
| Waste recovery ratio CSR | 68.3% | 70.5% |

* 2019 emissions figures, which included estimated data for fourth-quarter 2019, were revised in 2020 to reflect the actual data.

| Key responsible conduct indicators | 2019 | 2020 |
|---|--------------------------|-------|
| Proportion of purchases made from suppliers that have signed Safran's responsible purchasing charter ⁽⁵⁾ CSR | - | 40% |
| | Objective for 2025: 80% | |
| Proportion of senior managers and exposed and affected people trained in anti-corruption ⁽⁶⁾ CSR | - | 66% |
| | Objective for 2025: 100% | |
| Number of training hours per employee per year ⁽⁷⁾ CSR | 26 | 13 |
| | Objective for 2025: 26 | |
| Global absenteeism rate | 2.8% | 2.7% |
| % of women in the workforce | 29.1% | 27.7% |
| % of women among senior managers CSR | 12% | 13% |
| | Objective for 2025: 22% | |

| Key financial performance indicators | 2019 | 2020** |
|--------------------------------------|----------|-------------|
| Organic growth in adjusted revenue | +9.3% | -32.5% |
| Growth in civil aftermarket (in USD) | +9.9% | -43.2% |
| Recurring operating margin | 15.5% | 10.2% |
| EBIT to FCF conversion | 51.9% | 63.6% |
| Dividends | €0/share | €0.43/share |

* In response to the impact of the Covid-19 crisis, Safran's Board of Directors decided not to propose to the Annual General Meeting the payment of a dividend in 2020 for the 2019 financial year.

** In the context of the Covid-19 pandemic, an unprecedented crisis for the aerospace industry.

| Key governance indicators | 2019 | 2020 |
|---|--------|-----------------------|
| Average attendance rate at Board meetings | 95% | 98% |
| % of Chief Executive Officer compensation subject to performance conditions | 69% | 69% |
| % of independent Directors on the Board of Directors after the Y+1 AGM | 64.3% | 64.3% ⁽⁸⁾ |
| % of women on the Board of Directors after the Y+1 AGM | 42.86% | 42.86% ⁽⁸⁾ |

(1) Net of the cash inflow from the disposal of a tertiary property complex in the Paris region.

(2) On the basis of pending orders and cancellations.

(3) Number of accidents per million hours worked.

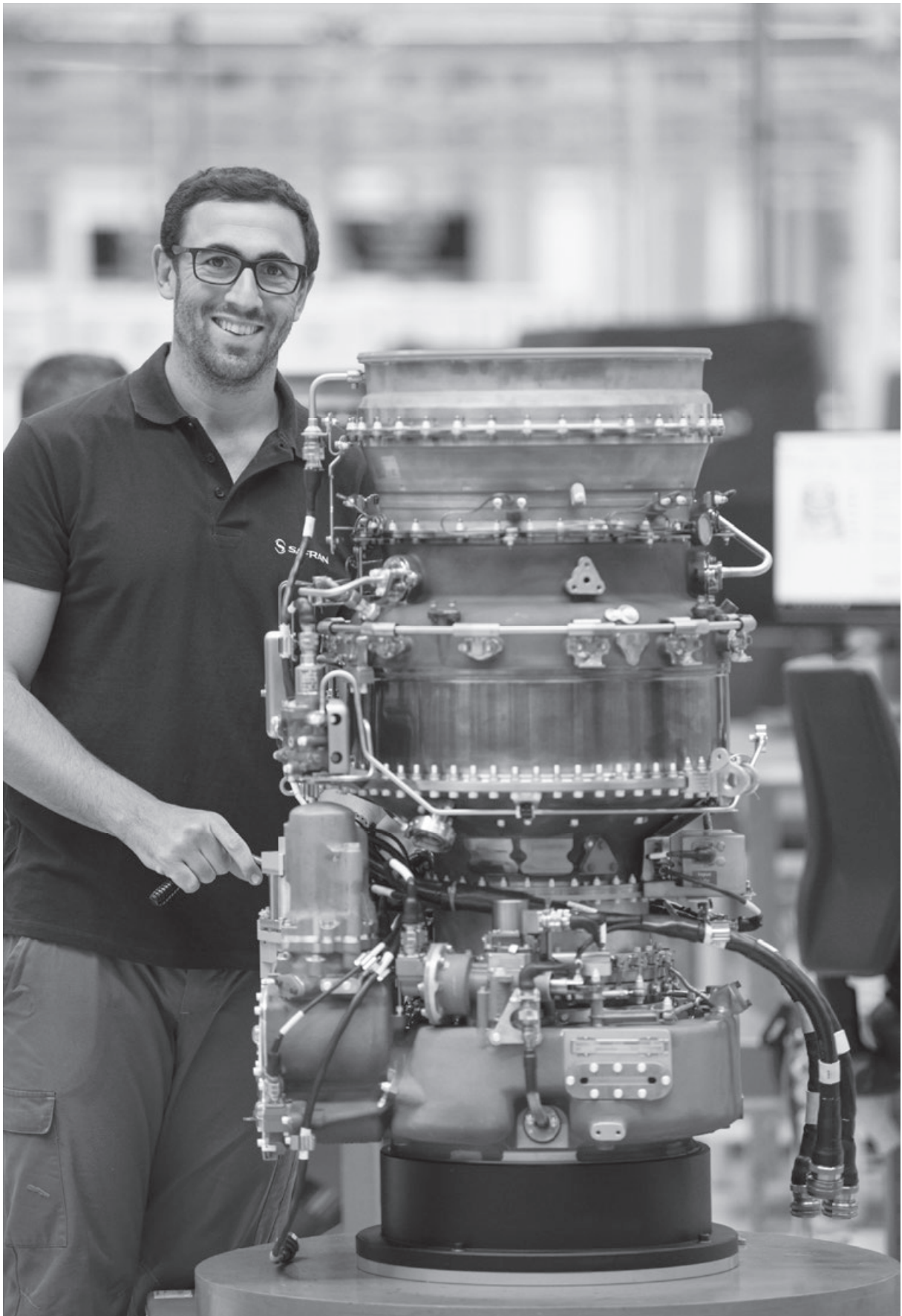
(4) Compared to 2018.

(5) Or using an equivalent responsible purchasing charter.

(6) Purchasing, HR, Sales, Legal, Finance, Audit & Internal Control, Compliance & Business Ethics, Risks and Communications Departments, with customers, suppliers, auditors and partners concerned.

(7) Excluding employees on long-term absence.

(8) Assuming adoption of the resolutions at the Annual General Meeting of May 26, 2021.





PRESENTATION OF THE GROUP

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1.1 SAFRAN OVERVIEW

1.1.1 History

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⁾.
- 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 Printak 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: Cirium Fleets Analyzer.

(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 Technofan, 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 comes 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.
- 2019** Safran modifies the operational management of its equipment businesses to step up synergies in connection with integration of the Zodiac Aerospace Aerosystems and Aircraft Interiors businesses.
- 2020** With the aviation sector hard hit by the prolonged Covid-19 crisis, Safran implements an adaptation plan enabling it to meet its cost reduction objectives without compromising its technological roadmap.

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, including climate 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).

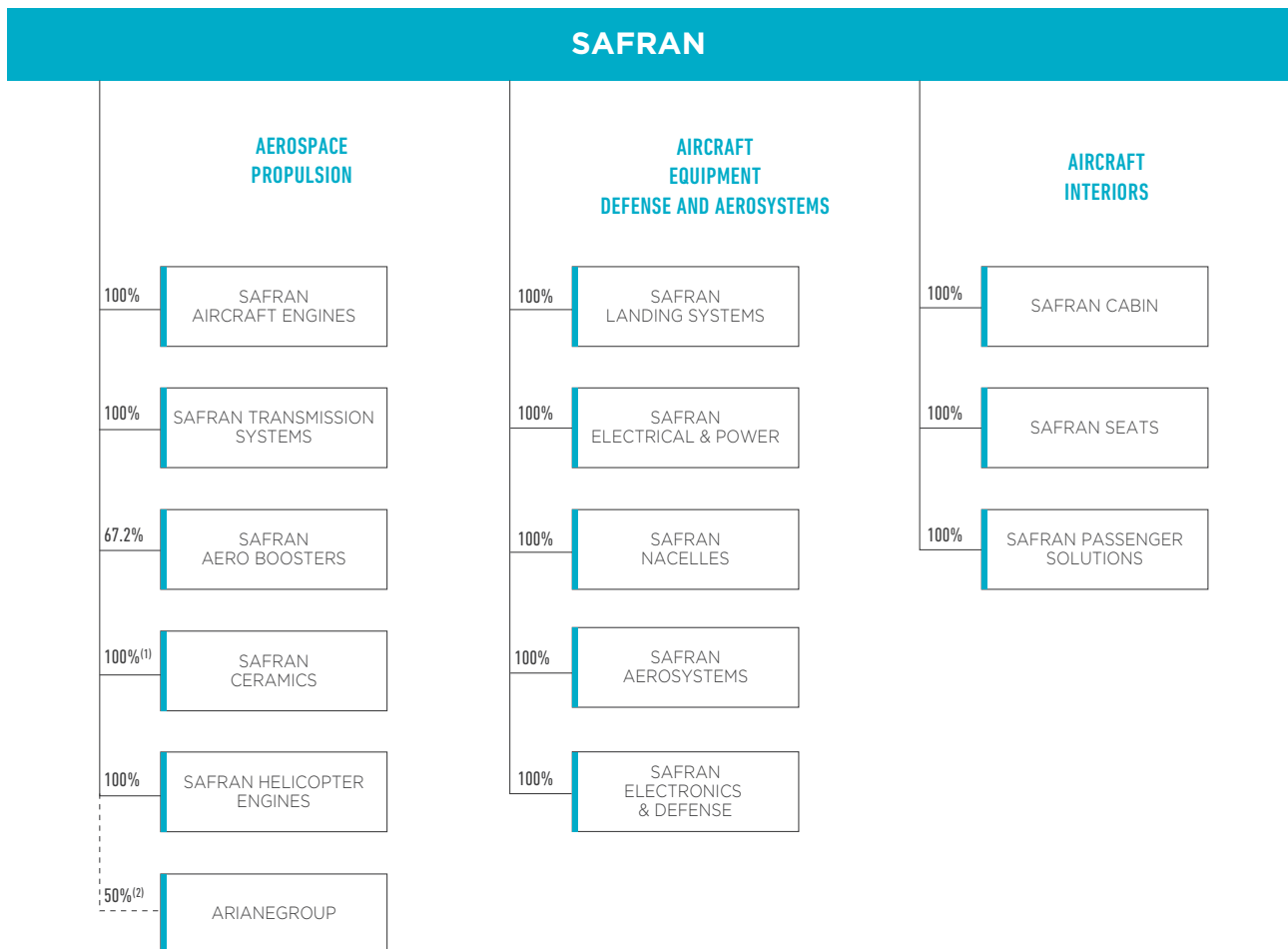
Financial flows between the issuer and Group companies

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 SSCs (see section 3.3, Note 4.1).

1.1.3 Simplified operational organization chart

Safran, the issuer, is the parent company of the Group. The simplified organization chart⁽¹⁾ as of December 31, 2020 is as follows:



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

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

(1) Tier-one entities.

1.1.4 Main Group companies by business sector

Safran today covers three main markets: Aerospace Propulsion, Aircraft Equipment and Aircraft Interiors.

Aerospace Propulsion

Safran Aircraft Engines

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

Safran Transmission Systems

Mechanical power transmission systems for civil and military airplane and helicopter engines. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul (MRO). Mechanical components for airplane and helicopter propulsion systems.

Safran Aero Boosters

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

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 Helicopter Engines

Engines for aircraft (chiefly civil, semi-public and military helicopters), auxiliary power units (APUs), starting systems for civil and military aircraft, and propulsion systems for missiles, target drones and unmanned aerial vehicles (UAVs). Maintenance, repair and overhaul (MRO), and support and related services.

ArianeGroup

Joint venture with Airbus: design, development and production of space launchers and civil and military space applications for institutional, commercial and industrial customers.

Aircraft Equipment, Defense and Aerosystems

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 (MRO).

Safran Electrical & Power

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

Safran Nacelles

Aircraft nacelles for all civil aviation market segments, from regional and business jets through to the largest airliners. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul (MRO).

Safran Aerosystems

Systems for aircraft and helicopters: safety, evacuation and flotation systems, oxygen systems, emergency arresting systems for military aircraft, fuel management systems, and fluid management systems. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul (MRO).

Safran Electronics & Defense

Equipment and systems for observation, decision-making and guidance for civil and defense markets: optronics, avionics, navigation, electronics, electromechanics, critical software and drones. Customer support for all land, sea, air and space applications.

Aircraft Interiors

Safran Cabin

Cabin interiors for regional, medium-haul, long-haul, business and military aircraft. Integrated cabins, overhead bins, galleys, onboard service equipment, lavatories, crew rest areas and freight containers. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul (MRO).

Safran Seats

Passenger seats for economy, premium economy, business and first class, technical seats for flight-deck and cabin crew, helicopter seats. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul (MRO).

Safran Passenger Solutions

In-flight entertainment systems, environment control and ventilation systems, water and waste management systems, lighting and cabin electronics management systems, and engineering services for cabin interior refits for commercial and private aircraft. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul (MRO).



1.2 GROUP BUSINESSES

The global aerospace sector was impacted by the Covid-19 pandemic in 2020. Most of the Group's businesses outlined in the following sections were affected: section 1.2.1, "Aerospace Propulsion", section 1.2.2, "Aircraft Equipment, Defense and Aerosystems", and section 1.2.3, "Aircraft Interiors".

Throughout the period, Safran ran adaptation plans to adjust to shifts in customer demands.

1.2.1 Aerospace Propulsion

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

At the end of 2020, a total of 24,204 Safran employees were contributing to the development of this business, which comprises four main sectors:

■ 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 TURBINES AND AUXILIARY POWER UNITS

- Turbine engines for helicopters
 - Light helicopters
 - Medium-weight helicopters
 - Heavy-lift helicopters
- Auxiliary power units

■ MECHANICAL POWER TRANSMISSION SYSTEMS

- Civil aircraft
- Military aircraft
- Helicopters

■ LAUNCH VEHICLES - ARIANEGROUP

- Civil space industry
- Military industry

1.2.1.1 Aircraft engines and satellite propulsion systems

Civil aircraft engines

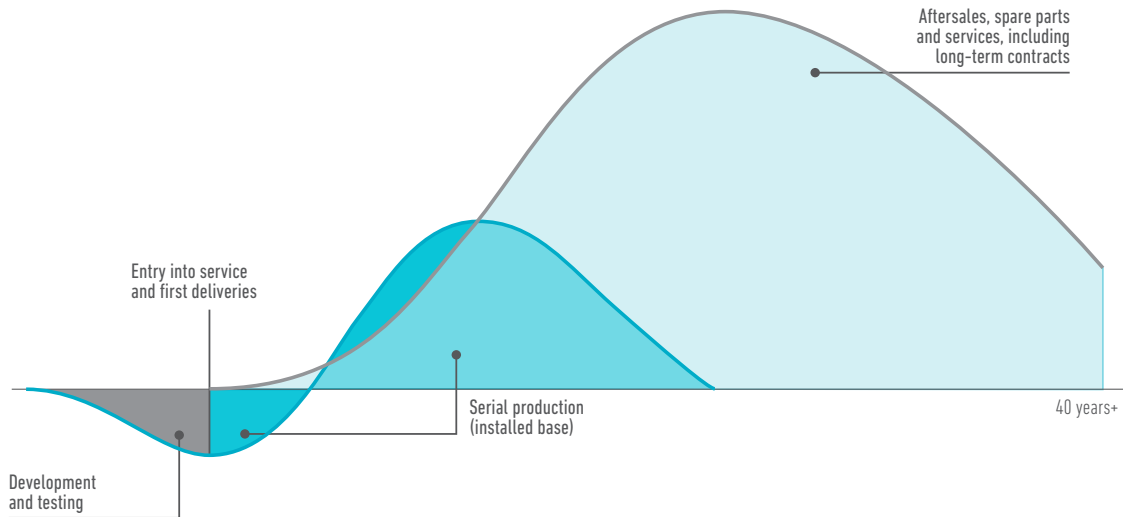
Key characteristics of the business sector

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 more than 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.

At the end of 2020, there were around 21,700 business jets in service worldwide, plus some 500 in storage⁽¹⁾. To meet expected demand in this market, some 6,600 aircraft of this type will be delivered over the next 10 years⁽¹⁾.

■ ECONOMIC LIFE CYCLE OF AN AIRCRAFT ENGINE PROGRAM⁽²⁾



These programs may span more than 40 years and have several phases. A significant portion of revenue generated by these programs comes from aftersales 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: General Electric (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.

There were around 19,900 commercial aircraft (turboprops, regional jets, and short-, medium- and long-haul aircraft) in service at the end of 2020⁽¹⁾. Furthermore, there were also around 8,600 aircraft in storage, including around 6,200 due to the Covid-19 pandemic⁽¹⁾. Some 34,500 commercial aircraft will be manufactured over the next 20 years⁽¹⁾, in response to the expected increase in this market over this period, and the need to replace aircraft that will be scrapped or dismantled.

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;
- aftermarket, 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.

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, such as 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. For example, this kind of arrangement applies on high-thrust engine programs such as CF6, GE90, GEnx, GP7200 and GE9X.

(1) Source: Safran.
(2) For illustrative purposes only.

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.

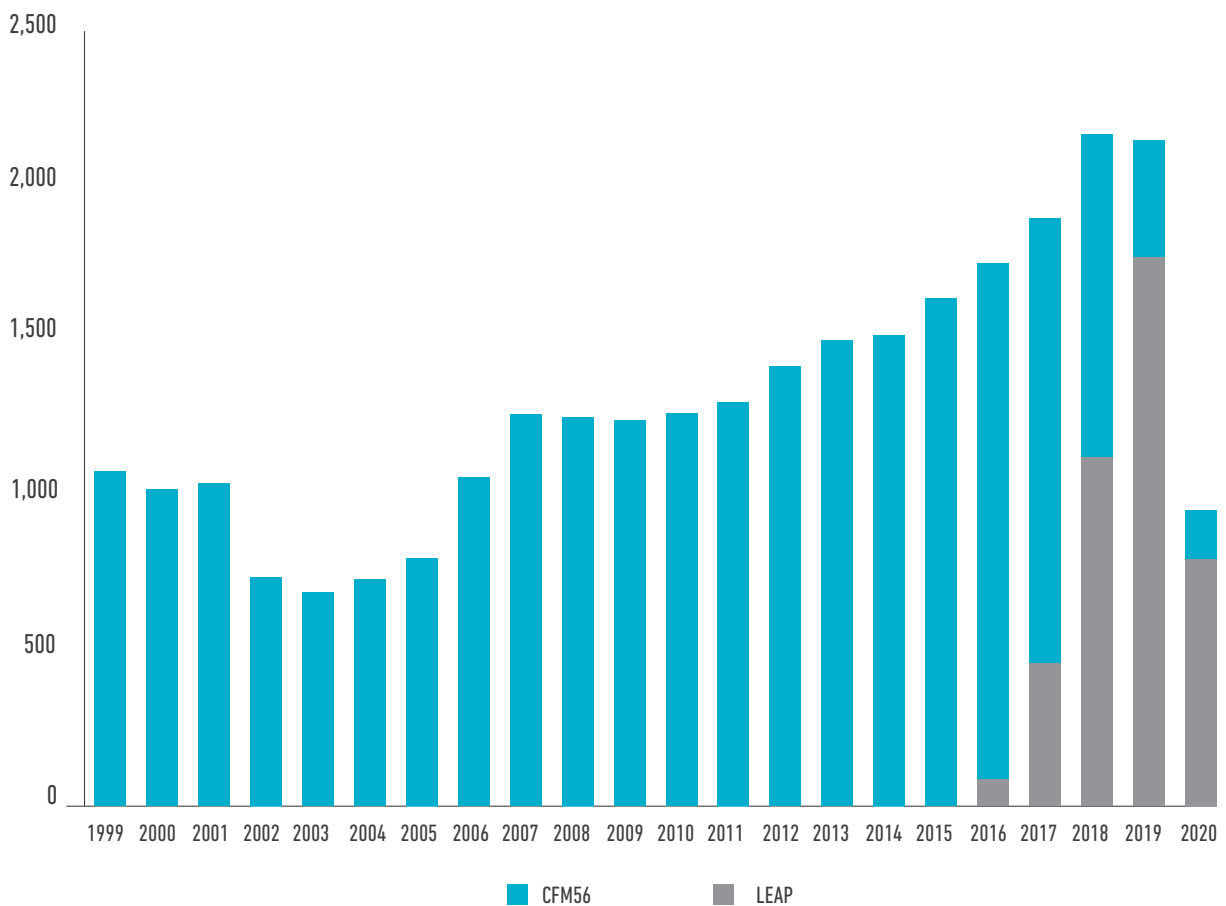
In particular, Safran is the prime contractor for the SaM146 program, in partnership with the Russian engine manufacturer, UEC Saturn. The SaM146 is the sole engine for the Superjet 100, the 70- to 95-seater aircraft made by the Russian manufacturer Irkut Corporation (United Aircraft Corporation).

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 ARJ21 regional jets);
- Passport (Bombardier Global 7500 business jet).

Mid-thrust engines for civil aircraft

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



In 2020, the CFM56 and LEAP engine programs (including spare parts, maintenance and repair sales) generated 50% 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 40 years. This engine currently represents the world's largest engine fleet; more than 33,600 CFM56 units have been delivered and more than 31,850 are in operation⁽¹⁾.

⁽¹⁾ Source: Safran. Engines in operation equals engines delivered less engines dismantled or scrapped.

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 in Germany and Japanese Aero Engines Corp in Japan).

The current generation of the Boeing 737NG, 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 CO₂ 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 CFM56.

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 Boeing 737MAX;
- the LEAP-1C version is the sole Western source for the propulsion system (engine plus nacelle) on China-based COMAC's C919 aircraft.

At the end of 2020, orders for the hugely innovative LEAP engine topped 9,600 units. This success confirms CFM International as leader in the market for 100+ seater aircraft. This sales success builds on the successful performance of the LEAP-1A engine in 2016 and the LEAP-1B in 2017. A total of 815 LEAP engines were delivered in 2020. Six COMAC C919 aircraft powered by LEAP-1C engines continued their test-flight programs during the year.

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 will come into service in 2023. Lastly, 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. The growth potential of these services businesses, directly determined by the size and lifespan of the aircraft fleets in service, is not threatened by the Covid-19 pandemic crisis.

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 contracts 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 aircraft engine programs break down into three stages. The first phase is the engine development and qualification phase. It is followed by the production phase, which involves equipping the newly manufactured aircraft. The third phase is the longest and involves the aftermarket, which comprises the sale of spare parts, maintenance and repair activities, plus other customer services through to the end of the engine service life.

Alliances and partnerships between engine manufacturers can be formed to bring together the best technological and commercial assets, share the risks involved in development, and meet the needs of international programs.

Most civil engine manufacturers also address the military aircraft market, which makes for technical and industrial synergies across the two activities.

(1) Source: Safran.

The main Western players on the fighter engines market are Pratt & Whitney, GE, Rolls-Royce (United Kingdom) and Safran. The main European players are Safran (with the Atar engine powering the Mirage III, 5 and F1 family, the M53 powering the Mirage 2000 and the M88 powering 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 in the West extends mainly to those made by Safran (the Adour, in cooperation with Rolls-Royce and the Larzac in partnership with MTU and Rolls-Royce Deutschland), Pratt & Whitney (PW500 and PW300) and Honeywell (United States) (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. Safran is 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. The Tyne engine, developed by Rolls-Royce, is made under license by Tyne Consortium (Safran 52%, MTU Aero Engines 28% and Rolls-Royce 20%).

Group products and programs

Safran addresses the military aircraft engine segment through Safran Aircraft Engines, Safran Helicopter Engines, Safran Aero Boosters and Safran Electronics & Defense.

Fighter engines

Historically tied to Dassault Aviation, Safran's operations in this segment mainly involve the following programs:

- the M88 engine (7.5 metric tons of thrust), which powers the Rafale. At the end of the year, there were more than 500 of these engines in service with four customers;
- the M53 engine (9.5 metric tons of thrust), which powers the Mirage 2000. There are 568 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, still in service with several air forces across the world. Since 2017, Mirage F1 aircraft powered by this engine have been selected as adversary planes⁽³⁾ provided by private companies for training US Air Force pilots.

Safran Aircraft Engines and its partners MTU Aero Engines and ITP Aero are working on propulsion for the New Generation Fighter for the Future Combat Air System launched by the French, German and Spanish governments in 2017. This new-generation twin-engine aircraft, developed by Dassault Aviation and Airbus, will be coming into service with the air forces of these three countries around 2040, phasing out the Rafale and the Eurofighter.

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, as well as training aircraft such as the Hawk produced by BAE Systems and the Goshawk T-45A produced by Boeing. There are currently some 1,100 Adour engines in service;
- the Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's AlphaJet training aircraft. More than 500 of these planes have been sold over the last 50 years, and 250 of these are still in service, in ten countries. This engine program also benefits from use of the AlphaJet as adversary plane with several air forces.

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 engine that powers C-160 Transall transport aircraft and Atlantique 2 maritime patrol aircraft (program generating revenue solely through spare parts and repairs today);
- the TP400 turboprop engine, the world's most powerful unit currently in production (8,203 kW, i.e., 11,000 hp), powering the Airbus A400M European military transport aircraft, with 453 engines in service.

Spare parts and services for military aircraft engines

Aftermarket operations for military aircraft involve sales in three categories: new spare parts, maintenance and repair for engines and parts, and user support 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 (for "total cost of ownership"), 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. Safran offers customers contracts ranging from the simple sale of spare parts through to comprehensive services on operational fleet upkeep.

(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) Planes acting as an opposing force in military wargames.

Space vehicle propulsion systems

Key characteristics of the business sector

This business sector covers satellite engines.

Plasma propulsion is 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.

Besides Safran, the main players on the commercial low-power (200 W-1,000 W) plasma propulsion market are EDB Fakel (Russia) and Busek (United States). Besides Safran, the main players on the commercial high-power (> 1,000 W) plasma propulsion market are EDB Fakel (Russia), Busek (United States) 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 200 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 Maxar Technologies telecommunication platforms (United States), the Astranis commercial platform (United States), the Boeing commercial platforms, and, under the European Space Agency (ESA) Neosat program, the Airbus Defence and Space Eurostar Neo and the Thales Alenia Space Spacebus Neo platforms.

1.2.1.2 Helicopter turbines 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 51,000 helicopters were in service worldwide at the end of 2020⁽¹⁾. To meet growing demand and replace helicopters scheduled for dismantling or decommissioning, a total of around 31,000 helicopters are expected to be delivered over the next 20 years⁽²⁾.

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);
- aftersales 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.

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⁽²⁾ 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 Hindustan Aeronautics Ltd. (HAL) 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. Safran ranks number-one in the sector, with a market share of 32%⁽³⁾.

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.

(1) Source: Safran.

(2) Shaft horsepower.

(3) Percentage of new helicopters delivered in 2020 powered by Safran engines. Source: Safran.

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 in the United States (Bell 505 Jet Ranger X), along with military versions of Leonardo's 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), and for its military version, the H160M Guépard. The H160 helicopter obtained EASA⁽¹⁾ type certification in 2020.

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 received orders from Kamov - Russian Helicopters for the Ka-62. The Ardiden 3C/WZ16 engine, developed by Safran with Aero Engine Corporation of China (AECC), will be powering the new French-Chinese AC352 helicopter, itself a product of a joint project between Airbus Helicopters and Chinese airframer HAIG, an AVIC subsidiary.

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. The Aneto-1K engine obtained EASA certification in 2019 and the AW189K helicopter in 2020. Entry into service is set for 2021.

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, Airbus Helicopters' H225M and Leonardo's AW189. Bombardier's Global 7500 business jets are also fitted with Safran auxiliary power units.

Through its R&T work on fuel cells, Safran Power Units also contributes to the development of more electric auxiliary power units.

Lastly, Safran provides aftersales support for these high-technology systems.

(1) European Aviation Safety Agency.

1.2.1.3 Mechanical power transmission systems

Key characteristics of the business sector

The main applications covered by the power transmission systems market are: accessory drive trains (ADT), which supply the mechanical energy needed for engine and aircraft equipment; propeller gearboxes (PGB) and reduction gearboxes (RGB), which transfer power to the turboprop propellers or the high-bypass-ratio turbofan; and main transmission gearboxes (MGB), which transfer power to the helicopter blades. The main participants in this market are the engine and helicopter manufacturers themselves, along with aerospace equipment suppliers such as Collins Aerospace (United States), GE Avio (Italy), Triumph (United States) and KHI (Japan).

Group products and programs

Safran's operations in the mechanical power transmission sector involve Safran Transmission Systems and the Aero Gearbox International (AGI) joint venture.

Safran designs, manufactures, markets and provides maintenance services for a wide range of mechanical power transmission systems for civil and military aircraft engines and helicopters. Recognized technical expertise in this field is harnessed to develop applications for the world's leading airframers.

Aero Gearbox International, a 50-50 joint venture formed by Safran and Rolls-Royce in 2015, specializes in the design, development, production and in-service support of power transmission systems for Rolls-Royce aircraft engines. It has exclusive coverage of the civil aircraft applications of the UK-based engine manufacturer (business jets, and single-aisle and twin-aisle aircraft). The first three accessory drive trains developed and manufactured by Aero Gearbox International were for the Trent 7000, Pearl 15 and Pearl 700 engines powering the Airbus A330neo, Bombardier Global Express 5500/6500 and Gulfstream G700 aircraft respectively.

1.2.1.4 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: a largely commercial segment covering institutional customers, the main satellite manufacturers and gas generators for vehicle airbag systems.

In the first two segments, development and engineering programs tend to follow long cycles under finance by institutional budgets, such as ESA 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 new Falcon Heavy version, and, to a lesser extent, the Russian Proton launch vehicle marketed by International Launch Services (ILS). Competition will be intensifying in the medium-term, with a number of new launch vehicles currently under development. This highlights the relevance of the forthcoming Ariane 6 launch vehicle, set to be introduced in 2022. These projects are run by other players, in the United States (New Glenn from Blue Origin, Vulcan from United Launch Alliance), Russia (Angara A5), India (GSLV Mk III), China (Long March 5) 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 stake in Roxel (50-50 joint venture with MBDA), 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), Northrop Grumman (United States), Rocketsan (Turkey) and Denel (South Africa).

The third segment comprises products, equipment and services for civil and military launch vehicles, satellites, space surveillance, production of critical infrastructures (satellite integration centers, remediation units, etc.), gas generators for vehicle airbag systems, and production of parts for the aerospace industry.

Group products and programs

Safran covers the civil and military launch vehicle sector through ArianeGroup, its joint venture with Airbus. 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 through Roxel and Safran Power Units.

Civil space industry

ArianeGroup is prime contractor for the Ariane 5 launch vehicles developed by ESA, which involves coordinating an industrial network of more than 600 companies in 12 European countries. It manages the whole of the industrial chain, which covers plant and equipment, engine manufacture, then integration of the individual stages and the launch vehicle as a whole 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 2022. 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.

Ballistic missiles

In the military market, ArianeGroup is industrial prime contractor on the missiles program for France's fourth-generation ocean-going strategic nuclear force (M51). Neither ArianeGroup nor Safran is responsible for the provision of nuclear heads for these ballistic missiles.

Following the M51.1 version, which came into operation in 2010, and M51.2 in 2016, work on the new M51.3 version, currently at the critical development review stage, is running to schedule, ensuring the M51 missile adapts to the geopolitical context of the coming years.

ArianeGroup also develops technologies for forthcoming high-performance propulsion systems (modular propulsion, DACS⁽¹⁾, etc.) under national and international R&T contracts.

ArianeGroup is also a key player in hypersonic weapons (at speeds above Mach 5). The V-Max (for *Véhicule Manceuvrant eXpérimental*) hypersonic glider demonstrator that it is developing for the French Armed Forces is scheduled to make its first flight 2021.

Tactical missile propulsion

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, Mistral MdCN⁽²⁾, MICA⁽³⁾, AASM⁽⁴⁾, Exocet, Aster, Meteor, etc.). Neither ArianeGroup nor Safran is responsible for the provision of explosive charges for these tactical missiles.

Through Safran Power Units, the Group is a leading global player⁽⁵⁾ 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.

Through its worldwide GEOTracker network, ArianeGroup also meets the needs expressed by civil and military customers for services involving the detection and surveillance of space objects.

Through its Pyroalliance subsidiary, ArianeGroup provides pyrotechnic equipment on a broad range of missiles and launch vehicles (Ariane and Vega).

Through its Compagnie Industrielle des Lasers (CILAS) 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 for civil and military applications.

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.

Joint work by ArianeGroup and Engie is going ahead on technological solutions addressing the particular challenges of liquid hydrogen storage, for use in heavy and long distance transportation applications (air, rail and sea).

(1) *Divert and Attitude Control System.*

(2) *Missile de croisière naval (naval cruise missile).*

(3) *Missile d'interception, de combat et d'autodéfense (interception, combat and self-defense missile).*

(4) *Armement air-sol modulaire (modular air-to-ground weapon).*

(5) *Source: Safran.*

1.2.2 Aircraft Equipment, Defense and Aerosystems

Safran's Aircraft Equipment, Defense and Aerosystems business operates in five main sectors:

■ LANDING AND BRAKING SYSTEMS

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

■ ENGINE SYSTEMS AND EQUIPMENT

- Nacelles and thrust reversers
- Services for nacelles and thrust reversers

■ ELECTRICAL SYSTEMS AND ENGINEERING

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

■ AEROSYSTEMS

- Safety and protection systems
- Integrated fluid management and control systems

■ ELECTRONICS AND DEFENSE

- Avionic equipment
- Defense equipment
- Data systems
- High-performance optics

Safran holds front-line positions in all these fields. At the end of 2020, a total of 38,471 Safran employees were contributing to the development of this business.

1.2.2.1 Landing and braking systems

Safran is a preferred partner of airframers, holding technological expertise across a large number of sectors and capable of offering a comprehensive range of products and services. Safran is notably the sole comprehensive "ATA 32" supplier (landing gear + brakes + 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.

Landing gear

Key characteristics of the business sector

The market for commercial aircraft landing gear is shared by Safran, Collins Aerospace, Liebherr (Germany), 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 landing gear for commercial aircraft carrying more than 100 passengers.

Safran designs, manufactures and provides aftersales 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 main Airbus platforms (A300, A310, A320ceo, A320neo, A330, A330neo, A340, A350 and A380) and the Boeing 787 Dreamliner.

Safran 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 and regional jets (ATR, Bombardier, Dassault Aviation and Irkut Corporation) markets.

(1) Source: Safran.

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 2020 accounted for some 20%⁽¹⁾ of commercial aircraft of 100 or more seats, and aircraft with carbon brakes, invented by Safran, which accounted for around 80%⁽¹⁾. The market for carbon brakes has developed rapidly since the 1980s, with the gradual shift from steel to carbon brakes. The wheels and brakes market is currently shared among four major global participants: Safran, Collins Aerospace, Honeywell and Meggitt (United Kingdom).

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 more than 10,400 aircraft fitted with Safran wheels and carbon brakes, the Group holds more than half of the market⁽¹⁾ for civil aircraft with over 100 seats and fitted with carbon brakes. Prospective revenue is substantial here, since it correlates directly with the size and lifespan of the fleet in service (specifically, the number of landings made by aircraft fitted with these 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, Collins Aerospace, Crane Aerospace & Electronics (United States), Meggitt and Liebherr.

Group products and programs

Safran addresses the landing and braking control systems segment primarily through Safran Landing Systems, with customers including: Airbus, for all its civil aircraft programs and the A400M military program; Airbus Helicopters for Dauphin and Tigre; Boeing for its 747-8, 787 and RC-135; Embraer for its KC-390 military program; Gulfstream for its G650 program; and Dassault Aviation for its Falcon (7X, 2000 and 900), Mirage and Rafale programs.

In the landing and braking electronic control systems segment, Safran's position is buoyed by its technological advance in electric braking and hydraulics, 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 international repair centers in Mexico, the United Kingdom, France, Singapore, the United States and 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.

1.2.2.2 Engine systems and equipment

Nacelles and thrust reversers

Key characteristics of the business sector

The nacelle is a complex piece of equipment that optimizes internal and external engine airflows, helps reduce noise and incorporates safety components. It usually comprises 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 manufacturers 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 Collins Aerospace.

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 a market share of 25%⁽¹⁾.

(1) Source: Safran.

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 (Irkut Corporation Superjet 100, Embraer 170) and is a leading supplier of nacelles for top-end business jets (Gulfstream in the United States, Bombardier, Dassault Aviation, Cessna in the United States and Embraer), with a market share of more than 30%⁽¹⁾.

In particular, Safran has developed⁽¹⁾ the COMAC C919 nacelle as part of the CFM International LEAP-1C “integrated propulsion system” package.

Services for nacelles and thrust reversers

Safran’s NacelleLife™ service program provides customers with closely tailored solutions throughout the nacelle life cycle. NacelleLife is an offering of services split up to address successive nacelle life cycle stages. Customers determine the technical assistance services and replacement solutions required on the basis of their actual needs, be this in response to unexpected events or for scheduling servicing operations. NacelleLife solutions generate revenues from sale of parts, maintenance programs, spares and related services. NacelleLife also draws on innovative solutions such as predictive maintenance.

1.2.2.3 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 greenhouse gas emissions, optimize weight and volume, lower costs and simplify aircraft manufacture, assembly and maintenance⁽²⁾.

Three recent market trends afford Safran scope 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;
- **new aircraft projects**, for short-distance passenger or freight transportation, to ease urban mobility. These platforms will use hybrid or all-electric propulsion, opening a fresh market for the engines and electric power management systems in which Safran has developed expert capabilities.

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 made up of:

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

Electric propulsion, 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 including Safran, Collins Aerospace, GE and Transdigm-Esterline (United States). Only Collins Aerospace and Safran field a comprehensive offering spanning 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.). Power electronics also covers conversion (DC-AC) or starting functions. Aside from Safran, Collins Aerospace, GE, Transdigm and Honeywell also hold competencies in this field.

With recent developments, onboard electrical systems are also extending to propulsion functions. With electric hybridization, a conventional engine can work together with an electric motor, the two relaying each other or running in tandem depending on flight phase or mission requirements. As well as bringing down aircraft fuel consumption, electric hybridization also improves the operability of a conventional engine, relieved of duty at low speeds, for example. All-electric propulsion could be an option for some types of VTOL⁽³⁾ light aircraft. The main players on these new hybrid and electric propulsion markets are Safran, GE, Rolls-Royce, Collins Aerospace and Honeywell.

Group products and programs

Safran covers the electric propulsion, generation and distribution systems sector through Safran Electrical & Power.

Safran stands as world number-one⁽⁴⁾ in primary electrical power distribution, equipping the majority of recent civil aviation programs, including Airbus A220, A320ceo, A320neo and A350, Boeing 787, Bombardier Global 7500, Embraer E-Jet E2 and Irkut MC-21 (Russia).

Safran offers a wide range of variable frequency generators addressing customers’ needs on civil aircraft (Airbus A380, Bombardier Global Express), military aircraft (Airbus A400M, Lockheed C-130J Super Hercules, Boeing F15), and helicopters (Bell 525, Sikorsky CH-53, Boeing CH-47 Chinook). Many aircraft are fitted with Safran DC engine starter generators, APUs⁽⁵⁾ and backup power systems (Ram Air Turbine [RAT]).

Safran has also developed a range of electric motors and generators. Known respectively as ENGINEUS and GENEUS, these products offer superior performance and high output, thanks to the integration of power electronics, which increases power density. They are especially well placed to meet customers’ needs in hybrid and electric propulsion solutions on new markets such as VTOL.

Examples of Safran’s capacity for innovation in power electronics include Electrical Thrust Reverser Actuation System (ETRAS), the world’s first electric control system for nacelles, developed on the A380, and Electrical Braking Actuation Controller (EBAC), 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.

(1) The A320neo nacelle was developed jointly with Middle River Aircraft System (MRAS) as majority partner. GE sold MRAS to the Singapore-based group ST Engineering in 2019.

(2) See section 1.4.1.2, “Electric technologies and new power configurations”.

(3) Vertical Take-Off and Landing aircraft.

(4) Classification criteria: revenue – Source: Safran.

(5) Auxiliary power unit.

Electrical interconnection systems

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, for power and data transmission, and primary and secondary electrical distribution 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) and LATElec.

Group products and programs

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

Safran's customers in this field include the main airframers and helicopter manufacturers. For customers including Airbus, Boeing and COMAC, Safran provides electrical and layout design work, as well as harness production and installation support services. 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 A350 – extend to an end-to-end service covering engineering, manufacture and installation support. Safran also takes charge of fitting electric bays, enclosures and cabinets for commercial aircraft (Airbus A320) and helicopters (including Airbus Helicopters H160, Boeing CH47 and NHIndustries NH90).

Safran supplies the wiring harnesses mounted on the CFM56 and LEAP engines, on the landing gear of commercial aircraft (A320ceo, A320neo, A330, Boeing 737, Boeing 787) and business jets (Dassault Aviation Falcon 7X and Falcon 8X, Embraer E-Jet), and on missiles (AASM).

Electrical components

Key characteristics of the business sector

Customers on the electrical connections market judge suppliers largely by their ability to produce complete systems and subassemblies, which are often required to withstand harsh environments such as high temperatures. A determining factor is the capacity for offering customers expertise across all the components integrated in these systems and subassemblies.

Competencies in this field are chiefly found with Safran, Glenair (United States), 3P – Produits Plastiques Performants, Transdigm, Amphenol (United States), and Hellermann Tyton (United Kingdom).

Group products and programs

Through its Safran Electrical Components subsidiary, Safran has expertise in design, production and aftersales support for electrical interconnection components, power contacts and fluid transfer components and subassemblies. Safran's components and subassemblies address the defense, automotive and industry sectors, as well as aviation.

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 airframers and aircraft equipment manufacturers experience less need for prime engineering expertise.

Engineering services providers must be able to accompany their customers on an international market, to offer offshore capabilities (with a pool of engineers located in lower-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, Asia and North Africa, Safran provides engineering services primarily on the aviation market (for airframers and equipment manufacturers), but also on the automotive and rail markets, where the Group offers expertise in electrical systems.

Safran Engineering Services expertise in 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, Boeing, Dassault Aviation, ArianeGroup) and land transport companies (Alstom, Renault).

Safran Engineering Services also works toward fulfilling Group ambitions by focusing development in areas of digitalization, program management, additive manufacturing, industrialization and supply chain management.

(1) Classification criteria: revenue – Source: Safran.

1.2.2.4 Aerosystems

Key characteristics of the business sector

Safran Aerosystems designs, certifies and manufactures high-technology equipment and systems for in-flight and on-ground safety, fuel management, and onboard fluid management and control, in aircraft and helicopters.

Most equipment and systems are specified and selected by the airframer⁽¹⁾ at the onset of each new aircraft program. They are covered by airworthiness type certification granted by authorities such as the European Union Aviation Safety Agency (EASA) in Europe or the Federal Aviation Administration (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 life vests, are selected by operators⁽²⁾.

Safran's main competitors in these businesses in France and abroad include: Collins Aerospace, EAM Worldwide (United States), DART Aerospace (United States), Honeywell, Cobham (United Kingdom), Parker Hannifin Corporation (United States), Eaton Corporation (United States), Woodward (United States) and Senior Aerospace SSP (United States).

Group products and programs

Safran designs and manufactures high-technology solutions to enhance aircraft performance and improve aircraft and passenger safety in-flight and on the ground. These systems equip most commercial aircraft (from Airbus, Boeing, Embraer, Irkut and COMAC) and business jet programs (from Dassault, Gulfstream, Bombardier, Cessna and Daher), as well as most helicopter platforms (from Airbus Helicopters, Leonardo, Bell, Sikorsky, Mil and Kazan Helicopters). They are also featured on several French and European military programs (Dassault, Airbus, Leonardo, Saab, etc.).

Safety and protection systems

Safran's expertise in safety and protection systems extends to emergency evacuation systems for civil and military aircraft (slides, life vests and life rafts), inflatable safety products for helicopters (safety floats, life vests and life rafts), emergency ground arresting systems for military aircraft, oxygen systems and masks for the cockpit and passenger deck, and protection equipment for military and space missions (survival suits, vests, anti-G pants, oxygen masks, etc.).

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.

Integrated management and control systems for fluids and fuel

Safran offers customers prime expertise in the management of the various fluids needed for aircraft operation (pneumatic and hydraulic fuel circuits, etc.).

Safran is one of the world's leading designers and manufacturers of hydraulic components and equipment (servo-valves, pressure switches, etc.), articulated high-pressure, high-temperature pipe systems, and engine equipment (air valves, servo-actuators, etc.).

Fuel control, in flight and on the ground, is an important factor in the safety and efficiency of aviation operations. Safran fields expert know-how in the design, certification and manufacture of aircraft fuel systems, 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. These crash-protected tanks ensure heightened onboard safety. Safran thus stands as a major player in this field, offering fuel management, circulation, gaging and tank inerting systems.

Spare parts and services activities

Safran operates an international network specializing in aftersales for customers' aerospace systems. This spares and services business primarily involves the sale of spare parts and the provision of maintenance, repair and overhaul (MRO) services.

1.2.2.5 Electronics and defense

Safran is involved in major civil and defense programs, and is one of the world's leading providers⁽³⁾ of solutions in optronics, navigation, avionics, electronics, electromechanical actuation and critical software. These sectors are covered primarily through Safran Electrical & Power. Prime expertise in these technologies enables Safran to offer armed forces and civil customers optimally cost-effective observation, decision-support and guidance solutions for land, sea, air and space applications. Safran also draws upon the expertise of its subsidiaries, located on all continents.

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

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

(3) *Classification criteria: revenue - Source: Safran.*

Avionics

Key characteristics of the business sector

Two key characteristics of this sector are the rapid pace of change in the electronics technologies used, and the lengthy and costly processes involved in equipment airworthiness certification, which entail a need for long-term customer relations. To succeed in this field, Safran addresses new civil and military markets with breakthrough products and services building on tried and tested dual-use solutions.

Safran equips all types of aerospace platforms: commercial, regional, business and military aviation, helicopters, drones, launch vehicles and satellites. Its systems and equipment chiefly address applications in flight control, from the cockpit through to the cylinders that actuate the aircraft's aerodynamic surfaces.

Safran's customers here include airline companies and the leading aircraft and helicopter manufacturers, including Airbus, Airbus Helicopters, Boeing, Dassault Aviation, Gulfstream, Hindustan Aeronautics Ltd., Embraer, Bell, Leonardo and COMAC.

Its main competitors in France and abroad include: Collins Aerospace, Honeywell, Thales, BAE Systems, Teledyne Technologies and Korry Electronics.

Group products and programs

The innovative systems developed by Safran in avionics, electronics and critical software contribute to pilot comfort and efficiency, trajectory control, flight safety, navigation precision and aircraft performance. Safran is involved in the largest aircraft programs, including NH90 (NHIndustries), Caracal and H160 (Airbus Helicopters), A400M, A320ceo, A320neo, A380 and A350 (Airbus), Rafale and Falcon (Dassault Aviation) and Boeing 737, Boeing 777X and Boeing 787 Dreamliner. 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.

Electromechanical actuation systems

Acquisition of the Collins Aerospace Electro Mechanical Systems and Cockpit Controls businesses broadened the Group's portfolio in flight controls and piloting controls. It makes Safran a world front-line player in HSTA (horizontal stabilizer trim system) electromechanical actuation systems, equipping more than 20 civil and military programs.

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

Safran also provides electromagnetic actuator systems for other applications, such as secondary flight controls, thrust reversers, pilot seats, business-class and first-class seats, door opening and closing mechanisms, etc.

Data management

Safran data management solutions, including flight-data recording systems and automatic end-of-flight data transfer systems, appear on many civil aircraft from ATR, Embraer, Boeing and Airbus, and on many helicopters, through an upgrade authorized by a Supplemental Type Certificate⁽¹⁾.

Cassiopée™ is an all-in-one flight data decoding and analysis solution developed by Safran. Safran systems monitor over a third of the worldwide commercial aviation fleet.

Under Airbus prime contractorship, Safran also provides the secure gateway between the cockpit and the cabin information system for the A380 and A350.

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 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, 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) on engine regulation for CFM and GE engines (GENx, GE9X, Catalyst).

Electronic equipment

Safran Electronics & Defense specializes in increasingly integrated electronic systems for critical and harsh environments (extreme temperatures, 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⁾. Safran's holds prime expertise in the production of electronic circuit boards and complex computers.

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 use modern software platforms to handle software specification, architecture, coding, verification, quality assurance, configuration management and certification.

(1) Document issued by the air safety authorities allowing modification to an aircraft such as the addition of new aircraft equipment.

(2) Full Authority Digital Engine Control.

(3) See section 1.2.2.3, "Electrical systems and engineering".

Aerospace navigation and sensors

Inertial navigation is a good example of dual-use technology. Inertial navigation in civil aviation and space applications is performed by navigation systems or by APIRS (Aircraft Piloting Inertial Reference System) heading and attitude systems, all using Safran inertial sensors. The latest navigation system for civil aviation applications is SkyNaute, a highly compact and highly efficient integrated inertial navigation system operational in all circumstances and hybridized with provision of position, navigation and timing (PNT) data from navigation satellites. With its three HRG Crystal⁽¹⁾ hemispherical resonator gyroscopes and three micro-electromechanical MEMS⁽²⁾ accelerometers, SkyNaute uses proven, mature technologies and offers low operating costs.

Cockpit solutions

Safran offers a range of cockpit solutions for ensuring flight safety and efficient, comfortable piloting on helicopters and commercial, military and business aircraft:

- piloting controls: active sidesticks, yokes, throttle controls, pedals, etc.;
- secondary control levers: shutter controls, air brakes, landing gears, etc.;
- control panels: from components and retro-lit buttons to integrated panels such as the upper panel.

Safran cockpit solutions provide efficient service day-in, day-out on many civil aircraft and helicopters.

Safran is also actively involved in work on cockpit digitalization projects.

Visual perception systems

During all flight and ground phases, exterior aircraft lighting is an important safety factor, both in-flight and for ground crews. Safran has more than 70 years of experience in this field, and develops a full range of LED-based exterior lighting solutions for all types of aircraft.

Safran is world number-one in complete wiper and washer systems⁽³⁾, developing equipment adapted to the specifics of each aircraft or helicopter to ensure pilots have an optimum field of vision under all weather conditions.

Optronic and avionic solutions are combined to give excellent capabilities for observing the immediate surroundings and for use in the most demanding missions: intelligence, surveillance, targeting, protection, intervention, and search & rescue.

Support and services for aerospace customers

Safran's customer support in avionics extends to high value-added services, including repairs, equipment delivery and technical support. Customer satisfaction is sustained through constant improvements in turnaround time (TAT), up to industry benchmark level, to 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.

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.

Safran supports more than 300 airline companies and helicopter operators in customized data decoding and analysis. Its Cassiopée offering provides precious decision-making support to increase flight safety and optimize operating and maintenance costs.

Defense

Key characteristics of the business sector

France's strategic autonomy in defense calls for a world-class technological and industrial base. Safran plays an instrumental role in enabling self-reliance for its customers, meeting a broad spectrum of military tactical and strategic needs on land, sea and air.

Its main customers and partners in this sector are governments (ministries or armed or paramilitary forces) and industrial groups such as Thales, Airbus, KNDS⁽⁴⁾, BAE Systems, MBDA, ArianeGroup, Leonardo, Saab AB (Sweden), Dassault Aviation, Naval Group, General Dynamics Land Systems (United States) and John Cockerill (Belgium).

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

Group products and programs

Safran covers the real-time sensor-to-shooter operational chain with embedded intelligence solutions for all land, sea and aerospace 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 one of the world's leading manufacturers of portable optronic equipment⁽⁵⁾. 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

(1) The HRG Crystal gyroscope, a major innovation patented by Safran, is the highest-performance system of its kind on the market. 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.

(2) Micro Electro Mechanical Systems.

(3) Ranking criterion: Revenue and market share – Source: Safran.

(4) KMW+Nexter Defense Systems.

(5) Source: Safran.

as the JIM LR long-range multifunction imager and the JIM Compact™, along with the products of its subsidiaries Vectronix in Switzerland and Optics 1 in the United States, 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, infantry combat vehicles and light vehicles). Stabilized sighting is a key factor in ambulant firing capability under day or night conditions, from target identification to engagement. Safran equips close to 10,000 land vehicles in France and other countries (Leclerc, Challenger 2, PT91M, Jaguar, VBCI, LAV, 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 and Horizon frigates, the Scorpène, Agosta and Barracuda submarines manufactured by Naval Group, the Gotland class (type A19) and Blekinge class (type A26) submarines from the Swedish Saab Kockums and the KSS-III submarines from the Korean Daewoo Shipbuilding and Marine Engineering (DSME).

Soldier modernization

Safran harnesses experience from the FELIN⁽¹⁾ 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.

Parachutes and protection

Safran is a European leader⁽²⁾ in parachute and protection equipment in military (troop and cargo) and space missions.

Navigation and sensors

Inertial navigation analyses motion using acceleration sensors (accelerometers) and rotation sensors (gyroscopes) to provide an estimation of vehicle position, speed and attitude (for aircraft, launch vehicles, ships, submarines and land vehicles), 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 number-three worldwide and European number-one⁽³⁾ in military inertial navigation, with more than 70 years' expertise in the key underlying technologies (mechanical, thermal, laser, fiber optics, resonant structures, MEMS, etc.).

It offers a wide range of inertial and stabilization systems covering all performance classes. This equipment offers reliability, precision and robustness, for dependable operation in the toughest environments. The HRG Crystal gyroscope, a major innovation patented by Safran in 1999, is the highest-performance system of its kind on the market. Using this sensor, with its straightforward mechanism and proven technology, Safran develops new extremely compact inertial systems for civil and military applications in space, air, land and sea environments. The Group equips the submarines and missiles of the French deterrent force.

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⁽⁴⁾, as well as the French-British light anti-ship missile Sea Venom/ANL⁽⁵⁾.

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.

(1) Fantassin à équipements et liaisons intégrés (*infantrymen with integrated equipment and links*).

(2) Source: Safran.

(3) Classification criteria: revenue – Source: Yole – 2020 report “High End Inertial Sensors for Defense, Aerospace and Industrial Applications”.

(4) Missile moyenne portée (*medium-range missile*).

(5) Anti-Navire Léger (*light anti-ship missile*).

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.

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.

Working with innovative SMEs and civil-sector institutions, Safran has also developed an autonomous off-road demonstration vehicle, the eTracer, designed for logistics, convoy, perimeter protection, intelligence and reconnaissance missions.

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.

Data systems

Key characteristics of the business sector

Safran is a leading world player⁽¹⁾ in civil and military niche markets for equipment, solutions and services in telemetrics for applications including flight-test instrumentation, satellite remote-control modems, and earth observation satellite reception modems. These highly specific markets are experiencing high growth, especially in North America and Asia.

Telemetry applications are primarily intended for use during the test, certification, calibration and maintenance campaigns run by test centers and manufacturers of aircraft, helicopters, and civil or military drones. For the on-board component, the challenge is to collect, process, record and transmit data, and for the ground component it involves receiving and processing the data in real time, under conditions of absolute security.

For satellite operators, space agencies, launch vehicle manufacturers, satellite suppliers and scientific missions, Safran offers a range of equipment for satellite station keeping and data reception from on-board sensors (cameras and radars) on earth observation satellites.

Safran's main competitors in this sector are the US companies Curtiss-Wright in onboard telemetrics and Viasat in space communication.

Group products and programs

Safran Data Systems provides a full suite of equipment and solutions for flight tests, from data acquisition through to processing: instrumentation products and solutions (embedded data acquisition units, routers, modular data recorders and transmitters); ground telemetry products and solutions (tracking antennas, wide-band RF recorders, analog and digital signal recorders, decommutators); and full software suites (configuration, operation, processing).

It also offers a wide range of video and data recorders, servers, secure computers and routers for pilot training, mission debriefing and C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance).

It provides equipment and solutions for satellite ground stations: broadband antennas, modems and receivers; command and control (C2); distance measurement; payload date reception; quality control for satellite communication services; and space situational awareness (SSA).

More recently, Safran Data Systems has developed new antenna solutions specifically optimized for satellite constellations. The WeTrack™ service developed and marketed by Safran is a worldwide network of RF sensors for monitoring geostationary satellites and detecting their maneuvers.

High-performance optics

Key characteristics of the business sector

Through its Safran Reosc subsidiary, Safran is a leading world player⁽¹⁾ in the design, manufacture and integration of high-performance optical systems in astronomy, space, large-scale high-power laser and semiconductor industry applications. Given that these systems address highly demanding applications (in scientific research in particular), customers demand the best available technologies with specifications at maximum reachable levels worldwide. Contracts here are usually for a few units, prototypes, or small production runs.

Main customers in this segment are the European Southern Observatory (ESO) in astronomy, major prime contractors and space agencies, institutes and major international scientific programs.

Depending on the application, Safran's main competitors are Thales, Hensoldt, Coherent (United States) and L3Harris (United States).

Group products and programs

From initial design through to production and integration, Safran has world-class expertise in all the competencies required for providing customers with the highest-performance precision optical and opto-mechanical equipment.

Capabilities and services cover: opto-mechanical and thin-film engineering; machining and weight-optimization for glass and vitroc ceramic substrates; precision polishing for materials including glass, ceramics and silicon carbide; optic metrology for surface shape and structure at nanometric precision and extremely low asperity; thin-film optical deposition; and clean-room equipment assembly.

(1) Source: Safran.

Recent projects include mirrors on high-resolution earth and space observation telescopes (Gaia, Euclid, Pleiades Neo, Kompsat 7, etc.), lenses and components for scientific, weather and observation satellites (Meteosat, CSO, IASI NG, Merlin, MicroCarb, etc.), giant mirrors for astronomy (Very Large Telescope [VLT], Gemini, Gran Telescopio Canarias [GTC]), mirrors and lenses for short-pulse lasers (Apollon, Laser Megajoule, Orion, ELI European Lasers, etc.),

photolithography systems for semiconductor etching, far-ultraviolet microlithography, thin-film optic coatings from ultraviolet to infrared, and multispectral coatings for infrared detectors.

Safran has also been selected by ESO for polishing and integrating the five mirrors in the world's most powerful telescope, the Extremely Large Telescope (ELT) under construction in Chile.

1.2.3 Aircraft Interiors

The Aircraft Interiors business breaks down into three key sectors:

■ CABINS

- Cabin interiors

■ SEATS

- Passenger seats
- Technical seats
- Helicopter seats

■ COMPLEX CABIN EQUIPMENT AND PASSENGER COMFORT SOLUTIONS

- Water and waste management systems
- In-flight entertainment and connectivity solutions
- Ventilation and environment control systems
- VIP aircraft interiors

Aircraft Interiors covers not only seats but also cabin fittings, closets, in-flight entertainment systems and flight-deck equipment. At the end of 2020, a total of 13,928 Safran employees were contributing to the development of this business.

Cabin equipment must meet demanding requirements on appearance and quality, because operators consider the aircraft interior to be an important brand image factor.

Whereas most aircraft systems are usually specified by the airframer⁽¹⁾, interior fittings for commercial aircraft are usually specified by operators⁽²⁾. 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.

1.2.3.1 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, cabin class dividers, closets, lavatories, galley and catering equipment (inserts, trolleys), rest areas, containers. This market is driven by the cabin interior policies of operators (airline and leasing companies) and maintenance centers.

This 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), Collins Aerospace, JAMCO (Japan) and Bucher (Switzerland). Safran and Collins Aerospace 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⁽³⁾ in cabin interiors for commercial and business aircraft, with a market share of around 20%⁽⁴⁾, through Safran Cabin. It also supplies complete cabin interiors for regional jets from major players including Airbus, Bombardier and Embraer.

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 onboard 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

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

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

(3) *Source: Safran.*

(4) *Source: Safran & Counterpoint Market Intelligence Ltd, Aircraft Interiors Review – 2019.*

and luxury leather linings. Safran also offers electric galley utensils for these aircraft.

In the regional jets sector, Safran also produces complete cabin interiors meeting the needs of operators flying Embraer (E-Jet and E-Jet E2), Bombardier (CRJ) and Airbus (A220) planes. Safran will also be offering complete cabin interiors for the forthcoming MC-21 from Irkut (Russia).

Safran provides cabin interior equipment for short- and medium-haul aircraft: Boeing 737NG and Boeing 737MAX (high-security cockpit doors, galley units and electric galley utensils). Safran's cabin interior teams also support the Airbus short- and medium-haul program, A320neo, providing galleys, electric galley utensils, trolleys, cabin class dividers (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 supplying equipment including galleys, lavatory units and secure cockpit doors.

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 equipment such as electric galley utensils, bars, electric waste compactors, lavatory units, cabin class dividers (partitions) and secure cockpit doors. Safran provided cabin fittings on the A380 program. On the Boeing 787, Boeing 767 and Boeing 777, Safran supplies galleys, electric galley utensils and cabin fitting panels.

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

Spare parts and services for cabin interiors

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).

1.2.3.2 Seats

Aircraft seats

Key characteristics of the business sector

Aircraft seats have to meet demanding requirements in terms of 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 determined by growth in the air transportation market and by airline companies' cabin interior policies.

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

Group products and programs

Safran is one of the world leaders in aircraft seats, through Safran Seats. Safran holds a 27% 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.

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.).

Economy Class

Consistent with each airline company's sales strategy and flight duration requirements, Economy Class seats are designed to offer a good trade-off across comfort, density and operating costs, which are the most relevant criteria in this segment.

Safran's seats offering here ranges from straightforward, lightweight, efficient non-reclining solutions through to more sophisticated and more spacious solutions with additional comfort features (such as articulated headrests, and more comfortable cushions), reclining mechanisms, integrated screens and features for electronic devices (such as power sockets and tablet or smartphone supports).

For Economy Class seats, the pitch between seat rows is usually from 28 to 32 inches (around 71 to 81 cm). Safran's most recent seats in this segment are the Z110 and Z200 for short- and medium-haul flights and the Z400 for long-haul flights.

Premium Economy Class

Premium Economy Class seats offer comfort and spacing mid-way between Economy and Business Class. They are larger, and the pitch between rows is greater than in Economy Class, offering passengers close to 40% more personal space. They can recline by about 10 degrees more than in Economy Class, and can accommodate a larger screen. Seats in this class can take the form of either reclining armchairs or fixed shells, possibly with electric controls.

The pitch between seat rows in Premium Economy Class is usually from 38 to 40 inches (around 96 cm to just over one meter). The Z535 is Safran's flagship product in this segment.

Business Class

Seats in Business Class offer passengers upmarket comfort, space and equipment. Passengers enjoy individual suites with direct aisle access and flat beds, offering in-flight comfort (e.g., doors) and equipment (wide-screen television, sophisticated lighting systems, soundproofing, temperature control, etc.). Business Class seats require many different components (shells, consoles, etc.), and most include electrical controls.

This market segment holds a strategic challenge for airline companies, which compete to attract and keep passengers holding the highest profitability prospects. This gives rise to considerable endeavors on market differentiation between airline companies, which can generate high demand for customization.

For business class seats, airline companies select from among the variety of possible configurations the solutions that are the most consistent with their market objectives. Therefore, Safran's Optima Business Class seat focuses on onboard density whereas seats such as Versa and especially Fusio focus on living space.

First Class

First Class seats offer unique, top-of-the-line services combining very high quality with advanced technological solutions.

Volumes are very low in this segment, since only twenty or so airline companies operate in this segment, offering just a few seats on each plane. Since this is a high-visibility segment as regards an airline company's corporate identity, customers usually require a unique presentation enabling them to stand out from their competitors.

Technical seats

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

Helicopter seats

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

Spare parts and services for seats

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

Safran services also extend to 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 personnel training, flight-per-hour support, reliability and maintenance analysis, annual orders and advance stocks.

1.2.3.3 Complex cabin equipment and passenger comfort solutions

Key characteristics of the business sector

Safran Passenger Solutions has developed a full range of complex equipment for enhancing passenger onboard comfort (such as water and waste management and in-flight entertainment), along with an offering for interior retrofits for commercial aircraft and creation of luxury interiors. The programs on this kind of fit-out usually have short development cycles, and Safran stands out from the competition in this segment due to its ability to offer complete systems.

Safran's main competitors on this market are Collins Aerospace, Diehl, Panasonic (Japan), Thales, and much smaller companies with positionings on component markets or sector-specific niches.

Group products and programs

Safran Passenger Solutions has developed a full range of complex cabin equipment for enhancing passenger comfort, mostly in the commercial and business aviation segments.

This business builds on technological expertise in four main product ranges: water and waste management; in-flight entertainment and connectivity solutions; ventilation and environment control systems; and retrofits and luxury interior design for commercial aircraft.

Water and waste management systems

Safran is one of the world's leading players in integrated water and waste management systems on aircraft, fielding expertise in development, certification, and production and aftersales support. Its solutions enjoy wide market recognition for innovation and extreme reliability.

Safran has developed cutting-edge technologies such as tanks in composite material, ultraviolet sterilization of drinking water, low-pressure pipes in composite material and a range of ultrasound level sensors. It offers drinking water management and distribution systems for different types of aircraft (civil, military, business jets). The Group developed the first chemical lavatories and was one of the pioneers in vacuum-flush lavatories on planes and trains. Its capabilities in this sector today extend to integrated waste and water management systems and integrated lavatory compartments for trains.

In-flight entertainment and connectivity solutions

With air passenger volumes on the rise, and intensifying market competition, in-flight entertainment (IFE) 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 system with media content integrated in the seat screen, which simplifies the onboard 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 also includes a connectivity solution, recently developed and brought to market by the Group, with a WiFi connection for

broadband internet access by satellite and a data transmission network. RAVE also offers lightweight screens with low electricity consumption, benefiting from a partnership with a major player in consumer electronics as well as from the latest technological advances in this field. With its uncomplicated design, RAVE also offers simplified maintenance and low cost of ownership.

Safran's RAVE in-flight entertainment solution has already been selected by more than 70 airline companies, including Lufthansa, Air France, All Nippon Airways, Virgin Atlantic, China Southern and Qatar Airways.

Ventilation and environment control systems

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.).

Safran is one of the world's leading players in climate control systems for small aircraft, with an offering that includes equipment for cabin climate control on the ground and in flight. It makes integrated systems for commercial aircraft, small private aircraft and helicopters not fitted with an auxiliary power unit (APU) for on-ground activation of a climate control system.

VIP aircraft interiors

Safran has expertise in designing VIP interiors for short- and medium-haul single-aisle aircraft (Boeing 737), long-haul aircraft (Boeing 747, Boeing 777, Boeing 787), and business jets transporting dignitaries such as heads of state, government or certain multinationals. Safran provides turnkey solutions in the design, manufacture and fitting of tailor-made cabin interiors, plus aircraft certification prior to handover of the aircraft to the customer.

To meet requirements on airline companies' cabin refurbishment programs, Safran also provides turnkey aircraft interior retrofit services covering procedures through to certification with the aviation safety authorities, in addition to provision of the actual upgrade kits.

1.3 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 all specific measures applicable to each market (see section 4.3.1.3).

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.



1.4 RESEARCH AND DEVELOPMENT

Safran is a high-technology group that offers high-value-added products and services. 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 attached 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.

1.4.1 Major technological focuses

1.4.1.1 Aircraft engine technologies and new propulsion configurations

Reducing the carbon footprint of flying is a major priority for the aviation industry. In 2008, the Air Transport Action Group (ATAG)⁽¹⁾ set the highly ambitious objective of a 50% reduction in CO₂ emissions by 2050 compared with 2005. Assuming a 5% annual increase in air traffic, this comes down to a 90% reduction in average emissions per passenger/km with respect to 2015 conditions. The European air transportation industry is currently aligned on the objective set under the European Green Deal, which targets zero net emissions by 2050. If this objective is to be reached, action on several fronts is needed: fleet renewal with new-generation aircraft and incremental enhancements; improvements in air traffic management and

Because of the health crisis, and its impact on the air transportation sector, Safran had to adjust its R&D activity in 2020. Over the next three years, the national recovery plan for the sector should enable the Group to sustain its R&T effort in its priority areas, with the aim of stepping up preparations for "green, digital and connected aircraft". This plan aims to bring a carbon-free aircraft into service by 2035, which means technological options must be clarified by around 2025.

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 500 or so 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 Additive Manufacturing, Safran Ceramics and Safran Advanced Turbine Airfoils, at a new Safran Tech site opened in 2019 in Gennevilliers, near Paris. At this 3,000-sq.m. facility, with its ultra-modern equipment, a team of around thirty engineers and postgraduate students are working on developing the technologies behind the very-high-performance turbine blades of the future.

The Safran Tech center highlights the Group's resolve to intensify and pool R&T endeavors on major technological breakthroughs. Safran Tech opens a new dimension, 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.

operations; breakthrough technologies; and alternatives to kerosene, along with reductions in other nuisances (noise, NO_x, particles). Safran is addressing these challenges and developing the means needed for fulfilling its ambitions (see section 5.3.2).

Safran is a leading driver of change in the industry – due to its position in many aircraft-system segments, including energy systems – and demonstrated its commitment by dedicating around 75% of its R&T budget in 2020 to improving the environmental impact of air transportation. Its work chiefly concerns propulsion, electrification, lightweight equipment and sustainable fuels. Safran's roadmap specifies contribution to a technological breakthrough in the form of an aircraft that consumes 30% to 40% less fuel by 2030-2035, to achieve carbon neutrality by 2050.

(1) A non-profit organization representing all players in the aviation industry.

Architecture and performance

The Group's roadmap for the aircraft propulsion systems of the future incorporates three 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⁽¹⁾ objective, particularly in terms of fuel consumption. It has been selected by Airbus for its A320neo, by Boeing for its 737MAX 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, calling 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 concepts are addressed by advanced research under national and European programs such as the Clean Sky Joint Technology Initiative. The open rotor program culminated in a demonstrator, prizewinner in the propulsion category of the 62nd Aviation Week Laureates in 2019;
- the third stage seeks to introduce low-carbon energy sources. Demonstrations have already been performed with biofuels in a mix with current fuel. Other scenarios under examination concern synthetic fuels derived from decarbonated hydrogen and propulsion concepts using liquid hydrogen directly.

In connection with the national recovery plan for the aerospace industry, work went ahead in 2020 on the technological developments required by these engine concepts and new energy initiatives. Demonstration phases will be going ahead under the European Partnership on Clean Aviation under the Horizon Europe program⁽²⁾.

Safran also cooperates with scientific and academic institutions on groundwork in future aircraft propulsion configurations. Partners here include ISAE-SupAero, through the AEGIS⁽³⁾ chair, ONERA⁽⁴⁾, Cranfield University in the United Kingdom, and the Georgia Institute of Technology (Georgia Tech) in the United States.

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.

Scenarios considering the emergence of hybrid or even fully electric propulsion are studied for smaller aircraft, "commuters" or vertical take-off and landing aircraft (VTOL) 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.

At the 2019 Paris Air Show, Airbus and Safran signed a letter of intent (LOI) on joint work on new technologies capable of significantly reducing CO₂ emissions and noise levels of forthcoming vertical take-off and landing (VTOL) platforms. A number of technology options will be explored, including different electrification levels, more efficient gas turbines, alternative fuels, and advanced engine architectures capable of reducing turbine noise. This cooperation forms part of preparations for the European research program, Horizon Europe.

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⁽⁵⁾ regulations, is coordinated by the Materials and Processes Department. The platform for developing new monocrystalline casting techniques with engine applications opened in 2019.

Safran gives priority importance to stepping up materials research using data analysis and digital physics. The application of statistical learning in mechanics opens up new possibilities in the understanding of mechanisms and for ultra-fast simulations of the properties of materials usage. With this in mind, Safran founded the BIGMECA chair in 2019 with the Mines ParisTech engineering school, which will be reaping the fullest possible benefit from combined academic and industrial approaches.

Safran Seats 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) Advisory Council for Aeronautics Research in Europe.

(2) Horizon Europe is the European Union's framework program on research and innovation (R&I) for the period 2021-2027.

(3) Aero EnGine Innovative Studies.

(4) Office national d'études et de recherches aérospatiales (French National Aerospace Research Office).

(5) Registration, Evaluation and Authorisation of Chemicals.



1.4.1.2 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, thereby 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 companies: Safran Electrical & Power, Safran Power Units, Safran Aircraft Engines and Safran Helicopter Engines. One of the units of the Safran Tech innovation center focuses on 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⁽¹⁾ laboratories and major research organizations such as ONERA and CEA⁽²⁾;
- industrial partnerships, such as with Alstom (France), Valeo (France) and Electricité de France (France), each recognized as technology leaders in their sectors.

1.4.1.3 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 combustor 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.

Safran has decided to centralize all its additive manufacturing capabilities at a new Safran Additive Manufacturing Campus. The new site under construction in Haillan, near Bordeaux in France, will house all the Group's operations in research, industrialization and production of additive manufacturing components, for optimally efficient rollout across all relevant products.

Data processing

Innovation efforts are called for to address the growing role played by services in the Group's operations. Techniques used to diagnose and forecast the condition of aircraft 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 understanding 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 (see section 1.2.2.5). In systems engineering, Safran is working on process harmonization: a modern software development workshop has been set up for Group-wide rollout.

(1) Centre national de la recherche scientifique (French National Center for Scientific Research).

(2) Commissariat à l'énergie atomique et aux énergies alternatives (French Atomic Energy Commission).

1.4.1.4 Navigation and autonomy technologies

Air, land, sea, satellite and weapons navigation markets are constantly evolving and expanding. Operational and economic gains are sought by integrating mobile units into cooperative groups, by increasing autonomy, and by ensuring land-onboard continuum via secure links. Quests such as these prove to be powerful drivers of renewed demand and technological development. Safran is actively preparing the shift to autonomous systems for civil and defense applications based on technologies developed in optronic sensors, inertial navigation, critical onboard electronic systems and image processing and analysis. Specific research focuses on robust and reliable artificial intelligence for autonomous functions, working closely with the scientific community.

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⁽²⁾-technology 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 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.

For infrared sensors, the Safran Group uses technologies from Lynred, its joint venture with Thales, resulting from the merger of Sofradir, French specialists in infrared cameras, and its subsidiary Ulis, specialists in microbolometers. Interchange of infrared sensor technologies between the two partners enables Lynred 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 the Safran Tech complex in Magny-les-Hameaux, near Paris.

The use of sensors and artificial intelligence in an integrated system resulted in eTracer, an autonomous vehicle demonstrator for military applications which can transport infantry equipment on the ground and navigate autonomously. The demonstrator helped Safran win the Furious contract put out for tender by the French Directorate General of Weapons Procurement (DGA). This covers autonomous vehicles, small land robots and a drone, laying the groundwork for autonomous and collaborative combat systems under the Scorpion modernization program. Proficiency in technologies merging navigation and environment perception data also enables the development of piloting assistance applications for all types of aircraft.

1.4.1.5 Designing the cabin of tomorrow

Through system integration and optimization, the aircraft cabin of the future will offer passengers enhanced comfort and traveling experience. Safran innovations in aircraft cabins, developed at its Safran Cabin Innovation (SCI) design studio in Huntington Beach (California, United States), go beyond the classic measures on reducing the cost and weight of aircraft equipment. Through Safran Cabin Innovation, the Group offers its customers opportunities for improving sales (by adding seats capable of generating revenue or providing new services), offering an improved passenger experience (with a more spacious and comfortable cabin, new features, etc.), and creating or enhancing brand image (through distinctive service, design and products).

Safran also develops innovative solutions for automating ground operations (bunkering and cabin preparation) prior to take-off and in flight prior to landing. Other capabilities offered by connected equipment include monitoring and cost reduction.

1.4.2 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 brings together nine leading international scientists with expertise in all the key scientific disciplines underlying Group businesses. This council meets every three months and issues recommendations on the structure and quality of the scientific partnerships.

(1) Hemispherical resonator gyro.

(2) Micro Electro Mechanical Systems.

(3) Information and Communication Technologies.



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 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 160 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 a dozen ANR (French National Research Agency) industrial research chairs plus four scientific sponsorship chairs. In 2020, Safran helped to found the TOPAZE industrial chair in nickel-based superalloys for aircraft engines, and the OPALE joint laboratory research chair with CEMEF-Mines ParisTech and Institut P', working on the optimization of mechanical properties by microstructure controlling. With the IRCER Institute of Ceramics Research in Limoges, Safran also contributed to setting up the PROTHEIS joint laboratory working on dry coating deposition processes. In 2020, a new research framework agreement was signed with the

Centrale Supélec school, a Safran partner in research areas including combustion, systems engineering and automation. Safran was actively involved in the foundation of three IRT centers⁽¹⁾. It is also a major participant in several competitiveness hubs, including 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 2020, Safran worked on setting up the European Partnership on Clean Aviation, which takes over from Clean Sky 2 for the period 2021-2028 under the EU Horizon Europe program. Safran helped to prepare the strategic research and innovation agenda (SRIA) on this program, approved by all private-sector participants in 2020.

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.

1.4.3 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 lead times.

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 2020: 1,050 first patent applications

worldwide. This places Safran among the front-runners for patents filed with INPI, the French patents office⁽²⁾. Through constant effort, with the support of all stakeholders, Safran continues to develop its patents portfolio, which protects close to 12,000 inventions covered by more than 45,000 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 4.3.2.4, "Supplier and partner risks" of this Universal Registration Document.

(1) Instituts de recherche technologique (*technology research institutes formed under France's PIA Investments for the Future Program*).

(2) Third in INPI ranking, June 2020 (for patents filed in France in 2019).

1.4.4 Safran Corporate Ventures and relations with innovative companies

Safran Corporate Ventures is a Safran subsidiary responsible for financing innovative companies 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:

- decarbonization of the aerospace industry (electrification and hybridization, alternative fuels or hydrogen);
- 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 11 tech companies since its formation in 2015, ten of which are still in its portfolio. Because of the health crisis and its economic impact, Safran Corporate Ventures made no new investment in 2020.

However, it continued to support the companies in its portfolio and took part in refinancing Outsight⁽¹⁾.

In 2020, Safran Corporate Ventures also contributed to half a dozen partnerships or demonstrators between Group companies and innovation-oriented startups. It also contributed to the dedicated aerospace fund "ACE Aéro Partenaires", which is now operational with an initial investment in a group that specializes in manufacture of presses and machines, and complex mechanical parts for major players in the aerospace industry, including Safran.

1.4.5 Research and development expenditure

Including the portion funded by customers, the total expenditure on Research, Technology and Development (RTD) was approximately €1.2 billion in 2020, representing 7% of revenue. Because of the health crisis, RTD expenditure fell in line with the fall in Group revenue. RTD operations in France amounted to €924 million, representing 76% of overall RTD expenditure.

The self-funded RTD effort before research tax credit, of €864 million, was 35% down on 2019, represented 71% of overall RTD, and broke down as follows:

- development: 56% (aircraft programs, aircraft interior fittings, aerosystems, helicopter engines, avionics and defense);
- R&T: 39%;
- other: 5%.

| (in € millions) | 2019 | 2020 |
|---|----------------|----------------|
| Total R&D | (1,725) | (1,213) |
| Portion of expenditure funded by customers | 388 | 349 |
| Self-funded RTD | (1,337) | (864) |
| % of revenue | 5.4% | 5.2% |
| Research tax credit | 166 | 149 |
| Self-funded RTD after research tax credit | (1,171) | (715) |
| Capitalized expenditure | 325 | 279 |
| Amortization and impairment of R&D expenditure ⁽¹⁾ | (270) | (320) |
| Impact on recurring operating income | (1,116) | (756) |
| % of revenue | 4.5% | 4.6% |

(1) Excluding non-recurring items.

Capitalized R&D was €279 million compared with €325 million in 2019. Capitalized R&D was €46 million down on the 2019 figure, and amortization and impairment of capitalized R&D was €320 million, up from €270 million in 2019.

The impact on recurring operating income of expensed R&D was €756 million compared with €1,116 million in 2019. R&D expensed in recurring operating income fell by €360 million.

(1) Outsight is a French-American-Finnish company that develops semantic cameras for autonomous vehicles.



1.5 INDUSTRIAL INVESTMENTS

1.5.1 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.

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. Working with the Industrial Management Department, companies 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. Throughout 2020, Safran continued to roll out its Factory of the Future project at an appropriate pace across the 49 production lines identified in 2018, of which 24 were operational by the end of the year. These production lines cover manufacturing, assembly and repair operations, implementing advanced digital solutions that now constitute Safran standard practice.

Work on standardization and rollout continued at an appropriate pace:

- companies brought in by the consolidation of Zodiac Aerospace (Safran Aerosystems, Safran Passenger Solutions and Safran Seats) put together a work plan on digital developments. To accelerate the implementation of this plan, they will benefit from work carried out and methods implemented since 2018 under the Factory of the Future project;
- the schedule on equipment connectivity, and the use of industrial data from Safran companies' manufacturing operations, were confirmed as components of the medium-term plan:
 - three pilot projects were set up at Safran Aero Boosters (Milmort, Belgium), Safran Nacelles (Le Havre, France), and Safran Landing Systems (Bidos, France) in March 2020. Partners for rollout were chosen, with implementation set for early 2021,
 - Safran Aircraft Engines, one of companies furthest ahead here, continued work on connecting 150 machines at three facilities, and defining standard practices on industrial data storage and usage. The implementation of a system for automated processing of manufacturing deviations marks a further technological step forward in the interlinking between definition and manufacture. At the same time, rollout is under way for a system, the first of its kind in the world, for managing product lines and nomenclatures. Rollout will be completed in 2021;

- the INCCA (Digital Inspection of Critical Aerospace Components) project started in March 2020 aims to develop and roll out standard digital solutions to phase out chemical and visual inspections. This is Safran's first industrial R&T program financed by the French Directorate General for Civil Aviation (DGAC) under the national aerospace industry recovery plan. These systems will be using the latest developments in image processing;
- developments in business function definitions and industrial skills, along with the corresponding training plans, are planned with Safran University and CampusFab⁽¹⁾.

Advances in additive manufacturing provide a good example of Safran's expertise in Factory of the Future technologies. Work on the Safran Additive Manufacturing Campus is continuing:

- construction of the Group's future additive manufacturing site began in spring 2020. Structural works have reached completion on the area housing operating activities and are two-thirds complete for the services area;
- modularity was an architectural keynote on this project, because Safran is well aware that additive manufacturing faces broad development prospects. The metallic structure of the production process area offers large volumes capable of accommodating flexible layouts, readily reconfigurable to changes in processes and equipment;
- like all of the Group's new facilities, the Additive Manufacturing Campus was eco-designed for minimum carbon emissions and the smallest possible ecological footprint for the activities undertaken there. It features a highly efficient waste filtration system, and a heat recovery system to reduce direct energy consumption;
- flows were designed to optimize circulation of parts and use of the costly industrial machinery: 3D printers and post-production machines (cleaning, heat treatment, surface treatment, machine, testing, etc.). All these systems will be connected, to provide data that will be used to continuously fine-tune process control and thereby the quality of the parts produced.

Safran's steadfast commitment to 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 working towards Safran's commitments on increased customer satisfaction and reduced inventory levels and work-in-progress. In 2020, more than 50 supply chain improvement projects were launched across all Group companies, and Safran is proceeding with wide-scale rollout of AirSupply (on the BoostAeroSpace supplier community hub).

(1) Industry of the Future training center, in Bondoufle, near Paris.

1.5.2 Main industrial investments

Safran's industrial investments totaled €449 million in 2020.

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

| Geographic area (in € millions) | 2019 | 2020 |
|---------------------------------|--------------------------|------------|
| France | 413 | 304 |
| Europe (excluding France) | 78 | 45 |
| Americas | 146 | 76 |
| Asia and Oceania | 45 | 14 |
| Africa and Middle East | 13 | 10 |
| TOTAL | 695⁽¹⁾ | 449 |

(1) Net of the cash inflow from the disposal of a tertiary property complex in the Paris region.

In 2020, a number of Safran's industrial investments were postponed or canceled owing to the situation faced by the aerospace sector and global industry (Covid-19 pandemic and prolonged grounding of the Boeing 737MAX fleet).

The main project maintained was that of Safran's Additive Manufacturing Campus in Haillan near Bordeaux, which will bring together all additive manufacturing skills at a single facility. The specific aims are:

- to step up Safran's capabilities in a technology whose added value extends to beyond 3D printing to all upstream and downstream operations (research, design, production, post-treatment and product testing);
- to achieve economies of scale by switching to full-scale optimized industrial production, from a prototyping-only activity scattered across different Group companies.

Other projects include:

- modernization of the Safran Helicopter Engines turbine disks line at Bordes (Pyrénées-Atlantiques);
- compliance upgrade for surface treatment installations at Montluçon (Allier) for Safran Electronics & Defense, and Molsheim (Bas-Rhin) for Safran Landing Systems;
- renovation of test benches at Bordes (Pyrénées-Atlantiques) and in Australia, for Safran Helicopter Engines;
- ongoing construction work on a new Safran Aircraft Engines facility making turbine parts in Hyderabad (India);
- relocation of the turbine blades facility in Guiyang, China for Safran Aircraft Engines.

1.6 SITES AND PRODUCTION PLANTS

Safran's headquarters are located in Paris, France.

The table below lists the Group's sites by main type of site activity, at December 31, 2020.

Figures and locations shown correspond to consolidated companies, as defined in section 3.1, Note 37 of this Universal Registration Document.

| Safran Group sites at December 31, 2020 | Main activities at Safran sites | | | | Occupancy | |
|--|---------------------------------|-------------------------|-------------------------------|-------------------------------|----------------------|------------|
| | R&D/production | Service/ maintenance | Commercial/ administrative | Total sites ⁽¹⁾ | Owner ⁽²⁾ | Tenant |
| Safran Aircraft Engines | 14 | 13 | 4 | 31 | 12 | 19 |
| Safran Helicopter Engines | 7 | 10 | - | 17 | 7 | 10 |
| Safran Ceramics | 5 | - | 1 | 6 | 1 | 5 |
| Safran Aero Boosters | 2 | - | - | 2 | 1 | 1 |
| Safran Landing Systems | 10 | 11 | 1 | 22 | 13 | 9 |
| Safran Electrical & Power | 32 | 10 | 3 | 45 | 9 | 36 |
| Safran Passenger Solutions | 9 | 2 | 3 | 14 | 2 | 12 |
| Safran Transmission Systems | 2 | - | - | 2 | 2 | - |
| Safran Nacelles | 6 | 2 | - | 8 | 6 | 2 |
| Safran Electronics & Defense | 36 | 2 | 7 | 45 | 16 | 29 |
| Safran Aerosystems | 18 | 10 | 1 | 29 | 9 | 20 |
| Safran Cabin | 24 | 2 | 2 | 28 | 4 | 24 |
| Safran Seats | 10 | 2 | 1 | 13 | 2 | 11 |
| Safran | 2 | - | 7 | 9 | 4 | 5 |
| Other | 1 | - | 4 | 5 | - | 5 |
| TOTAL | 178 | 64 | 34 | 276 | 88 | 188 |

(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 historically 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.

In 2020, construction work continued on the Safran Additive Manufacturing Campus in Haillan, near Bordeaux, and on a new Safran Aircraft Engines facility making turbine parts in Hyderabad (India).

In addition, the following sites were opened in 2020:

- new facility making primary mirror segments for the ELT, in Poitiers (Vienne);
- new Safran Helicopter Engines industrial campus in Tarnos (Landes), at a ceremony attended by the French Defense Minister;
- new Safran Cabin facility in Chihuahua (Mexico).

Environmental factors liable to influence the Group's use of its property, plant and equipment are presented in section 5.3. Safran 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.

1.7 SAFRAN PERFORMANCE AND QUALITY POLICY

Safran has an ambitious quality policy targeting three main goals:

- flight safety;
- 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.

Safran is pushing ahead with its One Safran initiative, launched more than five years ago with the purposes of developing Group-wide take-up of a common corporate management system and performance indicators and deploying operational excellence, in order to ensure product quality and reliability. The initiative involves building on best practices and extending them throughout the Group.

A major step forward was taken in 2018 with the adoption of the Develop process, to run alongside the program-steering system in operation for several years now.

The Develop process brought improvements in areas such as development preparatory stages, system architecture, product industrialization, and regular reviews run by recognized independent experts in specific projects. A development program is punctuated by nine Master Engineering Reviews covering all aspects of the process (design, production release, and preparation for support and services). This system includes the requirements of the aerospace industry's authoritative AS/EN9145 Advanced Product Quality Planning standard.

Global program management also extends to suppliers, whether working on a build-to-specification basis (meaning they design their products themselves) or a build-to-print basis (meaning they manufacture to Safran specifications or external standards).

Safran's suppliers undergo a rigorous selection and approval process. Decisions to award new supply or development contracts are taken collectively by a Supplier Selection Committee spanning industrial, quality and purchasing functions. Suppliers are regularly audited and monitored by some 600 supplier quality assurance managers, responsible for ensuring day-to-day quality of all products purchased. The supplier quality assurance managers are backed by a team of nearly 300 supplier performance managers, who measure suppliers' quality and delivery-time performance and ensure progress plans are properly implemented.

The rules that Safran applies to its suppliers are laid down in its general purchasing conditions, in the general quality requirements set out in the SAFe ("SAFfran exigences", French for requirements) document, and in product-specific documents. SAFe includes international quality standards, to further standardization throughout the aerospace supply chain. The 2020 version of SAFe, which will be issued to suppliers in early 2021, will extend the APQP (Advanced Product Quality Planning) requirements, strengthen rules on prevention and remediation of quality deviations, clarify design requirements for build-to-spec suppliers and ensure suppliers' personnel are familiar with Safran's ethics whistleblowing system (safraan@alertethic.com). SAFe also includes Safran's Responsible Purchasing Charter.

Safran companies are certified to AS/EN 9100. Certifications are managed on the IAQG⁽¹⁾ public database (OASIS)⁽²⁾, so that certification status is accessible to all order givers. All AS/EN 9100 audits went ahead in 2020, despite travel difficulties, and results were satisfactory. A total of 83 companies (including Safran-controlled subsidiaries) are certified to AS/EN 9100. Some companies also hold additional approvals for their repair station (AS/EN 9110) and distribution center (AS/EN 9120) businesses.

Certification involves phase-in of Group-wide One Safran processes. Safran also sits in the working groups or management teams of international aerospace industry quality bodies (IAQG, Nadcap⁽³⁾), making active contributions to forthcoming updates of existing quality standards and release of new standards on emerging aerospace industry matters (through ASD⁽⁴⁾), in liaison with civil aviation authorities. All these activities help to harmonize the aerospace industry supply chain, to strengthen safety culture and to improve product quality.

Safran also operates a Safety Management System to preemptively identify risks liable to jeopardize the safety of its products, and to take remedial action, before they can have a negative impact on its customers or business. It is accordingly committed to developing proactive response capability across all fields. To this end, each of the Group's companies undertakes to hold and maintain product certificates and approvals issued by the relevant authorities for its design, production and maintenance operations. All these actions contribute to upholding a solid climate of trust between Safran, its customers and authorities.

Each of the Group's companies also runs its own action plans, tailored to its own particular business context, on improving product quality and safety. This priority measure applies at all levels, from Group executive management to in-the-field teams.

Since mid-2016, Safran has been running operational excellence workshops, drawing upon standards defined for the whole Group, with the aim of engaging teams in rapid-action progress plans over a period of up to 16 weeks. The workshop objectives are consistent with the operational needs in each particular sector, on improvements in quality, productivity, customer service rates, repair cycles for MRO⁽⁵⁾ operations, or significant optimizations in program management, development, supply chain, etc. Close to 1,500 workshops have been launched and some 1,200 completed. More than 90% of these workshops brought double-digit performance improvements on key indicators corresponding to the operational needs of each sector. More than 20,000 employees, across all company sectors, have taken part in at least one of the workshops. In industrial production, more than 780 workshops have been conducted, and some teams have already run up to five or six in their specific sectors. To anchor One Safran more firmly in Group practices, One Safran standards feature in the job training courses given at Safran Corporate University, further contributing to customer trust. Some One Safran workshops are run jointly by Safran with its customers. An example of this is the One Team workshops in which Safran teams at the customer's assembly facilities work together with the operational managers of these lines at the customer's site.

(1) International Aerospace Quality Group.

(2) Online Aerospace Supplier Information System: portal for information on aerospace quality management certifications, auditors and audit results.

(3) National Aerospace and Defense Contractors Accreditation Program.

(4) Aerospace and Defence Industries Association of Europe.

(5) Maintenance, repair and overhaul.

Performance improvement endeavors continued through 2020, with ongoing expressions of confidence in and appreciation of 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.

Work on the key focuses of Safran's 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 solid network with centralized organization, and deployed within all of the Group's entities. This network facilitates the implementation 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.

Quality performance and policy draw on a deep-rooted Lean Sigma⁽¹⁾ 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".

Safran+ encompasses a number of permanent and cross-functional initiatives, which continued through 2020:

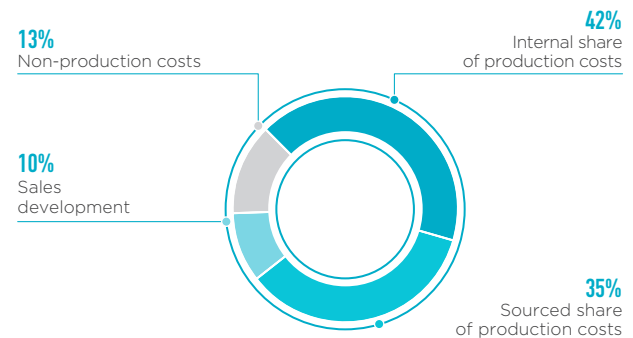
- participative innovation initiatives enabling employees in all sectors to put forward ideas for improving their companies' performance. More than 109,000 employee ideas were applied across all the Group's business sectors in 2020;
- Lean Sigma, with Green Belts, Black Belts and Master Black Belts driving the Group's transformation through a structured and standardized project management approach;
- QRQC⁽²⁾, initially developed across technical and industrial fields in all Group companies, and now being phased in across support functions as well.

Most projects target at least one of the following objectives:

- increase in customer satisfaction;
- operational and economic improvement;
- efficacy of the company's operational processes;
- development of employees' skills and understanding.

The managers of the companies concerned report regularly on Safran+ progress to Group Executive Management at annual field reviews.

The savings achieved by the Safran+ initiative in 2020 break down as follows:



(1) Lean Sigma combines Lean (with tight matching to needs expressed by the customer) and Six-Sigma (methodology for controlling process variability).

(2) Quick Response Quality Control is a management method based on everyday performance monitoring and rapid, robust problem-solving at appropriate management levels.





REVIEW OF OPERATIONS IN 2020 AND OUTLOOK FOR 2021

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

2020 ADJUSTED KEY FIGURES

| (in € millions) | Aerospace Propulsion | | Aircraft Equipment, Defense and Aerosystems | | Aircraft Interiors | | Holding company and other | | Total | |
|---|----------------------|-------|---|-------|--------------------|-------|------------------------------|-------|--------|--------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Revenue | 12,045 | 7,663 | 9,256 | 6,893 | 3,321 | 1,922 | 18 | 20 | 24,640 | 16,498 |
| Recurring operating income (loss) | 2,485 | 1,192 | 1,209 | 687 | 188 | (174) | (62) | (19) | 3,820 | 1,686 |
| Profit (loss) from operations | 2,478 | 1,035 | 1,188 | 454 | 182 | (246) | (15) | (23) | 3,833 | 1,220 |
| Free cash flow ⁽¹⁾ | 1,125 | 796 | 706 | 811 | (1) | (377) | 153 | (157) | 1,983 | 1,073 |
| Acquisitions of property, plant and equipment ⁽²⁾ | 376 | 219 | 292 | 167 | 60 | 31 | (33) | 31 | 695 | 449 |
| Self-funded R&D | 573 | 334 | 527 | 357 | 237 | 173 | N/A | N/A | 1,337 | 864 |

(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.

The Covid-19 pandemic severely disrupted all of the Group's businesses in 2020, with both original equipment and services impacted by the stark decline in air traffic and airline companies' financial difficulties.

Aerospace Propulsion:

- sharp decrease in sales of OE engines: shipments of LEAP engines were down 53% at 815 engines delivered in 2020 (versus 1,736 shipments in 2019), while CFM56 engine shipments dropped to 157 in the year from 391 in 2019;
- contraction in the spare parts and services market. The indicator used to track the civil aftermarket (expressed in USD) was down 43% year on year;
- contained sales decline in helicopter turbines, and services levels close to 2019;
- military activities supported by sales of spare parts.

Aircraft Equipment, Defense and Aerosystems:

- OE sales down 25% year on year for landing and aircraft systems, engine systems and equipment, and electrical systems and engineering;
- services down 30% versus 2019;
- growth in Defense activities.

Aircraft Interiors:

- OE activities (Seats, Cabin and Passenger Solutions) down 40% versus 2019;
- services relating to spare parts and MRO⁽¹⁾ activities 47% lower year on year. By prioritizing a safe working environment for employees and partners and thanks to collective efforts, Safran has avoided any major disruption in production.

In response to the new environment, Safran promptly launched and implemented an adaptation plan. At end-December 2020, the Group had achieved all of the goals set in April:

- workforce was adjusted to around 79,000 at the end of 2020, a 17% decrease in permanent employees and a 21% decrease including temporary staff;
- industrial footprint was streamlined within Aircraft Interiors, Electrical & Power and Nacelles, with four site closures, three transfers of production and about ten restructuring plans;
- purchasing programs were scaled back: a decrease of 43% in raw materials and supplies expenses and of 48% in sub-contracting expenses. As a result, inventories and work-in-progress were reduced by €1.2 billion between June and December;
- investment commitments were reduced by 67% in 2020, exceeding the 60% reduction objective;
- R&D expenses were reduced by 35% in 2020, exceeding the 30% reduction objective;
- operating costs⁽²⁾ were reduced by 25%, exceeding the 20% target at year-end.

Thanks to the work done by all Safran's employees and in all divisions, the Group maintained profitability at around 10% and free cash flow generation at above €1 billion in 2020, as guided.

(1) Maintenance, repair and overhaul.

(2) Excluding purchases and including R&D expenses.

2.1 COMMENTS ON THE GROUP'S PERFORMANCE IN 2020 BASED ON ADJUSTED DATA AND OUTLOOK FOR 2021

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 2.f).

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

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

- the impact of purchase price allocations for business combinations, particularly amortization and depreciation charged against intangible assets and property, plant and equipment recognized or remeasured at the time of the transaction and amortized or depreciated over extended periods due to the length of the Group's business cycles, and the impact of remeasuring inventories, as well as
- gains on remeasuring any previously held equity interests in the event of step acquisitions or asset contributions to joint ventures;
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
 - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
 - all mark-to-market changes on instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

Reconciliation of the consolidated income statement with the adjusted income statement

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

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

Readers are reminded that only the consolidated financial statements set out in section 3.1 of this Universal Registration 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 section 3.1, Note 5, "Segment information".

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

Reconciliation of profit from operations with EBITDA

The reconciliation of profit from operations with EBITDA is as follows:

| (in € millions) | 2020 consolidated data | Currency hedges | | Business combinations | | 2020 adjusted data |
|---|------------------------------|--|--|---|--|--------------------------|
| | | Remeasurement of revenue ⁽¹⁾ | Deferred hedging gain/loss ⁽²⁾ | Amortization of intangible assets from Sagem- Snecma merger ⁽³⁾ | PPA impacts – other business combinations ⁽⁴⁾ | |
| Profit from operations | 927 | (134) | 5 | 46 | 376 | 1,220 |
| Net recurring charge to depreciation, amortization, impairment and provisions | 1,361 | - | (5) | (46) | (340) | 970 |
| Net non-recurring charge to depreciation, amortization, impairment and provisions | 286 | - | - | - | - | 286 |
| EBITDA | 2,574 | (134) | - | - | 36 | 2,476 |

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

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a positive €216 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €5 million at December 31, 2020).

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

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €304 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

The impact of these adjustments in 2019 was as follows:

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

Reconciliation of profit from operations with EBITDA

The reconciliation of profit from operations with EBITDA is as follows:

| | 2019 consolidated data | Currency hedges | | Business combinations | | 2019 adjusted data |
|---|------------------------------|--|--|---|--|--------------------------|
| | | Remeasurement of revenue ⁽¹⁾ | Deferred hedging gain/loss ⁽²⁾ | Amortization of intangible assets from Sagem- Snecma merger ⁽³⁾ | PPA impacts – other business combinations ⁽⁴⁾ | |
| <i>(in € millions)</i> | | | | | | |
| Profit from operations | 3,837 | (449) | (1) | 51 | 395 | 3,833 |
| Net recurring charge to depreciation, amortization, impairment and provisions | 1,543 | - | 1 | (51) | (354) | 1,139 |
| Net non-recurring charge to depreciation, amortization, impairment and provisions | (4) | - | - | - | - | (4) |
| EBITDA | 5,376 | (449) | - | - | 41 | 4,968 |

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

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a negative €175 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a negative €1 million at December 31, 2019).

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

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €315 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

2.1.2 Overview of the Group's performance in 2020

Adjusted income statement

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

Review of operations

Adjusted revenue

2020 revenue amounted to €16,498 million, a decrease of 33.0%, or €8,142 million, compared to the year-ago period. Changes in scope had a €37 million negative impact. The net impact of currency variations was a negative €95 million, reflecting a negative translation effect on non-euro revenues, notably USD. The average EUR/USD spot rate was USD 1.14 to the euro in 2020 compared to USD 1.12 to the euro in the year-ago period. The Group's hedged rate was USD 1.16 to the euro in 2020, compared to USD 1.18 in 2019. Revenue amounted to €8,767 million in the first half, down 27.6%, and to €7,731 million in the second half, down 38.3%. Fourth-quarter revenue decreased by 32.5% to €4,349 million (down 30.1% on an organic basis) compared to fourth-quarter 2019.

On an organic basis, revenue decreased by 32.5%, with a decline in all divisions:

- Propulsion revenue fell by 36.2% due to OE volumes (civil and military aircraft) and services (civil aftermarket). Services for helicopter turbines and military activities were less impacted by the current crisis (stable compared to

2019). Propulsion revenue dropped by 32.9% in the fourth quarter due to the civil aftermarket and LEAP deliveries;

- Aircraft Equipment, Defense and Aerosystems revenue decreased by 25.0% due to OE sales for wiring and power distribution, nacelles and landing systems. There was a high-single digit decrease in OE Electronics & Defense activities. Within services, nacelles, landing gear and carbon brakes support activities and to a lesser extent Aerosystems suffered the most. The fourth-quarter revenue decrease of 22.9% was driven by landing systems as well as nacelles, wiring and power. The division's performance improved each quarter since the trough in May (second quarter down 39.3% and third quarter down 33.6%);
- Aircraft Interiors revenue (down 40.4%) was strongly impacted by both OE and services for all activities. Fourth-quarter revenue decreased by 40.0%, in line with the full-year decline. Cabin's fourth-quarter performance slightly improved, while Seats and Passenger Solutions had a similar organic decrease to the second quarter.

| (in € millions) | 2019 | 2020 | % change | % change scope | % change currency | % change organic |
|---|---------------|---------------|----------------|----------------|-------------------|------------------|
| Aerospace Propulsion | 12,045 | 7,663 | (36.4)% | - | (0.2)% | (36.2)% |
| Aircraft Equipment, Defense and Aerosystems | 9,256 | 6,893 | (25.5)% | (0.1)% | (0.4)% | (25.0)% |
| Aircraft Interiors | 3,321 | 1,922 | (42.1)% | (0.9)% | (0.8)% | (40.4)% |
| Holding company and other | 18 | 20 | N/A | - | - | N/A |
| TOTAL GROUP | 24,640 | 16,498 | (33.0)% | (0.2)% | (0.3)% | (32.5)% |

Adjusted recurring operating income

Recurring operating income⁽¹⁾ for 2020 reached €1,686 million, down 55.9% compared to 2019. It includes negative scope changes of €5 million as well as a positive currency impact of €110 million. The margin stood at 10.2% of revenue compared with 15.5% in the same year-ago period.

Note that to enable a meaningful comparison between the first and second halves of 2020, the published recurring operating income for the first half should be adjusted upwards by €103 million. This is the consequence of the retroactive impact on first-half provisions of the Group's Activity Transformation Agreement (ATA) signed with employees in the second half of the year but applicable for the full year.

Including this retroactive effect, first-half 2020 recurring operating income increases from €947 million as reported to €1,050 million, and the margin increases from 10.8% to 12.0%. Second-half recurring operating income stood at €636 million, with an 8.2% recurring operating margin.

One-off items, representing an expense of €466 million, are related to restructuring costs (€131 million), impairment for several programs (€286 million) and a non-recurring charge for early retirements.

| (in € millions) | 2019 | 2020 |
|---|--------------|--------------|
| Adjusted recurring operating income | 3,820 | 1,686 |
| % of revenue | 15.5% | 10.2% |
| Total one-off items | 13 | (466) |
| Capital gains and losses on disposals | 12 | - |
| Impairment reversal (charge) | (11) | (286) |
| Other infrequent and material non-operating items | 12 | (180) |
| ADJUSTED PROFIT FROM OPERATIONS | 3,833 | 1,220 |
| % of revenue | 15.6% | 7.4% |

On an organic basis, recurring operating income decreased by 58.6% due to lower volumes, despite savings from the adaptation plan:

- Propulsion recurring operating income decreased by 54.1% due to the civil aftermarket, spare engines and, to a lesser extent, military OE activities, despite a positive contribution from helicopter turbines;
- Aircraft Equipment, Defense and Aerosystems recurring operating income decreased by 46.8% due to carbon brakes, nacelles and Aerosystems support activities and to lower OE volumes across all businesses;
- the significant decrease in Aircraft Interiors recurring operating income resulted from both OE (including retrofit) and services activities for all businesses. The operating margin stood at a negative 9.1%.

Adjusted financial income (loss)

The Group reported an adjusted financial loss of €7 million in 2020, compared to a loss of €89 million in 2019. The adjusted financial loss for the year reflects:

- the €216 million loss on foreign currency hedging instruments in 2020 (€175 million gain in 2019), arising on changes in the fair value of these instruments attributable to cash flows that will be recognized in profit or loss in future periods;

- the €125 million foreign exchange loss (€445 million foreign exchange loss in 2019), which includes:

- a €134 million foreign exchange loss, reflecting the loss on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange loss reflects the difference between the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.16 for €1) and the actual EUR/USD exchange rate observed during the period,
- a net foreign exchange gain of €9 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

The financial loss in 2020 also includes non-cash income of €84 million on provisions carried in US dollars resulting from the impact of fluctuations in the EUR/USD exchange rate between the start of the year (USD 1.12 to €1 at December 31, 2019) and the end of the year (USD 1.23 to €1 at December 31, 2020) on the opening amount of the provision (non-cash expense of €13 million in 2019).

Adjusted income tax expense

Adjusted income tax expense decreased from €1,012 million in 2019 to €334 million in 2020, representing an effective tax rate of 27.5% (27.0% in 2019).

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

Adjusted profit attributable to owners of the parent

Adjusted profit attributable to owners of the parent was €844 million (basic EPS of €1.98 and diluted EPS of €1.92) compared with €2,665 million in 2019 (basic EPS of €6.20 and diluted EPS of €6.13). It includes:

- a net adjusted financial loss of €7 million, including foreign exchange gains of €93 million and cost of debt of €58 million;
- an adjusted tax expense of €334 million (27.5% apparent tax rate).

2.1.3 Adjusted key figures by business**Summary of adjusted key figures by business**

| | Aerospace Propulsion | | Aircraft Equipment, Defense and Aerosystems | | Aircraft Interiors | | Holding company and other | | Total | |
|--|----------------------|--------|---|--------|--------------------|--------|------------------------------|-------|--------|--------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| <i>(in € millions)</i> | | | | | | | | | | |
| Revenue | 12,045 | 7,663 | 9,256 | 6,893 | 3,321 | 1,922 | 18 | 20 | 24,640 | 16,498 |
| Recurring operating income (loss) | 2,485 | 1,192 | 1,209 | 687 | 188 | (174) | (62) | (19) | 3,820 | 1,686 |
| Profit (loss) from operations | 2,478 | 1,035 | 1,188 | 454 | 182 | (246) | (15) | (23) | 3,833 | 1,220 |
| Free cash flow ⁽¹⁾ | 1,125 | 796 | 706 | 811 | (1) | (377) | 153 | (157) | 1,983 | 1,073 |
| Acquisitions of property, plant and equipment ⁽²⁾ | 376 | 219 | 292 | 167 | 60 | 31 | (33) | 31 | 695 | 449 |
| Self-funded R&D | 573 | 334 | 527 | 357 | 237 | 173 | N/A | N/A | 1,337 | 864 |
| Headcount ⁽³⁾ | 26,741 | 24,204 | 44,231 | 38,471 | 22,118 | 13,928 | 2,353 | 2,289 | 95,443 | 78,892 |

(1) 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.

(2) Net of proceeds from disposals.

(3) Headcount at December 31.

2.1.3.1 Aerospace Propulsion

Adjusted key figures

| (in € millions) | 2019 | 2020 | Year-on-year change |
|--|--------|--------|---------------------|
| Revenue | 12,045 | 7,663 | (36)% |
| Recurring operating income | 2,485 | 1,192 | (52)% |
| Profit from operations | 2,478 | 1,035 | (58)% |
| Free cash flow | 1,125 | 796 | (29)% |
| Acquisitions of property, plant and equipment | 376 | 219 | (42)% |
| Research and development | | | |
| Self-funded R&D | (573) | (334) | (42)% |
| % of revenue | 4.8% | 4.4% | (0.4) pts |
| Research tax credit | 65 | 57 | N/A |
| Self-funded R&D after research tax credit | (508) | (277) | (45)% |
| Capitalized expenditure | 96 | 62 | (35)% |
| Amortization and impairment of R&D expenditure | (111) | (117) | +5% |
| Impact on profit from operations | (523) | (332) | (37)% |
| % of revenue | 4.3% | 4.3% | - |
| Headcount | 26,741 | 24,204 | (9)% |

Aerospace Propulsion activities operate in three main sectors:

| Business line | % of business line revenue | |
|---------------------|----------------------------|------|
| | 2019 | 2020 |
| Civil aviation | 77% | 66% |
| Military aviation | 13% | 18% |
| Helicopter turbines | 10% | 16% |

Review of Aerospace Propulsion operations in 2020

In 2020, revenue was €7,663 million, down 36.4% compared to €12,045 million in 2019. On an organic basis, revenue decreased by 36.2%.

- OE revenue dropped by 42.4% (or 42.2% organically) compared with 2019, due to lower narrowbody engines (LEAP and CFM56). Both installed and spare engines deliveries decreased compared to 2019. Volumes for high thrust engines were also impacted in 2020 (notably GE90) with 369 units delivered compared with 489 in 2019. As planned, M88 engines deliveries were lower and amounted to 33 units in 2020 compared with 62 in 2019. Helicopter turbines OE sales faced a slight headwind during the year and recorded sales for new engines (Arrano, Aneto).
- Services revenue decreased by 31.8% (in euros, or 31.6% organically) and represented 60.9% of sales. Civil aftermarket revenue (in USD) was strongly impacted by the Covid-19 crisis since March and decreased by 43.2% (in USD). This drop was mainly due to lower spare parts sales for the latest generation of CFM56 engines as well as a lower contribution of services contracts for CFM56 and widebody platforms. There was a slight tailwind for military services compared to the year-ago period thanks to spare parts sales (notably M88). Helicopter turbines support activities were slightly impacted during the year (mainly Time & Material contracts and despite per hour contracts increase).

Recurring operating income was €1,192 million, a decrease of 52.0% compared to €2,485 million in 2019. Recurring operating margin dropped from 20.6% to 15.6%.

The profitability was strongly impacted by the drop in civil aftermarket (lower spare parts sales for the latest generation of CFM56 engines), spare engines and to a lesser extent by boosters, transmission and military activities.

Helicopter turbines had a positive impact both from OE and services and thanks to one-off effects. Lower R&D expenses and the measures taken under the adaptation plan also had a positive impact for the division.

Commercial and industrial developments

Civil aviation

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

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

During the year, Safran continued to develop the engine with a redesigned axial high-pressure compressor, and prepared its flight test program.

This engine had been selected by Cessna (Textron group) in 2016 for its future large-cabin Citation Hemisphere business jet. In 2019, as Textron decided to suspend its Hemisphere program, Safran resolved to continue developing the Silvercrest engine.

This new-generation engine will incorporate leading-edge technology to offer unrivaled performance, in terms of fuel consumption, reliability and respect for the environment.

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 Irkut Corporation (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 and maintenance, repair and overhaul (MRO) services.

During the year, in response to the Covid-19 pandemic, the Russian government announced a plan to support its entire aerospace industry (manufacturers, airlines, airports and aircraft lessors). This extensive support allowed air traffic to pick up swiftly in Russia and the industry to record capacity utilization close to that observed in 2019.

In all, 25 SaM146 propulsion systems were delivered in 2020 (versus 23 in 2019), and at the end of the year, SaM146 engines powering in-service SuperJet 100 aircraft had clocked up almost 1,700,000 flight hours.

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

Through Safran Aero Boosters, Safran has a 7.4% share in Passport, the GE engine program designed for the long-range (7,400 nautical miles, or 13,700 km) Bombardier Global 7500 business jet, which entered into service in 2018.

During the year, 58 subassemblies were delivered for Passport engines (72 in 2019).

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 737MAX. The LEAP-1C model is the sole Western source for the propulsion system (engine plus nacelle) on COMAC's C919 aircraft.

Safran adapted its production capacities in 2020 in response to the Covid-19 pandemic and the continued grounding of the Boeing 737MAX. A total of 972 CFM56 and LEAP engines were delivered in the year (compared to 2,127 CFM56 and LEAP engines delivered in 2019):

- 157 CFM56 engines were delivered in the year (391 CFM56 deliveries in 2019), with CFM International recording over 33,600 deliveries of CFM56 engines since the start of the program;
- 815 LEAP engines were delivered in the year in line with adjustments to production, in coordination with airframers and airlines (1,736 LEAP engines delivered in 2019).

At December 31, 2020, there was a backlog of over 9,600 orders for the three A320neo, Boeing 737MAX and C919 programs.

| | 2019 | 2020 | Year-on-year change | 2020 ⁽¹⁾ |
|-------------------|--------|--------|---------------------|---------------------|
| LEAP engines | | | | |
| Engines delivered | 1,736 | 815 | -53% | 815 |
| Backlog | 15,614 | 14,217 | -9% | 9,614 |
| Orders received | 1,968 | 708 | -64% | 351 |
| Orders canceled | 238 | 1,290 | +442% | 1,511 |

(1) New definition based on purchase orders: up to the end of 2020, Safran published the volume of LEAP engines for which there were orders and purchase commitments along with the order backlog (in the same definition). In 2020, following the Boeing 737MAX flight ban and the Covid-19 health crisis, Safran decided to exclude purchase commitments and to only include orders from airlines that had been confirmed by airframers' purchase orders.

Spare part activities and service agreements

Spare part activities and service agreements for civil engines were down by 43.2% in USD terms in 2020. This drop was mainly due to lower spare part sales for the latest generation of CFM56 engines and, to a lesser extent, a decline in service agreements.

New service agreements for LEAP engines were signed in 2020 with airline companies Jazeera Airways (Kuwait), China Eastern Airlines (China), Zhejiang Loong Air (China) and Air Arabia (UAE). These agreements offer LEAP engine customers a wide range of bespoke aftersales services adapted to their particular business model and to fleet size and/or condition.

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

In line with expected delivery rates, 369 engines were delivered in 2020, versus 489 one year earlier.

GE90

Safran has an interest of 23.7% in this GE program that currently enjoys a sole-source position on the Boeing 777 (fitted with the latest-generation GE90-115 engines with 115,000 pounds of thrust), for which it delivered 69 compressor modules in the year (103 in 2019). Owing to the Boeing 777's expected replacement by the Boeing 777X in 2023, the downtrend in these deliveries observed over the past few years is set to continue.

GE9X

GE's high-thrust GE9X engine was chosen by Boeing as the sole source for its new long-haul Boeing 777X aircraft, slated to enter into service as from the end of 2023. The GE9X received certification by the US authorities in 2020.

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 as manufactured by CFAN, its joint venture with GE based in San Marcos, Texas (United States);
- fan casings using 3D woven composite parts, produced through its partnership with Albany International; and
- the exhaust casing, which is manufactured at Safran Aircraft Engines' plants in France, 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% stake in the GP7200 program (one of the two power sources available for the A380), providing engine support and services (maintenance and repair), including aftermarket services. The latest version of the GP7200 engine was delivered in 2018.

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. Owing to the slowdown in production of the Boeing 747-8 and Boeing 787, Safran delivered 203 modules in 2020, 102 fewer than in 2019.

CF6 family

A total of 67 engines for the CF6 engine family (powering certain A330 and Boeing 767 aircraft) were delivered in 2020, compared to 60 in 2019. Safran is in charge of the subassemblies for these engines, and is responsible for assembling the CF6-80E engines, the last units of which are expected to be delivered in 2021. Safran's interest ranges from 10% to 19.4% in the CF6 engine program.

LM6000 turbines (related to CF6 engines) and LM9000 turbines (related to GE90 engines)

A total of 30 LM6000 and LM9000 gas turbines were delivered in 2020, compared to 21 in 2019.

Service agreements

Agreements for the GE90 and GP7200 engines were signed, expanded, restructured and renewed in 2020, in particular with EVA Air (China), China Southern Airlines (China), FedEx Express (United States), Qatar Airways (Qatar), Emirates (UAE), Cathay Pacific (China), Singapore Airlines (Singapore), Thai Airways International (Thailand) and All Nippon Airways (Japan).

In its role as partner, Safran contributes to the service agreements negotiated and signed by GE and Engine Alliance with the relevant operators for the high-thrust GE90 and

GP7200 engines powering the Boeing 777 and the A380, respectively. Safran provides maintenance and repair services for the GE90's high- and low-pressure compressors, as well as 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. Owing to the Covid-19 crisis, spare part and service agreements for high-thrust engines contracted in 2020.

Military aviation

M88

A total of 33 engines were delivered for the Rafale fighter jet in 2020 (62 engines in 2019). The worldwide in-service fleet topped the 854,000 flight hours mark during the year.

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 notably include a new M88 control unit with enhanced processing capacity and improved maintenance features (surveillance, recording, trouble-shooting and predictive maintenance).

During the year, negotiations continued with the DMAé⁽¹⁾ for a new ten-year operational maintenance package for M88 engines (MCO2). As well as all support services already provided by Safran, this contract is also designed to meet the needs of the French Armed Forces, by increasing flight hours by 60% compared to the previous decade and supporting the fleet of M88 engines as they mature.

At the start of 2021, Greece ordered 18 Rafale fighter jets (six new aircraft and 12 used aircraft), while France ordered 12 new aircraft. Other countries are also being approached in this regard.

TP400

A total of 37 engines were delivered in 2020 (compared to 57 in 2019). At the end of the year, orders and purchase commitments covered 260 engines for the A400M aircraft from Airbus Defence & Space. The in-service fleet clocked up approximately 350,000 flight hours, including almost 100,000 hours in 2020, up 30% on 2019. The A400M was involved in overseas operations and in "Operation Resilience" to address the challenge of Covid-19.

Adour

A total of four Adour engines were delivered in 2020 for the BAE Systems Hawk trainer aircraft.

Atar and Larzac

These engine programs were boosted by the selection of the Mirage F1 fighter jet as an adversary plane⁽²⁾ for US Air Force pilots in 2017, and by the selection of the Alphajet as an adversary plane for Canadian Air Force pilots in 2018. This fast-growing market should help consolidate support services and sales of spare parts for these engines.

(1) Direction de la Maintenance Aéronautique (Aircraft Maintenance Commission): a French military organization responsible for ensuring optimum availability of aircraft for the Ministry of the Armed Forces, managing costs and guaranteeing the consistency of operational maintenance activities (MCO).

(2) Plane acting as an opposing force in military wargames.

Engine option for the New Generation Fighter (NGF) jet

The Future Combat Air System (FCAS) is a joint European program to develop a new-generation combat air system, combining a New Generation Fighter (NGF) aircraft by 2040 with a wide array of interconnected and interoperable elements such as drones, and based on artificial intelligence.

Since the initial contract in 2019, this major European defense industry project has taken a big step forward, with a first R&T contract awarded in February 2020, designating Safran Aircraft Engines as prime contractor for the engine phase and MTU Aero Engines as main partner. Spain officially joined the program in December 2020. For the later phases associated with the NGF engine life cycle, Safran Aircraft Engines and MTU Aero Engines have agreed to create a joint venture to lead the program, supported by their parent companies and their partner, ITP Aero. 2021 could see a significant acceleration in the program with the launch of its subsequent phases, currently under negotiation.

Spare parts and services for military aircraft engines

In 2020, the Group maintained all support and services for Safran military engines in order to meet the needs of our customers and ensure that they could continue to protect and defend national borders. This protection role was expanded to logistics support for health initiatives within the scope of "Operation Resilience", a French military operation launched in the spring which mobilized Transall aircraft fitted with Tyne engines and A400M aircraft powered by TP400 engines.

Besides support services for the M88 engine under operational maintenance contracts (MCO2), several other offers are in progress (renewals and new contracts).

Helicopter turbines and auxiliary power units

Safran Helicopter Engines delivered 629 helicopter engines in 2020 compared to 696 in 2019.

2020 was shaped by the Covid-19 pandemic, the slump in global air traffic and the reduction in volumes of aircraft produced by helicopter manufacturers.

Light helicopters

The light helicopter segment was hit hardest by the Covid-19 crisis, as it was directly affected by the sudden and drastic halt in the operation of helicopters for tourism and private use (VIP).

In 2020, the Arrano 1A engine obtained FAA⁽¹⁾ certification and EASA⁽²⁾ granted type certification to the H160 helicopter fitted with Safran Arrano 1A engines. This new Airbus Helicopters model is set to replace the Dauphin helicopters that have been in service for the past 40 or so years.

Medium-weight helicopters

After having obtained type certification for the WZ16 engine⁽³⁾ by the CAAC⁽⁴⁾ in 2019, the certification program continued for the new French-Chinese AVIC AC352⁽⁵⁾ helicopter onto which it will be fitted. The helicopter manufacturer expects the new helicopter to be certified in 2021. This program is the result of unprecedented close cooperation in the aircraft industry between France and China, and will allow the Group to benefit from opportunities offered by the growing Chinese helicopter market over the next decade.

Lastly, tests continued with satisfactory results throughout the year on Russian Helicopters' multi-purpose Ka-62 helicopter powered by two Safran Ardiden 3G engines. Russian Helicopters expects the Ka-62 to be certified in 2021.

Heavy-lift helicopters

In 2020, Leonardo's AW189K helicopter powered by Aneto-1K engines obtained EASA certification. This new Safran engine option not only delivers improved performance capabilities in hot and/or high conditions, but also provides the helicopter with 25% extra thrust. Sales under this program were affected by the Covid-19 crisis. For example, Gulf Helicopters (Qatar), announced as a launch customer for the helicopter at the Heli-Expo trade show in Anaheim, California (United States), has pushed back delivery of the helicopter. The AW189K is expected to come into service in 2021.

During the year, as part of its aerospace stimulus package, the French government decided to provide the Air Force with eight additional H225 helicopters powered by Safran Makila engines.

(1) Federal Aviation Administration.

(2) European Aviation Safety Agency.

(3) This engine, developed by Safran with Aero Engine Corporation of China (AECC) had already been certified by EASA in Europe in 2018 as Ardiden 3C.

(4) Civil Aviation Administration of China.

(5) The new AC352 is a product of a joint project between Airbus Helicopters and Chinese airframer HAIG, an AVIC subsidiary.

New mobility concepts (VTOL⁽¹⁾), hybrid propulsion system

Unveiled at the Paris Air Show in 2019, EcoPulse™ is a distributed hybrid-propulsion demonstrator designed by Safran, Daher and Airbus. Kickstarted by the French Civil Aviation Research Council (CORAC) with support from the French Directorate General for Civil Aviation (DGAC), the project aims to develop technologies that will improve the environmental efficiency of aircraft and meet the future needs of the air travel industry. The project reached a milestone in 2020, with a successful Preliminary Design Review, allowing it to firm up the demonstrator's architecture. The demonstrator, which will be based on Daher's TBM single-engine light aircraft, will feature Safran's distributed hybrid propulsion system, providing thrust for the six counter-rotating thrusters mounted along the wings of the aircraft. Each thruster will feature a 45 kW Safran ENGINEUS 45 electric engine and propeller. The first flight on the demonstrator is slated for 2022.

In 2020, the Safran Ardiden 3 engine was selected by US innovator Sabrewings Aircraft Company, which is developing an unmanned aerial vehicle (UAV) for cargo transport with vertical landing and take-off capabilities. This vehicle, whose development is being monitored by the US Air Force, will have a range of up to 1,850 km (1,000 nautical miles) and can carry a payload of up to 2,455 kg. Its first flight is slated for 2022.

Drone engines

During the year, as part of the current tender for an engine to power the future European MALE RPAS⁽²⁾ drone (Eurodrone), Safran and ITP Aero signed a memorandum of understanding to cooperate on the development of the Ardiden 3TP, a turboprop engine suitable for European military applications, specifically drones and training and transportation aircraft. This agreement helps ITP Aero strengthen the European team with Safran Helicopter Engines and ZF Aviation Technology in Germany.

Ardiden 3TP is a 100% European solution based on the Ardiden 3 core engine and featuring technologies honed through the Tech TP demonstrator, developed within the scope of the joint technology initiative, Clean Sky 2.

Helicopter turbine engine services

As a result of the economic impacts of the Covid-19 pandemic, Safran observed a slowdown in its MRO activities during the year, especially in the offshore oil and private (VIP) and tourism segment.

In 2020, Safran signed a contract with NAHEMA⁽³⁾ to provide support-by-the-hour services to 276 RTM322 engines powering the NH90 helicopter fleet operated by the German Army (Deutsches Heer) and Navy (Deutsche Marine) and the Norwegian Royal Air Force (Luftforsvaret). The RTM322 engines in these fleets will be covered by Safran's Global Support Package (GSP).

Altogether, at the end of the year, around 6,200 engines were covered by service agreements for 550 civil and military customers.

Based on a secure web portal and a global network of technical and sales representatives, EngineLife® provides operators of Safran's helicopter engines with assistance throughout the life of their engine. In 2020, new features were offered to EngineLife® users, including daily engine health indicators in addition to monthly recommendations, a fully automated tracker of engine performance trends and a new optimized online interface.

The Group's efforts were recognized in the year by *Vertical* magazine in its survey ranking helicopter and engine manufacturers on the quality of their products and support, placing Safran first in the "Overall product satisfaction" and "Overall service satisfaction" categories. The *Vertical* survey also shows that Safran's support to helicopter operators during the Covid-19 crisis was for the most part rated either as excellent or good.

Industrial operations

In 2020, Safran Helicopter Engines inaugurated its industrial campus in Tarnos, in France's Landes region. This campus is known as "CAP 2020" after a €50 million project to modernize the site launched in September 2015.

The modernization project involved the construction of three new buildings⁽⁴⁾ spanning a total surface area of 33,000 sq.m.

Adjoining a Natura 2000-protected conservation area, the CAP 2020 campus was designed to high environmental standards, with an energy and fluid power plant supplying water and thermal energy to the buildings.

Tarnos is Safran Helicopter Engines' second-largest site, employing 1,550 people. The site is mostly geared to aftersales support and MRO for helicopter engines.

Auxiliary power units

Safran's auxiliary power units (APUs) are fitted on Dassault Aviation's Rafale military aircraft. In 2020, a new APU standard was certified. Production of this system, which will be fitted on the entire existing Rafale fleet, will begin as from 2021.

Safran's SPU300[BA] and SPU150[DA] APUs are state-of-the-art electric and pneumatic power sources designed for midsize to super midsize business aircraft. The SPU300[BA] is fitted on Bombardier's new Global 7500 business jet. The SPU150[DA] will be fitted on Dassault Aviation's future Falcon 6X business jet. During the year, SPU300[BA] production was ramped up to meet the needs of the Bombardier program, and the first SPU150[DA] APU series were delivered to Dassault Aviation.

(1) Vertical Take-Off and Landing aircraft.

(2) Medium Altitude Long Endurance Remotely Piloted Aircraft System.

(3) NATO Helicopter Management Agency responsible for the design, development, production and logistics for NATO helicopters. NAHEMA was created by the North Atlantic Treaty Organization and is primarily in charge of the NH90 helicopter program.

(4) *A 8,500 sq.m. industrial facility dedicated to the repair of parts and components from different international sites providing helicopter maintenance.

*A 14,500 sq.m. facility dedicated to the repair of helicopter engines.

*A 10,000 sq.m. building for managing support activities and services.

As future APUs will rely more on electrical power, Safran Power Units has transferred all of its R&T activities for fuel cell technologies to Toulouse. This technology has already proved a winning formula, with successful tests of the new fuel cells at high and low temperatures.

Beginning in 2018, Safran also teamed up with Boeing to form Initium Aerospace, a 50-50 joint venture specializing in design, production and aftersales support for auxiliary power units for commercial aviation. In 2020, Initium Aerospace's activities were suspended owing to the Covid-19 pandemic and to the delayed launch of new commercial aircraft.

Services for auxiliary power units

During the year, Safran continued to roll out PowerCare®, a maintenance service for business jet auxiliary power units.

Mechanical power transmission systems

The Group scaled back its operations in France and Poland, regarding both mechanical power transmission systems for civil aircraft as well as spare part supplies and repairs.

It continued to deliver and support LEAP engines, notably ahead of the return to service of the Boeing 737MAX.

Satisfactory progress was made at the Aero Gearbox International⁽¹⁾ joint venture, with the ramp-up of production associated with the Rolls-Royce Pearl 15 and Pearl 700 engines.

Lastly, work continued on the technological roadmap for the development of a reduction gearbox (RGB) for the next generation of CFM International engines, with several key milestones crossed during the endurance tests.

Space vehicle propulsion systems

In 2020, Safran delivered its first power processing unit (PPU) for PPS®5000⁽²⁾ plasma thrusters to be mounted on new-generation all-electric satellite platforms. This first Boeing satellite fitted with PPS®5000 Hall-effect thrusters should be placed in orbit in 2021.

In 2020, Safran also supplied Airbus Defense & Space PPS®5000 Hall-effect thrusters to be mounted on the French military Syracuse 4B satellite, which should be placed in orbit in 2021.

Safran was also selected by the European Commission to coordinate the CHEOPS (Consortium for Hall Effect Orbital Propulsion System) project, which aims to develop various plasma thruster systems for low-orbit, geostationary or exploratory satellites by 2023.

Launch vehicles

Owned equally by Safran and Airbus, ArianeGroup brings together each company's activities and expertise in commercial and military launchers under a single entity. Through its subsidiary Arianespace, ArianeGroup offers a comprehensive range of launch services with its Ariane, Vega and Soyuz launchers.

Ariane, Vega and Soyuz launchers

ArianeGroup is prime contractor for Ariane European space launchers and also contributes to the Vega launcher⁽³⁾.

Its Arianespace subsidiary takes charge of the marketing and operation of three launch vehicles (Ariane, Vega and Soyuz⁽⁴⁾) from the Guiana Space Center in French Guiana.

Arianespace took various orders for its different launchers in 2020, including from Intelsat, Eutelsat, Airbus Defence and Space and OneWeb. OneWeb, acquired by the British government and the global telecommunications operator Barthelemy during the year, confirmed its order for 16 Soyuz launches, with the first already carried out in December 2020.

At the end of 2020, Arianespace had a backlog of over €3.2 billion (excluding institutional pre-bookings), representing over three years of activity.

The Covid-19 pandemic affected the launch program. Arianespace completed ten successful launches and orbited 166 satellites (of which 104 for the OneWeb constellation), with seven launches from the Guiana Space Center in Kourou, French Guiana, two from the Baikonur Cosmodrome in Kazakhstan, and one from the Vostochny Cosmodrome in Russia:

- the European heavy-lift Ariane 5 launcher completed three successful launches, demonstrating the launcher's exceptional reliability. Ariane 5 placed Europe's first satellite servicing vehicle in geostationary orbit. This vehicle is designed to dock to satellites in orbit to provide life extension services;
- a Vega rocket successfully orbited 53 satellites for 21 different clients, using its Small Spacecraft Mission Service (SSMS). Following the failure of Vega's second flight, Arianespace expects the launcher to return to flight in 2021;
- Soyuz also performed five launches for commercial (OneWeb) and institutional (UAE Armed Forces, CNES⁽⁵⁾ and DGA⁽⁶⁾) customers.

(1) 50-50 joint venture between Safran and Rolls-Royce specializing in design, development, production and aftersales for power transmission systems.

(2) The underlying electric thruster system ordered by Boeing is the first time three PPS®5000 plasma thrusters functioning simultaneously at 5 kW have been used for orbital transfer of a satellite

(3) Vettore Europeo di Generazione Avanzata, or the Advanced Generation European Vector, is a lightweight launcher designed to carry small payloads (1.5 metric tons) into low orbit.

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

(5) Centre national d'études spatiales (French national agency for space research).

(6) Direction générale de l'armement (French Directorate General of Weapons Procurement).

Throughout 2020, the development program continued for the future Ariane 6 launcher: in early October, the P120C solid propellant engine successfully completed its third and last hot firing test from the Guiana Space Center in Kourou, French Guiana. Jointly developed by ArianeGroup and Avio (Italy), the P120C is the largest monolithic carbon-fiber solid rocket motor in the world. It will equip both Ariane 6 – in both its two-booster Ariane 62 and four-booster Ariane 64 versions – and the first stage of Vega C. All of the engines for the future Ariane 6 launcher successfully completed their ground tests.

At the end of October, owing to technical difficulties with the program, exacerbated by the impact of the Covid-19 pandemic, the ESA⁽¹⁾ announced that it was postponing Ariane 6's maiden flight. The future European launcher's first flight is now expected to take place in 2022.

As part of its preparations for the future, ArianeGroup signed a contract with the ESA to begin the first development phase for the Themis reusable rocket stage demonstrator. Themis will use Prometheus, the very low-cost rocket engine demonstrator currently under development as an ESA program. The aim of the project is to demonstrate Europe's technological capacity in the field of reusability so that by 2022, the ESA member states will be in a position to determine the range of launches most suited to the needs of Europe around 2030 (based on available technologies, the requirements of Europe, and the evolution of the global space market).

Military industry

Regarding the naval component of France's nuclear deterrent, the development of the new M51.3 strategic missile continues in line with the development schedule. On June 12, a strategic M51.2 ballistic missile with no nuclear payload was successfully launched by nuclear-powered ballistic missile submarine Le Téméraire from the Audierne base in France's Finistère region. The missile was tracked by radars throughout its flight. The termination area was in the North Atlantic, several hundred kilometers off any coastline. On July 21, a missile mockup was also successfully test-fired. These two launches are key milestones in the development of the future M51.3 missile, which is expected to come into service in 2025.

ArianeGroup's work continued apace during 2020 after its selection by the DGA in 2019 for the development of a hypersonic glider demonstrator. The project, dubbed V-max (*Véhicule Manœuvrant expérimental*, or experimental maneuvering vehicle), should see its first flight in 2021.

Lastly, through GEOTracker, its worldwide network of optical stations, ArianeGroup continued to be a key player in space surveillance, notably for the French Joint Space Command. In response to the growing number of space objects (satellites and debris) and efforts by several countries to militarize space, ArianeGroup's GEOTracker can provide its customers with permanent coverage of the entire geostationary arc.

2.1.3.2 Aircraft Equipment, Defense and Aerosystems

Adjusted key figures

| (in € millions) | 2019 | 2020 | Year-on-year change |
|--|--------|--------|---------------------|
| Revenue | 9,256 | 6,893 | (26)% |
| Recurring operating income | 1,209 | 687 | (43)% |
| Profit from operations | 1,188 | 454 | (62)% |
| Free cash flow | 706 | 811 | +15% |
| Acquisitions of property, plant and equipment | 292 | 167 | (43)% |
| Research and development | | | |
| Self-funded R&D | (527) | (357) | (32)% |
| % of revenue | 5.7% | 5.2% | (0.5) pts |
| Research tax credit | 95 | 85 | (11)% |
| Self-funded R&D after research tax credit | (432) | (272) | (37)% |
| Capitalized expenditure | 161 | 124 | (23)% |
| Amortization and impairment of R&D expenditure | (140) | (133) | (5)% |
| Impact on profit from operations | (411) | (281) | (32)% |
| % of revenue | 4.4% | 4.1% | (0.3) pts |
| Headcount | 44,231 | 38,471 | (13)% |

Review of Aircraft Equipment, Defense and Aerosystems operations in 2020

In 2020, revenue was €6,893 million, down 25.5% compared to €9,256 million in 2019. On an organic basis, revenue was down 25.0%.

- OE revenue decreased by 23.6% (or 23.0% organically) in 2020 driven by wiring (737MAX, 787, A320, A350, A330) and power distribution activities (A350, 787), as well as lower

volumes of landing gears (Boeing 787, A330, A350 and A320 family) and nacelles (A320neo, A320ceo, A330neo, A330ceo, A380). Deliveries of nacelles for LEAP-1A powered A320neo were at 474 units in 2020 (602 units in 2019). Avionics (FADEC for LEAP) and Aerosystems (evacuation, oxygen and fuel control systems) activities were also impacted. Within Defense activities, sighting and navigation systems slightly grew compared to the previous year.

(1) European Space Agency.

- The decline in services of 29.6% (or 29.1% organically) in 2020 was mainly driven by carbon brakes and landing gear activities and by Aerosystems nacelle support services (mainly for the A320neo), and, to a lesser extent, by avionics.

Recurring operating income was €687 million, down 43.2% compared to €1,209 million in 2019. Recurring operating margin fell from 13.1% to 10.0%.

The drop in profitability was driven by lower OE volumes from landing gears, wiring and power as well as nacelles, avionics and Aerosystems. Lower activity also impacted carbon brakes, nacelles and Aerosystems services. The decrease was partially offset by the reduction in R&D expenses and the measures implemented under the adaptation plan.

Commercial and industrial developments

Landing and aircraft systems

Landing gear

Safran adapted its production capacities in 2020 in response to the Covid-19 pandemic and a fall in production rates at airframers. In all, 978 landing gear units were delivered by Safran in 2020 (compared to 1,370 units in 2019).

However, MRO⁽¹⁾ operations proved more resilient to the slump in air traffic in 2020, as airlines are required to continue servicing their landing gear at specified statutory intervals, irrespective of the number of cycles⁽²⁾ their aircraft complete.

During the year, Safran also signed maintenance and repair contracts for landing systems, notably with EasyJet (UK), Korean Air (South Korea), Buddha Air (Nepal), Wings Air (Indonesia), Southwest Airlines (United States), Air Transat (Canada) and aircraft management company World Star Aviation (UK).

As part of its ecoDemonstrator⁽³⁾ program, Safran was able to test several modifications aimed at reducing landing gear noise pollution by a fifth. The Group notably tested perforated fairings covering part of the nose landing gear.

Wheels and brakes

The Covid-19 pandemic, ensuing slump in air traffic and decline in airframer production rates took its toll on Safran's wheels and brakes activities.

At the end of the year, with more than 10,700 aircraft equipped with Safran carbon brakes, the Group has a share of over 50% of the market⁽⁴⁾ for 100+ seater civil aircraft. As market leader⁽⁵⁾, Safran will benefit from the upturn in air traffic, particularly for the Airbus A320 (ceo and neo) and A350, as well as the Boeing 787 and Boeing 737 (NG and MAX) fitted with carbon brakes.

Landing and braking control systems

In response to the health crisis and the decrease in airframer production rates, Safran adjusted its organization and capacities in line with customer demand.

It continued to prepare for the future, developing a highly-innovative, fourth-generation tire pressure monitoring system, which is currently being tested by a major airframer.

Safran also continued to offer its customers a digital preventive maintenance service for landing gear that draws on the analysis of flight data to optimize operational fleet availability.

Industrial operations

The new center of excellence based in Xi'an (China) became operational in 2020, delivering its first repaired landing gear units for the Boeing 737NG. This center, designed to repair landing gear for the A320 and Boeing 737 single-body aircraft, is managed by XIESA (Xi'an China Eastern Airlines Safran Landing Systems Services), a joint venture between Safran and the Chinese airline company, China Eastern Airlines. Boasting 11,000 sq.m., including 8,700 sq.m. of workshops, this center primarily targets the Chinese domestic market, whose fleets of single-aisle jets are reaching maturity and therefore requiring landing gear overhauls.

Engine systems and equipment

Nacelles and thrust reversers

The Covid-19 pandemic and slump in air traffic took a toll on all of the Group's nacelle programs in 2020, for both commercial and regional aviation and business jets. In 2020, Safran supplied 474 nacelles for the A320neo, 128 less than in 2019.

A number of decisive advances were made in 2020:

- the last nacelle for an A380 was delivered to Airbus;
- flight tests continued during the year for the six prototypes of COMAC's future short- and medium-haul C919 aircraft fitted with integrated propulsion systems (nacelle and LEAP-1C engine);
- the first nacelles were delivered for Gulfstream's new G700 business jet (powered by the Rolls-Royce Pearl 700 turbofan engine). Fitted with Safran nacelles, the aircraft began its flight test program during the year;
- the results of the Group's efforts in terms of nacelles and thrust reversers were recognized by Airbus during the year. For the second year running, Safran Nacelles' performance was recognized by the airframer and by airline companies in its Airbus Supplier Rating Awards.

(1) Maintenance, repair and overhaul.

(2) An aircraft "cycle" includes a take-off and associated landing.

(3) Each year, the ecoDemonstrator uses a different aircraft as a flying test bed to evaluate innovative technologies under real-life conditions.

(4) Source: Safran.

(5) Classification criteria: market share – Source: Safran.

Industrial operations

The Group continued to develop its MRO services for aircraft nacelles in 2020:

- Aerostructures Middle East Services (AMES)⁽¹⁾ inaugurated an extension of its facility in Dubai (UAE). The extension provides additional capacity for AMES' newest activity: preventive maintenance and associated repairs on fan stator modules for General Electric GE90 engines that power Boeing 777 jetliners;
- Safran inaugurated an extension of its facility in Indianapolis (United States) to support the development of maintenance operations for nacelles fitted on the A320neo and A330neo. This new facility will provide the Group with additional capacity to meet the needs of its customers across the Americas (Canada, United States and South America).

Electrical systems and engineering

In 2020, the Covid-19 pandemic impacted activities linked to Safran's electrical systems business, not only in terms of health protection procedures, but also in terms of the business adaptation measures put in place.

Electric propulsion, generation and distribution systems

In 2020, Bye Aerospace (United States) selected Safran's ENGINEUS™ 100 motors to equip its future all-electric two-seat eFlyer 2 and four-seat eFlyer 4 aircraft for the professional flight training mission and for air-taxi uses, respectively.

Safran's electricity distribution system for Dassault Aviation's Falcon 6X also hit its Safety-of-Flight⁽²⁾ (SOF) milestone.

Electrical wiring interconnection systems (EWIS)

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

- the contract to supply electrical wiring for the Boeing 777X (-8/-9) was extended for a number of years; and
- Safran's electrical wiring was confirmed as the choice to fit out the US military aircraft Lockheed Martin F-16 and Boeing's military helicopter, the MH-47 Chinook, for 2021-2024.

During the year, Safran also began production of electrical wiring for Airbus' new twin-turbine H160 light helicopter, and delivered the first electrical wiring for Dassault's new Falcon 6X.

Industrial operations

During the year, the Group continued to combine and streamline activities associated with electrical systems.

In the United States, operations at the Eatontown plant were transferred to Safran's Sarasota and Twinsburg sites, while aftersales services for electrical distribution systems and electrical components at Safran's Milwaukee repair facility were transferred to Safran's Sarasota repair workshop.

Aerosystems

In response to the Covid-19 pandemic, Safran adapted its production capacities in line with trends in its end markets.

Thanks to its chemicals and textiles expertise, the Group's different facilities were able to manufacture sanitizing gel (Caudebec in France) and fabric masks (Cognac in France, Belmar in the United States and Chihuahua in Mexico), and to develop a reusable mask with filters.

Safety and protection systems

Emergency evacuation systems

Safran, world leader⁽³⁾ in emergency evacuation systems, delivered further evacuation slides during the year, notably for the Airbus A320, A350XWB, Boeing 777 and Boeing 787 programs.

The Company also continued to manufacture and service safety equipment on medical and civil rescue helicopters, which were particularly in demand during the Covid-19 pandemic, but also during natural disasters, such as the floods that hit the south of France towards the end of the year.

Emergency arresting systems

In 2020, Safran continued to deliver and service ground-based emergency arresting systems located at the edge of landing strips (barriers, cables, etc.) for military aircraft. The Group was also involved in tests for the new class of US nuclear aircraft carrier USS Ford, for which it supplies part of the landing system.

Integrated management and control systems for fluids and fuel

During the year, Safran supplied the French Directorate General of Weapons Procurement (DGA) with the first two new-generation refueling nacelles (NARANG) for the Rafale fighter jets used by the French Navy. This system allows the Rafale to refuel another aircraft while in flight, thereby giving the naval air defense additional operational capacity. These nacelles were also selected by Dassault Aviation's export customers.

Safran also featured in the flight tests for the Boeing 777X, expected to come into service at the end of 2023, thanks to its LiSafe Fuel Quantity Indication System (FQIS). This gauging system is the first in the world to use fiber optic technology and increases safety on board, both by removing electrical wires from inside the fuel tank and by delivering more accurate fuel measurements and less weight than systems used to date.

Lastly, Safran obtained certification during the year for new polymer fuel tanks designed for Airbus Helicopters' H160 helicopter. These tanks offer optimum use of space in the aircraft while providing enhanced resilience in the event of a crash.

(1) AMES is a joint venture between Air France Industries KLM Engineering & Maintenance and Safran Nacelles.

(2) Tests performed for the SOF milestone are designed to ensure that the system is safe to be used in flight. The tests showed that the system represented no danger for the pilot, aircraft or any other equipment under normal or emergency operating conditions.

(3) Classification criteria: revenue - Source: Safran.

Spare parts and services activities

The Covid-19 pandemic and ensuing slump in air traffic took a toll on Safran's Aerosystems support and services activities for both airlines and helicopter operators.

In 2020, Safran signed a maintenance contract for the emergency flotation system for all 98 helicopters in the HH-65 Dolphin fleet used by the US Coast Guard. These emergency flotation systems enable a helicopter in difficulty to land on water and remain stable for the time needed to evacuate passengers and crew in the event of a forced landing on water.

Safran also streamlined its aftermarket services in the United States, transferring its evacuation slide repair operations to its site in Atlanta, Georgia. These repairs were previously carried out at the Belmar site in New Jersey.

Avionics

Electromechanical actuation systems

Safran is a world leader⁽¹⁾ in autopilot and flight control systems. The integration of the ElectroMechanical Systems and Cockpit Controls businesses acquired from Collins Aerospace was finalized in 2020. Test benches for the production and maintenance of electronic control units for flight control systems were transferred to Safran Electronics & Defense Canada Inc. (Peterborough, Ontario, Canada) during the year.

Data management and services

Safran's Cassiopée data management services⁽²⁾ were selected or renewed by numerous airline companies, including Air France, All Nippon Airways and China Southern, which will deploy the new Cassiopée Alpha⁽³⁾ digital platform on its entire fleet of more than 600 aircraft.

During the year, Safran, helicopter operator HeliDax and the software supplier AMS (Aircraft Maintenance Systems) performed the technical validation for the entire Cassiopée digital chain designed for Airbus Helicopters' Colibri EC120B helicopter.

In 2020, sales of the Helicom flight data acquisition unit exceeded 600 units fitted on EASA-certified helicopters.

Safran Electronics & Defense also signed a five-year contract with Germany engine manufacturer MTU Aero Engines. Thanks to the Cassiopée™ Alpha flight data decoding platform, MTU Aero Engines will be able to provide more efficient maintenance services for the German Army's A400M aircraft.

Electronics and critical software

Safran develops, produces, and services certified embedded computers (FADEC⁽⁴⁾). During the year, in line with the defined schedule, Safran:

- continued to develop new-generation FADEC software for the M88 engine fitted on the Rafale fighter jet;
- obtained certification for the FADEC system that will be installed on the GE9X engine powering the Boeing 777X.

Aerospace navigation and sensors

The Future Combat Air System (FCAS) is a program to develop - by 2040 - a New Generation Fighter (NGF) aircraft combining a wide array of interconnected and interoperable elements. In this regard, Safran was asked by the DGA to review the navigation system architecture together with Dassault Aviation. This system is set to be used on the future generation of Rafale fighter jets.

In inertial navigation, Safran continued its strategic partnership with India through HAL (Hindustan Aeronautics Limited), particularly for combat aircraft.

Cockpit solutions

The Group offers a wide range of cockpit solutions for ensuring flight safety and efficient, comfortable piloting on aircraft. In 2020, Airbus chose Safran to supply switches and indicators for the cockpit panels on most of its aircraft fleet.

Boeing also confirmed its choice of Safran for its cockpit solutions:

- by selecting Safran's central console control panel for the maiden flight of its new Boeing 777X;
- by granting preferred-supplier status to IDD Aerospace, a Safran Electronics & Defense subsidiary based in Redmond, Washington (United States) manufacturing cockpit equipment. IDD Aerospace also supplies all lightplates, control panels and Flight Management System (FMS) keyboards for the Boeing 737MAX;
- by signing an extension to its agreements with Safran to supply the full pilot control system (PCS) for the Boeing 787. The PCS supplied by Safran includes yokes, pedals and the central pilot control unit equipped with throttle controls and secondary controls (air brakes, shutter controls, parking brakes).

Visual perception systems

Safran's long-standing experience in this field has enabled it to develop a comprehensive range of exterior lighting for all types of aircraft, ensuring both in-flight and ground staff safety. During the year, Safran was chosen by Dassault Aviation to supply all of the exterior LED lighting for its future business jet.

(1) Source: Safran.

(2) Cassiopée data management compiles flight data and analyses solutions for all types of aircraft and helicopters. Cassiopée helps reduce fuel consumption, optimize maintenance costs and enhance flight safety.

(3) Cassiopée Alpha is Safran's latest-generation data management Cassiopée platform. It offers simultaneous ultra-fast, high-capacity decoding of data and bespoke configuration of numerous algorithms and alerts. The platform can be adapted to the needs of different users, and is able to understand the different aircraft types, irrespective of the size of the fleet.

(4) Full Authority Digital Engine Control.

New services

In 2020, to support its customers, airframers and helicopter manufacturers working on their final assembly lines (FAL), Safran rolled out its Safran F@L app. Developed by Safran Electronics & Defense, the app allows Airbus, Airbus Helicopters, Dassault Aviation and ATR teams to rapidly contact Safran's on-site support teams.

Innovation

As part of the fight to stem the spread of Covid-19, the French Ministry of the Armed Forces launched a call for projects through the Defense Innovation Agency (AID⁽¹⁾). Safran unveiled "Safe Air", a prototype aircraft filtering system that prevents the circulation of aerosol particles. "Safe Air" was one of the 37 projects chosen out of the 2,780 projects submitted to the Agency.

Industrial operations

At the end of 2020, Safran Electronics & Defense increased its storage capacity in Casablanca (Morocco) with a new 1,200 sq.m. facility. Adjoined to the existing building, the new facility will help to optimize the production line. Space remains for other extensions on the land owned by Safran.

Defense

Optronics and sights

Land: sights

Safran's onboard equipment provides protection for land combat vehicles, with stabilized sighting a key factor in ambulant firing capability under day or night conditions.

During the year, Safran certified the new-generation PASEO optronic system. The 2019-2025 French Military Planning Law provides for the delivery of 300 Jaguar⁽²⁾ vehicles to the French Armed Forces, which will all be fitted with PASEO sighting systems, the first of which have already been delivered to Nexter.

The first light Mobile Protected Firepower (MPF) tank fitted with PASEO CITY sights developed jointly with Safran Optics 1 in the United States was delivered to the US Army and is currently being tested.

Air: optronic pods

Safran's airborne optronic equipment is involved in major combat helicopter programs. Euroflir gyrostabilized electro-optical systems, for example, provide long-range observation and target location capabilities. The EuroflirTM 410 NG system was selected by various French Army Corps in 2020 for around 30 of their helicopters (NH90, H225M, H160 and Dauphin), and 12 maritime patrol aircraft (Falcon 50 and Falcon 2000) of the AVISMAR maritime surveillance program.

The EuroflirTM 510 system was also chosen by France, Spain and Germany to be fitted on all Tiger-MK3 attack helicopters operated by their Armed Forces.

Maritime

In the maritime field, Safran has recognized expertise in optronic masts and periscopes for conventional and nuclear submarines as well as a complete range of optronic surveillance, fire direction and self-protection systems for surface vessels.

Safran's optronic search masks (MOV) were chosen in 2014 to equip the two first vessels of South Korea's future ocean-going KSS-III submarine class. The flagship vessel, the "Dosan Anh Changho", was launched in 2018. Sea trials are underway for the first optronic search mast system and should be a factor in securing the submarine's approval by the South Korean Navy.

Safran Electronics & Defense Australasia signed agreements with two Australian companies, Acacia Systems and Thomas Global Systems, for the design of certain aspects of critical subsystems for Australia's future submarine program. In 2019, Lockheed Martin had chosen Safran to design the search and attack optronic masts, the navigation radar mast and the navigation data distribution systems for these submarines.

For surface vessels, the PASEO XLR (eXtra Long Range) was chosen by the DGA in France for three new coastal surveillance vessels (VCSM) built by the Socarenam shipyard in Boulogne-sur-Mer for the French Maritime Gendarmerie.

Safran was also involved in the delivery to the Japanese Navy of two Vigy Observers fitted with a new observation system providing panoramic tracking and automatic target detection. The system was also used on a BlueNaute inertial navigation system to ensure comprehensive horizontal scanning despite the ship's movements. Despite the health crisis, shipments of these new systems were delivered in line with the defined schedule.

Portable optronics

During the year Safran took its first two orders for its new E-NYXTM wide field-of-view night-vision goggles. Combining extremely light weight with enhanced reliability, robustness and performance, in particular due to its expanded 47° field of view, E-NYXTM was selected by two NATO countries that recently confirmed their plans to join the Takuba Task Force, created to fight terrorist groups in the Sahel.

In 2020, Safran launched series production of its JIM LR goggles at its São Jose dos Campos site. All production is designed for the Brazilian Army as part of its SISFRON border protection program. Safran also took the first orders for its NYX night vision goggles marketed with its partner Theon Sensors (Greece) for Brazil's Federal Police and Ministry of Justice.

At the end of the year, Safran Vectronix sold the first five Primus TNF⁽³⁾ units to Hirtenberger Defense Systems within the scope of the Armasuisse⁽⁴⁾ weapons acquisition program. Safran Vectronix expects this program to place total orders for around 300 units in 2021.

(1) The Defense Innovation Agency (AID) is a government agency with national authority and is part of the DGA.

(2) Jaguar is a new-generation 6x6 reconnaissance and combat armored vehicle designed for urban or mountainous environments.

(3) PRIMUS TNF is a gyrostabilized targeting system.

(4) Switzerland's Federal Office for Defense Procurement.

Parachutes and protections

In 2020, Safran strengthened its position among the world's leading manufacturers of parachute systems and protective equipment for military and space missions following the success of the extremely high altitude tests of its new Phantom wing for its MMS 400 tactical parachute system. The test phase was designed to certify the system for jumps from 29,500 feet (around 9,000 meters), i.e., the cruising altitude of passenger airlines. The tests were carried out in California over a period of one and a half years, using a Hercules C130 aircraft. Safran is the world's only parachute manufacturer to have carried out certification tests at this altitude.

Navigation and sensors

In late 2019, Safran was chosen by the DGA to conduct a study to demonstrate that HRG⁽¹⁾ technology meets its nuclear deterrent performance requirements with a view to fitting the technology on the future Rafale fighter jets to be operated by the French Armed Forces.

The Geonyx inertial navigation system has been a resounding success since it was launched and first ordered by the Singapore Army in 2018. Various tests were conducted on different platforms (armored vehicles, mortars, pounders) under simulated real-life operating conditions, confirming its reliability and paving the way for swift commercial success in France and in export sales. This momentum continued in 2020 with the sale of 180 units, including a 100-unit order for the Swiss Army.

Seekers and guidance systems

AASM⁽²⁾

At the end of April 2020, the DGA certified the new AASM Block4 precision-guided bomb, enabling the first deliveries to commence. This latest model provides additional capacity, while reducing production costs.

In December 2020, the 1,000kg version of the AASM air-to-ground weapon featuring Safran Electronics & Defense technology⁽³⁾ successfully completed its first two inert separation tests from a Rafale fighter jet at the DGA's flight test center in Cazaux, France.

Studies are currently in progress on the future versions of the AASM, particularly the model offering dual-mode electromagnetic-infrared features (AASM EMIR).

SLPRM

The SLPRM Local Mission Planning and Debriefing System (*Système Local de Préparation et de Restitution de Mission*), used by all aircraft of the French Air Force, is also the operating system for all Rafale fighter jets.

In the second quarter of 2020, an agreement was signed between Safran and Dassault Aviation to cooperate on the future PREMISS NG unique Mission Planning System.

Safran is in charge of marketing the system in France, while Dassault is responsible for the export market.

Drones

Patroller UAV systems

The investigation by the Accident Investigation Board (BEA-É⁽⁴⁾) regarding the December 6, 2019 accident at the Istres flight test center is ongoing.

Despite a slowdown while lockdown restrictions were in place, in 2020 Safran continued to develop its Patroller tactical UAV, selected by the DGA as the tactical drone program for the French Army. Flight tests have resumed with a safety pilot on board. The aim is to start Army pilot training by the end of 2021.

In 2020, the DGA granted Safran approval for its drone design. This represents an important step towards obtaining certification for this program, testifying to its compliance with the airworthiness standards necessary for its operation.

Data systems

The Covid-19 pandemic did not have a big impact on Safran's Data Systems business in 2020.

Onboard data acquisition units

For the first time at its August 15, 2020 launch, the Ariane 5 rocket was equipped with the new autonomous tracking kit (KASSAV) developed by Safran under the aegis of the French national agency for space research (*Centre national d'études spatiales* - CNES) and in partnership with ArianeGroup. This first version of the KASSAV system enables the relevant teams to track the launcher autonomously. This new data source should ultimately replace the trajectography data provided by the ground radar network and looks ahead to the development of the fully autonomous KASSAV 2 neutralization system.

Sales teams have made significant headway in the United States, landing contracts to supply instrumentation solutions for Lockheed Martin's F-35, F-16 Bahrain and ADP ZE1 Advanced Development Platforms, and for Bell's Future Attack Reconnaissance Aircraft (FARA).

Safran also signed a contract with VR-Technologies, a new Russian Helicopters subsidiary. The contract covers the delivery of flight test instrumentation solutions for two prototypes of the VRT500 helicopter, and of "Iron Bird" test rigs (helicopter replica used to test all systems on the ground, including the engine and rotating part).

Telemetry solutions

In the field of telemetry solutions for missile test centers, Safran signed three new contracts with the Indian missile test center, Integrated Test Range, for comprehensive telemetry tracking stations (antennae, receivers, radio-frequency recorders, data processing software).

(1) Hemispherical resonator gyroscope.

(2) Armement air-sol modulaire (*modular air-to-ground weapon*).

(3) See section 1.2.2.5.

(4) The Accident Investigation Board (Bureau enquêtes accidents pour la sécurité de l'aéronautique d'État - BEA-É) is a French public interdepartmental body created in 2003 to conduct safety investigations into serious air accidents and incidents involving government aircraft. The BEA-É is therefore the equivalent of the BEA for civil aviation.

In 2020, Safran hosted the DGA-Missile Testing division at its La Teste-de-Buch site in France's Gironde region to discuss the progress of the Stromboli flight termination system in France. The supplemental agreement relates to four fixed stations and a mobile station positioned along the Atlantic and Mediterranean seaboard.

WeTrack – satellite surveillance.

Since 2020, the French Space Command⁽¹⁾ uses information provided by the Safran WeTrack⁽²⁾ global network of radio-frequency sensors tracking geostationary satellites.

Three satellites were successfully orbited by the Ariane 5 launcher on August 15, 2020, notably SpaceLogistics' Missions Extension Vehicle (MEV-2). The MEV-2 was subject to an unprecedented tracking test by the Safran WeTrack network, which tracked the trajectory of a non-geostationary satellite for the first time. This major technical achievement was made possible by (i) modifying the processing algorithms for data captured by the sensors, and (ii) using new "full motion" antennae.

Industrial operations

During the year, Safran laid the foundation stone of the extension to its engineering and production facility at La Teste-de-Buch in France's Gironde region. This new building will help improve industrial efficiency and support the company's growth in light of the upsurge in space programs.

High-performance optics

In 2020, Safran Reosc's Astronomy programs (ELT⁽³⁾ telescope mirrors) and spatial optics (earth observation, science and weather missions) continued at a steady pace despite the Covid-19 pandemic.

Astronomy

The future ELT, which is currently being built by the European Southern Observatory (ESO⁽⁴⁾), will enable major advances in astronomy. Installed in Chile, the ELT will be the biggest telescope ever built. Its "first light" is slated for 2025. Safran has participated in each of the ELT mirrors. In July 2020, a key milestone was crossed in the ELT program, with the first of the 931 segments of the primary mirror (M1) entering into production on the pilot production line at Safran's Poitiers facility, inaugurated in February 2020.

Spatial optics

In 2020, Safran Reosc was awarded two initial contracts by CNES to prepare France's future earth observation program, IRIS. The contracts are for the improvement of (i) high-performance mirror production technologies and (ii) infrared optical component performance.

KARI, the South Korean Space Agency, renewed its faith in Safran Reosc by awarding it a contract to produce a fourth replica of the primary mirror of the telescope for the Kompsat 7 high-resolution earth observation satellites.

Safran Reosc was also chosen by an Asian Space Agency to create a high-precision telescope for the pre-launch metrology of future spatial optic payloads.

Lastly, OHB Systems awarded Safran Reosc a contract to produce a third series of infrared optical components for Germany's GEORG information gathering satellite.

Industrial operations

During the year, Safran inaugurated its "Factory 4.0" in Poitiers. The new facility produces primary mirror segments for the ELT, the world's most powerful telescope, for which Safran Reosc was awarded the contracts for all of the mirrors. This 5,000 sq.m. facility will be used to polish the 931 segments for the primary mirror, mount them on their cradle and test them. Once assembled, the mirror will have a diameter of 39 meters.

At the Saint-Pierre-du-Perray site in France's Essonne region, Safran's production line featuring latest-generation machinery came into operation, for pixilated optical processing on infrared detectors. The production line is part of the program to manufacture seekers for the MICA NG missile.

(1) The French Space Command is a French joint military body created on September 8, 2019 to build better space defense capabilities and an autonomous space strategy.

(2) The WeTrack network is an infrastructure designed by Safran to monitor virtually all of the world's geostationary satellites, i.e., over 200, tracking their positions 24/7 and processing measurements in less than 20 minutes.

(3) In 2019, Safran Reosc was selected by the ESO to design and produce the fifth and final mirror (M5) for the future Extremely Large Telescope (ELT). Safran previously won the contracts to make the thin glass petals of the M4 mirror in 2015, polish the M2 mirror in 2016 and polish the M3 mirror and all segments of the M1 mirror in 2017.

(4) A European organization for astronomy research.

2.1.3.3 Aircraft Interiors

Adjusted key figures

| (in € millions) | 2019 | 2020 | Year-on-year change |
|--|--------|--------|---------------------|
| Revenue | 3,321 | 1,922 | (42)% |
| Recurring operating income (loss) | 188 | (174) | N/A |
| Profit (loss) from operations | 182 | (246) | N/A |
| Free cash flow | (1) | (377) | N/A |
| Acquisitions of property, plant and equipment | 60 | 31 | (48)% |
| Research and development | | | |
| Self-funded R&D | (237) | (173) | (27)% |
| % of revenue | 7.1% | 9.0% | +1.9 pts |
| Research tax credit | 6 | 7 | +17% |
| Self-funded R&D after research tax credit | (231) | (166) | (28)% |
| Capitalized expenditure | 68 | 93 | +37% |
| Amortization and impairment of R&D expenditure | (19) | (70) | N/A |
| Impact on profit from operations | (182) | (143) | (21)% |
| % of revenue | 5.5% | 7.4% | +1.9 pts |
| Headcount | 22,118 | 13,928 | (37)% |

Review of Aircraft Interiors operations in 2020

In 2020, revenue was €1,922 million, down 42.1% compared to €3,321 million in 2019. On an organic basis, revenue decreased by 40.4%.

- OE revenue dropped by 40.5% (or 38.5% organically) in 2020. Sales were strongly impacted by lower volumes on business seats programs and economy seats. Cabin revenue was also affected in terms of galleys (capacity reduction on the Boeing 737MAX, and on the A320 and A330 programs), inserts and lavatories (mainly on the A220 and A350), as well as cabin interior programs. To a lesser extent, Passenger Solutions encountered difficulties related to Connected Cabin operations (cancellations, postponed retrofits, etc.).
- Services revenue decreased by 46.6% (or 45.8% organically) in 2020, mainly due to the Seats aftermarket and Cabin spare parts (galleys, trolleys, inserts) and, to a lesser extent, Passenger Solutions support activities.

The recurring operating loss for the period was €174 million, a decrease of €362 million compared to the recurring operating income of €188 million in 2019. Recurring operating margin sharply decreased from a positive 5.7% to a negative 9.1%.

The profitability strongly decreased in Seats both for OE and services due to lower volumes. The slowdown in business also affected Cabin activities (OE and services) and Passenger Solutions. The measures taken under the adaptation plan and lower R&D expenses in 2020 had a positive impact.

Commercial and industrial developments

Cabins

The Group reported a number of commercial wins in 2020:

- the airframers Gulfstream and Pilatus selected Safran inserts (ovens and electrical kitchen equipment) for their G700 and PC-24 business jets;
- Flyadeal (a Saudia subsidiary) chose Safran inserts⁽¹⁾ for its A320 family;
- a UK airline chose to fit out all of the aircraft in its fleet with Safran food trolleys and containers and chose Safran galleys for its 18 new Boeing 777-9 aircraft in a linefit order;
- a German airline company chose Safran galleys to fit out 20 Boeing 787 and 10 A350 aircraft;
- Indian airline Indigo selected Safran food trolleys and containers for its A320neo fleet, as did Korean Air for its Boeing 787-10 aircraft.

Two regional US airlines also chose Safran to reconfigure the cabins on their regional Embraer EJets, while freight companies DHL and Fedex placed orders for cargo containers and pallets.

Seats

In light of the Covid-19 pandemic, the ensuing slump in global air traffic and the decline in production rates at airframers and helicopter manufacturers, Safran adapted its aircraft seat production capacities. Few OE orders were canceled in the year, but many were postponed. Similarly, many airlines postponed their 2020 retrofit programs to 2021 and beyond.

In response, Safran developed a range of patented designs named "Travel Safe by Safran Seats" to support airline companies. These solutions address three objectives:

- social distancing without loss of cabin density with equipment such as "Ringfence", a simple removable partition that isolates neighboring passengers;
- touchless interactions, for example suite door actuation and pedal actuators for backrest recline functions;
- virus-free surfaces, thanks to a broad range of coatings which facilitate disinfection and cleaning.

(1) Inserts: ovens and electrical kitchen equipment.

Economy and Premium Economy Class passenger seats

In 2020, Safran received new orders from various airline companies. This commercial success during the year was mainly attributable to Economy Class seats, with the selection of:

- Z300E seats by a European airline for 19 new Airbus A350 aircraft;
- Z300 seats by an Asian airline for its Airbus A321 aircraft;
- Z85 seats by a company based in Asia for 60 new Airbus A320 aircraft.

In the Premium Economy Class segment, Safran was chosen by an airline company based in the Pacific to supply Z535i seats for its future Airbus A350 fleet and Boeing 787 fleet.

Business and First Class passenger seats

Safran's Business and First Class seats also recorded several successes during the year. In all, 2,735 Business Class seats were delivered in 2020.

For the first time, the Business Class seat Skylounge Core offering a flat bed was selected by an Asian customer for eight new Airbus A330 aircraft. A bespoke Safran Business Class seat was also chosen by an airline in the United States and another in Japan for their new Boeing 787 aircraft.

Complex cabin equipment and passenger comfort solutions

The Covid-19 pandemic took its toll on Safran's complex equipment and passenger comfort solutions throughout the year.

2.1.4 Subsequent events

On February 25, 2021 at the time of its 2020 annual results presentation, Safran disclosed its objectives for 2021 in a context of the recent slowing of air traffic recovery in several regions of the world generates uncertainty, notably with a risk of delayed recovery of civil aftermarket.

In this context, **Safran expects for FY 2021 (compared with FY 2020 figures):**

- **Back-end loaded activity and profitability**
- **Adjusted revenue to decrease in the low single digits in organic terms.** At an estimated spot rate of USD 1.22 to the Euro, adjusted revenue to decrease in the high single digits;

Water and waste management systems

Safran's water and waste management systems saw a slowdown in activity owing to the slump in air traffic as well as a decline in airframer production rates.

However, good advances were made regarding the development of a drinking and wastewater management system for the Comac C919 program, and kits were delivered for use in the certification tests. Work also began on the design of a new wastewater tank for the A321neo ACF⁽¹⁾.

Sales in the rail transport segment proved upbeat, and Safran began delivering its water management systems and toilet compartments for two major contracts, one in Europe and the other in Asia.

In-flight entertainment and connectivity solutions

Owing to the slump in global air traffic in 2020, the Group had to adapt its in-flight entertainment production capacities, namely in line with demands from airframers and airline companies to reschedule their deliveries of Safran systems over the next few years. Nevertheless, Safran landed several new contracts, including one to supply in-flight entertainment systems for the new A350 aircraft in a linefit order.

Ventilation and environment control systems

New contracts to supply ventilation systems were also signed in the year. Safran also continued to develop the air conditioning system for the future Cessna Denali turboprop business jet, and for several other programs in the general aviation segment.

VIP aircraft interiors

In 2020, two further cabin retrofit contracts were signed for government aircraft. Towards the end of the year, a VIP interior for a Boeing 787 was delivered to UAE-based Presidential Flights, with which a contract is in progress for a second aircraft.

- **Adjusted recurring operating margin to increase above 100 bps, at least a 300 bps improvement versus H2 2020** (based on a hedge rate of USD 1.16 to the Euro and an adjusted revenue based on a spot rate at USD 1.22 to the Euro), thanks to structural savings already achieved and additional measures to be implemented;

- **Free cash flow generation to stay at least at the same level as in 2020** despite strong uncertainties regarding working capital evolution.

(1) Thanks to a modification to the fuselage (two extra escape doors added), the A321neo ACF can now seat up to 240 passengers.

These objectives are based notably on the **following assumptions:**

- **OE Revenue:**
 - Number of LEAP deliveries: 800+
 - Number of CFM56 deliveries to be halved as expected
 - On widebody programs: lower OE rates, reflecting notably 787 production rate recently announced by Boeing and deferrals impacting retrofit activities in Aircraft Interiors
- **Services Revenue:**
 - Civil aftermarket estimated growth in the high single digits (in USD terms)
 - Other services revenue to decrease in the low single digits (in organic terms)
- **Recurring Operating Income:**
 - Increasing recurring operating margin in Propulsion
 - Stable recurring operating margin in Aircraft Equipment, Defense and Aerosystems
 - Recurring operating margin negative but improving throughout the year in Aircraft Interiors
- **Continuing and extending manufacturing footprint optimisation**
- **Slight increase in R&D expenses but impact almost neutral on recurring operating income:** increase in R&T expenses consistent with a larger share of public funding and development expenses decrease with no new program planned
- **Stability in Capex outflows:** thanks to 2020 decrease in Capex commitments and despite an increase in 2021 commitments (strategic priorities, 2020 differed investments).

Liquidity:

On March 4, 2021, Safran signed a new €500 million loan agreement with the European Investment Bank. The credit line will be made available to Safran, at the date of its choosing, within 18 months of the date of signature of the agreement, and will have a maturity of up to ten years, as from when the funds are provided. The loan will be used to finance some of the Group's research into innovative propulsion systems for the next generation of single-aisle commercial aircraft, marking a major step forward in Safran's roadmap towards achieving carbon free air transportation.

On March 16, 2021, Safran launched a dual-tranche offering of fixed-rate bonds for a total nominal amount of €1,400 million, comprising:

- a five-year tranche due March 2026 for a nominal amount of €700 million, paying an annual coupon of 0.125%. The bonds were issued at 99.231% of par;
- a ten-year tranche due March 2031 for a nominal amount of €700 million, paying an annual coupon of 0.750%. The bonds were issued at 99.349% of par.

Following the transactions on March 4, 2021 and March 16, 2021, the amount available under the confirmed liquidity line set up on April 22, 2020 - and which had remained undrawn from that date - was reduced to zero. At December 31, 2020, the facility represented €1,425 million (see section 3.1, Note 31, "Management of market risks and derivatives").

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, 2020 presented below was taken directly from the consolidated financial statements included in section 3.1.

| (in € millions) | 2019 | 2020 | Year-on-year change |
|---|---------------|---------------|---------------------|
| Revenue | 25,098 | 16,631 | (33.7)% |
| Other operating income and expenses | (21,438) | (15,286) | |
| Share in profit from joint ventures | 164 | 48 | |
| Recurring operating income | 3,824 | 1,393 | (63.6)% |
| Other non-recurring operating income and expenses | 13 | (466) | |
| Profit from operations | 3,837 | 927 | (75.8)% |
| Financial income (loss) | (363) | (357) | |
| Income tax expense | (962) | (184) | |
| Profit from continuing operations | 2,512 | 386 | |
| Profit for the period attributable to non-controlling interests | (65) | (34) | |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT | 2,447 | 352 | |

Consolidated revenue

Consolidated revenue fell 33.7% year-on-year to €16,631 million in 2020 from €25,098 million in 2019.

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).

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

Recurring operating income

Recurring operating income was €1,393 million in 2020 versus €3,824 million in 2019. The difference between recurring operating income and adjusted recurring operating income (see section 2.1.2), which came in at €1,686 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for business combinations, representing €422 million;
- a positive €134 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 75.8% year-on-year to €927 million in 2020 from €3,837 million in 2019. Profit from operations includes recurring operating income of €1,393 million (€3,824 million in 2019) and other non-recurring items, representing an expense of €466 million (income of €13 million in 2019).

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

Financial income (loss)

The Group reported a financial loss of €357 million in 2020 versus a financial loss of €363 million in 2019.

Two items account for the difference between consolidated and adjusted financial loss for 2020 (see section 2.1.2):

- changes in the fair value of currency instruments hedging future cash flows, which had a positive impact of €216 million in 2020. 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 1.23 at December 31, 2020 and 1.12 at December 31, 2019;
- the impact of foreign currency hedging on the portion of foreign currency denominated flows hedged by the Group, representing a positive €134 million impact in 2020. 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 an income tax expense of €184 million in 2020, compared with an income tax expense of €962 million in 2019.

Consolidated profit attributable to owners of the parent

This caption represented profit of €352 million for 2020, compared with profit of €2,447 million for 2019.

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, 2020 presented below was taken directly from the consolidated financial statements included in section 3.1.

| (in € millions) | 2019 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| Goodwill | 5,199 | 5,060 |
| Property, plant and equipment and intangible assets | 13,877 | 13,354 |
| Investments in equity-accounted companies | 2,211 | 2,126 |
| Other non-current assets | 1,416 | 751 |
| Derivatives (positive fair value) | 707 | 746 |
| Inventories and work-in-progress | 6,312 | 5,190 |
| Contract costs | 471 | 486 |
| Trade and other receivables | 7,639 | 5,769 |
| Contract assets | 1,743 | 1,695 |
| Other current assets | 601 | 607 |
| Cash and cash equivalents | 2,632 | 3,747 |
| TOTAL ASSETS | 42,808 | 39,531 |
| EQUITY AND LIABILITIES | | |
| Equity | 12,748 | 12,349 |
| Provisions | 3,083 | 2,847 |
| Borrowings subject to specific conditions | 505 | 426 |
| Interest-bearing financial liabilities | 6,779 | 6,591 |
| Derivatives (negative fair value) | 1,038 | 1,262 |
| Other non-current liabilities | 1,342 | 1,287 |
| Trade and other payables | 6,164 | 4,353 |
| Contract liabilities | 10,923 | 9,838 |
| Other current liabilities | 226 | 177 |
| TOTAL EQUITY AND LIABILITIES | 42,808 | 39,531 |

2.2.3 Change in consolidated net debt

The year-on-year change in the Group's net debt for 2019 and 2020 can be summarized as follows:

| (in € millions) | 2019 | 2020 |
|--|------------------------|----------------|
| Cash flow from operations | 4,042 | 1,874 |
| Change in working capital | (897) | (8) |
| Acquisitions of property, plant and equipment | (695) | (449) |
| Acquisitions of intangible assets | (134) | (57) |
| Capitalization of R&D expenditure | (333) | (287) |
| Free cash flow | 1,983 | 1,073 |
| Dividends paid | (817) | (4) |
| Divestments/acquisitions of securities and other | (1,482) | 253 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (316) | 1,322 |
| Net debt at January 1 | (3,798) ⁽¹⁾ | (4,114) |
| Net debt at December 31 | (4,114) | (2,792) |

(1) Including €529 million relating to the impact at January 1 of applying IFRS 16, "Leases" (see section 3.1, Note 3).

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⁾. Cash flow from operations, before changes in working capital decreased by €2,168 million year-on-year, from €4,042 million in 2019 to €1,874 million in 2020. The decrease is in line with the downturn in business owing to the health crisis but does not impact the financing of operating working capital needs, investments in property, plant and equipment and intangible assets, or dividend payments.

Operations generated €1,073 million of free cash flow (64% of adjusted recurring operating income in 2020 compared to 52% in 2019).

Dividends paid in the year totaling €4 million correspond to dividends paid by foreign subsidiaries to their non-controlling shareholders.

The net debt position was €2,792 million at December 31, 2020, compared to €4,114 million at December 31, 2019.

At December 31, 2020, Safran had €3,747 million of cash and cash equivalents, as well as a confirmed, undrawn credit facility of €2,520 million and an additional confirmed, undrawn liquidity line of €1,425 million.

(1) See section 3.1, "Consolidated statement of cash flows".

2.3 COMMENTS ON THE PARENT COMPANY FINANCIAL STATEMENTS

2.3.1 Simplified income statement

Safran's simplified income statement for the year ended December 31, 2020 presented below was taken directly from the parent company financial statements included in section 3.3.

| <i>(in € millions)</i> | 2019 | 2020 |
|-------------------------------------|--------------|--------------|
| Revenue | 723 | 541 |
| Other operating income and expenses | (790) | (620) |
| Loss from operations | (67) | (79) |
| Financial income | 1,275 | 1,671 |
| Non-recurring items | 70 | (14) |
| Income tax benefit | 19 | 69 |
| PROFIT FOR THE PERIOD | 1,297 | 1,647 |

Revenue came in at €541 million in 2020 versus €723 million in 2019, 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.

Other operating income and expenses represented a net expense of €620 million in 2020 and a net expense of €790 million in 2019.

Safran reported a loss from operations of €79 million in 2020 and €67 million in 2019.

It reported financial income of €1,671 million in 2020 and €1,275 million in 2019. Financial income includes dividends received from subsidiaries totaling €1,695 million, compared to

€1,208 million in 2019. It also includes net interest expense of €2 million in 2020 (net interest income of €20 million in 2019) and foreign exchange losses of €18 million (€30 million in foreign exchange gains in 2019).

Safran reported a non-recurring expense of €14 million in 2020 versus non-recurring income of €70 million in 2019.

Income tax represented a benefit of €59 million under the Group's tax consolidation regime in 2020 (€1 million in the previous year). A net reversal of 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 €10 million in 2020 (net reversal amounting to €18 million in 2019).

On account of the above, profit for the period came in at €1,647 million, compared to €1,297 million in 2019.

2.3.2 Simplified balance sheet

Safran's simplified balance sheet at December 31, 2020 presented below was taken directly from the parent company financial statements included in section 3.3.

| <i>(in € millions)</i> | 2019 | 2020 |
|--|---------------|---------------|
| ASSETS | | |
| Non-current assets | 18,355 | 18,299 |
| Cash equivalents and marketable securities | 2,568 | 3,488 |
| Other current assets | 4,299 | 4,403 |
| TOTAL ASSETS | 25,222 | 26,190 |
| EQUITY AND LIABILITIES | | |
| Equity | 10,062 | 11,710 |
| Provisions | 627 | 544 |
| Borrowings | 5,673 | 5,738 |
| Other payables | 8,860 | 8,198 |
| TOTAL EQUITY AND LIABILITIES | 25,222 | 26,190 |

Changes in equity reflect profit for the year totaling €1,647 million.

Changes in borrowings include the issue of OCÉANE 2027 convertible bonds and unsecured notes, and the repayment of bonds and notes (see section 3.3, Note 3.9 and section 7.2.3.2).

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, 2020 | | | | | Article D.441-I.-2: Invoices issued but not settled at December 31, 2020 | | | | | | |
|---|---|--------------|---------------|---------------|----------------------|---|------------------------|--------------|---------------|---------------|-------------------|---------------------------|
| | 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 | - | | | | | 101 | | | | | | 137 |
| Total amount of invoices concerned including VAT (€) | - | (131,037) | (65,295) | 42,306 | 590,360 | 436,334 | - | 18,061 | 66,158 | 557,978 | 312,097 | 954,294 |
| % total purchases in 2020 including VAT | - | (0.03)% | (0.01)% | 0.01% | 0.12% | 0.09% | | | | | | |
| % revenue in 2020 including VAT | | | | | | | - | 0.00% | 0.01% | 0.08% | 0.04% | 0.13% |
| (B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES | | | | | | | | | | | | |
| Number of invoices excluded | | | | | | 213 | | | | | | 3 |
| Total amount of invoices excluded (€) | | | | | | 2,501,799 | | | | | | 818,352 |
| (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 | <input checked="" type="checkbox"/> Contractual terms: <i>CONTRACTUAL TERMS</i> | | | | | <input checked="" type="checkbox"/> Contractual terms: <i>CONTRACTUAL TERMS</i> | | | | | | |
| | <input type="checkbox"/> Statutory terms: (specify) | | | | | <input type="checkbox"/> 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 €0.3 million in 2020 (€0.7 million in 2019) 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 2020 and the five-year financial summary of the Company set out below.

Proposed appropriation of 2020 profit

The Board of Directors recommends appropriating profit for 2020 as follows:

| | |
|-----------------------------------|-------------------|
| Profit for 2020 | €1,647,405,155.68 |
| Retained earnings ⁽¹⁾ | €2,658,092,750.94 |
| Profit available for distribution | €4,305,497,906.62 |
| Appropriation: | |
| Dividend | €183,711,453.77 |
| Retained earnings | €4,121,786,452.85 |

(1) Including the full amount of profit for 2019 allocated to retained earnings.

The dividends paid for the past three years were as follows:

| Year | Number of shares carrying dividend rights ⁽¹⁾ | Net dividend per share | Total payout |
|------|--|------------------------|--------------------------------|
| 2019 | - | - | - |
| 2018 | 431,474,040 | €1.82 | €785,282,752.80 |
| 2017 | 434,570,199 | €1.60 | €695,312,318.40 ⁽²⁾ |

(1) Total number of shares carrying dividend rights less the number of Safran shares held in treasury at the dividend payment date.

(2) Subject to the flat-rate tax provided for in 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.

Five-year financial summary of the Company

| (in €) | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------|
| Capital at December 31 | | | | | |
| Share capital | 83,405,917 | 83,405,917 | 87,153,590.20 | 85,446,831 | 85,446,831 |
| Number of ordinary shares outstanding | 417,029,585 | 417,029,585 | 435,767,951 | 427,234,155 | 427,235,939 |
| Financial results | | | | | |
| Profit before tax, statutory employee profit-sharing, depreciation, amortization and provisions | 767,391,743 | 1,251,397,582 | 1,621,981,388 | 1,382,153,454 | 1,786,495,281 |
| Income tax expense | (52,805,019) | (33,064,752) | (211,350,763) | (551,456) | (58,580,049) |
| Statutory employee profit-sharing for the fiscal year | - | - | - | - | - |
| Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions | 969,870,638 | 1,359,762,344 | 1,705,042,464 | 1,296,554,954 | 1,647,405,156 |
| Dividend payment | 633,884,969 | 667,247,336 | 793,097,671 | - | 183,711,454 |
| Per share data | | | | | |
| Profit after tax, statutory employee profit-sharing, but before depreciation, amortization and provisions | | | | | |
| ■ per ordinary share outstanding | 1.97 | 3.08 | 4.21 | 3.24 | 4.32 |
| Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions | | | | | |
| ■ per ordinary share outstanding | 2.33 | 3.26 | 3.91 | 3.03 | 3.86 |
| Net dividend | | | | | |
| ■ per ordinary share outstanding | 1.52 | 1.60 | 1.82 | - | 0.43 |
| Employees | | | | | |
| Average number of employees during the fiscal year | 1,577 | 1,624 | 1,774 | 1,813 | 1,785 |
| Total payroll | 140,807,877 | 145,288,974 | 173,747,142 | 160,175,869 | 139,299,866 |
| Social security and other social welfare contributions | 88,550,754 ⁽¹⁾ | 95,952,479 ⁽²⁾ | 114,279,525 ⁽³⁾ | 137,669,709 ⁽⁴⁾ | 75,980,598 ⁽⁵⁾ |

(1) Including €5.0 million in contributions paid to the insurer that manages the defined benefit pension plan.

(2) Including €6.6 million in contributions paid to the insurer that manages the defined benefit pension plan.

(3) Including €2.3 million in contributions paid to the insurer that manages the defined benefit pension plan.

(4) Including €4.5 million in contributions paid to the insurer that manages the defined benefit pension plan.

(5) Including €5.3 million in contributions paid to the insurer that manages the defined benefit pension plan.





FINANCIAL STATEMENTS

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IN ACCORDANCE WITH ARTICLE 19 OF REGULATION (EC) NO. 2017/1129 OF THE EUROPEAN COMMISSION, THE FOLLOWING INFORMATION IS INCORPORATED BY REFERENCE IN THIS UNIVERSAL REGISTRATION DOCUMENT:

- The consolidated and parent company financial statements for the year ended December 31, 2018 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2018 Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* - AMF) on March 29, 2019 under number D.19-0227; 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, 2019 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2019 Universal Registration Document filed with the AMF on March 31, 2020 under number D.20-0224; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Those sections of the 2018 Registration Document and the 2019 Universal Registration Document 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 2020 Universal Registration Document.

3.1 GROUP CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

Consolidated income statement

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

Consolidated statement of comprehensive income

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

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

- €7 million in translation losses (€3 million in translation gains in 2019) arising in the period on long-term financing granted to foreign subsidiaries. This financing meets the criteria for classification as a net investment in a foreign operation, and is treated in accordance with the applicable provisions of IAS 21;
- €511 million in translation losses (€141 million in translation gains in 2019) arising in the period on foreign operations (essentially in the United States).

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

In 2019, other comprehensive income resulting from the remeasurement of hedging instruments included €17 million in translation losses arising in the period on the February 2012 issue by Safran of USD 1 billion in senior unsecured notes on the US private placement market (USPP), classified as a hedge of the net investment in some of the Group's US operations up to the end of first-quarter 2019. This net investment hedge expired on March 27, 2019 when the cross currency swaps were set up.

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

- €50 million in foreign exchange losses arising in the period on foreign joint ventures (€9 million in foreign exchange gains in 2019);
- a positive amount of €4 million relating to cash flow hedges of joint ventures (a negative amount of €7 million in 2019); and
- €12 million in actuarial losses on pension and similar obligations of joint ventures (actuarial losses of €32 million in 2019).

Consolidated balance sheet

Assets

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

Equity and liabilities

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

Consolidated statement of changes in shareholders' equity

| <i>(in € millions)</i> | Share capital | Additional paid-in capital | Treasury shares | Remeasurement of hedging instruments | Translation adjustments | Consolidated reserves and retained earnings | Actuarial gains and losses on post-employment benefits | Profit (loss) for the period | Other | Equity attributable to owners of the parent | Non-controlling interests | Total |
|--|---------------|----------------------------|-----------------|--------------------------------------|-------------------------|---|--|------------------------------|-------------------|---|---------------------------|---------------|
| At January 1, 2019 | 87 | 4,686 | (80) | 22 | 252 | 5,954 | (391) | 1,283 | 137 | 11,950 | 346 | 12,296 |
| Comprehensive income (expense) for the period | - | - | - | (22) | 153 | (7) | (161) | 2,447 | 51 ^(a) | 2,461 | 63 | 2,524 |
| Acquisitions/disposals of treasury shares | - | - | (223) | - | - | - | - | - | - | (223) | - | (223) |
| Dividends | - | - | - | - | - | (785) | - | - | - | (785) | (32) | (817) |
| Share buyback programs | - | - | (1,076) | - | - | - | - | - | - | (1,076) | - | (1,076) |
| Acquisition of Zodiac Aerospace | (2) | 2 | 1,076 | - | - | (1,074) | - | - | - | 2 | - | 2 |
| Other movements, including appropriation of profit | - | - | - | - | - | 1,283 | - | (1,283) | 42 | 42 | - | 42 |
| At December 31, 2019 | 85 | 4,688 | (303) | - | 405 | 5,371 | (552) | 2,447 | 230 | 12,371 | 377 | 12,748 |
| Comprehensive income (expense) for the period | - | - | - | (13) | (563) | 4 | (19) | 352 | 12 ^(a) | (227) | 29 | (198) |
| Dividends | - | - | - | - | - | - | - | - | - | - | (4) | (4) |
| Océane 2020-2027 bonds | - | - | - | - | - | 39 | - | - | - | 39 | - | 39 |
| Delivery of shares under employee shareholding plans: Safran Sharing 2020 and other ^(b) | - | - | 261 | - | - | (166) | - | - | 53 | 148 | - | 148 |
| Other movements, including appropriation of profit | - | - | 6 | - | - | 2,447 | - | (2,447) | 12 | 18 | (1) | 17 |
| AT DECEMBER 31, 2020 | 85 | 4,688 | (36) | (13) | (158) | 7,695 | (571) | 352 | 307 | 12,349 | 401 | 12,750 |

(a) See table below: (in € millions)

| | Tax impact on actuarial gains and losses | Tax impact on foreign exchange differences | Total |
|--|--|--|-------|
| Comprehensive income (expense) for 2019 (attributable to owners of the parent) | 44 | 7 | 51 |
| Comprehensive income (expense) for 2020 (attributable to owners of the parent) | 5 | 7 | 12 |

(b) Capital loss amounting to €166 million (primarily relating to the settlement-delivery of the Safran Sharing 2020 employee shareholding plan) and the related tax effect totaling €53 million.

Consolidated statement of cash flows

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

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

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

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

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

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

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

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

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 significant influence (the "Group").

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

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

NOTE 1 IMPACTS OF THE COVID-19 PANDEMIC

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

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

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

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

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

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

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

a) Going concern and liquidity

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

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

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

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

On April 22, 2020, the Group set up a €3 billion bridge facility with a syndicate of French and international banks aimed at maintaining the Group's flexibility.

- It refinanced €800 million on May 15, 2020 by issuing seven-year bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) paying an annual coupon of 0.875%, with a conversion premium of 40%.
- It also issued €564 million in senior unsecured notes on the US private placement market (USPP) on June 29, 2020.
- On October 12, 2020, it carried out a €200 million tap issue of OCÉANE bonds maturing on May 15, 2027 and with an issue premium of €18 million.

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

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

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

b) Adaptation plan

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

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

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

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

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

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

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

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

The measures of the agreement include:

- encouraging voluntary early retirement;
- promoting internal and external mobility, based in particular on secondment arrangements and special leave;
- capping optional employee profit-sharing for 2020 and 2021;
- suspending the Company top-up contribution to invested employee savings in 2021;
- suspending supplementary retirement contributions for engineers and managerial-grade employees (*cadres*) in 2021;
- making use of training and other new schemes made available to businesses.

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

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

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

Restructuring costs relating to production shutdowns and site closures, along with costs incurred in respect of workforce adjustment measures (severance payments), were recognized or provisioned as soon as the adaptation plans were announced or had begun to be implemented. In 2020, restructuring costs were included within non-recurring expenses in an amount of €131 million (see Note 7, "Breakdown of the other main components of profit from operations") and primarily concern sites in the United States, Mexico, Tunisia, Morocco, Germany, the United Kingdom and Thailand.

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

c) Description of the impacts of Covid-19

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

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

d) Goodwill

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

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

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

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

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

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

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

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

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

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

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

e) Other assets

Intangible assets

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

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

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

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

Right-of-use assets

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

Measurement of inventories and work-in-progress

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

Trade receivables

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

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

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

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

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

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

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

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

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

NOTE 2 ACCOUNTING POLICIES

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

Changes in accounting policies

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

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

- Amendments to IFRS 3, "Business Combinations" – Definition of a Business.
- Amendments to IFRS 16, "Leases" – Covid-19-Related Rent Concessions.

The Group noted the IFRIC decision of December 2019 regarding IFRS 16, specifically concerning the terms of leases with automatic renewal clauses. The Group identified and analyzed the leases affected by this decision during 2020. The terms of these leases were adjusted wherever necessary in accordance with the IFRIC guidance.

The impact was not material for the Group at December 31, 2020.

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

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

None.

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

- IFRS 17, "Insurance Contracts".
- Amendments to IFRS 4, "Insurance Contracts" – Extension of the Temporary Exemption from Applying IFRS 9.
- Amendments to IAS 1, "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 28, "Investments in Associates and Joint Ventures" and IFRS 10, "Consolidated Financial Statements" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Annual Improvements to IFRSs published in May 2020 (2018-2020 cycle).
- Amendments to IAS 16, "Property, Plant and Equipment" – Proceeds before Intended Use.
- Amendments to IFRS 3, "Business Combinations" – Reference to the Conceptual Framework.
- Amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform Phase 2.

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

The Group had chosen to early adopt the amendments to IFRS 9 and IFRS 7 linked to Phase 1 of the Interest Rate Benchmark Reform as from 2019. The application of these Phase 1 amendments allows the Group to disregard uncertainties about the future of benchmark rates when assessing hedge effectiveness and/or when assessing the highly probable nature of the hedged risk, thereby securing current or future hedging relationships until those uncertainties are resolved.

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

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

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

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

Accounting policies

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

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

b) Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

Intragroup transactions

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

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

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

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

c) Business combinations

The Group applies the revised IFRS 3.

Acquisition method

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

- identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value;
- where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments). This option is available for all business combinations based on a case-by-case analysis of each transaction;
- acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred;

- any contingent consideration relating to business combinations (earn-out clauses) is measured at fair value at the acquisition date. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. The cost of the combination, including where appropriate the estimated fair value of any contingent consideration, is finalized within the 12 months following the acquisition (measurement period). Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss. Only items that should have been taken into account at the date of the combination but for which the acquirer did not hold all of the relevant information at that date can give rise to an adjustment in the purchase price consideration.

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

Goodwill

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

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

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

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

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

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

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

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

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

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

e) Translation methods

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

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

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

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

f) Translation of foreign currency transactions and foreign currency derivatives

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

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

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

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

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

g) Income from operations

The main customer contract types identified within the Group are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sales of installed base maintenance and support contracts

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

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

Revenue is recognized if:

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

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

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

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

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

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

Sales of time and materials service contracts

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

They represent a single performance obligation.

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

Sales of contracts with multiple elements

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

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

In general, for these contracts:

- the specific development work or customization assignments for a given contract and customer do not represent a separate performance obligation since the development and customization are inseparable from serial production. Costs associated with the development and installation are initially recognized in assets within contract costs if they are recoverable, and subsequently expensed over the contract term;
- financing received from the customer for the development work or customization assignment is recognized as revenue as and when the various performance obligations under the contract are satisfied;
- revenue generated on the serial production and service portion of the contract is recognized either on delivery of the goods, or on a percentage-of-completion basis (cost-to-cost method), depending on the nature of the performance obligation.

Sales of studies

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

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

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

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

h) Current and deferred tax

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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

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

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

i) Earnings per share

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

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

j) Intangible assets

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

Intangible assets acquired in a business combination

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

- intangible assets recognized at the time of the 2005 Sagem-Snecma merger and on the acquisition of Rolls Royce's stake in the RTM322 program and classified under "Aircraft programs" are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;
- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangible assets acquired) are amortized over the estimated useful life of each identified intangible asset (1 to 23 years).

Separately acquired intangible assets

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

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

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

Research and development costs

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

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

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

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

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

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

k) Property, plant and equipment

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

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

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

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

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

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

l) Leases

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

At the commencement of the lease:

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

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

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

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

After initial recognition of the lease:

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

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

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

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

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

m) Impairment of non-current assets

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

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

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

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

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

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

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

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

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

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

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

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

n) Equity investments, loans and receivables

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

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

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

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

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

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

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

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

(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.

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

o) Inventories and work-in-progress

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

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

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

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

p) Cash and cash equivalents

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

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

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

q) Treasury shares

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

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

r) Share-based payment

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

In accordance with IFRS 2, "Share-based Payment", these arrangements are measured at fair value, taking into account

any lock-up period for shares granted and less the present value of dividends not received by employees during the vesting period. The fair value of equity-settled instruments is determined at the grant date. The fair value of cash-settled instruments is revised up to the date of payment. For plans that are subject to performance conditions, the external conditions are included in the per-share fair value at the grant date and the internal conditions are reflected in the number of instruments.

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

s) Provisions

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

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

Provisions for losses on completion and losses arising on delivery commitments

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

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

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

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

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

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

Provisions for financial guarantees on sales

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

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

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

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

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

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

Provisions for standard and operating warranties

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

Provisions for restructuring costs

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

t) Post-employment benefits

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

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

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

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

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

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

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

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

u) Borrowings subject to specific conditions

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

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

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

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

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

v) Interest-bearing financial liabilities

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

w) Derivatives and hedge accounting

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

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

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

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

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

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

x) Sale of receivables

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

y) Structure of the consolidated balance sheet

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

z) Recurring operating income

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

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

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

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

NOTE 3 MAIN SOURCES OF ESTIMATES

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis, and take into account the impacts of the health crisis identified to date.

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

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

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

a) Estimates relating to programs and contracts

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

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

These estimates primarily draw on assumptions about the volumes, output and selling prices of products sold, associated production costs, exchange rates for foreign-currency denominated sales and purchases as well as normal risks and uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each program and contract.

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

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

- **impairment of non-current assets:** goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 2.m. The recoverable amount of these assets is generally determined using cash flow forecasts;
- **capitalization of development expenditures:** the conditions for capitalizing development expenditures are set out in Note 2.j. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts. The Group also uses estimates when determining the useful life of its projects;
- **profit (loss) on completion of contracts accounted for on a percentage-of-completion basis:** the Group accounts for contracts on a percentage-of-completion basis (cost-to-cost method). Under this method, revenue is recognized based on the percentage of work completed, calculated by reference to the costs incurred. This method requires an estimate of results on completion using future cash flow forecasts that take into account contractual indexes and commitments as well as other factors inherent to the contract based on historical and/or forecast data. This method also requires an estimate of the contract's stage of completion.
When the total costs that are necessary to cover the Group's risks and obligations under the contract are likely to exceed total contract revenue, the expected loss (i) is recognized within provisions for losses on completion or (ii) leads to the write-down of contract fulfillment costs (if any) and to the subsequent recognition of a provision for losses on completion for the remaining amount of the loss;
- **timing of revenue recognition:** the recognition of revenue under certain contracts is based on delivery volume assumptions. These assumptions therefore influence the timing of revenue recognition;
- **variable consideration:** the transaction price may be comprised of both a fixed amount and a variable amount. This variable amount may, in particular, depend on volume assumptions which therefore require the use of estimates;
- **losses arising on delivery commitments:** sales contracts (or combinations of contracts) may be onerous. For all sales contracts or combinations of contracts, the Group estimates the volume of goods to be delivered as well as spare parts and services directly related to the delivery commitment, which may be contractual or highly probable. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when the combination of contracts is onerous and a loss is likely to be incurred. It uses estimates, notably as regards the volume of goods to be produced and delivered under the sales contracts or combinations of contracts, as well as the volume of directly-related spare parts and services, projected production costs and the expected economic benefits;

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

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

b) Provisions

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

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

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

Contractual provisions relating to performance warranties given by the Group take into account factors such as the frequency and estimated cost of repairs. The value of these commitments may be based on a statistical assessment.

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

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

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

c) Post-employment benefits

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

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

d) Trade and other receivables

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

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

e) Allocation of the cost of business combinations

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

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

f) Disputes and litigation

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 35, "Disputes and litigation").

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

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

NOTE 4 SCOPE OF CONSOLIDATION

Main changes in the scope of consolidation in 2020

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

Main changes in the scope of consolidation in 2019

Acquisition of ElectroMechanical Systems from Collins Aerospace

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

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

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

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

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

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

NOTE 5 SEGMENT INFORMATION

Segments presented

In accordance with IFRS 8, "Operating Segments", segment information reflects Safran's different businesses.

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

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

Aerospace Propulsion

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

Aircraft Equipment, Defense and Aerosystems

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

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

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

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

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

Aircraft Interiors

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

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

Holding company and other

In "Holding company and other", the Group includes Safran SA's activities and holding companies in various countries.

Business segment performance indicators

Segment information presented in the tables below is included within the information presented to the Chief Executive Officer who - in accordance with the Group's governance structure - has been designated as the "Chief Operating Decision Maker" for the assessment of the performance of business segments and the allocation of resources between the different businesses.

The assessment of each business segment's performance by the Chief Executive Officer is based on adjusted contribution figures as explained in the Foreword (see 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 2, "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, right-of-use assets, investments in equity-accounted joint ventures and all current assets except cash and cash equivalents and tax assets.

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

Quantified segment information for 2019 and 2020 is presented below.

Segment information

At December 31, 2020

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

At December 31, 2019

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

Revenue (adjusted data)

| (in € millions) | 2019 | 2020 |
|--|---------------|---------------|
| AEROSPACE PROPULSION | | |
| Original equipment and related products and services | 5,081 | 2,859 |
| Services | 6,848 | 4,668 |
| Sales of studies | 65 | 85 |
| Other | 51 | 51 |
| Sub-total | 12,045 | 7,663 |
| AIRCRAFT EQUIPMENT, DEFENSE AND AEROSYSTEMS | | |
| Original equipment and related products and services | 5,857 | 4,456 |
| Services | 3,002 | 2,114 |
| Sales of studies | 262 | 237 |
| Other | 135 | 86 |
| Sub-total | 9,256 | 6,893 |
| AIRCRAFT INTERIORS | | |
| Original equipment and related products and services | 2,352 | 1,409 |
| Services | 895 | 478 |
| Sales of studies | 63 | 22 |
| Other | 11 | 13 |
| Sub-total | 3,321 | 1,922 |
| HOLDING COMPANY AND OTHER | | |
| Sales of studies and other | 18 | 20 |
| Sub-total | 18 | 20 |
| TOTAL | 24,640 | 16,498 |

Information by geographic area

At December 31, 2020

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

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

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

At December 31, 2019

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

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

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

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

1. Airbus group: sales of original equipment engines for aircraft and helicopters for Aerospace Propulsion; landing and braking systems, wiring and electrical connection systems, nacelles, navigation systems, flight control systems, flight-data recording systems and other equipment for Aircraft Equipment, Defense and Aerosystems; and cabin interiors and seats for Aircraft Interiors;
2. Boeing group: sales of original equipment engines for aircraft for Aerospace Propulsion; landing and braking systems and wiring and electrical connection systems for Aircraft Equipment and Aerosystems; and cabin interiors and seats for Aircraft Interiors;
3. General Electric group: sales of fleet maintenance spare parts for Aerospace Propulsion.

NOTE 6 REVENUE

The Covid-19 crisis severely disrupted the Group's original equipment and services activities.

However, business has improved since the low-point in the second half of the year.

Breakdown of revenue by business

2020

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

Revenue (adjusted data)

| (in € millions) | 2019 | 2020 |
|--|---------------|---------------|
| AEROSPACE PROPULSION | | |
| Original equipment and related products and services | 5,081 | 2,859 |
| Services | 6,848 | 4,668 |
| Sales of studies | 65 | 85 |
| Other | 51 | 51 |
| Sub-total | 12,045 | 7,663 |
| AIRCRAFT EQUIPMENT, DEFENSE AND AEROSYSTEMS | | |
| Original equipment and related products and services | 5,857 | 4,456 |
| Services | 3,002 | 2,114 |
| Sales of studies | 262 | 237 |
| Other | 135 | 86 |
| Sub-total | 9,256 | 6,893 |
| AIRCRAFT INTERIORS | | |
| Original equipment and related products and services | 2,352 | 1,409 |
| Services | 895 | 478 |
| Sales of studies | 63 | 22 |
| Other | 11 | 13 |
| Sub-total | 3,321 | 1,922 |
| HOLDING COMPANY AND OTHER | | |
| Sales of studies and other | 18 | 20 |
| Sub-total | 18 | 20 |
| TOTAL | 24,640 | 16,498 |

Information by geographic area

At December 31, 2020

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

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

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

At December 31, 2019

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

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

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

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

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2. Boeing group: sales of original equipment engines for aircraft for Aerospace Propulsion; landing and braking systems and wiring and electrical connection systems for Aircraft Equipment and Aerosystems; and cabin interiors and seats for Aircraft Interiors;
3. General Electric group: sales of fleet maintenance spare parts for Aerospace Propulsion.

NOTE 6 REVENUE

The Covid-19 crisis severely disrupted the Group's original equipment and services activities.

However, business has improved since the low-point in the second half of the year.

Breakdown of revenue by business

2020

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

2019

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

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

- Sales of original equipment and other equipment
These sales reflect quantities delivered under contracts or aircraft programs as well as contractual financing received from customers to develop these products.
- Services, which include deliveries of spare parts and maintenance contracts
These sales are contingent on repairs and maintenance requested by airline companies and correspond to services and volumes that are less predictable since they depend on the condition of fleets.
- Sales of studies, research and development
Contracts are drawn up for all such development work, which represents separate performance obligations. This category relates to specific work carried out for a given project or program.

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

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

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

Remaining performance obligations

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

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

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

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

Other income

| <i>(in € millions)</i> | 2019 | 2020 |
|------------------------------------|------------|------------|
| Research tax credit ⁽¹⁾ | 166 | 149 |
| Other operating subsidies | 100 | 81 |
| Other operating income | 31 | 37 |
| TOTAL | 297 | 267 |

(1) Including €6 million in connection with additional research tax credits in respect of 2019, included in 2020 income (€5 million in respect of 2018 included in 2019 income).

Raw materials and consumables used

This caption breaks down as follows for the period:

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

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

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

Personnel costs

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

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

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

- furlough and short-time working schemes;

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

Depreciation, amortization and increase in provisions, net of use

| (in € millions) | 2019 | 2020 |
|--|----------------|----------------|
| NET DEPRECIATION AND AMORTIZATION EXPENSE | | |
| ■ Intangible assets | (736) | (732) |
| ■ Property, plant and equipment | (615) | (604) |
| ■ Right-of-use assets | (112) | (111) |
| Total net depreciation and amortization expense⁽¹⁾ | (1,463) | (1,447) |
| Net increase in provisions | (137) | 235 |
| DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE | (1,600) | (1,212) |

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

Asset impairment

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

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

Other recurring operating income and expenses

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

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

Other non-recurring operating income and expenses

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

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

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

Other non-recurring items, representing an expense of €180 million, relate mainly to restructuring costs totaling €182 million,

including €131 million relating to adaptation plans and €51 million in costs relating to the Group "Activity Transformation" agreement (primarily resulting from increases in retirement termination benefits and external mobility grants).

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

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

NOTE 8 FINANCIAL INCOME (LOSS)

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

In 2020, the €216 million loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to cash flows that will be recognized in profit or loss in future periods.

The €125 million foreign exchange loss includes:

- a €134 million foreign exchange loss, reflecting the loss on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange loss reflects the difference between the EUR/USD exchange rate guaranteed by the currency derivatives

unwound in the period (USD 1.16 for €1) and the actual EUR/USD exchange rate observed during the period;

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

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

NOTE 9 INCOME TAX

Income tax expense

Income tax expense breaks down as follows:

| <i>(in € millions)</i> | 2019 | 2020 |
|--------------------------------------|--------------|--------------|
| Current income tax benefit (expense) | (1,095) | (278) |
| Deferred tax benefit (expense) | 133 | 94 |
| TOTAL TAX BENEFIT (EXPENSE) | (962) | (184) |

Effective tax rate

The effective tax rate breaks down as follows:

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

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

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

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

Deferred tax assets and liabilities

Deferred tax assets (liabilities) in the balance sheet

| <i>(in € millions)</i> | Assets | Liabilities | Net |
|---|------------|--------------|----------------|
| Net deferred tax assets (liabilities) at December 31, 2019 | 251 | 1,340 | (1,089) |
| Deferred taxes recognized in profit or loss | 35 | (59) | 94 |
| Deferred taxes recognized directly in equity | - | (39) | 39 |
| Reclassifications | 30 | 30 | - |
| Foreign exchange differences | (12) | 1 | (13) |
| Changes in scope of consolidation | 12 | 12 | - |
| NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2020 | 316 | 1,285 | (969) |

Deferred tax asset bases

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|---|----------------|----------------|
| Deferred tax asset bases | | |
| Property, plant and equipment and intangible assets | (8,949) | (8,520) |
| Inventories | 606 | 434 |
| Current assets/liabilities | 2,241 | 2,056 |
| Financial assets/liabilities | 163 | 347 |
| Provisions | 1,588 | 1,504 |
| Tax adjustments | (705) | (739) |
| Losses carried forward and tax credits | 882 | 1,269 |
| TOTAL DEFERRED TAX ASSET BASES | (4,174) | (3,649) |
| Total gross deferred tax balance (A) | (1,040) | (941) |
| Total unrecognized deferred tax assets (B) | 49 | 28 |
| TOTAL NET DEFERRED TAXES RECOGNIZED (A)-(B) | (1,089) | (969) |

Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

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

NOTE 10 EARNINGS PER SHARE

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

At December 31, 2020, potentially dilutive ordinary shares essentially comprise shares that may be issued if all of the bonds convertible and/or exchangeable for new and/or existing shares issued by the Group (OCÉANE 2018-2023, OCÉANE 2020-2027 and the tap issue of OCÉANE 2020-2027: see Note 23.d, "Convertible bond issues") are converted.

NOTE 11 GOODWILL

Goodwill breaks down as follows:

| (in € millions) | Dec. 31, 2019 Net | Changes in scope of consolidation | Reallocation | Impairment | Effect of changes in foreign exchange rates and other | Dec. 31, 2020 Net |
|------------------------------|----------------------|---|--------------|------------|---|----------------------|
| Safran Aircraft Engines | 392 | - | - | - | - | 392 |
| Safran Helicopter Engines | 307 | 1 | - | - | - | 308 |
| Safran Aero Boosters | 47 | - | - | - | - | 47 |
| Other Propulsion | 1 | - | - | - | - | 1 |
| Safran Electronics & Defense | 348 | - | - | - | (4) | 344 |
| Safran Nacelles | 213 | - | - | - | - | 213 |
| Safran Engineering Services | 76 | - | - | - | - | 76 |
| Safran Electrical & Power | 701 | - | - | - | (20) | 681 |
| Safran Landing Systems | 190 | - | - | - | - | 190 |
| Safran Aerosystems | 798 | - | - | - | - | 798 |
| Safran Seats | 765 | - | - | - | (1) | 764 |
| Safran Cabin | 805 | - | - | - | (69) | 736 |
| Safran Passenger Solutions | 556 | - | - | - | (46) | 510 |
| TOTAL | 5,199 | 1 | - | - | (140) | 5,060 |

Impairment tests:

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

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

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

- Expected future cash flows are determined over a period consistent with the useful life of the assets in each CGU. This is generally estimated at 10 years but may be extended for businesses with longer development and production cycles.
- Operating projections used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions.

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

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

In light of the significant prevailing uncertainties, the projections and assumptions used factor in the following scenarios:

- a recovery in air traffic, mainly in domestic and regional markets, and only later in international travel, resulting in a deeper impact on the long-haul segment;
- a return to pre-crisis cash flow levels by 2024 at the latest, thanks to the adaptation measures put in place ;
- the value in use of CGUs is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year of available forecasts ;
- the growth rate used to calculate terminal value was set at 2% for all CGUs ;
- the average USD exchange rate adopted is 1.16 for years 2021 to 2024 and 1.30 thereafter. These exchange rate assumptions were used for forecasting during the second half of the year, and take into account the available foreign currency hedging portfolio (see Note 31, "Management of market risks and derivatives") ;
- the benchmark post-tax discount rate used is 7.5% (unchanged from 2019 but for which the components have been updated) and is applied to post-tax cash flows.

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

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

The Group tested the sensitivity of its main goodwill balances to the following changes in the main assumptions used for its forecasts as from 2024:

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

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

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

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

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

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

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

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

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

NOTE 12 INTANGIBLE ASSETS

Intangible assets break down as follows:

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

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

Movements in intangible assets break down as follows:

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

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

Research and development expenditures recognized in recurring operating income for the period totaled €905 million including amortization (€1,282 million in 2019). This amount does not include the research tax credit recognized in the income statement within "Other income" (see Note 7, "Breakdown of the other main components of profit from operations").

Amortization recognized in the period includes €277 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €46 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €36 million relating to assets identified as part of other business combinations.

The impairment tests carried out at December 31, 2020 on assets allocated to programs, projects or product families were based on the approach described in Note 2.m, "Impairment of non-current assets", which uses assumptions

taken from the medium-term business plan as updated and validated by management.

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

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

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

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

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

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

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

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

NOTE 14 LEASES

a) Right-of-use assets

Right-of-use assets break down as follows:

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

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

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

b) Lease liabilities

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

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Maturing in: | | |
| 1 year or less | 121 | 114 |
| More than 1 year and less than 5 years | 390 | 329 |
| Beyond 5 years | 218 | 165 |
| TOTAL | 729 | 608 |

c) Lease items presented in the income statement

In 2020, rental expenses recognized in "Profit from operations" (see Note 7, "Breakdown of the other main components of profit from operations") under "External services" totaled €68 million. These expenses have not been restated due to the application of the practical expedients allowed under IFRS 16 (exemption for short-term leases, leases of low-value assets and licensing agreements, such as for IT equipment), or because they relate to a "service" component identified in the lease.

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

d) Lease items presented in the cash flow statement

In 2020, disbursements under leases recognized in the cash flow statement and relating to the repayment of lease liabilities represented €129 million and are shown within "Cash flow from (used in) financing activities". These are increased by payments of interest on lease liabilities, which are included within "Cash flow from operating activities".

3

NOTE 15 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets include:

| <i>(in € millions)</i> | Dec. 31, 2019 | | | Dec. 31, 2020 | | |
|------------------------------|---------------|------------|------------|---------------|------------|------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Non-consolidated investments | | | 284 | | | 268 |
| Other financial assets | 397 | (109) | 288 | 407 | (118) | 289 |
| TOTAL | | | 572 | | | 557 |

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

Other financial assets are measured at amortized cost.

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

Other financial assets

Other financial assets break down as follows:

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

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

The table below shows movements in other financial assets:

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

NOTE 16 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

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

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|------------------------|---------------|---------------|
| Associates | - | - |
| ArianeGroup | 1,559 | 1,481 |
| Other joint ventures | 652 | 645 |
| TOTAL | 2,211 | 2,126 |

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

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

The Group's off-balance sheet commitments with joint ventures are described in Note 33, "Related parties".

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

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

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

ArianeGroup is the Group's sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---------------|---------------|
| Non-current assets | 1,763 | 1,667 |
| Current assets | 6,610 | 6,260 |
| ■ of which: cash and cash equivalents | 828 | 642 |
| Non-current liabilities | (1,067) | (1,152) |
| ■ of which: non-current financial liabilities | (517) | (483) |
| Current liabilities | (7,601) | (7,075) |
| ■ of which: current financial liabilities | (57) | (53) |
| Non-controlling interests | (4) | - |
| Net assets of ArianeGroup (excl. goodwill and PPA) - Attributable to owners of the parent (based on a 100% interest) | (299) | (300) |
| Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest) | (150) | (150) |
| Purchase price allocation, net of deferred taxes | 532 | 455 |
| Safran equity share - Net assets of ArianeGroup | 383 | 305 |
| Goodwill | 1,176 | 1,176 |
| CARRYING AMOUNT OF INVESTMENT IN ARIANEGROUP | 1,559 | 1,481 |

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

ArianeGroup did not pay any dividends in 2020.

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

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

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

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

| <i>(in € millions)</i> | 2019 | 2020 |
|--------------------------------------|------------|-----------|
| Profit for the period | 135 | 81 |
| Impairment losses | - | (10) |
| Other comprehensive income (expense) | 7 | (50) |
| TOTAL COMPREHENSIVE INCOME | 142 | 21 |

NOTE 17 INVENTORIES AND WORK-IN-PROGRESS

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

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

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

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

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

NOTE 18 CONTRACT COSTS

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

| <i>(in € millions)</i> | Dec. 31, 2019 | | | Dec. 31, 2020 | | |
|----------------------------|---------------|-------------|------------|---------------|-------------|------------|
| | Gross value | Impairment | Net | Gross value | Impairment | Net |
| Costs to obtain contracts | - | - | - | - | - | - |
| Costs to fulfill contracts | 525 | (54) | 471 | 537 | (51) | 486 |
| CONTRACT COSTS | 525 | (54) | 471 | 537 | (51) | 486 |

NOTE 19 TRADE AND OTHER RECEIVABLES

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

The table below shows changes in trade and other receivables:

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

Trade and other receivables fall due as shown below:

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

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

NOTE 20 CONTRACT ASSETS AND LIABILITIES

Contract assets can be analyzed as follows:

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|-----------------------------|---------------|---------------|
| Contract assets, gross | 1,754 | 1,707 |
| Impairment | (11) | (12) |
| CONTRACT ASSETS, NET | 1,743 | 1,695 |

Changes in contract assets can be analyzed as follows:

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

Contract liabilities can be analyzed as follows:

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|------------------------------------|---------------|---------------|
| Advances and downpayments received | 4,970 | 4,109 |
| Deferred income | 4,313 | 4,142 |
| Other contract liabilities | 1,640 | 1,587 |
| TOTAL | 10,923 | 9,838 |

Changes in contract liabilities can be analyzed as follows:

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

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

NOTE 21 CASH AND CASH EQUIVALENTS

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|------------------------|---------------|---------------|
| Money-market funds | 22 | 41 |
| Short-term investments | 1,475 | 1,692 |
| Sight deposits | 1,135 | 2,014 |
| TOTAL | 2,632 | 3,747 |

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

The table below presents changes in cash and cash equivalents:

| <i>(in € millions)</i> | |
|-----------------------------------|--------------|
| At December 31, 2019 | 2,632 |
| Movements during the period | 1,134 |
| Changes in scope of consolidation | 1 |
| Foreign exchange differences | (20) |
| AT DECEMBER 31, 2020 | 3,747 |

NOTE 22 SUMMARY OF FINANCIAL ASSETS

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

| <i>(in € millions)</i> | Carrying amount | | | | Total = A + B + C + D |
|--|-----------------------|---|---|---|--------------------------|
| | At amortized cost | | At fair value | | |
| | 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) | |
| At December 31, 2019 | | | | | |
| Non-current financial assets | | | | | |
| Non-consolidated investments | | 284 | | | 284 |
| Non-current derivatives (positive fair value) | | 33 | | | 33 |
| Other non-current financial assets | 145 | | | | 145 |
| Sub-total non-current financial assets | 145 | 317 | - | - | 462 |
| Other current financial assets | 143 | | | | 143 |
| Current derivatives (positive fair value) | | 674 | | | 674 |
| Trade receivables | 6,203 | | | | 6,203 |
| Operating current accounts and other receivables | 80 | | | | 80 |
| Cash and cash equivalents | 2,610 | 22 | | | 2,632 |
| Sub-total current financial assets | 9,036 | 696 | - | - | 9,732 |
| TOTAL FINANCIAL ASSETS | 9,181 | 1,013 | - | - | 10,194 |

| At December 31, 2020 (in € millions) | Carrying amount | | | | Total = A + B + C + D |
|--|-----------------------|---|---|---|--------------------------|
| | At amortized cost | | At fair value | | |
| | 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) | |
| Non-current financial assets | | | | | |
| Non-consolidated investments | | 268 | | | 268 |
| Non-current derivatives (positive fair value) | | 52 | | | 52 |
| Other non-current financial assets | 163 | | | | 163 |
| Sub-total non-current financial assets | 163 | 320 | - | - | 483 |
| Other current financial assets | 126 | | | | 126 |
| Current derivatives (positive fair value) | | 694 | | | 694 |
| Trade receivables | 4,375 | | | | 4,375 |
| Operating current accounts and other receivables | 79 | | | | 79 |
| Cash and cash equivalents | 3,706 | 41 | | | 3,747 |
| Sub-total current financial assets | 8,286 | 735 | - | - | 9,021 |
| TOTAL FINANCIAL ASSETS | 8,449 | 1,055 | - | - | 9,504 |

Impairment of financial assets/ Credit risk exposure

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

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

Reclassification of financial assets

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

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

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

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

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

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

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.

Offsetting of financial assets and financial liabilities

| At December 31, 2019 (in € millions) | Gross carrying amount (A) | Amount offset (B) | Net amount on the balance sheet ⁽¹⁾ (C) | Amount subject to offset agreement but not offset (D) | Net (C) - (D) |
|---|------------------------------|----------------------|--|---|------------------|
| Derivatives (positive fair value) | 707 | - | 707 | 614 | 93 |

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

| At December 31, 2020 (in € millions) | Gross carrying amount (A) | Amount offset (B) | Net amount on the balance sheet ⁽¹⁾ (C) | Amount subject to offset agreement but not offset (D) | Net (C) - (D) |
|---|------------------------------|----------------------|--|---|------------------|
| Derivatives (positive fair value) | 746 | - | 746 | 502 | 244 |

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

The tables above show the financial assets for which an offsetting agreement exists with respect to financial liabilities.

The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2020 or December 31, 2019, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank

counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offset agreement but not offset comprise a portion of the Group's derivatives with a negative fair value, since amounts can only be offset if they relate to the same counterparty.

NOTE 23 CONSOLIDATED SHAREHOLDERS' EQUITY

a) Share capital

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

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

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

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

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

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

b) Breakdown of share capital and voting rights

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

December 31, 2019

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

(1) Exercisable voting rights.

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

December 31, 2020

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

(1) Exercisable voting rights.

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

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

The 319,284 treasury shares have no voting rights.

At December 31, 2020, the total number of shares includes 1,784 shares issued throughout the year further to the exercise of stock subscription options resulting from employee commitments undertaken by Zodiac Aerospace, transferred to Safran following the Zodiac Aerospace merger on December 1, 2018 based on the exchange ratio used for the merger.

Treasury shares

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

- the purchase of 77,433 shares under the Group's liquidity agreement, net of shares sold;
- the purchase of 62,500 shares in connection with the implementation of a share buyback program as part of employee shareholding plans;
- the delivery of a total of 570,739 shares under employee shareholding plans and a multi-year variable compensation plan;
- the "Sharing 2020" employee shareholding plan covering 1,799,992 shares.

The Annual General Meeting has authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.

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

Key details of outstanding performance share plans at December 31, 2020 are shown below:

| | 2018 performance shares | 2019 performance shares | 2020 performance shares |
|--|-------------------------|-------------------------|-------------------------|
| Shareholder authorization | May 25, 2018 | May 25, 2018 | May 23, 2019 |
| Grant date by the Board of Directors | July 24, 2018 | March 27, 2019 | March 26, 2020 |
| Vesting date | July 26, 2021 | March 29, 2022 | March 27, 2023 |
| Share price at the grant date | €107.05 | €116.90 | €91.92 |
| Number of beneficiaries at the grant date | 440 | 589 | 797 |
| Number of performance shares granted | 574,712 | 732,130 | 759,360 |
| Number of shares canceled or forfeited | (34,274) | (86,670) | (15,800) |
| NUMBER OF PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2020 | 540,438 | 645,460 | 743,560 |

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

Pursuant to the authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, during the year the Company purchased 2,495,729 shares for €265 million and sold 2,418,296 shares for €255 million.

At December 31, 2020, 266,000 shares were held in connection with the liquidity agreement.

c) Share-based payment

Performance shares

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

The vesting of these performance shares is subject to the achievement of internal and external performance conditions, which are assessed over three full consecutive fiscal years, including the year in which the performance shares are granted. In addition, the shares will only vest if the beneficiaries still form part of the Group at the vesting date (see section 6.6.4.2 of the 2019 Universal Registration Document).

The Group set up a performance share plan on March 26, 2020 covering 756,000 shares. Shares under this plan will only vest if certain internal and external performance conditions are met, as assessed over three fiscal years, and provided the beneficiaries still form part of the Group at the vesting date.

Employee shareholding plan (“Sharing 2020”)

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

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

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

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

Subscribers to the plan will be required to hold the shares or units until June 4, 2025, except if an early release event occurs. The purchase price was set at €60.98 on May 5, 2020 and reflects the reference price (volume-weighted average price of Safran shares on the Euronext Paris market during the 20 trading days preceding the date on which the purchase price was set), less a discount of 20%.

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

d) Convertible bond issues

OCÉANE 2018-2023 bonds

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

The bonds do not carry any coupon.

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

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

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

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

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, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 27, “Interest-bearing financial liabilities”).

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

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

OCÉANE 2020-2027 bonds

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

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

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

At December 31 and since the bond issuance date, the bond conversion ratio represents 1 share for 1 bond.

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

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

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

After deducting issuance fees, a total of €760 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 27, "Interest-bearing financial liabilities").

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

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

OCÉANE 2020-2027 tap issue

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

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

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

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

At December 31 and since the bond issuance date, the bond conversion ratio represents 1 share for 1 bond.

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

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

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

After deducting issuance fees, a total of €197 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 27, "Interest-bearing financial liabilities").

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

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

e) Dividend distribution

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

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

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

NOTE 24 PROVISIONS

Provisions break down as follows:

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

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

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

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

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

NOTE 25 POST-EMPLOYMENT BENEFITS

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

a) Presentation of post-employment benefits

France

Defined benefit pension plans

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

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

Retirement termination benefits

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

Other long-term benefits

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

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 benefits in Mexico;
- Europe: pension funds in Switzerland, pension funds and retirement termination benefits in Belgium, pension funds and long-service bonuses in Germany, retirement termination benefits and long-service bonuses in Poland.

b) Financial position

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

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

The increase in the gross obligation results from the following conflicting impacts:

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

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

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

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

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

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

Main assumptions used to calculate the gross benefit obligation:

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

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

Sensitivity analysis

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

| <i>(in € millions)</i> | | |
|-----------------------------------|---------------|---------------|
| Sensitivity (basis points) | -0.50% | +0.50% |
| Discount rate | 147 | (130) |
| Inflation rate | (56) | 66 |
| Rate of future salary increases | (53) | 62 |

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

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

c) Change in the gross benefit obligation and plan assets

Change in the gross benefit obligation:

| <i>(in € millions)</i> | 2019 | 2020 | Defined benefit pension plans | Retirement termination benefits | Long-service bonuses and other employee benefits |
|---|--------------|--------------|----------------------------------|---------------------------------------|--|
| GROSS BENEFIT OBLIGATION AT BEGINNING OF PERIOD | 1,554 | 1,782 | 990 | 735 | 57 |
| A. PENSION EXPENSE | | | | | |
| Current service cost | 60 | 67 | 13 | 49 | 5 |
| Actuarial gains and losses recognized (on other long-term benefits) | 4 | - | - | - | - |
| Plan implementation, amendment and settlement | - | (4) | (2) | (4) | 2 |
| Interest cost | 32 | 21 | 16 | 5 | - |
| Total expense recognized in the income statement | 96 | 84 | 27 | 50 | 7 |
| B. ACTUARIAL GAINS AND LOSSES ARISING IN THE PERIOD ON POST-EMPLOYMENT PLANS | | | | | |
| Actuarial gains and losses resulting from changes in demographic assumptions | (17) | - | 5 | (5) | - |
| Actuarial gains and losses resulting from changes in financial assumptions | 190 | 63 | 54 | 9 | - |
| Experience adjustments | (1) | 10 | 6 | 4 | - |
| Total revaluation recognized in other comprehensive income for the period | 172 | 73 | 65 | 8 | - |
| C. OTHER ITEMS | | | | | |
| Employee contributions | 3 | 3 | 3 | - | - |
| Benefits paid | (83) | (96) | (42) | (51) | (3) |
| Changes in scope of consolidation | 5 | - | - | - | - |
| Other movements | (2) | - | - | - | - |
| Foreign exchange differences | 37 | (41) | (40) | (1) | - |
| Total other items | (40) | (134) | (79) | (52) | (3) |
| GROSS BENEFIT OBLIGATION AT END OF PERIOD | 1,782 | 1,805 | 1,003 | 741 | 61 |
| Average weighted term of pension plans | 15 | 15 | 18 | 12 | 10 |

Change in the fair value of plan assets:

| <i>(in € millions)</i> | 2019 | 2020 | Defined benefit pension plans | Retirement termination benefits | Long-service bonuses and other employee benefits |
|---|------------|-------------|-------------------------------|---------------------------------|--|
| FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD | 691 | 809 | 809 | - | - |
| A. INCOME | | | | | |
| Interest income on plan assets | 19 | 14 | 14 | - | - |
| Plan administration costs | (1) | (1) | (1) | - | - |
| Total income recognized in the income statement | 18 | 13 | 13 | - | - |
| B. ACTUARIAL GAINS AND LOSSES ARISING IN THE PERIOD ON POST-EMPLOYMENT PLANS | | | | | |
| Return on plan assets (excluding interest income component) | 53 | 70 | 70 | - | - |
| Total revaluation recognized in other comprehensive income for the period | 53 | 70 | 70 | - | - |
| C. OTHER ITEMS | | | | | |
| Employee contributions | 2 | 3 | 3 | - | - |
| Employer contributions | 49 | 44 | 44 | - | - |
| Benefits paid | (40) | (42) | (42) | - | - |
| Changes in scope of consolidation | - | - | - | - | - |
| Other movements | 3 | (1) | (1) | - | - |
| Foreign exchange differences | 33 | (37) | (37) | - | - |
| Total other items | 47 | (33) | (33) | - | - |
| FAIR VALUE OF PLAN ASSETS AT END OF PERIOD | 809 | 859 | 859 | - | - |

d) Asset allocation

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

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

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

The Group's investment policy for pension funds in the United Kingdom combines safe harbor investments (in monetary funds, government bonds, bond funds), to secure the medium-term funding of obligations, with riskier investments such as in equity funds and real estate funds, whose expected profitability over the long term guarantees the financial stability of the plans. In 2020, the Safran Landing Systems UK

pension fund reduced its exposure by partially exiting higher risk investments (e.g., equity and real estate funds) in order to focus on corporate bond funds. The resulting capital gains led to a sharp rise in the value of plan assets.

e) Contributions to defined contribution plans

Defined contribution plans include statutory, supplementary and additional pension plans (in France: the "Article 83" plan for engineers and managerial-grade employees (*cadres*) and the additional "Article 83" plan and the "Article 82" plan for executive managers).

The expense for 2020 recognized in respect of defined contribution plans for continuing operations represented €292 million, down from €319 million in 2019 due primarily to furlough and short-time working arrangements.

NOTE 26 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

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

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

The Group revised the probability of repayment for its repayable advances, mainly with regard to two helicopter programs.

NOTE 27 INTEREST-BEARING FINANCIAL LIABILITIES

Breakdown of interest-bearing financial liabilities:

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

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

Movements in this caption break down as follows:

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

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

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

Analysis by maturity:

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Maturing in: | | |
| ■ 1 year or less | 3,540 | 2,509 |
| ■ More than 1 year and less than 5 years | 3,016 | 2,410 |
| ■ Beyond 5 years ⁽¹⁾ | 223 | 1,672 |
| TOTAL | 6,779 | 6,591 |

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

Analysis by currency before hedging:

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

Analysis by currency after hedging:

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

Analysis by type of interest rate:

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

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

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

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

The Group's net debt position is as follows:

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

The Group's gearing ratio is shown below:

| (in € millions) | Dec. 31, 2019 | Dec. 31, 2020 |
|----------------------|---------------|---------------|
| Net debt | (4,114) | (2,792) |
| Total equity | 12,748 | 12,750 |
| GEARING RATIO | 32.27% | 21.90% |

Main long-term borrowings at inception

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

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

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

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

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

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

- €164 million of 12-year notes due June 2032 at a 2.05% fixed-rate coupon (tranche D).

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

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

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

- Issuance on April 11, 2014 of 10-year, 2.875% fixed-rate bonds for €200 million (maturing in April 2024). The bonds were issued at 99.529% of par. A floating-rate swap was set up on this issue. The effective coupon in 2020 is 1.02% after taking into account the impact of interest rate derivatives.
- Issuance on June 28, 2017 of four-year floating-rate bonds at 3-month Euribor +57 basis points (coupon floored at 0%) for €500 million (maturing in June 2021). The bonds were issued at 100% of par.

- Bonds convertible and/or exchangeable for new and/or existing shares (“OCÉANE” bonds) on June 21, 2018 for a nominal amount of €700 million. These bonds do not carry a coupon and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0%. Unless converted, redeemed or bought back and canceled prior to maturity, the 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 23.d, “Convertible bond issues”).
 - Euro private placement (“Euro PP”) in the form of a syndicated loan with an original maturity of seven years, contracted by the former Zodiac Aerospace group on March 10, 2016 and falling due on March 10, 2023, on which €180 million was outstanding at December 31, 2020 at an adjustable rate of 2.902%.
 - Bonds convertible and/or exchangeable for new and/or existing shares (“OCÉANE” bonds) on May 15, 2020 for a nominal amount of €800 million. These OCÉANE bonds bear interest at 0.875% and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0.875%. Unless converted, redeemed or bought back and canceled prior to maturity, the OCÉANE bonds are redeemable at par on May 15, 2027. The effective annual interest rate on the liability component of the OCÉANE bonds is 1.63% including issuance fees (see Note 23.d, “Convertible bond issues”).
 - Tap issue of bonds convertible and/or exchangeable for new and/or existing shares (“OCÉANE” bonds) on October 12, 2020 for a nominal amount of €200 million. These OCÉANE bonds bear interest at 0.875% and were offered at an issue price representing 109.03% of par, or a gross negative yield to maturity of 0.419%. These bonds carry the same terms and conditions as those issued on May 15, 2020, with which they are fully fungible and with which they form a single series. The effective annual interest rate on the liability component of the OCÉANE bonds issued on October 12, 2020 is 1.154% including issuance fees (see Note 23.d, “Convertible bond issues”).
 - Negotiable European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €425 million at December 31, 2020. The average interest rate payable by Safran on this commercial paper was 0.93% at December 31, 2020. The sums managed by the corporate mutual fund and reinvested in Safran NEU CP are frozen for an initial period of five years. In view of the fund’s commitments, this NEU CP is classified within long-term borrowings. At December 31, 2020, 78% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 78% of the €425 million in NEU CP is classified within the current portion of long-term borrowings.
 - Lease liabilities recognized in accordance with IFRS 16 (including former finance lease liabilities) totaling €608 million at December 31, 2020.
- The Group’s other long- and medium-term borrowings are not material taken individually.
- In 2020, the following borrowings were repaid at maturity:
- Two-year floating-rate bonds issued on July 13, 2018 at 3-month Euribor +33 basis points (coupon floored at 0%) for €500 million, redeemed on July 13, 2020.
 - European Investment Bank (EIB) floating-rate loan, bearing interest at 3-month Euribor +73.4 basis points and maturing in December 2020, repaid on December 17, 2020.
 - Seven-year, 3.605% fixed-rate *Schuldschein* loan for €99 million set up on July 25, 2013, repaid on July 27, 2020.

Main short-term borrowings

- Negotiable European Commercial Paper (NEU CP): €1,322 million (€1,772 million at December 31, 2019). This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.
- Financial current accounts with non-consolidated subsidiaries and joint ventures: €180 million (€263 million at December 31, 2019). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

Sale of receivables without recourse

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

- The confirmed facility renewed in December 2020 and maturing in December 2022 for USD 1,430 million, contracted with a syndicate of seven banks led by Crédit Agricole CIB, increased to USD 1,780 million at end-January 2021 with a syndicate of eight banks, and set to be reduced to USD 625 million in December 2021, had been drawn in an amount of USD 546 million at December 31, 2020 (USD 273 million based on a 50% interest) versus USD 1,423 million (USD 712 million based on a 50% interest) at December 31, 2019.
- The confirmed facility set up in June 2020 for USD 360 million, increased to USD 510 million in July 2020, and renewed at end-December 2020 and maturing in June 2021 for USD 180 million, contracted with a syndicate of three banks led by Crédit Agricole CIB, had been drawn in an amount of USD 167 million (USD 83.5 million based on a 50% interest) at December 31, 2020.

NOTE 28 TRADE AND OTHER PAYABLES

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

Trade and other payables fall due as shown below:

| <i>(in € millions)</i> | Total | Less than 12 months | More than 12 months |
|------------------------|--------------|---------------------|---------------------|
| Operating payables | 3,861 | 3,781 | 80 |
| Other liabilities | 492 | 466 | 26 |
| TOTAL | 4,353 | 4,247 | 106 |

NOTE 29 OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

| <i>(in € millions)</i> | Dec. 31, 2019 | Movements during the period | Changes in scope of consolidation | Foreign exchange differences | Reclassifications | Dec. 31, 2020 |
|--|---------------|-----------------------------|-----------------------------------|------------------------------|-------------------|---------------|
| Payables on purchases of property, plant and equipment and intangible assets | 108 | (48) | - | - | 1 | 61 |
| Payables on purchases of investments | 9 | (8) | - | - | (1) | - |
| TOTAL | 117 | (56) | - | - | - | 61 |
| Non-current | 2 | | | | | 2 |
| Current | 115 | | | | | 59 |

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

NOTE 30 SUMMARY OF FINANCIAL LIABILITIES

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

At December 31, 2019

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

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

At December 31, 2020

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

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

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

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

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

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

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

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

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

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

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

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

Offsetting of financial liabilities and financial assets

At December 31, 2019

| (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) | 1,038 | - | 1,038 | 614 | 424 |

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

At December 31, 2020

| (in € millions) | Gross carrying amount (a) | Amount offset (b) | Net amount on the balance sheet ⁽¹⁾ (c) | Amount subject to offset agreement but not offset (d) | Net (c) - (d) |
|-----------------------------------|------------------------------|----------------------|--|---|------------------|
| Derivatives (negative fair value) | 1,262 | - | 1,262 | 502 | 760 |

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

The tables above show the financial liabilities for which an offsetting agreement exists with respect to financial assets.

The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2020 or December 31, 2019, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank

counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offsetting agreement but not offset comprise a portion of the Group's derivatives with a positive fair value, since amounts can only be offset if they relate to the same counterparty.

NOTE 31 MANAGEMENT OF MARKET RISKS AND DERIVATIVES

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

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

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

Foreign currency risk management

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

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

Hedging policy

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

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

Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

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

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

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

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

Management policy

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

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

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

| (in € millions) | Dec. 31, 2019 | | | | | Dec. 31, 2020 | | | | |
|--------------------------------|---------------|-----------------------|------------------|--------------|-------------------|---------------|-----------------------|------------------|--------------|-------------------|
| | Fair value | Notional amount (USD) | Less than 1 year | 1 to 5 years | More than 5 years | Fair value | Notional amount (USD) | Less than 1 year | 1 to 5 years | More than 5 years |
| USD interest rate swaps | | | | | | | | | | |
| Fixed-for-floating | 19 | 1,670 | 625 | 1,045 | - | 39 | 1,620 | 575 | 1,045 | - |
| Floating-for-fixed | (5) | 2,295 | 1,250 | 1,045 | - | (18) | 2,509 | 1,150 | 1,045 | 314 |
| TOTAL | 14 | | | | | 21 | | | | |

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

| (in € millions) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---------------|---------------|
| Change in fair value of hedging instrument | 26 | 20 |
| Change in fair value of hedged item | (26) | (20) |
| IMPACT OF FAIR VALUE USD INTEREST RATE HEDGES ON FINANCIAL INCOME (LOSS) | - | - |

Exposure to USD interest rate risk before and after hedging:

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

(1) Notional amount.

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

(1) Notional amount.

Sensitivity to interest rate risk

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

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

Counterparty risk management

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers;
- undrawn lines of credit.

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

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

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

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

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

Liquidity risk management

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

At December 31, 2020, the Group had a confirmed, undrawn €2,520 million liquidity line. This line was set up in December 2015 and had an original maturity of December 2020, with two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

On April 22, 2020, the Group set up an additional confirmed liquidity line for an initial amount of €3,000 million, which remained undrawn at December 31, 2020. The amount of this line was reduced following the OCÉANE bond issue on May 15, 2020, the issue of senior unsecured notes on the US private placement market (USPP) on June 29, 2020, and the OCÉANE tap issue carried out on October 12, 2020 (see Note 27, "Interest-bearing financial liabilities" for further details). At December 31, 2020, the facility represented €1,425 million. It is not subject to any financial covenants.

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

The following annual covenant applies to the euro private placement ("Euro PP") in the form of a syndicated loan, set up by the former Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years (see Note 27, "Interest-bearing financial liabilities"): net debt to EBITDA ratio of 3.5 or less. The Group complied with this covenant at December 31, 2020.

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

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

NOTE 32 INTERESTS IN JOINT OPERATIONS

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

- CFM International Inc. and CFM International SA: coordination of the CFM56 and LEAP engine programs with General Electric and program marketing;
- Famat: manufacture of large casings subcontracted by Safran Aircraft Engines and General Electric;
- Matis: manufacture of aircraft wiring;
- CFAN: production of composite fan blades for turbo engines;
- Propulsion Technologies International: engine repair and maintenance.

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

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

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

NOTE 33 RELATED PARTIES

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

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

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

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

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

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

(1) See Note 34.a, "Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities".

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

The following transactions were carried out with joint ventures:

| (in € millions) | 2019 | 2020 |
|--|-------|------|
| Sales to joint ventures ⁽¹⁾ | 380 | 104 |
| Purchases from joint ventures | (101) | (62) |

(1) Mainly with Shannon Engine Support Limited.

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

| (in € millions) | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Commitments given to joint ventures ⁽¹⁾ | 367 | 252 |

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

Management compensation

Management executives comprise the members of the Board of Directors (17 members in 2019 and 18 in 2020), the Chief Executive Officer, and any persons discharging managerial responsibilities considered as having the power to take management decisions with regard to Safran's strategy

and future development, and/or with regular access to inside information concerning Safran (i.e., four directors in 2019 and 2020).

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

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

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

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

NOTE 34 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

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:

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

Guarantees given in connection with the performance of operating agreements

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

Guarantees granted to Airbus are shown within "Guarantees granted to related parties" in Note 33, "Related parties".

Lease commitments

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

Financial guarantees granted on the sale of Group products

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

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 11 million at December 31, 2020 (USD 26 million at December 31, 2019), or €9 million (€23 million at December 31, 2019). However, these amounts do not reflect the actual risk to which Safran is exposed. In view of the value of the underlying assets pledged as security, the net exposure

represents USD 2 million at December 31, 2020 (USD 4 million at December 31, 2019), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 24, "Provisions").

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

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs (see Note 3.b, "Provisions", and Note 24, "Provisions"). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized beyond contractual liability limits, if any.

In the absence of an agreement between the parties, some of these claims may give rise to litigation, the most significant of which are indicated in Note 35, "Disputes and litigation".

Commitments received

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

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Commitments received from banks on behalf of suppliers | 9 | 8 |
| Completion warranties | 10 | 8 |
| Endorsements and guarantees received | 1 | 2 |
| Other commitments received | 85 | 44 |
| TOTAL | 105 | 62 |

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

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Vendor warranties given ⁽¹⁾ | 331 | 277 |

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

Vendor warranties received

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|----------------------------|---------------|---------------|
| Vendor warranties received | - | - |

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

In connection with the sale of the identity and security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at December 31, 2020, as well as a specific indemnity capped at BRL 200 million (€31 million at December 31, 2020) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

In connection with the sale of the detection businesses on April 7, 2017, Safran granted Smiths Group PLC a vendor warranty valued at USD 73 million (€60 million at December 31, 2020).

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

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

Commitments received in respect of financing relate to:

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

NOTE 35 DISPUTES AND LITIGATION

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

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

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

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

The most important proceedings are described below.

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

- On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings claiming damages against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action. An out-of-court settlement was reached on August 24, 2020, putting an end to this dispute. Safran may be exposed to other legal action in Europe.

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

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

NOTE 36 SUBSEQUENT EVENTS

None.

NOTE 37 LIST OF CONSOLIDATED COMPANIES

| | Country | 2019 | | 2020 | |
|--|----------------|----------------------|------------|-----------------------|------------|
| | | 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, S.A. de C.V. | Mexico | FC | 100.00 | FC | 100.00 |
| Snecma Participations | France | FC | 100.00 | FC | 100.00 |
| Snecma Participations, Inc. | United States | FC | 100.00 | FC | 100.00 |
| Safran Aircraft Engine Services Brussels | Belgium | FC | 100.00 | FC | 100.00 |
| Safran Aircraft Engines Suzhou Co, Ltd | China | FC | 100.00 | FC | 100.00 |
| Safran Aircraft Engines Guiyang | China | FC | 100.00 | FC | 100.00 |
| Propulsion Technologies International, LLC | United States | JO | 50.00 | JO | 50.00 |
| Safran Aero Boosters | Belgium | FC | 67.19 | FC | 67.19 |
| Safran Test Cells, Inc. | United States | FC | 67.19 | FC | 67.19 |
| Safran Aero Boosters Programs, LLC | United States | FC | 67.19 | FC | 67.19 |
| Safran Aero Boosters, Inc. | United States | FC | 67.19 | FC | 67.19 |
| Safran Helicopter Engines | France | FC | 100.00 | FC | 100.00 |
| Safran Power Units | France | FC | 100.00 | FC | 100.00 |
| Safran Power Units San Diego, LLC | United States | FC | 100.00 | FC | 100.00 |
| Safran Power Units USA | United States | FC | 100.00 | FC | 100.00 |
| Initium Aerospace, LLC | United States | EQ | 50.00 | EQ | 50.00 |
| Safran Helicopter Engines Asia Pte. Ltd. | Singapore | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines Australia Pty Ltd | Australia | FC | 100.00 | FC | 100.00 |
| Safran Moteurs d'Hélicoptères Canada Inc. | Canada | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines Brasil Industria e Comercio do Brasil Ltda | Brazil | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines Germany GmbH | Germany | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines Tianjin Co. Ltd | China | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines UK Limited | United Kingdom | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines USA, Inc. | United States | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines Mexico | Mexico | FC | 100.00 | FC | 100.00 |
| Safran Helicopter Engines South Africa | South Africa | FC | 100.00 | FC | 100.00 |
| Roxel France | France | EQ | 50.00 | EQ | 50.00 |
| Roxel Limited | United Kingdom | EQ | 50.00 | EQ | 50.00 |
| Roxel | France | EQ | 50.00 | EQ | 50.00 |
| Safran Transmission Systems | France | FC | 100.00 | FC | 100.00 |
| Safran Transmission Systems Poland S.p. Z.o.o. | Poland | FC | 100.00 | FC | 100.00 |
| ArianeGroup Holding | France | EQ | 50.00 | EQ | 50.00 |

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

| | Country | 2019 | | 2020 | |
|---|----------------------|----------------------|------------|----------------------|------------|
| | | Consolidation method | % interest | Consolidation method | % interest |
| Safran Electronics & Defense | France | FC | 100.00 | FC | 100.00 |
| Optics 1, Inc. | United States | FC | 100.00 | FC | 100.00 |
| Safran Electronics & Defense Services Asia Pte Ltd | Singapore | FC | 60.00 | FC | 60.00 |
| Safran Electronics & Defense Canada Inc. | Canada | FC | 100.00 | FC | 100.00 |
| Safran Electronics & Defense Avionics USA, LLC | United States | FC | 100.00 | FC | 100.00 |
| Safran Electronics & Defense Germany GmbH | Germany | FC | 100.00 | FC | 100.00 |
| Lynred | France | EQ | 50.00 | EQ | 50.00 |
| Safran Electronics & Defense Morocco ⁽²⁾ | Morocco | - | - | FC | 100.00 |
| Safran Electronics & Defense Services Mexico ⁽²⁾ | Mexico | - | - | FC | 100.00 |
| Safran Electronics & Defense Cockpit Solution | France | FC | 100.00 | FC | 100.00 |
| Safran Vectronix AG | Switzerland | FC | 100.00 | FC | 100.00 |
| Sagem USA, Inc. | United States | FC | 100.00 | FC | 100.00 |
| Fadec International, LLC | United States | EQ | 50.00 | EQ | 50.00 |
| Safran Reosc | France | FC | 100.00 | FC | 100.00 |
| Safran Colibrys SA | Switzerland | FC | 100.00 | FC | 100.00 |
| Safran Electronics & Defense Actuation | France | FC | 100.00 | FC | 100.00 |
| Pioneer Aerospace Corporation | United States | FC | 100.00 | FC | 100.00 |
| Safran Data Systems Investment | France | FC | 100.00 | FC | 100.00 |
| Safran Data Systems Inc. | United States | FC | 100.00 | FC | 100.00 |
| Safran Data Systems GmbH | Germany | FC | 100.00 | FC | 100.00 |
| Safran Data Systems | France | FC | 100.00 | FC | 100.00 |
| IDD Aerospace Corp. | United States | FC | 100.00 | FC | 100.00 |
| Safran Aerotechnics | France | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Hydraulics | France | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Fluid | France | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Morocco | Morocco | FC | 100.00 | FC | 100.00 |
| Pacific Precision Products Mfg. ⁽³⁾ | United States | FC | 100.00 | - | - |
| Avox Systems Inc. | United States | FC | 100.00 | FC | 100.00 |
| Air Cruisers Company, LLC | United States | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems | France | FC | 100.00 | FC | 100.00 |
| Engineered Arresting Systems Corporation | United States | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Mexico | Mexico | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Ducts | France | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Services Americas LLC | United States | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Services Asia | Singapore | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Services UK Ltd | United Kingdom | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Services | France | FC | 100.00 | FC | 100.00 |
| Safran Aerosystems Services Middel East DWC - LLC | United Arab Emirates | FC | 100.00 | FC | 100.00 |
| IN-Services Asia Limited | Hong Kong | FC | 100.00 | FC | 100.00 |

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

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

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

(2) Consolidated in 2020.

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

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.

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

Statutory audit fees

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

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

Fees for other services

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

3.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

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, 2020.

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 at December 31, 2020 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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors for the period from January 1, 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 1 to the consolidated financial statements, "Impacts of the Covid-19 pandemic", which sets out the main impacts of the pandemic for the Group.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and

audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. 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 2.g, 3.a and 7 to the consolidated financial statements

Risk identified

The Group has entered into support-by-the-hour engine base maintenance contracts with certain customers spanning several years.

As described in Notes 2.g and 3.a to the consolidated financial statements, revenue on these contracts is recognized over time, based on the costs incurred to date as a percentage of the total estimated costs. A provision is set aside for any losses 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 (Aerospace Propulsion segment), which accounts for the most significant support-per-flight-hour contracts, we:

- familiarized ourselves with the procedures for forecasting contract revenue and contract costs on completion;
- tested the key controls relating to costs incurred on contracts;
- examined the consistency of the technical and economic models used to assess the in-flight behavior of the engine and determine the engine servicing schedule, based on historical data;
- for each major contract, met with the management controllers responsible for monitoring the contract business plans, and assessed, particularly in the context of the Covid-19 crisis, 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;
- tested, on a sample basis, the existence of the 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 revenue with the applicable accounting standards.

Contract liabilities: performance warranties and provisions for sales contracts

Notes 2.s, 3.a, 3.b and 24 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, in particular in the Safran Aircraft Engines subsidiary (Aerospace Propulsion segment):

- 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 and 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 are calculated by management 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 judgment required of management in calculating these provisions.

How our audit addressed this risk

We obtained an understanding of the procedures implemented by management to identify and list all risks relating to contractual commitments in the Safran Aircraft Engines subsidiary.

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 the managers of the main programs to assess the exhaustiveness of the provisions recognized in light of the known quality risks; and
- for material risks, examining with management the main causes and planned corrections for the technical issues identified;
- familiarizing ourselves with 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;
- assessing 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 2.f, 2.w and 31 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 7.5 billion for 2020. 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 target 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, each with or without knock-out barriers). Options are used to improve the 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 €694 million in assets and €1,244 million in liabilities at December 31, 2020. 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 2020, the amount recorded in financial income (loss) represented a negative €191 million.

We deemed the measurement and completeness 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 the Group's forex strategy and assessed whether the information given in this regard in Note 31 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 respect of foreign currency derivatives, our procedures consisted in:

- verifying the reconciliation performed by the Group between the derivatives portfolio and information received from bank counterparties, in order to ensure that all transactions were documented;
- verifying that there was no material discrepancy between the value of the derivatives estimated by the Group and the values sent by the bank counterparties;
- carrying out a counter-valuation of a representative sample of the derivatives portfolio;
- verifying the disclosures provided in the notes to the consolidated financial statements and reviewing the Group's financial communications regarding foreign currency transactions.

Impairment testing of intangible assets (goodwill and programs) and material investments in equity-accounted companies

Notes 2.c, 2.j, 2.m, 3.a, 12, 13 and 16 to the consolidated financial statements

Risk identified

In the context of its creation and development, the Group has carried out acquisitions, including of interests in companies then accounted for by the equity method, 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 2.j 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. Material investments in equity-accounted companies are also tested for impairment if an indication of impairment is identified. 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, 2020, the carrying amount of goodwill was €5,060 million, while total other intangible assets represented €8,676 million, including €703 million relating to aerospace programs and €3,946 million relating to capitalized development costs.

At December 31, 2020, investments in equity-accounted companies totaled €2,126 million.

We deemed impairment testing of intangible assets and material investments in equity-accounted companies to be a key audit matter given their material balances 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), each program and each material investment in an equity-accounted company with the net assets recognized in the balance sheet;
- analyzing, in the specific context of the Covid-19 crisis, 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 with information and forecasts provided by the main contractors and significant stakeholders and management's long-term market analyses,
 - the growth rate assumptions 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, with the support of a valuation expert who assisted our audit team;
- comparing the analyses performed by management to ascertain the sensitivity of value in use to reasonably possible changes, in the specific context of the Covid-19 crisis, 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 2.c, 2.j, 2.m, 3.a, 12, 13 and 16 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.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the consolidated financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the single European electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018.

Regarding the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

It is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Safran SA by the Annual General Meetings held on May 28, 2008 for Mazars and on May 27, 2010 for ERNST & YOUNG et Autres.

At December 31, 2020, Mazars and ERNST & YOUNG et Autres were in the thirteenth and the eleventh consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to 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 of 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 taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;
- obtain an understanding of the internal control procedures 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain 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 Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

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 any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit 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, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Paris-La Défense and Courbevoie, March 26, 2021

The Statutory Auditors

ERNST & YOUNG et Autres

Jean-Roch Varon

Philippe Berteaux

MAZARS

Gaël Lamant

Jérôme de Pastors

3.3 PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2020

Parent company income statement at December 31, 2020

| <i>(in € millions)</i> | Note | 2019 | 2020 |
|---|------------|--------------|--------------|
| OPERATING INCOME | | | |
| Revenue | 4.1 | 723 | 541 |
| Operating expense transfers | 4.2 | 31 | (7) |
| Reversal of depreciation, amortization and provisions | | 35 | 105 |
| Other income | | 88 | 88 |
| Operating income (1) | | 877 | 727 |
| OPERATING EXPENSES | | | |
| Cost of goods sold in the year: | | | |
| ■ Raw materials | | - | - |
| ■ Sub-contracting purchases | | (17) | (6) |
| ■ Purchases not held in inventory and supplies | | (20) | (28) |
| ■ External service expenses | | (414) | (330) |
| Taxes and duties other than income tax | | (24) | (15) |
| Payroll costs: | | | |
| ■ Wages and salaries | | (160) | (139) |
| ■ Social security contributions | | (138) | (76) |
| Charges to depreciation, amortization, provisions and impairment: | | | |
| ■ Charges to depreciation, amortization and impairment of non-current assets | | (39) | (36) |
| Charges to provisions for contingencies and losses | | (119) | (26) |
| Other expenses | | (13) | (150) |
| Operating expenses (2) | | (944) | (806) |
| Loss from operations (1)-(2) | | (67) | (79) |
| Financial income | | 1,347 | 1,760 |
| Financial expenses | | (72) | (89) |
| Financial income | 4.3 | 1,275 | 1,671 |
| Profit from ordinary activities before tax | | 1,208 | 1,592 |
| Non-recurring income | | 110 | 172 |
| Non-recurring expenses | | (40) | (186) |
| Non-recurring income (expense) | 4.4 | 70 | (14) |
| Income tax benefit | 4.5 | 1 | 59 |
| Movements in provisions set aside to cover income taxes of loss-making subsidiaries | 4.5 | 18 | 10 |
| PROFIT FOR THE PERIOD | | 1,297 | 1,647 |

Parent company balance sheet at December 31, 2020

Assets

| (in € millions) | Note | Dec. 31, 2019 | Dec. 31, 2020 | | |
|--------------------------------------|------------|---------------|-----------------------|---|---------------|
| | | | Gross carrying amount | Depreciation, amortization and impairment | Net |
| Intangible assets | 3.1 | 33 | 173 | 152 | 21 |
| ■ Other intangible assets | | 33 | 173 | 152 | 21 |
| Property, plant and equipment | 3.1 | 113 | 252 | 149 | 103 |
| Financial assets | 3.1 | 18,210 | 18,298 | 123 | 18,175 |
| ■ Equity investments | | 17,946 | 17,987 | 46 | 17,941 |
| ■ Other financial assets | | 264 | 311 | 77 | 234 |
| Total non-current assets | | 18,356 | 18,723 | 424 | 18,299 |
| Payments on account | 3.2 | 1 | 1 | - | 1 |
| Trade receivables | 3.2 | 162 | 74 | - | 74 |
| Other receivables | 3.2 | 460 | 402 | 1 | 401 |
| Group current accounts | 3.2 | 3,384 | 3,564 | 12 | 3,552 |
| Marketable securities | 3.3 | 1,768 | 1,693 | - | 1,693 |
| Cash at bank and in hand | 3.3 | 800 | 1,795 | - | 1,795 |
| Prepayments | 3.5 | 27 | 17 | - | 17 |
| Total current assets | | 6,602 | 7,546 | 13 | 7,533 |
| Unrealized foreign exchange losses | 3.6 | 264 | 358 | - | 358 |
| TOTAL ASSETS | | 25,222 | 26,627 | 437 | 26,190 |

Equity and liabilities

| (in € millions) | Note | Dec. 31, 2019 | Dec. 31, 2020 |
|--|------------|---------------|---------------|
| Share capital | 3.8 | 85 | 85 |
| Other equity | 3.8 | 8,660 | 9,957 |
| Tax-driven provisions | 3.8 | 20 | 21 |
| Profit for the period | 3.8 | 1,297 | 1,647 |
| Total equity | | 10,062 | 11,710 |
| Provisions for contingencies and losses | 3.9 | 627 | 544 |
| Bond issue | 3.10 | 1,900 | 2,400 |
| USD senior unsecured notes issue | 3.10 | 930 | 1,393 |
| Other loans and borrowings | 3.10 | 2,842 | 1,945 |
| Group current accounts | 3.10 | 7,877 | 7,211 |
| Advances and downpayments received | 3.10 | 7 | 14 |
| Trade payables | 3.10 | 203 | 146 |
| Other liabilities | 3.10 | 595 | 514 |
| Deferred income | 3.11 | 2 | 18 |
| Financial liabilities, operating payables and miscellaneous liabilities | | 14,356 | 13,641 |
| Unrealized foreign exchange gains | 3.12 | 177 | 295 |
| TOTAL EQUITY AND LIABILITIES | | 25,222 | 26,190 |

Parent company statement of cash flows

| <i>(in € millions)</i> | 2019 | 2020 |
|--|------------------|--------------|
| I. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit for the period | 1,297 | 1,647 |
| Non-cash income and expenses | | |
| Depreciation, amortization, impairment and provisions | 86 | (49) |
| Capital gains and losses on asset disposals | (59) | 1 |
| Cash flow from operations, before change in working capital | 1,324 | 1,600 |
| Net change in current accounts ⁽¹⁾ | 574 | (828) |
| Net change in other receivables and payables | (196) | 65 |
| Changes in working capital | 378 | (763) |
| | TOTAL I | 1,702 |
| | | 837 |
| II. CASH FLOW FROM (USED IN) INVESTING ACTIVITIES | | |
| Payments for purchases of intangible assets and property, plant and equipment, net of proceeds | 16 | (15) |
| Payments for purchases of equity investments and other financial assets, net of proceeds | (972) | 65 |
| | TOTAL II | (956) |
| | | 50 |
| III. CASH FLOW FROM (USED IN) FINANCING ACTIVITIES | | |
| Dividends paid to shareholders | (785) | - |
| Increase in borrowings | - | 542 |
| Repayment of borrowings and long-term debt | (223) | (136) |
| New bond issue | - | 1,000 |
| Bond redemption | (500) | (500) |
| Change in long-term borrowings ⁽²⁾ | 18 | (79) |
| Change in short-term borrowings | 1,169 | (761) |
| Change in share capital | 2 | 0 |
| | TOTAL III | (319) |
| | | 66 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | I+II+III | 427 |
| | | 952 |
| Cash and cash equivalents at beginning of period | 2,141 | 2,568 |
| Reclassification of Oddo liquidity agreement to financial assets | - | (33) |
| Cash and cash equivalents at end of period | 2,568 | 3,488 |
| Net increase in cash and cash equivalents | 427 | 952 |

(1) Classified in operating items in view of the nature of the Company's operations.

(2) Impact resulting from the translation into euros of USD senior unsecured notes at the closing exchange rate.



FINANCIAL STATEMENTS

Parent company financial statements at December 31, 2020

Notes to the parent company financial statements

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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 2020 financial year spans 12 months.

Safran may also be referred to as “the Company” in these notes.

The total balance sheet at December 31, 2020 prior to the appropriation of profit represents €26,189,851,792.

Accounting profit for 2020 represents €1,647,405,156.

NOTE 1 ACTIVITY OF THE COMPANY AND 2020 HIGHLIGHTS

3

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 2020 highlights

The Covid-19 health crisis had a severe impact on global air traffic and the aerospace industry.

Going concern and liquidity

At December 31, 2020, the Company's cash and cash equivalents amounted to €3,488 million.

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

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

Safran has a €2,520 million revolving credit facility, available until December 2022. This facility primarily serves as a back-up for the NEU CP program, in the event that the commercial

paper market dysfunctions. The maximum amount available under the NEU CP program is €3,000 million.

On April 22, 2020, Safran set up a €3,000 million bridge facility with a syndicate of French and international banks aimed at maintaining the Group's flexibility.

- On May 15, 2020, Safran refinanced €800 million by issuing seven-year bonds convertible and/or exchangeable for new and/or existing shares (“OCÉANE” bonds) paying an annual coupon of 0.875%, with a conversion premium of 40%.
- On June 29, 2020, Safran also issued €564 million in senior unsecured notes on the US private placement market (USPP).
- On October 12, 2020, Safran carried out a €200 million tap issue of OCÉANE bonds maturing on May 15, 2027 and with an issue premium of €18 million.

Following these refinancing operations, the bridge facility was reduced to €1,425 million, none of which had been utilized at December 31, 2020.

Based on the above, Safran has sufficient liquidity to fund the Group's operations.

Adaptation plan

In light of the crisis, the Company's objective was to reduce costs.

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

Public grants for the various furlough and short-time working schemes were recognized as a deduction from personnel costs.

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

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

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

The measures of the agreement include:

- encouraging voluntary early retirement;
- promoting internal and external mobility, based in particular on secondment arrangements and special leave;
- capping optional employee profit-sharing for 2020 and 2021;
- suspending the Company top-up contribution to invested employee savings in 2021;
- suspending supplementary retirement contributions for engineers and managerial-grade employees (*cadres*) in 2021;
- making use of training and other new schemes made available to businesses.

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

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

In 2020, the costs relating to voluntary early retirement and external mobility measures were recognized in an amount of €0.5 million. Provisions were set aside for separations in 2021 in an amount of €3.5 million and are included in "Provisions for contingencies and losses".

Description of the impacts of Covid-19

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

The definition of non-recurring items remains unchanged from previous reporting periods.

Dividend distribution

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

Long-term incentive plans

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

The vesting of these performance shares is subject to the achievement of internal and external performance conditions, which are assessed over three full consecutive fiscal years, including the year in which the performance shares are granted. In addition, the shares will only vest if the beneficiaries still form part of the Company at the vesting date.

In connection with the Covid-19 pandemic, Safran revised the assumptions regarding the achievement of internal performance conditions, giving rise to a decrease in the estimated amount of likely awards.

Safran Sharing 2020

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

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

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

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

Subscribers to the plan will be required to hold the shares or units until June 4, 2025, except if an early release event occurs. The purchase price was set at €60.98 on May 5, 2020 and reflects the reference price (volume-weighted average price of Safran shares on the Euronext Paris market during the 20 trading days preceding the date on which the purchase price was set), less a discount of 20%.

At the end of the revocation period (May 7-12, 2020), as subscriptions to the offer exceeded the maximum limit, the quantities were capped. A total of 1,799,992 shares were purchased. The offer closed on June 4, 2020 and was subscribed by 34,928 employees in 16 countries.

The offer was covered by shares held in treasury acquired at an average price of €133. Accordingly, Safran recognized a €135 million loss on disposal of marketable securities in non-recurring items.

Safran rebilled the costs of this operation to the various Group companies for their respective share.

NOTE 2 ACCOUNTING POLICIES

2.1 Accounting rules and methods

Standards applied

The parent company financial statements for the year ended December 31, 2020 have been prepared in accordance with the rules and regulations applicable in France as set out in the French General Chart of Accounts (*Plan comptable général*) and defined in Regulation 2014-03 issued by the French accounting standards-setter (*Autorité des normes comptables* - ANC) (consolidated version of January 1, 2020).

The Company has applied the ANC's recommendations on the manner in which issuers should account for the impacts of Covid-19 in the financial statements.

The financial statements have been prepared on a going concern basis using the accruals basis of accounting and consistent 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 value of the Company.

Unless otherwise stated, accounting items are carried at historical cost.

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.

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 recognized when the carrying amount (average share price for the month preceding the period-end) is lower than the purchase 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;
- shares acquired with a view to their subsequent cancellation are not impaired.

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.

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 is 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.

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.

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 mainly concern the expense relating to the refund of tax savings made on loss-making subsidiaries, and employee benefit obligations.

Employee benefit obligations

The Company has various obligations under defined benefit plans for which it sets aside provisions. The most important of these obligations are described below:

- the Company's obligations for end-of-career bonuses payable pursuant to the metallurgy industry collective bargaining agreement or company agreements;

- a defined benefit supplementary pension plan that was closed to new entrants on December 31, 2017 and under which all conditional entitlements were frozen as of December 31, 2016;
- the beneficiaries of this closed plan are Group executive managers with five years' service at December 31, 2017.

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 presented 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.

In addition, employees are eligible for defined contribution pension plans, including:

- statutory pension plans;
- complementary pension plans;
- supplementary "Article 83" pension plans (for engineers and managers) and additional "Article 83" and "Article 82" plans for executive managers).

The expense for the year corresponding to the Company's contributions is presented in the income statement.

2.10 Financial instruments

Foreign currency hedges

To protect its earnings, the Safran implements a hedging policy with the aim of reducing uncertainty factors affecting the Group's 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 all Safran subsidiaries to meet their operating profit targets. Hedging arrangements have been made accordingly over a timeframe of three to four years.

Management policy

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

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

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

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. 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

In particular, non-recurring items include capital gains and losses arising on the sale of non-current assets, including treasury shares.

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 2020, the tax consolidation group included the following companies:

- Safran (head of the tax group)
- Établissements Vallaroche
- Galli Participations
- Lexvall 22
- Lexvall 24
- Lexvall 25
- Safran Additive Manufacturing Campus
- Safran Aero Composite
- Safran Aerosystems
- Safran Aerosystems Ducts
- Safran Aerosystems Fluid
- Safran Aerosystems Hydraulics
- Safran Aerosystems Services Europe
- Safran Aerotechnics
- Safran Aircraft Engines
- Safran Cabin France
- Safran Ceramics
- Safran Corporate Ventures
- Safran Data Systems;
- Safran Data Systems Investment
- Safran Electrical & Power

- Safran Electrical Components
- Safran Electronics & Defense
- Safran Electronics & Defense Actuation
- Safran Electronics & Defense Cockpit Solutions
- Safran Engineering Services
- Safran Filtration Systems
- Safran Helicopter Engines
- Safran International Resources
- Safran Landing Systems
- Safran Landing Systems Services Dinard
- Safran Nacelles
- Safran Power Units
- Safran Reosc
- Safran Seats
- Safran Transmission Systems
- 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, 2019 | Acquisitions, contributions, creations, increases | Reclassifications | Sales, spin-offs, decreases | Dec. 31, 2020 |
|---|---------------|---|-------------------|--------------------------------|---------------|
| Concessions, patents, licenses, software and similar rights | 159 | 1 | 12 | (1) | 171 |
| Intangible assets in progress | 12 | 2 | (12) | - | 2 |
| Intangible assets | 171 | 3 | - | (1) | 173 |
| Land | 5 | - | - | - | 5 |
| Buildings | 110 | 1 | 1 | - | 112 |
| Installations, equipment and tools | 38 | 1 | 12 | - | 51 |
| Other property, plant and equipment | 73 | 5 | 3 | (5) | 76 |
| Property, plant and equipment in progress | 18 | 6 | (16) | - | 8 |
| Payments on account | 1 | - | - | (1) | - |
| Property, plant and equipment | 245 | 13 | - | (6) | 252 |
| Financial investments ⁽¹⁾⁽²⁾⁽³⁾ | 17,989 | - | - | (2) | 17,987 |
| Loans to equity investments ⁽⁴⁾ | 219 | 12 | - | (64) | 167 |
| Other long-term investments | 78 | - | - | - | 78 |
| Loans | 12 | - | - | (1) | 11 |
| Other financial assets ⁽⁵⁾⁽⁶⁾ | 32 | 265 | 27 | (269) | 55 |
| Financial assets | 18,330 | 277 | 27 | (336) | 18,298 |
| TOTAL NON-CURRENT ASSETS | 18,746 | 293 | 27 | (343) | 18,723 |

(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;
- the Safran/Zodiac Aerospace merger for €5,995 million.

(2) The decrease in financial investments is attributable to the disposal of Eurotradia shares for €2 million.

(3) Special Safran Electronics & Defense and Safran Electrical & Power dividends in favor of Safran SA were distributed by Galli Participations in accordance with the provisions of Article 115-2 of the French Commercial Code on January 1, 2020. This transaction did not have any impact on the overall value of the securities recorded in the balance sheet.

(4) Changes in loans to equity investments solely reflect grants and repayments of intragroup loans.

(5) Reclassifications for €27 million mainly correspond to the transfer of treasury shares at December 31, 2019 from "Marketable securities" to "Other financial assets" effective January 1, 2020.

(6) Acquisitions and disposals chiefly correspond to treasury share transactions carried out under the liquidity agreement entered into in 2012 with Oddo BHF. At December 31, 2020, 266,000 shares were held in connection with the liquidity agreement.

Depreciation and amortization

| (in € millions) | Dec. 31, 2019 | Additions | Reversals | Dec. 31, 2020 |
|---|---------------|-----------|------------|---------------|
| Concessions, patents, licenses, software and similar rights | 138 | 15 | (1) | 152 |
| TOTAL INTANGIBLE ASSETS | 138 | 15 | (1) | 152 |
| Land | 1 | - | - | 1 |
| Buildings | 60 | 7 | - | 67 |
| Installations, equipment and tools | 16 | 5 | - | 21 |
| Other property, plant and equipment | 55 | 9 | (4) | 60 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 132 | 21 | (4) | 149 |

Asset impairment

| (in € millions) | Dec. 31, 2019 | Additions | Reversals | Dec. 31, 2020 |
|--------------------------------|---------------|-----------|------------|---------------|
| Impairment of financial assets | 120 | 3 | - | 123 |
| Impairment of current assets | 18 | - | (5) | 13 |
| TOTAL | 138 | 3 | (5) | 136 |

List of subsidiaries and investments

Disclosures provided in accordance with Article R.123-197.2 of the French Commercial Code

| 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) | Holding company | 374.1 | 3,275.7 | 50.0 | 50.0 |
| ■ Établissements Vallaroche (SIREN: 542028154, Paris, France) | Holding company | 15.6 | (1.5) | 100.0 | 100.0 |
| ■ Galli Participations (SIREN: 402112403, Paris, France) | Holding company | 334.0 | 1,469.6 | 100.0 | 100.0 |
| ■ Safran Additive Manufacturing Campus (SIREN: 815255773, Paris, France) | Holding company | 10.0 | 0.0 | 100.0 | 100.0 |
| ■ Safran Aircraft Engines (SIREN: 414815217, Paris, France) | Propulsion | 154.1 | 391.0 | 97.4 | 97.4 |
| ■ Safran Ceramics (SIREN: 440513059, Le Haillan, France) | Propulsion | 0.1 | 21.5 | 100.0 | 100.0 |
| ■ Safran Electrical & Power (SIREN: 301501391, Blagnac, France) | Aircraft Equipment | 19.4 | 197.4 | 78.4 | 78.4 |
| ■ Safran Electronics & Defense (SIREN: 480107911, Boulogne-Billancourt, France) | Defense | 45.6 | 489.9 | 65.3 | 65.3 |
| ■ Safran Helicopter Engines (SIREN: 338481955, Bordes, France) | Propulsion | 38.8 | 60.3 | 100.0 | 100.0 |
| ■ Safran Landing Systems (SIREN: 712019538, Vélizy-Villacoublay, France) | Aircraft Equipment | 83.7 | 407.6 | 100.0 | 100.0 |
| ■ Safran Nacelles (SIREN: 352050512, Gonfreville-l'Orcher, France) | Aircraft Equipment | 56.7 | 42.0 | 88.5 | 88.5 |
| ■ Safran Transmission Systems (SIREN: 692015217, Colombes, France) | Aircraft Equipment | 36.8 | 16.4 | 100.0 | 100.0 |
| ■ Safran Ventilation Systems (SIREN: 710802547, Blagnac, France) | Aircraft Equipment | 1.3 | 10.6 | 100.0 | 100.0 |
| b) Foreign companies | | | | | |
| ■ Safran Aero Boosters | Propulsion | 54.9 | 654.7 | 67.2 | 67.2 |
| ■ Safran China ⁽³⁾ | Holding company | 2.6 | 2.4 | 100.0 | 100.0 |
| ■ Safran Electrical Power UK Ltd | Aircraft Equipment | 255.5 | (72.1) | 100.0 | 100.0 |
| ■ Safran Maroc ⁽³⁾ | Holding company | 1.8 | (0.4) | 100.0 | 100.0 |
| ■ Safran Serviços de Suporte de Programas Aeronauticos ⁽³⁾ | Aircraft Equipment | 0.2 | 0.0 | 100.0 | 100.0 |
| ■ Safran UK Ltd | Holding company | 18.0 | 1.1 | 100.0 | 100.0 |
| ■ Safran USA Inc. | Holding company | 0.0 ⁽²⁾ | 1,669.3 | 100.0 | 100.0 |
| 2. Investments (10%- to 50%-owned) | | | | | |
| a) French companies | | | | | |
| ■ Corse Composites Aéronautiques ⁽³⁾ | Aircraft Equipment | 1.7 | 42.0 | 24.8 | 24.8 |
| ■ FCPR Aerofund II | Investment fund | 75.0 | | 16.6 | 16.6 |
| ■ FCPR Aerofund III | Investment fund | 167.0 | | 18.0 | 18.0 |
| ■ Mobewire ⁽³⁾ | Communications | 2.0 | 1.0 | 10.6 | 0.0 |
| 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, 2020.

(2) Additional paid-in capital of US-based entities is shown under "Equity other than share capital and profit".

(3) Situation at December 31, 2019.

| Carrying amount of investments | | Outstanding loans and advances granted | Guarantees and endorsements given by the Company | 2020 revenue | 2020 profit | Dividends received by Safran in 2020 | Receivables | Payables |
|--------------------------------|---------|--|--|--------------|-------------|--------------------------------------|-------------|----------|
| Gross | Net | | | | | | | |
| 1,510.9 | 1,510.9 | | | 19.1 | (11.1) | | | 131.0 |
| 62.8 | 32.9 | | | | (2.0) | | 25.1 | |
| 1,793.1 | 1,793.1 | | 4.5 | 4.1 | 197.0 | 48.1 | 3.0 | 192.5 |
| 10.0 | 10.0 | | | | | | 3.4 | |
| 195.4 | 195.4 | | 11.1 | 6,655.4 | 555.6 | 1,063.5 | 9.0 | 2,737.1 |
| 40.3 | 40.3 | | 1.1 | 27.7 | 4.4 | 2.1 | 83.3 | 28.9 |
| 247.8 | 247.8 | | 396.9 | 631.0 | 10.2 | 48.3 | 17.9 | 15.2 |
| 595.7 | 595.7 | | 115.3 | 1,275.3 | 122.0 | 59.5 | 35.9 | 145.7 |
| 539.0 | 539.0 | | 0.3 | 1,286.1 | 132.2 | | 0.9 | 126.5 |
| 560.5 | 560.5 | | 0.2 | 1,506.7 | 127.0 | 242.0 | 259.3 | 29.8 |
| 924.2 | 924.2 | | 774.2 | 1,194.2 | 14.6 | 86.9 | 227.9 | 15.6 |
| 163.8 | 163.8 | | 98.9 | 330.8 | 64.8 | 116.8 | 3.9 | 16.0 |
| 41.2 | 41.2 | | | 79.5 | 8.9 | 15.6 | | 21.8 |
| 115.6 | 115.6 | | | 466.2 | 84.8 | | 0.5 | 906.6 |
| 2.5 | 2.5 | | | 17.2 | 0.8 | | | 0.4 |
| 275.1 | 275.1 | | 32.6 | 115.4 | (3.9) | | | 60.1 |
| 1.8 | 1.3 | | | 1.7 | 0.0 | | | 0.1 |
| 1.5 | 0.8 | | | 0.1 | 0.01 | | | |
| 40.0 | 27.3 | | | 5.8 | 8.1 | | 0.1 | 2.2 |
| 1,774.3 | 1,774.3 | | 96.5 | 20.4 | 2.3 | | | 1,131.2 |
| 1.0 | 1.0 | | | 77.4 | 2.1 | | | |
| 4.8 | 4.8 | | | | | | | |
| 17.2 | 17.2 | | | | | | | |
| 1.0 | 0.0 | | | 73.4 | 0.7 | | | |
| 0.0 | 0.0 | | | | | | | |
| 2.6 | 1.5 | | | | | | 25.7 | 1.4 |
| 0.5 | 0.5 | | | | | 3.5 | 0.6 | |
| 0.0 | 0.0 | | | | | | | |

3.2 Receivables

Receivables break down as follows at December 31, 2020:

| <i>(in € millions)</i> | Gross carrying amount at Dec. 31, 2020 | Less than 1 year | Between 1 and 5 years | More than 5 years |
|--|---|------------------|-----------------------|-------------------|
| Payments on account made on outstanding orders | 1 | 1 | - | - |
| Trade receivables | 74 | 59 | 15 | - |
| Operating receivables | 75 | 60 | 15 | - |
| Miscellaneous receivables | 402 | 399 | 3 | - |
| Group current accounts | 3,564 | 3,564 | - | - |
| Prepayments | 17 | 17 | - | - |
| Unrealized foreign exchange losses | 358 | 197 | - | 161 |
| Other receivables | 4,341 | 4,177 | 3 | 161 |
| Impairment | (13) | (13) | - | - |
| TOTAL | 4,403 | 4,224 | 18 | 161 |

3.3 Marketable securities, cash at bank and in hand

These captions break down as follows:

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Marketable securities | 1,768 | 1,693 |
| Cash at bank and in hand | 800 | 1,795 |
| MARKETABLE SECURITIES, CASH AT BANK AND IN HAND | 2,568 | 3,488 |

Marketable securities comprise:

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|------------------------|---------------|---------------|
| Treasury shares | 296 | 3 |
| Other securities | 1,472 | 1,690 |
| TOTAL | 1,768 | 1,693 |

Treasury shares

| | Dec. 31, 2019 | Purchase | Sale | Reclassifications | Dec. 31, 2020 |
|------------------------------------|---------------|----------|-------------|-------------------|---------------|
| Number of shares | 2,536,882 | 62,500 | (2,370,731) | (188,567) | 40,084 |
| Gross value <i>(in € millions)</i> | 296 | 5 | (271) | (27) | 3 |
| Impairment <i>(in € millions)</i> | - | - | - | - | - |
| Net value <i>(in € millions)</i> | 296 | - | - | - | 3 |

Acquisitions correspond to the purchase of 62,500 shares in connection with the implementation of a share buyback program in connection with employee shareholding plans.

Disposals comprise:

- the delivery of a total of 570,739 shares to cover employee shareholding plans and a multi-year variable compensation plan;
- the "Safran Sharing 2020" employee shareholding plan for 1,799,992 shares.

Reclassifications include:

- the transfer of treasury shares from marketable securities to financial assets in connection with transactions under the liquidity agreement managed by Oddo Corporate Finance on January 1, 2020, corresponding to 229,097 shares for an amount of €33 million;
- the transfer from financial assets to marketable securities of 40,530 shares held under the liquidity agreement to the Safran SA share account at BNPSS for an amount of €6 million.

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, 2019 | Dec. 31, 2020 |
|-----------------------------|---------------|---------------|
| Loans to equity investments | - | - |
| Trade receivables | 124 | 65 |
| Other receivables | 3 | 3 |
| TOTAL | 127 | 68 |

3.5 Prepayments

Prepayments amounted to €17 million at December 31, 2020 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 €358 million at December 31, 2020, and primarily result from the translation into euros of foreign currency borrowings, loans and current accounts at the 2020 year-end exchange rate.

3.7 Equity

Share capital

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

- 400,584,881 ordinary shares with a par value of €0.20;
- 26,651,058 preferred shares with a par value of €0.20.

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

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

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

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, 2019

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

(1) Exercisable voting rights.

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

December 31, 2020

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

(1) Exercisable voting rights.

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

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

The 319,284 treasury shares have no voting rights.

At December 31, 2020, the total number of shares includes 1,784 shares issued throughout the year further to the

exercise of stock subscription options resulting from employee commitments undertaken by Zodiac Aerospace, transferred to Safran following the Zodiac Aerospace merger on December 1, 2018 based on the exchange ratio used for the merger.

Changes in shareholders' equity

| (in € millions) | Dec. 31, 2019 | Appropriation of 2019 profit | Increase | Decrease | Dec. 31, 2020 |
|----------------------------------|---------------|------------------------------|--------------|------------|---------------|
| Share capital | 85 | - | - | - | 85 |
| Additional paid-in capital | 5,566 | - | - | - | 5,566 |
| Legal reserve | 9 | - | - | - | 9 |
| Tax-driven reserves | 302 | - | - | - | 302 |
| Other reserves ⁽¹⁾ | 1,421 | - | - | - | 1,421 |
| Retained earnings ⁽²⁾ | 1,362 | 1,297 | - | - | 2,659 |
| Tax-driven provisions | 20 | - | 3 | (2) | 21 |
| 2019 profit | 1,297 | (1,297) | - | - | - |
| 2020 profit | - | - | 1,647 | - | 1,647 |
| TOTAL | 10,062 | - | 1,650 | (3) | 11,710 |

(1) Including €3 million in reserves hedging treasury shares held at December 31, 2020.

(2) In light of the Covid-19 pandemic, Safran's Annual General Meeting decided not to pay a dividend in 2020 for the 2019 financial year.

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, 2019 | Additions | Reversals | | Dec. 31, 2020 |
|--|---------------|-----------|-----------|------------|---------------|
| | | | Surplus | Utilized | |
| Accelerated tax depreciation/amortization | 8 | 3 | - | (2) | 9 |
| Accelerated tax depreciation/amortization (share acquisition fees) | 12 | - | - | - | 12 |
| TOTAL TAX-DRIVEN PROVISIONS | 20 | 3 | - | (2) | 21 |

Provisions for contingencies and losses can be analyzed as follows:

| (in € millions) | Dec. 31, 2019 | Additions | Reversals | | Dec. 31, 2020 |
|---|---------------|-----------|-------------|-------------|---------------|
| | | | Surplus | Utilized | |
| Foreign exchange losses | 9 | 16 | (9) | - | 16 |
| Disputes and litigation | 13 | 6 | - | (10) | 9 |
| Contingency provisions | 22 | 22 | (9) | (10) | 25 |
| Retirement benefits and similar obligations | 25 | 8 | (2) | (5) | 26 |
| Income tax - loss-making subsidiaries, under-capitalization | 424 | 37 | - | (47) | 414 |
| Other | 156 | 12 | (62) | (27) | 79 |
| Loss provisions | 605 | 57 | (64) | (79) | 519 |
| TOTAL | 627 | 79 | (73) | (89) | 544 |
| Loss from operations | | 26 | (63) | (42) | |
| Financial income (loss) | | 16 | (9) | - | |
| Non-recurring income | | 37 | (1) | (47) | |
| TOTAL | | 79 | (73) | (89) | |

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.

Employee benefit obligations

The main assumptions used to calculate the Company's employee benefit obligations were as follows:

| | Dec. 31, 2019 | Dec. 31, 2020 |
|---|------------------------|------------------------|
| Discount rate | 0.60% | 0.50% |
| Inflation rate | 1.75% | 1.75% |
| Expected return on plan assets | 0.60% | 0.50% |
| 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/TGHF05 | INSEE 2013-2015/TGHF05 |

The table below shows movements in employee benefit obligations:

| (in € millions) | Dec. 31, 2019 | Dec. 31, 2020 | Defined benefit pension plans | Retirement termination benefits |
|--|---------------|---------------|-------------------------------|---------------------------------|
| Present value of obligation | 62 | 62 | 23 | 39 |
| Fair value of plan assets | (8) | (5) | (5) | - |
| Funding shortfall | 54 | 57 | 18 | 39 |
| ■ o/w provision | 62 | 62 | 23 | 39 |
| ■ o/w plan assets | (8) | (5) | (5) | - |
| Unrecognized actuarial gains and losses and past service costs | (39) | (32) | (16) | (16) |
| Benefit obligations covered by a provision in the balance sheet | 15 | 25 | 2 | 23 |
| Current service cost | 3 | 3 | 1 | 2 |
| Interest cost | - | - | - | - |
| Amortization of actuarial gains and losses | 4 | 4 | 3 | 1 |
| Special events | - | - | - | - |
| Expense | 7 | 7 | 4 | 3 |
| Benefits paid | (3) | (2) | - | (2) |
| PROVISION CHARGE/(REVERSAL) | 4 | 5 | 4 | 1 |

Defined benefit pension plans

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

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

Retirement termination benefits

This caption 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, 2020 | Less than 1 year | Between 1 and 5 years | More than 5 years |
|---|------------------------|------------------|-----------------------|-------------------|
| Bond issue | 2,400 | 500 | 900 | 1,000 |
| USD senior unsecured notes issue | 1,393 | - | 852 | 541 |
| Miscellaneous loans and borrowings | | | | |
| ■ Deposits and guarantees received | 2 | - | - | 2 |
| ■ Other loans and borrowings | 1,927 | 1,747 | 180 | - |
| ■ Accrued interest | 16 | 16 | - | - |
| Financial liabilities | 5,738 | 2,263 | 1,932 | 1,543 |
| Group current accounts | 7,211 | 7,211 | - | - |
| Payments on account received | 14 | 14 | - | - |
| Trade payables | 133 | 133 | - | - |
| Amounts payable on non-current assets | 13 | 6 | 7 | - |
| Other liabilities | 514 | 512 | 2 | - |
| Deferred income | 18 | 4 | 10 | 4 |
| Unrealized foreign exchange gains | 295 | 295 | - | - |
| Operating payables and miscellaneous liabilities | 8,198 | 8,175 | 19 | 4 |

Borrowings

Bond issue

- On April 11, 2014, Safran issued €200 million worth of ten-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 1.02% in 2020 after taking account of interest rate derivatives.
- On June 28, 2017, Safran issued €500 million of four-year bonds (maturing in June 2021) paying a floating-rate coupon set at 3-month Euribor +57 basis points (0% floor). The bonds were issued at 100% of par.
- On July 13, 2018, Safran issued €500 million of two-year bonds (maturing in July 2020) paying a floating-rate coupon set at 3-month Euribor +33 basis points (0% floor). These bonds were issued at 100% of par and were repaid at maturity in July 2020.

OCÉANE 2018-2023 bonds

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.

OCÉANE 2020-2027 bonds

On May 15, 2020, Safran issued bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) for a nominal amount of €800 million. The bonds bear interest at an annual rate of 0.875%, payable annually in arrears.

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

OCÉANE 2020-2027 tap issue

On October 12, 2020, Safran issued additional bonds convertible into and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) for a total nominal amount of €200 million. These new bonds carry the same terms and conditions (with the exception of the issue price) as the €800 million in bonds issued by Safran on May 15, 2020 (OCÉANE 2020-2027), with which they are fully fungible and with which they form a single series. The bonds bear interest at an annual rate of 0.875%, payable annually in arrears.

The difference between the nominal amount (€200 million) and the amount of the issue (€218 million) was recognized in deferred income, to be amortized on a straight-line basis to the bonds' maturity date of May 15, 2027.

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

USD senior unsecured notes issue (2012-2024)

On February 9, 2012, Safran issued senior unsecured notes on the US private placement market, of which USD 1.045 billion was outstanding at December 31, 2020. The issue included:

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

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

The issue's initial fixed-rate interest came out at 1.64% in 2020 after taking account of interest rate derivatives.

USD senior unsecured notes issue (2020-2032)

On June 29, 2020, Safran issued senior unsecured notes on the US private placement market (USPP) for a total amount equivalent to €564 million, comprising:

- USD 181 million due June 2030 at a 3.10% fixed-rate coupon (tranche A);
- USD 133 million due June 2032 at a 3.30% fixed-rate coupon (tranche B);
- €122 million due June 2030 at a 2.00% fixed-rate coupon (tranche C);

3.10 Accrued expenses

Accrued expenses are included in the following liability headings:

| (in € millions) | Dec. 31, 2019 | Dec. 31, 2020 |
|---------------------------------------|---------------|---------------|
| Other bond issues | 6 | 14 |
| Bank borrowings | 3 | - |
| Miscellaneous loans and borrowings | 1 | - |
| Trade payables | 127 | 113 |
| Taxes and payroll costs | 85 | 65 |
| Amounts payable on non-current assets | 6 | 4 |
| Other liabilities | 4 | 3 |
| TOTAL | 232 | 199 |

3.11 Deferred income

Deferred income amounted to €18 million at December 31, 2020, breaking down as:

- the issue premium received in respect of the Océane 2020-2027 bonds for €17 million, which is being amortized on a straight-line basis over the term of the bonds (seven years);
- an outstanding rent-free period for €1 million, which is being taken to income during 2021.

3.12 Unrealized foreign exchange gains

Unrealized foreign exchange gains amounted to €295 million at December 31, 2020.

They primarily resulted from the translation into euros of foreign currency loans and current accounts at the 2020 year-end exchange rate.

- €164 million due June 2032 at a 2.05% fixed-rate coupon (tranche D).

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

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

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

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, 2020 at an adjustable rate of 2.902%.
- On July 25, 2013, the former Zodiac Aerospace group set up a seven-year, 3.605% fixed-rate *Schuldschein* loan for €99 million. The loan was repaid at maturity in July 2020.

NOTE 4 NOTES TO THE INCOME STATEMENT

4.1 Revenue

| <i>(in € millions)</i> | 2019 | 2020 |
|---------------------------------------|------------|------------|
| General assistance | 213 | 96 |
| Administrative and financial services | 73 | 61 |
| R&T services | 209 | 156 |
| Group projects | 2 | 1 |
| IT services | 176 | 175 |
| Seconded employees | 11 | 14 |
| Real estate income | 18 | 18 |
| Other | 21 | 20 |
| TOTAL | 723 | 541 |

4.2 Expense transfers

Expense transfers during the year amounted to €7 million and mainly concerned expenses rebilled to Group subsidiaries and the reallocation of costs by nature.

4.3 Financial income and expenses

Financial income and expenses break down as follows:

| <i>(in € millions)</i> | 2019 | 2020 |
|---|--------------|--------------|
| Dividends received and other investment income | 1,208 | 1,695 |
| Interest and similar income | 68 | 50 |
| Reversals of impairment of equity investments | 12 | - |
| Other reversals of provisions for financial items | 29 | 15 |
| Foreign exchange gains | 30 | - |
| Financial income | 1,347 | 1,760 |
| Additions to impairment of equity investments | (1) | (3) |
| Other charges to provisions for financial items | (23) | (16) |
| Interest and similar expenses | (48) | (52) |
| Foreign exchange losses | - | (18) |
| Financial expenses | (72) | (89) |
| FINANCIAL INCOME | 1,275 | 1,671 |

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.

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:

| <i>(in € millions)</i> | 2019 | 2020 |
|---|-----------|-------------|
| Change in tax-driven provisions | 1 | (1) |
| Income from non-capital transactions | 2 | - |
| Income from capital transactions | 80 | 16 |
| Expenses on non-capital transactions | (4) | - |
| Expenses on capital transactions | (33) | (185) |
| Net charges to provisions and expense transfers | 24 | 156 |
| NON-RECURRING INCOME (EXPENSE) | 70 | (14) |

Non-recurring expense in 2020 mainly corresponds to costs incurred in the scope of the Safran Sharing 2020 employee shareholding plan as well as losses on disposals of treasury shares.

4.5 Statutory employee profit-sharing

No employee profit-sharing expenses were recognized in either 2020 or 2019.

4.6 Income tax benefit

2020 Group relief

The application of tax consolidation in France led to the recognition of a net tax benefit totaling €59 million in the 2020 parent company financial statements (2019: net tax benefit of €1 million).

This breaks down as:

- tax income of €126 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 €67 million resulting from the consolidated tax expense of €202 million, partially offset by €135 million in tax credits.

Other

Non-deductible expenses (Article 223 *quater* and Article 39.4 of the French Tax Code) amounted to €0.3 million in 2020 (€0.7 million in 2019) 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

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Commitments given by Safran to third parties on behalf of its subsidiaries | 3,269 | 2,997 |
| Commitments given by Safran to customs authorities on behalf of its subsidiaries | 8 | 8 |
| Vendor warranties given | 289 | 211 |
| Actuarial gains and losses | 37 | 33 |
| Other commitments given | 115 | 146 |
| TOTAL⁽¹⁾ | 3,718 | 3,395 |
| <i>(1) Of which related parties.</i> | <i>3,557</i> | <i>3,209</i> |

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.

In connection with the sale of the identity and security businesses, on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at December 31, 2020, as well as a specific indemnity capped at BRL 200 million (€31 million at December 31, 2020) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

Commitments received

| <i>(in € millions)</i> | Dec. 31, 2019 | Dec. 31, 2020 |
|----------------------------|---------------|---------------|
| Other commitments received | 65 | 65 |
| TOTAL | 65 | 65 |

Commitments received primarily relate to commitments for the financing of civil programs.

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.

| (in € millions) | Value at inception | Carrying amount at Dec.31, 2016 | Theoretical charges to depreciation | | Net |
|-----------------|--------------------|---------------------------------|-------------------------------------|------------|-----------|
| | | | Current period | Cumulative | |
| Land | 9 | 9 | - | - | 9 |
| Buildings | 97 | 94 | 3 | 24 | 70 |
| TOTAL | 106 | 103 | 3 | 24 | 79 |

| (in € millions) | Lease payments made | | Lease payments outstanding | | | Residual purchase price (as per the lease) |
|-----------------|---------------------|------------|----------------------------|-----------------------|-------------------|--|
| | Current period | Cumulative | Less than 1 year | Between 1 and 5 years | More than 5 years | |
| Land | - | - | - | - | 9 | n/s |
| Buildings | 10 | 57 | 10 | 33 | 1 | - |
| TOTAL | 10 | 57 | 10 | 33 | 10 | - |

Financial and hedging instruments

Safran holds financial instruments for the purposes of all Group companies to hedge:

- highly probable future transactions, determined on the basis of the order backlog and budget forecasts; and
- the net balance sheet position of foreign-currency denominated trade receivables and payables of subsidiaries.

In the scope of its currency risk hedging policy, Safran enters into agreements with its subsidiaries under which it commits to buying/selling their net foreign currency surpluses or requirements at a guaranteed annual exchange rate.

The portfolio of foreign currency derivatives breaks down as follows:

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

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

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

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.

Interest rate risk management

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

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

Safran arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

EUR interest rate risk management

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

These swaps had a fair value of €13 million at December 31, 2020.

USD interest rate risk management

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

These swaps had a fair value of €39 million at December 31, 2020.

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

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

These cross currency swaps had a negative fair value of €85 million at December 31, 2020.

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

These cross currency swaps had a negative fair value of €29 million at December 31, 2020.

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 1,150 million and a term of up to 12 months, and were

taken out on behalf of a joint arrangement 50%-owned by Safran. This transaction also gives rise to a floating-rate borrower/fixed-rate lender swap for a nominal amount of USD 1,150 million. These swaps are not eligible for hedge accounting. The aim of these transactions is to fix the borrowing cost applicable to the customer.

Accordingly, Safran has no exposure to interest rate risk on these swaps, as their fair values cancel each other out.

Liquidity risk management

Treasury management is centralized within Safran SA. 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 Safran has two unused, committed liquidity lines, it is relatively insensitive to liquidity risk.

At December 31, 2020, the Company had a confirmed €2,520 million liquidity line. This line was set up in December 2015 and had an original maturity of December 2020, with two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

On April 22, 2020, Safran set up an additional confirmed liquidity line for an initial amount of €3,000 million, which remained undrawn at December 31, 2020. The amount of this line was reduced following the OCÉANE bond issue on May 15, 2020, and the OCÉANE tap issue carried out on October 12, 2020. At December 31, 2020, the facility represented €1,425 million. It is not subject to any financial covenants.

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

The following annual covenant applies to the euro private placement ("Euro PP") in the form of a syndicated loan, set up by the former Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years: net debt to EBITDA ratio of 3.5 or less. The Group complied with this covenant at December 31, 2020.

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

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

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. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings claiming damages against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action. An out-of-court settlement was reached on August 24, 2020, putting an end to this dispute. Safran may be exposed to other legal action in Europe.

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.

5.3 Average number of employees

Safran's headcount can be analyzed as follows:

| | 2019 | 2020 |
|---|--------------|--------------|
| Engineers and managerial-grade staff | 1,545 | 1,532 |
| Technicians, administrative personnel and supervisors | 268 | 253 |
| TOTAL HEADCOUNT | 1,813 | 1,785 |

5.4 Management compensation

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

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

| (in € millions) | 2019 | 2020 |
|---|-------------|-------------|
| Short-term benefits | 10.9 | 10.1 |
| Post-employment benefits ⁽¹⁾ | 2.7 | 1.5 |
| Termination benefits | - | - |
| Other long-term benefits | 10.9 | 0.2 |
| TOTAL | 24.5 | 11.8 |

(1) Expense 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 €9.6 million at December 31, 2020 and €12.0 million at December 31, 2019.

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 2020 financial statements totaled €1,415,000, while fees billed for other work came to €277,000.

5.6 Subsequent events

None.

3.4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2020

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, 2020.

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 at December 31, 2020 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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors for the period from January 1, 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our

assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. 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, 2020, equity investments carried in the balance sheet represented a net amount of €17,941 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 significance of management's estimates, especially as regards the likelihood of achieving the forecasts, which is factored in to the fair value measurement.

How our audit addressed this risk

Our work involved familiarizing ourselves with 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 and approved by the Board of Directors, 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 about payment terms referred to in Article D. 441-4 of the French Commercial Code.

Information on corporate governance

We attest that the corporate governance section of the Board of Directors' management report sets out the information required by Articles L.225-37-4, L.22-10-10, and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code relating to remuneration and benefits paid or awarded to corporate officers 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 the Company from controlled companies within its scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L. 22-10-11 of the French Commercial Code relating to those items your Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements to be included in the annual financial report

- In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the single European electronic reporting format, we have verified that the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018.

- On the basis of our work, we conclude that the presentation of the financial statements to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

- It is not our responsibility to ensure that the financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

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.

At December 31, 2020, Mazars and ERNST & YOUNG et Autres were in the thirteenth and the eleventh consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance relating to the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective 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 of 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 taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;
- obtain an understanding of the internal control procedures 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Paris-La Défense and Courbevoie, March 26, 2021

The Statutory Auditors

ERNST & YOUNG et Autres

Jean-Roch Varon

Philippe Berteaux

MAZARS

Gaël Lamant

Jérôme de Pastors

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 any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the financial statements and which constitute 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, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Risk Committee.





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FOREWORD

■ RISK MANAGEMENT

The diversity of the Group's businesses and its many sites across the globe expose Safran to risks that can have a material impact on its earnings, image and share price. These risks are managed via the Group Enterprise Risk Management (ERM) set-up.

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 that risks are adequately managed.

■ RISK FACTORS

This section presents the main risks that could impact the Group's businesses and financial position at the date this Universal 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 deployed to manage 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 of negative media coverage

Risks relating to climate change

■ RISKS RELATING TO GROUP OPERATIONS

■ RISKS RELATING TO THE GROUP'S STRATEGIC 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 Universal Registration Document was filed.

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, usually 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

The safety of aerospace operations that involve Safran's products and services is the key overriding imperative for the Group, as it is for any player operating in the industry. From a historical perspective, it is this imperative that has driven the development of Safran's highly-demanding and robust Enterprise Risk Management (ERM) system. This risk management culture is now firmly embedded throughout the Company's processes and is widely shared by all of the teams, in all entities and at all levels of the Group. It contributes to the decision-making process and above all the efficient management of the programs in which the Group is involved, which are generally based on long cycles involving major research efforts, costly development and related capital expenditure, with useful lives of up to 40 years and profitability measured in the medium or long term. The Group's ERM system now makes it possible to systematically handle all of the operational and strategic challenges the Group faces in all of its businesses and at all of its sites across the globe. ERM has become one of the Group's performance drivers.

The 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 the Group's ERM policy 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 and professional standards (COSO ERM), which have been transposed into exhaustive guidelines adapted to Safran's risk profile that cover all of its activities.

The ERM system is deployed across the Group, at all levels of the organization and in accordance with the related governance rules. It covers all tier-one entities (see the definition in section 1.1.3) and corporate departments, and is then consolidated at Group level. The risk management policy is the responsibility of all stakeholders and is embedded in all of Safran's organizational processes.

4.1.2 Organization

The Risk and Insurance Department reports to the Group Deputy Chief Executive Officer and Chief Financial Officer. It comprises a 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 process. The Risk and Insurance Department develops methodological techniques and processes to ensure effective and consistent handling of risks by companies and the 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.

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 on 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 of risk or 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 - in other words, achieve a defined target.

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 maps 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, the ERM system also has a prevention and crisis management component that enables the Group to anticipate and handle any "abnormal" situation affecting one or a number of its business oversight parameters. 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. Such crises may range from serious accidents to people of technical, human or natural origin, to a pandemic like Covid-19 that results in long-term unavailability of industrial facilities and jeopardizes Safran's capacity to honor certain commitments to customers and partners. As such, business contingency planning is an integral part of crisis management.

The Risk and Insurance Department also coordinates the tier-one 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 map and arranges for it to be reviewed by their risk committee at least twice a year. The Risk and Insurance Department is involved in this work. Monthly meetings between the Risk and Insurance Department and the risk manager network are used to exchange information and 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 needs and 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, and 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 meets regularly with the risk manager of each tier-one entity in order share information and other best practices and 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., throughout tier-one entities, 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.

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, who acts as the chair, and the directors of the central corporate departments, and is led by its risk manager.

Tier-one entity risk committees are responsible for:

- rolling out the Group's risk management policy within their operational scope;
- validating the risk map for this reporting scope and the corresponding control measures;
- providing reasonable assurance of the risk management process' effectiveness and maturity;
- validating the crisis prevention, crisis alert and crisis management system.

Each of Safran's central corporate departments also prepares a map 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 the department's risk mapping and the associated action plans with those submitted by the corresponding corporate departments within the tier-one entities falling under his or her responsibility. The Risk and Insurance Department is also directly involved in this work.

Lastly, the Risk and Insurance Department prepares a consolidated map of the Group's major risks and the associated action plans based on this mapping process, detailed analyses and plans for handling the major risks facing tier-one entities, together with the risk maps, analyses and plans submitted by the risk representatives of the central corporate departments.

The Group's risk mapping therefore guarantees the overall consistency of risk assessments and the associated action plans.

All the work associated with risk mapping and the preparation and deployment of the associated action plans is updated and validated by the Group Risk Committee, which meets twice a year at the end of June and December. The Risk and Insurance Department then presents this risk mapping and the associated action plans to the Board of Directors' Audit and Risk Committee.

Group Risk Committee

The Group Risk Committee is composed of the Chief Executive Officer, who acts as the chair, and the Group directors, and is led by the Group 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 map and the corresponding control measures;
- providing reasonable assurance of the risk management process' effectiveness;
- validating the crisis prevention, crisis alert and crisis management system.

Board of Directors' Audit and Risk Committee

The composition and duties of this Committee are set out in section 6.3.4 of this Universal 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 the 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 have 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.

This annual assessment process is rounded out with ongoing controls, which are currently being deployed throughout the Group. Throughout the year, these controls process a full range of data concerning specific points, thereby significantly enhancing internal control.

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

The internal control system has been rolled out in 180 companies, representing 99.7% of the Group's consolidated revenue.

Impact of the Covid-19 pandemic on the work program

In 2020, the internal control campaign had to be adapted to the circumstances of the Covid-19 pandemic, while continuing to maintain the required level of control over the most serious risks. Accordingly, a mandatory core list of key control points and non-compliance issues from 2019 had to be tested and requirements relating to areas deemed to be at risk also had to be assessed. Based on these various constraints, the Group approved a work program covering 75% of the nominal testing program.

All of the objectives were achieved for the 2020 campaign, which was a testimony to the massive efforts deployed by both internal control and operational teams in this challenging environment.

Internal control quality assurance

Every year, 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.

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, and 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 operational.

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.

Awareness-raising and training

A training course on internal control has been set up within Safran University (classroom and e-learning) with a view to raising awareness of internal control issues among both finance and operations staff.

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 2020, the main areas for progress identified by Safran concern continuously improving the internal control system, which includes ensuring that processes are adequate and part of operational managers' best practices. They include the continued deployment of a project designed to round out the annual assessment process with ongoing controls that use operational indicators to process a full range of selected 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.

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 their entity and 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 6.3.4 of this Universal Registration Document.

4.3 RISK FACTORS

The main risks identified that could impact the Group's businesses and financial position at the date this Universal 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 in addition to those associated with its activities and strategic focuses.

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 Universal Registration Document.

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.

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.

The information set out below is based on assumptions and forecasts that may prove inaccurate owing to their very nature.

In view of the environment in which it operates, the Group is exposed to:

- risks relating to changes in the competitive landscape;
- financial market risks;
- legal and regulatory risks;
- risks of negative media coverage;
- risks relating to climate change.

Both Safran's operating activities and its strategic development ultimately generate risks that are specific to the Group.

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 and geopolitical uncertainties

In the aerospace industry, 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 or restricted by law in several countries, including France, and may only take place further to special governmental authorizations that require strict compliance with export regulations.

The development of Safran's activities and sites worldwide exposes the Group to political and economic risks specific to certain countries that could impact its activities and earnings. Safran also has to contend with a shifting geopolitical balance and, in particular, the recent bilateral dimensions of certain relationships that add to or replace pre-existing multilateral relations.

To deal with these political and geopolitical 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 and export and customs controls. Together with other central corporate departments, it coordinates dedicated processes for dealing with potential ethical issues (see sections 5.5.1 and 5.5.2).

For example, in preparation for Brexit, Safran worked out scenarios for a hard Brexit (a no-deal Brexit), including a contingency plan to tackle the main difficulties the Group could have been confronted with, such as global supply chain and airline certification issues. The plan was rolled out across all Group entities concerned by Brexit. Buffer stocks were built up to contend with supply chain issues and specific measures, including safety lead-times, were negotiated with certain critical suppliers. The Group also took the necessary steps with the relevant certification authorities to safeguard its future operations. Particular attention was paid to supplier accreditation and what Group customers would need from UK MRO shops. Certification issues are being handled by extending existing approvals, such as those issued by the European Aviation Safety Agency (EASA) prior to December 31, 2020, which will continue to be recognized by the Civil Aviation Authority (CAA) for two years. The plan was left in place, although inventories were reduced to take into account the positive effects of the preparations and the evolving schedule. Some were further reduced or even scrapped due to the downturn in activity resulting from the economic impact on Safran's operations of the crisis triggered by the Covid-19 pandemic. The plan was regularly updated and will be adapted in line with the signed agreement setting out the future relationship between the United Kingdom and the European Union (see section 5.5.4).

Health risks – Covid-19 pandemic

The Group's operations have been impacted by the Covid-19 pandemic that began in December 2019, leading to a sharp decline in global air traffic⁽¹⁾ (see the Foreword in chapter 2), which was down 66% over 2020 according to data published by the International Aviation Transport Association (IATA) on February 3, 2021. Safran's businesses have also been impacted by the deterioration in the financial position of airline customers and through the reduced availability of its employees and adaptations in the supply chain, which have restricted the Group's operational capacity.

A Group crisis management cell was set up as early as January 30, 2020, and tasked with anticipating, containing and limiting the impacts of the crisis. It focused primarily on providing the best possible protection for all employees, especially of their health, and securing and adapting supply chain flows, while preserving industrial facilities and maintaining business continuity. Safran is using all schemes set up by governments in various countries, particularly long-term furlough arrangements (see section 5.4.5). In addition, all of the Group's tier-one entities use monitoring to adjust their business forecasts to customer demand, and adapt their costs accordingly. This monitoring is also used to update the Group's aircraft program assumptions (see section 4.3.2 below).

Accordingly, the Group regularly and proactively coordinates the efforts of all subsidiaries and sites in all countries in order to ensure priorities in reaction to the crisis:

- protection of employees through specific organization of working practices under appropriate health and safety conditions, which are set out in a Group protocol, and rotation of teams for tasks requiring the presence of employees on site or increased use of teleworking;
- business protection measures, in particular including workforce reduction measures covering 21,000 people worldwide (temporary and permanent staff), use of government grants for short-time working (long-term furlough arrangements), and the signature of an "Activity Transformation" agreement on July 8, 2020 for France that should enable the Group to retain the expertise needed to tackle the recovery and deploy the R&T roadmap;
- response to customer needs, particularly for delivery schedules;
- resilience and flexibility of the supply chain. To that end, Safran stepped up its monitoring of suppliers and created a "Watch Tower" for between five and ten key suppliers, and contributed to the new "ACE Aéro Partenaires" support fund for the French aerospace sector set up in the spring of 2020 (see section 1.4.4);
- centrally managing the cash and liquidity of the Group, with low debt already an asset.

Safran's global footprint, particularly its presence in Asia, has enabled the Group to anticipate and overcome certain difficulties, as a balanced global supply chain can be used to manage sensitive inventories more effectively.

(1) According to the IATA, passenger traffic was down by 65.9% in 2020 compared to 2019 and the passenger load factor dropped by 64.8%. Freight volumes (in metric tons/km) also declined by 10.6% on the figures for 2019. Passenger traffic levels in 2021 are set to remain 50% lower than in 2019, and IATA predicts that any improvement will be contingent on vaccination against Covid-19.

Changes in economic conditions

The macroeconomic and aircraft program assumptions determined by the Group take into consideration the economic conditions observed at the date of this Universal Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

Action plans are developed on the basis of these assumptions and approved by the Group Risk Committee according to the approach set out in section 4.1 of this chapter.

Changes in the global economy have a direct impact on demand for air transportation 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 have to adjust their output rates, which can have a direct impact on the original equipment business of suppliers of engines and aircraft parts like Safran. Similarly, a decrease in air traffic as a result of a deteriorating economic, geopolitical, climatic or health environment may also impact the volume of Group sales and services, including maintenance, repair and overhaul (MRO) and spare part sales.

Should the economic climate deteriorate, as illustrated by the Boeing 737MAX flight ban (see section 2.1), immediately followed by the Covid-19 pandemic, Safran's assumptions and action plans will be adjusted accordingly. In order to deal with these risks, periodic specific steering committees have been set up within the Group (see sections 1.2, 1.4, 1.5, 1.8 and 4.3.2), which allows for significant measures to be taken as required, such as a pause in Capex, the adaptation of R&D objectives and the reduction of direct and indirect costs.

Impact of the civil aviation cycle

Commercial aircraft orders tend to be 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 environmental 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 2020, civil aviation activities accounted for approximately 70% of the Group's adjusted consolidated revenue. Safran is facing a drastic drop in short-term demand, however the medium and long-term points to a recovery, followed by sustained demand, primarily as a result of many airline companies replacing their aircraft fleets and equipment with more environmentally-friendly alternatives.

Safran has a large fleet of engines in service, including over 32,000 CFM56 and LEAP engines which have equipped most of the 100+ seater single-aisle aircraft delivered to airlines for over 30 years. Given the increase in the age of the installed base of engines, 60.9% of adjusted revenue in the Propulsion business is generated by services.

Safran has demonstrated its ability to respond quickly and adapt to the current economic constraints impacting the aerospace sector in particular. After successfully ramping up production in the past (particularly for the LEAP program), Safran has adapted to the recent drastic drop in demand from its customers and reviewed its internal and external supply chain accordingly (see section 4.3.2), all the while preparing for recovery. Investments are being carefully managed, purchasing programs scaled back, Capex commitments reduced, R&D expenses cut, the industrial footprint streamlined and other action plans deployed for this very purpose of guaranteeing its internal and external capacity 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. To face down its competitors, the Group strives to satisfy its customers with innovative, reliable, safe and competitive products. Operational excellence and continuous competitive performance enhancement are vital levers for the Group. Safran also 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 competition risk, Safran deploys its strategy with a view to being present across all segments and all aircraft components (see section 1.2), with a focus on its different types of customers (i.e., aircraft manufacturers, airlines or governments), and the different stages of its products' life cycle (original equipment and aftermarket service, in particular). The Group 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 sections 1.3 and 4.3.2, "Supplier and partner risks"). 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 market risks to which the Group is exposed are foreign currency risk, interest rate 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 in the course of its operating and financial activities.

To protect its operating profit, the Group implements a hedging policy with the aim of reducing uncertainty factors affecting operating profitability and allowing it to adapt its cost structure to a volatile monetary environment. The currencies hedged over a period defined by the Group are the US dollar (USD), pound sterling (GBP), Mexican peso (MXN) and Canadian dollar (CAD).

The euro, which is the Group's reporting currency, is the counter currency for the purchase and sale of the currencies listed above.

Most revenue earned in the civil aviation sector is denominated in US dollars, which is the benchmark currency used in the industry. The Group sells its US dollars against euros.

Safran also needs certain foreign currencies to pay salaries, suppliers, fees and local taxes at its foreign sites, for which it purchases pound sterling, Mexican pesos and Canadian dollars against euros.

EUR/USD currency risk

The Group hedges its USD exposure over a timeframe of three to four years. The net excess of revenues over expenses in US dollars totaled USD 7.2 billion for 2020, down from USD 11 billion for 2019.

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 financial assets and liabilities, which are set out in section 3.1, Note 31, "Management of market risks and derivatives" of this Universal Registration Document.

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 Universal Registration Document.

EUR/USD dollar hedging policy

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

- protect the Group's economic performance (i.e., its operating profit) from random fluctuations in the US dollar by contracting hedges;
- optimize the quality of hedging whenever possible;
- provide Group entities with visibility regarding the applicable exchange rate.

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.

EUR/USD management policy

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

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and a combination of options, which may include knock-in or knock-out barriers.

The knock-out barrier option "kicks out" 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, exposing the Group to under-hedging risk.

Conversely, the knock-in barrier option "kicks in" if the spot exchange rate falls below the knock-in rate during the window in which the option is active, and the value of the hedging portfolio is then increased by the notional value of the disabled option, exposing the Group to over-hedging risk.

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.

EUR/USD hedging portfolio

The Group's hedging portfolio is described in section 3.1, Note 31, "Management of market risks and derivatives" of this Universal Registration Document.

Air transportation is one of the sectors most affected by the Covid-19 pandemic, with a record decline in passenger numbers due to the closure of borders worldwide. This lasting decline in business has an immediate impact on the Group's foreign currency hedging requirements.

In 2020, the Group continued to deploy its exposure hedging strategy, using a timeframe of three to four years. Net estimated annual exposure, which depends on sales figures, has been revised downwards for the period between 2020 and 2024. It is currently estimated at USD 8.5 billion for 2021, gradually recovering to USD 11 billion by 2024, and is regularly reviewed for each year covered by the foreign currency risk hedging policy.

As of February 1, 2021 and under the current hedging conditions, the Group has hedged its USD exposure for 2021, estimated at USD 8.5 billion, at a rate of USD 1.16 to the euro. The Group has also hedged its USD exposure for 2022, estimated at USD 9 billion, at a target hedging rate of between USD 1.14 and USD 1.16 to the euro, and its entire USD exposure for 2023, estimated at USD 10 billion, at a target hedging rate of between USD 1.14 and USD 1.16 to the euro. Most options include knock-out barriers set at various levels between USD 1.2350 and USD 1.31 to the euro. In the event of a sustained rise in the EUR/USD spot rate, certain options would disappear from the portfolio, jeopardizing targeted hedge rates for 2021 to 2023.

A one-cent change in the EUR/USD exchange rate parity on the hedged rate has an impact of around €50 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 31, "Management of market risks and derivatives" of this Universal Registration Document.

| Adjusted data (in € millions) | 2019 | | 2020 | |
|---|------|-------|------|-------|
| EUR/USD exchange rate change assumptions | -5% | +5% | -5% | +5% |
| Average exchange rate | 1.12 | | 1.14 | |
| Average exchange rate used for sensitivity analysis | 1.06 | 1.18 | 1.08 | 1.20 |
| Closing exchange rate | 1.12 | | 1.23 | |
| Closing exchange rate used for sensitivity analysis | 1.07 | 1.18 | 1.17 | 1.29 |
| Revenue | 698 | (631) | 429 | (388) |
| Profit from operations | 31 | (28) | 9 | (8) |
| Financial income (loss) | 20 | (18) | (30) | 28 |
| Profit before tax | 51 | (46) | (22) | 2 |

| Non-adjusted consolidated data (in € millions) | 2019 | | 2020 | |
|---|---------|---------|-------|-------|
| EUR/USD exchange rate change assumptions | -5% | +5% | -5% | +5% |
| Average exchange rate | 1.12 | | 1.14 | |
| Average exchange rate used for sensitivity analysis | 1.06 | 1.18 | 1.08 | 1.20 |
| Closing exchange rate | 1.12 | | 1.23 | |
| Closing exchange rate used for sensitivity analysis | 1.07 | 1.18 | 1.17 | 1.29 |
| Revenue | 1,178 | (1,066) | 705 | (637) |
| Profit from operations | 503 | (456) | 277 | (251) |
| Financial income (loss) | (2,675) | 1,057 | (680) | (387) |
| Profit before tax | (2,172) | 602 | (403) | (638) |

Other foreign currency risks

The Group also hedges its exposure to three other countries (pound sterling, Mexican peso and Canadian dollar) over a timeframe of three to four years. It needs an equivalent of USD 200 million to USD 400 million per year to cover its purchase needs in these three currencies.

The hedging policy and management approach are the same as that applied for EUR/USD. Hedging arrangements typically involve forward contracts. The Group enters into options only on exceptional occasions and they only represent a small percentage of the derivatives in its portfolio.

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.).

EUR interest rate risk

Interest rate swaps were taken out at inception 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.

Exposure to EUR interest rate risk is described in section 3.1, Note 31, "Management of market risks and derivatives" of this Universal Registration Document.

USD interest rate risk

The interest rate portion of the cross currency swap was eligible for hedge accounting. The interest rate on the two outstanding tranches of the Group's February 9, 2012 issue of senior unsecured notes on the US private placement market (USPP) was converted to a floating rate at inception. Floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. These swaps are eligible for fair value hedge accounting.

In March 2019, these two 10-year and 12-year tranches for USD 540 million and USD 505 million, respectively, were switched to euros by means of a cross currency swap (USD floating-rate lender/EUR fixed-rate borrower). The interest rate portion of the cross currency swap was eligible for hedge accounting.

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 1,250 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 625 million after elimination of intragroup items. These swaps are not eligible for hedge accounting. The aim of these transactions is to fix the borrowing cost applicable to the customer.

Exposure to USD interest rate risk is described in section 3.1, Note 31, "Management of market risks and derivatives" of this Universal Registration Document.

Sensitivity

A 1% (100 basis point) increase in euro or US dollar interest rates would increase the Group's cost of net debt by €4 million (compared with a €6 million increase in the cost of net debt in 2019).

Counterparty risk

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- bilateral or syndicated financing commitments, received but not drawn down;
- 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.

Similarly, financing commitments received but not drawn down are contracted solely with leading counterparties.

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

The counterparty risk taken into account in pricing derivatives is not material (section 3.1, Note 2.w, "Derivatives and hedge accounting" of this Universal Registration Document).

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their geographical diversity.

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.

The maturity schedule for trade and other receivables is set out in section 3.1, Note 19, "Trade and other receivables" of this Universal 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, 2020, it is relatively insensitive to liquidity risk. This €2,520 million line was set up in December 2015 and had an original maturity of December 2020, with two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

On April 22, 2020, the Group set up an additional confirmed liquidity line for an initial amount of €3,000 million, which remained undrawn at December 31, 2020. The amount of this line was reduced following the OCÉANE bond issue on May 15, 2020, the issue of senior unsecured notes on the US private placement market (USPP) on June 29, 2020 (see chapter 3, section 3.1, Note 27), and the OCÉANE tap issue carried out on October 12, 2020. At December 31, 2020, the facility represented €1,425 million.

Issues of senior unsecured notes on the US private placement market (USPP) on February 9, 2012 and June 29, 2020 are subject to a financial covenant which states that the net debt to EBITDA ratio must be 2.5 or less.

The euro private placement ("Euro PP") in the form of a syndicated loan, set up by the former Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years, is also subject to a financial covenant which states that the net debt to EBITDA ratio must be 3.5 or less.

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).

The maturity schedule for financial liabilities (excluding derivatives with a negative fair value) is set out in section 3.1, Note 27, "Interest-bearing financial liabilities" of this Universal 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 "Contingent liabilities arising on ordinary activities" of section 3.1, Note 34, "Off-balance sheet commitments and contingent liabilities" and in section 3.1, Note 35, "Disputes and Litigation" of this Universal 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 anti-trust law, anti-corruption regulations, customs and export controls, and any embargoes and sanctions taken against countries in which it does business, the Group is bound by legislation and regulations issued by French and international authorities, particularly the European Union and the United States.

To ensure that it complies with French and international regulations, Safran has put in place action plans as outlined in section 5.5 of this Universal 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 very 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, with the past exception of non-material customs penalties. Concerning the risks of embargoes and sanctions, particularly in the United States, the Group has taken all adequate and necessary measures to comply with all such rules affecting its operations. The Group was audited by the French anti-corruption agency (*Agence française anticorruption* - AFA) in 2020 and is awaiting the conclusions of its report. Safran has stepped up its corruption risk prevention program and will implement any improvements recommended by the AFA in its report.

Pursuant to Regulation (EU) 2016/679 of April 27, 2016, known as the General Data Protection Regulation, the Group is continuing to deploy measures throughout its international organization to ensure that local legislation is factored into its processes. The Group continually reviews and updates its internal guidelines and deploys regular awareness-raising and training initiatives for those employees in charge of activities that involve the processing of personal data.

4.3.1.4 Risks of negative media coverage

The Group is exposed to the risk of negative media coverage arising from its products or services, or its people - either its own officers or employees, or third parties - acting intentionally or unintentionally. 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. These rules and guidelines are backed up by regular

awareness campaigns and tailored training initiatives, and feed into the Group's communication strategy targeting the financial and institutional investor community and the general public. Separate guidelines apply for 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".

4.3.1.5 Risks relating to climate change

To contend with the physical risks inherent in climate change to which the Group is exposed, especially natural hazards, Safran has devised a HSE strategy and governance framework (see section 5.4) to guarantee a high level of protection for all its employees and assets. Rigorous standards have been introduced at all sites and a range of training, prevention, transition and streamlining initiatives have been deployed to contain and control the Group's overall risk exposure.

Moreover, as documented in section 5.3 of this Universal Registration Document, Safran is deploying a proactive strategy underpinned by quantified objectives for meeting key climate change challenges and the increasing scarcity of fossil fuels, by carefully controlling and reducing its energy consumption and the greenhouse gas emissions produced by its operations and services (Scopes 1 and 2). To manage this transition risk, Safran has deployed a number of targeted actions for improving the performance of its new buildings, reducing energy consumption at its existing sites, and switching energy sources by using breakthrough solutions for heat generation, selecting low-carbon energy sources, or introducing biofuels into its engine tests.

More generally speaking, and to affirm its commitment to the decarbonization of the aerospace industry, Safran is involved in drafting environmental standards and contributing to the work of institutions like the International Civil Aviation Organization (ICAO) via the Air Transport Action Group (ATAG), the International Aerospace Environmental Group (IAEG), the European Civil Aviation Conference (ECAC), the Aerospace & Defense Industries Association of Europe (ASD) and the French Aeronautical and Space Industries Group (GIFAS). Safran is proactively helping to achieve carbon neutrality in the sector by 2050 and has deployed a technological roadmap designed to cut the emissions generated by its products (Scope 3). Essentially all of the Group's R&T activities are now focused on:

- designing more fuel-efficient engines and lighter aircraft equipment that help to cut in-flight CO₂ emissions (harnessing cutting-edge and varied technologies, new materials and alloys, etc.);
- participating in research into alternative fuels and promoting the use of sustainable fuels on a large scale (biofuels, liquid hydrogen);
- developing more electric aircraft with an enhanced energy chain (electric cylinders for thrust reversers, electric brakes, electric propulsion systems for use over short distances, hybridization, hydrogen, etc.).

All of these initiatives are perfectly in line with the approach set out in the aerospace sector support package announced by the French government in June 2020 in response to the health and economic crisis triggered by the Covid-19 pandemic.

4.3.2 Risks relating to Group operations

4.3.2.1 Aircraft accidents

Safran products are integrated in high-tech equipment with a high unit price, especially civil and military aircraft and helicopters. 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.

The regulations governing Safran's activities stipulate the quality, reliability and, above all, safety standards that apply for civil aviation flights and the related products and services. These rules apply throughout the life of the aircraft for its design, manufacture, operation, airworthiness and maintenance. All aircraft components must be designed, manufactured and maintained or repaired in a suitable and controlled environment, using approved data, carefully calibrated tools and trained operators. The entire process must be certified by accredited personnel and traceability must be clearly documented and recorded. The requirements that Safran strictly complies with are issued by the ICAO and transposed into European regulations by the EASA, which delivers Design (*Part 21J*), Production (*Part 21F or G*) and Maintenance (*Part 145*) Organization Approvals. The EASA oversees the work of national organizations like the French Directorate General for Civil Aviation (DGAC). Similar rules and approvals are applied by other authorities such as the Federal Aviation Administration (FAA) in the United States, the Civil Aviation Administration of China (CAAC) and the CAA for the United Kingdom. Bilateral agreements exist between the different authorities to coordinate their efforts.

To comply with these requirements, each Safran entity concerned deploys a Safety Management System that meets the international standard published on October 3, 2018 by the ASD, based on four key principles:

- safety policy and objectives: commitment by Executive Management of the entity concerned;
- management of flight safety risks at different levels: engineering, program, quality, flight safety;
- incident reporting/monitoring: detection (including alerts), analysis and processing of all airworthiness events (tracking suppliers, reporting abnormal employee behavior, reporting shopfloor incidents, analyzing the related feedback) and creation of a Group airworthiness committee in 2018, structured around the airworthiness teams in the entities concerned; and
- deployment/promotion of the Safety Management System: promotion of the system, sharing of information (mandatory training for all employees, training in "Human Factors" for all personnel who may be exposed, personnel clearance by the aviation authorities, regular distribution of information and feedback).

This Group policy is now enshrined in a charter detailing Safran's commitments in this area, and can be consulted on Safran's website at <https://www.safran-group.com/fr/file/download/politique-securite-aerienne-safran.pdf>.

Safran also deploys specific initiatives that provide enhanced project management maturity and reduce the consequences of aggravating - human - factors. The "One Safran" quality management system (see section 1.7) 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 the 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 program managers to conduct an annual self-assessment of their risks and the measures in place, and to implement the requisite action plans. Safran is also deploying a range of quality-focused initiatives such as systematic targeted audits and a single Quality Audit Tool for the entire Group. 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).

The effectiveness of this state-of-the-art system and the related action plans have made it possible for Safran to obtain airworthiness agreements (or renew such agreements) and EN 9100-certification for the tier-one entities concerned (see section 1.7), while constantly reducing the number of possible incidents in a context of sustained growth in air traffic.

4.3.2.2 Delays, program development and industrialization

Safran customers 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 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 culminate in Safran having to write off assets.

Safran is exposed to the consequences of the Boeing 737MAX accidents and the ensuing flight ban in effect since March 2019, which has gradually been lifted following the decisions taken by the FAA, Transport Canada Civil Aviation (TCCA) and EASA on December 9, 2020, January 18, 2021 and January 27, 2021, respectively. The Group faced a series of risks, including cash flow problems, more complex supply chain management due to changes in production schedules or a temporary halt in production by the airframer, difficulties with re-certification and deliveries and return to service of aircraft in storage, or a loss of interest in the aircraft, as well as a whole host of other longer-term consequences for this program. Safran has successfully taken specific action to manage these scenarios.

Nevertheless, short-term uncertainty arising from the health and economic crisis triggered by the Covid-19 pandemic could also affect Safran's programs and their profitability more generally. Safran's action plans have been stepped up accordingly, however these plans are not designed to deal with short-term economic uncertainties.

In the space industry, the ArianeGroup joint venture (see "Partner risks" in section 4.3.2.4 below) exposes Safran to possible delays in the design and production of the Ariane 6 program or to a potential failure to provide adequate solutions to current challenges in the civil space launcher market. This market is currently having to contend with fierce competition, especially from operators receiving government aid, falling prices and the changing needs of satellite operators. In the transition phase between the future Ariane 6 and the current Ariane 5 launcher, ArianeGroup must take the necessary steps to transform its industrial design, ramp up developments and deploy pro-proactive solutions in the quest for competitiveness.

4.3.2.3 Products and services

The Group applies very strict environmental, 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 production rates), program management enables the Group to ensure a smooth transition between the different programs (see section 4.3.2.2, "Delays, program development and industrialization").

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 manage the impact of this risk as effectively as possible, Safran has deployed a range of quality-focused initiatives such as systematic targeted audits, kept and adapted in digital format if this proves necessary in the context of the current health crisis, and a Group quality audit tool, as indicated in section 1.9 of this Universal Registration Document and in "Aircraft accidents" above.

4.3.2.4 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. In 2020, Safran purchased goods and services worth €8.3 billion, i.e., around half of its revenue, and managing this risk is one of the Group's key challenges.

The Group Purchasing Department conducts a monthly review of sensitive suppliers with a designated manager and associated action plans. For these 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 1.7) in the form of pooled facilities at a Shared Services Center in line with the Group's objectives of excellence, competitiveness and sustainable development. Safran has also deployed a responsible purchasing and duty of care plan (see section 5.5.9). The current health and economic crisis caused by the Covid-19 pandemic is generating a risk of financial difficulties and default among one or more suppliers that could impact the supply chain. To deal with this risk, Safran has stepped up its efforts using the programs described previously (see section 4.3.1.1, "Health risks - Covid-19 pandemic") and has created an additional "Watch Tower" process for identifying and supporting between five and ten key suppliers. The Group also contributed to the new "ACE Aéro Partenaires" support fund for the French aerospace sector set up in the spring of 2020 (see section 1.4.4). The Group is exposed to commodity availability and price volatility risks for certain metals and alloys, composite fibers and resins, cobalt, vanadium and oil. To limit the impact of these risks, the Group negotiates medium- and long-term procurement contracts with its suppliers for titanium, super alloys, steel, aluminum and materials for composite parts, 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.

Partner risks

Safran is involved in several major strategic partnerships. If any of these partnerships were not renewed, or if there were governance or financing issues with a partner, for example, 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. This civil aerospace propulsion agreement has been renewed through 2040 and includes operational maintenance services.

Safran is also involved in several other major strategic partnerships, taking care to ensure that its stakes and decision-making capabilities are closely aligned with its strategy. In particular, these partnerships include (see section 1.2.1.4): Airbus (ArianeGroup) for space launchers, Air France Industries KLM Engineering & Maintenance (Airfoils Advanced Solutions) for repairs to high-pressure compressor blades and variable stator vanes, Boeing (MATIS Aerospace "Morocco Aero-Technical Interconnect Systems") for the manufacture of electrical harnesses and interconnection of electrical networks, 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 (Lynred and Optrolead) for infrared detection and marketing optonics systems and UEC Saturn (PowerJet) for developing and manufacturing the SaM146 engine for regional aircraft.

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).

4.3.2.5 Health, safety and environmental risks

All industrial activities generate risks, particularly health, safety and environmental (HSE) risks. More specifically, these risks concern production sites, fire, explosions, waste discharges, liquids and gases as well as risks related to the management and use of chemical substances. The potential impacts include water and soil pollution and damage to human health more generally. As indicated in section 5.4.4 "Health, safety and environmental (HSE) policy", 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 5.4), reflecting the investments needed to safeguard the health, safety and environment of all stakeholders. Both these challenges and the main initiatives deployed to meet them are described in chapter 5 hereinafter. In light of the current Covid-19 pandemic situation, it details the organization deployed by Safran to devise and implement Group-wide health measures guaranteeing business continuity by focusing on the protection of its employees as a priority.

4.3.2.6 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 as well as the consequences of geopolitical change. The regions in which the Group operates are classified according to risk, each of which is associated with a series of specific prevention, detection and protection measures. The Group is assisted in this initiative by the governments of France and other countries as well as by specialist service providers. A dedicated structure, such as an emergency operations center, may be set up in response to a specific situation and provided with the requisite resources in order to repatriate operating staff, for example.

4.3.2.7 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 negligence, malicious intent, unlawful attempts to gain access to confidential data and threats to the security of its systems, prevention and protection measures are deployed on an ongoing basis to guarantee system and data integrity and ensure the Group's business continuity.

Cyber risks in particular 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 the Group's information systems, or breaches in the confidentiality or integrity of data hosted by or transiting through its information systems (loss, destruction, theft and 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. In June 2020, the Chairman and Chief Executive Officer of Safran signed a new cybersecurity policy with the aim of increasing protection for smart products and services provided by the Group, available for consultation on the Group's website (<https://www.safran-group.com/media/safran-strengthens-product-cybersecurity-policy-20201204>). 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 and training initiatives for all Group employees are organized on a regular basis. Lastly, in response to this growing and evolving threat, Safran is stepping up its investment in information system protection, incident detection and event response, and security warnings and alerts, and in regular reviews of their effectiveness, together with building up core expertise in cybersecurity.

4.3.3 Risks relating to the Group's strategic development

4.3.3.1 Technological evolutions

The Group's markets typically undergo far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their advanced technological innovations. The Group is thereby 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. It also has to contend with the risk inherent in its choice of certain emerging cutting-edge technologies to develop low-carbon aviation (see section 4.3.1.5). If these choices subsequently prove to be unsuitable, 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 1.4.5, "Research and development expenditure".

The Group draws on the complementary scientific and technical expertise provided by its partners (see sections 1.4.2 and 4.3.2.4, "Supplier and partner risks").

The Group has also created Safran Corporate Ventures (see section 1.4.4), 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.

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 nearly 500 scientists and technologists working in 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. Moreover, the Gennevilliers plant experiments in forging and casting to give Safran a cutting edge in the technologies involved in machining aircraft engine parts. Lastly, building on the Group's new "campus factory" in Bordeaux should be completed by the end of 2021. The site will become home to all of the Group's additive manufacturing expertise and resources over the coming year.

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 clarified its IP governance and set up the Center for Intellectual Property Excellence (CEPI), a more effective, centrally coordinated structure involving specialists that 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 capacity to gain a competitive advantage through innovation. Streamlined governance, skills pooling and deployment of processes for operational excellence are now being used by the Group to both assess and control its exposure to IP risks.

4.3.3.2 Uncertainty regarding returns on investments

Safran's R&D activities – notably in the Aerospace domain – require investments that only produce returns in the medium to long term. The market and profitability assumptions determined and regularly reviewed 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, 2020 totaled around €3.9 billion (see section 3.1, Note 12), and property, plant and equipment (mainly industrial investments) amounted to approximately €4.1 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, specific evaluation criteria.

4.3.3.3 Dependence on government procurement contracts

Safran conducts part of its business with governments, especially in military 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 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 military businesses. In 2020, military businesses accounted for approximately 24% of the Group's adjusted consolidated revenue. The broad geographic 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. Conversely, public procurement contracts can also help to at least partially offset a drop in private sector demand in the event of a major economic crisis affecting the aerospace industry, such as the ongoing Covid-19 pandemic.

4.3.3.4 Acquisition and restructuring risks

As part of its growth strategy and disciplined approach, Safran may conduct targeted acquisitions of businesses or companies, 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, achieve the business plans, unlock the expected

synergies and cost savings, or maintain good trade or labor relations within the acquired entities following changes in management or control. Strict oversight processes for these transactions, especially new acquisitions, have been developed to ensure that the synergies and earnings obtained are in line with those forecast.

Safran applied these processes when it acquired Zodiac Aerospace in first-quarter 2018. The integration plan was deployed nominally and has made it possible to manage the operational risks related to these new businesses more effectively and to unlock planned synergies and raise objectives to at least €250 million by 2022. The process has now been completed. The initial objective was exceeded at the end of 2020 despite the current difficult circumstances.

4.3.4 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 development projects or its programs effectively.

In order to limit this risk, the Group continually strives to rescale, acquire, retain, redeploy, bolster and renew the skills that it needs or will need in the future. In addition to the workforce readjustment measures required to be taken as a result of the economic crisis triggered by the Covid-19 pandemic, Safran also has to contend with the high medium- and long-term attrition rate caused notably by the very high portion of employees expected to retire over the coming years, and with the rapid changes occurring in the Group's businesses. It is developing partnership strategies with top graduate schools and scientific universities to recruit employees for its current core and future businesses. The Group also actively promotes the Safran employer brand

together with the attractiveness of its career opportunities. In addition, professional and geographic 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. The Group has strengthened and concentrated oversight of these actions comprising a global competitiveness plan into a single "Skills and Training" division. Safran also continues to offer employee bonus, profit-sharing and equity and savings incentive schemes that foster employee buy-in and loyalty, although some of these programs have been temporarily reduced or suspended in France as a response to the current economic situation as part of the "Activity Transformation" agreement signed on July 8, 2020 between Executive Management and all of the trade unions. All of these programs are described in more detail in section 4.5.

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 that reflect the Group's current exposure. They include:

- 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 €400 million, or up to €1.2 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 2.5 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 €200 million per annum that can be used during the year.

The Group's captive reinsurance company participates in the operational 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.





NON-FINANCIAL PERFORMANCE

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French government *ordonnance* (order) 2017-1180 of July 19, 2017 and decree no. 2017-1265 of August 9, 2017 transpose into national law the European directive of October 22, 2014 on the disclosure of non-financial information by companies, thereby modifying Articles L.225-102-1 and R.225-104 to R.225-105-2 of the French Commercial Code (*Code de commerce*). The non-financial information statement (NFIS) discloses “information on the way in which the company takes into account the social and environmental consequences of its activity” as well as “the effects of this activity as regards respect for human rights and the fight against corruption”.

Chapter 5 takes into account these modifications to French law, as well as law 2017-399 on the duty of care of parent companies and contracting companies and law 2016-1691 of December 9, 2016 relating to transparency, anti-corruption measures and modernization of the economy, known as Sapin II.

Safran is the parent company of the Group bearing the same name. Safran’s tier-one subsidiaries are Safran Aero Boosters, Safran Aerosystems, Safran Aircraft Engines, Safran Cabin, Safran Electrical & Power, Safran Electronics & Defense, Safran Helicopter Engines, Safran Landing Systems, Safran Nacelles, Safran Seats, Safran Transmission Systems and Safran Passenger Solutions.

The Integrated Report, which can be found in the introduction to this Universal Registration Document, includes a presentation of Safran’s corporate social responsibility (CSR) policy, CSR governance, stakeholder relations and business model, and describes how the United Nations’ Sustainable Development Goals are integrated into its strategy.

Non-financial risks are described in section 5.2 of this Universal Registration Document. For more details on all risk factors, see chapter 4 of this Universal Registration Document on risks.

In 2020, the non-financial information statement (NFIS) meets the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see section 5.3).

5.1 ORGANIZATION AND MANAGEMENT OF NON-FINANCIAL PERFORMANCE

In 2020, the Covid-19 epidemic triggered the most serious crisis that the global aerospace industry has ever experienced. Against that backdrop, Safran ensured the continuity of its production, maintenance and service activities (see the Foreword in chapter 2). Its CSR approach, part of the Group’s strategy and *raison d’être* (corporate purpose), adapted to its culture and applied on its sites, is an asset for its value creation in the short, medium and long term. Wherever possible, the Group endeavored to limit the impact of the crisis on its employees and key stakeholders (suppliers, subcontractors, partners, customers, etc.). Drawing on its strengths and existing systems, Safran was able to:

- establish a crisis unit to manage the consequences of the Covid-19 pandemic (see sections 4.3.1.1 and 5.4.7.1);
- ensure the protection of its employees by implementing a health protocol aligned with its robust occupational health and safety policy (see section 5.4.7.1);
- capitalize on the skills of its employees, notably through the participative innovation scheme, and devote its industrial resources to the fight against Covid-19 (see section 5.6.1.1), by using 3D printing to manufacture parts for medical equipment (protective visors, respirators, etc.) or by adapting a diving mask (Easybreath by Decathlon) to offer hospitals an adaptable medical device;
- develop its digital training offering (see section 5.4.2.2);
- swiftly adapt its work organization. Major innovative agreements were signed, including the Activity Transformation Agreement (ATA) in France with labor unions to help weather the months of crisis while preserving skills and competitiveness. The ATA is based on economic levers such as wage moderation for employees, a cap on profit-sharing and savings schemes, deployment of a long-term furlough scheme, incentives for voluntary early retirement, and support for employees wishing to benefit from internal or external mobility (see section 5.4.5);
- preserve the supplier network by signing the charter of commitment on relations between customers and suppliers within the French aerospace industry, implementing a range of measures such as a unit to assist suppliers in their planning or in their restructuring where necessary, and using mediation as a means of resolving disputes amicably in order to maintain relationships of trust (see section 5.5.9.3);
- pursue research efforts to promote equipment and engines meeting global environmental challenges, such as future ultra-efficient engines compatible with fully sustainable fuels (see sections 5.3 and 5.5.10);
- support the commitment of its employees in all of its host countries through a wide range of solidarity initiatives and further support associations with which it already partners (see section 5.6).

Chapter 5 describes the specific human resources, social and environmental actions taken to reduce the impact of the crisis and as such ensure the Group’s sustainability. Comments are provided to describe the impact of the crisis on the performance data monitored by the Group.

5.1.1 CSR approach at the heart of Safran's strategy

A CSR strategy co-constructed with all stakeholders

Safran has developed its new CSR strategy in consultation with all of its stakeholders (suppliers, customers, shareholders, employees, employee representative bodies, etc.). Expectations and challenges in terms of corporate social responsibility were compiled during two consultative processes: the production of the materiality matrix and the facilitation of employee working groups.

Definition of the non-financial challenges through the materiality matrix

Safran responded to mounting expectations among its internal and external stakeholders as regards economic, environmental, human resources and social responsibilities by updating the materiality matrix of its non-financial challenges in early 2020. The purpose of the matrix is to present the main non-financial challenges to which the Group is exposed, by order of importance.

An in-depth analysis of the reference frameworks was carried out, including: the UN Sustainable Development Goals, non-financial reporting obligations and recommendations, international standards such as the SASB (Sustainability Accounting Standards Board) and the GRI (Global Reporting Initiative), and recent studies on the challenges facing the aerospace industry. This analysis resulted in the identification of 37 challenges.

These challenges were subsequently submitted to more than 600 senior managers from all Group companies at sites worldwide and the members of the Executive Committee, as well as to a panel of 70 external stakeholders from each major category (business community, financial community, public partners and civil society). The consultation comprised 25 interviews and an online survey.

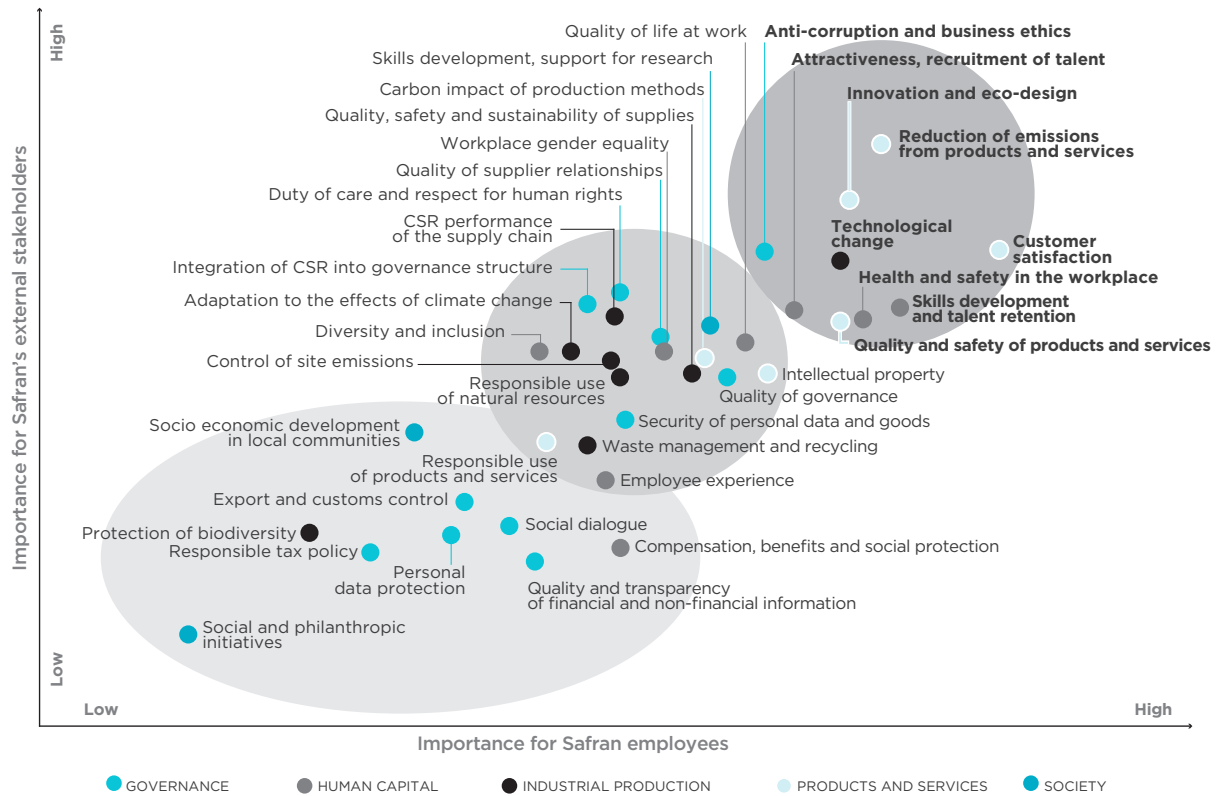
The matrix shows:

- on the X-axis, challenges classified according to their importance for internal participants (importance for Safran employees);
- on the Y-axis, challenges classified according to their importance for external participants (importance for external stakeholders);

It represents a snapshot of respondents' opinions and perceptions at a given time. The updated matrix represents an internal and external consensus on Safran's nine priority challenges and the change in respondents' expectations. The results have enriched the CSR strategy. The nine challenges appear in the circle in the upper right-hand corner of the matrix. They are:

- **customer satisfaction and trust;**
- **business ethics and the fight against corruption;**
- **reduction of atmospheric emissions and the carbon impact linked to the use of products and services;**
- **innovation and eco-design of products and services;**
- **technological developments;**
- **attractiveness of Safran and talent recruitment;**
- **skills development and talent retention;**
- **health and safety in the workplace;**
- **quality and safety of products and services.**

MATERIALITY MATRIX OF NON-FINANCIAL CHALLENGES



Enhanced consultation with employees via working groups

The completion of the materiality matrix gave way to an internal process designed to further explore the expectations, challenges and priorities for Safran, as voiced by its employees. Thirteen working groups were put together to address a variety of topics (innovation, low-carbon, communications, finance, human resources, younger generation, technology, etc.), and interviews were held with employee representative bodies. In total, 167 employees representing all of Safran's companies and its major geographic areas of operation were involved.

First, each participant completed a questionnaire. Once the responses had been compiled, one or two group work sessions were then conducted to look at the responses on each of the topics. Employees put forward countless ideas, questions and expectations on CSR related topics in connection with their daily work experience. The outcome of this work was then used to develop the content of the CSR policy, bringing it in line with the daily lives of Safran employees. The participants were truly motivated to have a voice on these issues, and the work of consolidating expectations showed that they converge regardless of their profession, location or company. The CSR strategy has been validated by the Executive Committee.

"Engage for the future", a new CSR strategy

Early in 2021, Safran launched "Engage for the future", the new CSR strategy born as a result of this collective effort. In addition to incorporating the CSR challenges outlined during the construction phases described above, "Engage for the future" embodies the Safran *raison d'être* defined in 2020.

"Engage for the future" is also blended into the Group's three strategic assets:

- **sustainable technological innovation** in the aerospace, defense and space markets allowing Safran to maintain and strengthen its position as a world leader while taking its environmental, social and societal impacts into account;
- **operational excellence** positioning Safran as the benchmark supplier for its clients thanks to the quality standards of its products and services throughout the value chain, in dialogue with its employees, customers, partners and end customers;
- **responsible conduct** showing regard for internal and external stakeholders at all of Safran's sites. The Group aims to go beyond simple compliance with the law by being proactive in the face of social and environmental developments.





This makes the CSR strategy an integral part of Safran's culture, its *raison d'être* and its strategy. The strategy is aimed at creating shared value with the ecosystem and embracing a sustainable performance perspective.

A CSR strategy built on 4 pillars, with 12 key commitments

CORE PURPOSE

"Thanks to the commitment of our employees, proven innovation and operational excellence, Safran designs, builds and supports high-tech solutions to contribute to a safer, more sustainable world, where air transport is more environmentally friendly, comfortable and accessible.

We also apply our skills to develop solutions that meet strategic needs, such as defense and access to space."

| | | | |
|--|---|--|---|
| <p>1 </p> <p>Decarbonize aerospace Be recognized as a leader in the decarbonization of the aviation sector</p> <p>1. Make carbon neutral aircraft the R&T priority</p> <hr/> <p>2. Reduce CO₂ emissions throughout our value chain</p> <hr/> <p>3. Involve employees in the reduction of their carbon footprint</p> | <p>2 </p> <p>Be an exemplary employer Be considered an employer of choice by our employees and the talents of the sector</p> <p>4. Accelerate training in the skills and professions of tomorrow</p> <hr/> <p>5. Ensure health and safety of employees, improve the quality of life at work and maintain a thriving social dialogue</p> <hr/> <p>6. Encourage equal opportunities and promote diversity</p> | <p>3 </p> <p>Embody responsible industry Be the benchmark in our production methods and throughout our value chain</p> <p>7. Uphold the highest standards of ethics</p> <hr/> <p>8. Strengthen responsible supply chain management and support suppliers</p> <hr/> <p>9. Respect the environment and natural resources</p> | <p>4 </p> <p>Affirm our commitment to citizenship Get involved with our local communities and contribute to their development</p> <p>10. Be at the forefront of innovation to protect citizens</p> <hr/> <p>11. Develop partnerships for training and research</p> <hr/> <p>12. Enhance professional and social integration</p> |
|--|---|--|---|

"Engage for the future" is Safran's CSR pledge, and applies in all Group countries and companies. It resonates with the UN Global Compact, of which Safran has been a signatory since 2014, and actively contributes to the UN's Sustainable Development Goals (SDG) (see section 5.1.3.1).

These commitments are backed up by objectives for 2025, referred to in this chapter as 2025 CSR objectives. For some of them, the 2025 targets and monitoring indicators will be determined in 2021.

Key objectives for 2025

To fulfill its ambitions and create value, Safran has set objectives for 2025 that will enable the Group to track progress annually for each pillar in the CSR roadmap.

| PILLAR | 2025 OBJECTIVE | 2019 | 2020 |
|---|---|--|---------------------------------|
| Decarbonize aerospace | Scope 3 (product usage): 75% of R&T investment focused on environmental efficiency Choose technologies (engines and equipment) contributing to ultra-efficient aircraft for 2035, targeting carbon neutrality for 2050, with 100% sustainable fuels | 75% | 75% |
| | | +3% | -31% |
| | Scopes 1 and 2: 30% reduction in CO ₂ emissions by 2025 vs. 2018 | (623,619 t CO ₂ eq.) ⁽¹⁾ | (414,988 t CO ₂ eq.) |
| | 100% of facilities to have achieved the five zero targets roadmap ⁽²⁾ | * | * |
| Be an exemplary employer | Maintain the number of training hours per employee per year ⁽³⁾ | 26 | 13 |
| | Frequency rate of lost-time work accidents below 2.5 ⁽⁴⁾ | 3.2 | 2 |
| | 100% of employees worldwide to benefit from a minimum level of health cover (medical, optical and dental) | * | * |
| | 22% of women among senior managers | 12% | 13% |
| Embody responsible industry | 100% of senior managers and exposed and affected people trained in anti-corruption ⁽⁵⁾ | - | 66% |
| | 100% of senior managers and exposed and affected people trained in export control ⁽⁶⁾ | * | * |
| | 80% of purchases made from suppliers that have signed Safran's responsible purchasing charter ⁽⁷⁾ | - | 40% |
| | 100% of sites certified "Gold" to internal HSE standards | 50% | 60% |
| | Increase the waste recovery ratio (<i>target to be calculated in 2021</i>) | 68.3% | 70.5% |
| Affirm our commitment to citizenship | Increase the number of new PhD students in the company per year (> 65) | 63⁽⁸⁾ | 36 |
| | At least one social or professional integration initiative run by each Safran site | * | * |

* Measured across the whole scope in 2021.

(1) 2019 emissions figures, which included estimated data for fourth-quarter 2019, were revised in 2020 to reflect the actual data.

(2) Zero non-recycled paper in 2021, zero machines or equipment running unnecessarily in 2022, zero single-use plastic cups or dishes in 2023, zero catering products from extracontinental geographic areas in 2024, zero non-eco-friendly green spaces in 2025.

(3) Compared to 2019. Excluding employees on long-term absence.

(4) Number of accidents per million hours worked.

(5) Purchasing, HR, Sales, Legal, Finance, Audit & Internal Control, Compliance & Business Ethics, Risks and Communications Departments, with customers, suppliers and partners concerned.

(6) People exposed and affected in all Group departments.

(7) Or using an equivalent responsible purchasing charter.

(8) Average new PhD students over three years (2017-2019).

5.1.2 A stronger CSR governance

In January 2021, the Group Human Resources Department (HRD) became the Group Human and Social Responsibility Department (HSRD). This change illustrates the Group's determination to strengthen its commitments and rally all employees around the new CSR policy.

The CSR strategy is led by the Executive Committee and steered by the Executive Vice President, Corporate Human and Social Responsibility, who draws on the work of the CSR Department in defining the CSR strategy, its roadmap and its rollout. The CSR Department works closely with all of the Group's companies and departments to ensure that the strategy is consistent and that everyone is involved. CSR issues are addressed, where appropriate, in committees reporting to the Executive Committee (Compliance, Ethics and Anti-Fraud Committee) or the Board of Directors (Audit and Risk Committee, Appointments and Compensation Committee, and Innovation, Technology & Climate Committee, see section 6.3.4). They are also presented to the Executive Committee each year.

Safran plans to adapt its CSR governance starting in 2021. Experts from cross-functional Group departments and representatives of tier-one entities will be asked to work together on each of the pillars of the CSR policy (decarbonize aerospace, be an exemplary employer, embody responsible industry and affirm our commitment to citizenship). Consultations with external stakeholders are also planned. The CSR Department, in close collaboration with the Executive Committee, cross-functional departments and companies, is responsible for federating, coordinating and implementing the policy within this governance framework.

5.1.3 An approach backed by internal and external reference frameworks

5.1.3.1 United Nations Global Compact and Sustainable Development Goals

Safran became a signatory to the United Nations Global Compact in 2014. The Global Compact comprises 10 principles relating to respect for human rights, international labor standards, the environment and the fight against corruption. Safran has willingly undertaken to adhere to and promote these universal principles in its practices. The Group's Chief Executive Officer assumes direct responsibility for this commitment.

Safran certifies the effective implementation of these principles by posting a Communication on Progress (CoP) on the United Nations Global Compact website each year. It takes the form of the Non-financial Performance chapter of this Universal Registration Document, which is validated by the Board of Directors. Safran is classified as Advanced, the highest standard in terms of CSR performance.

Through its commitment to respect the 10 principles of the United Nations Global Compact and through its Ethical Guidelines, Safran highlights the obligation for its employees, suppliers and subcontractors to respect the principles of human rights, labor law, environmental protection and the fight against corruption.

Safran's CSR policy, commitments, targets and actions are aligned with the global effort to achieve the 17 Sustainable Development Goals for 2030 established by the United Nations (see the Integrated Report at the beginning of this Universal Registration Document).

5.1.3.2 The Safran global CSR framework agreement

The internal reference documents concerning Safran's corporate social responsibility are as follows: the global framework agreement on CSR, the CSR policy (see section 5.1.1), the Ethical Guidelines (see section 5.5.1), the energy strategy (see section 5.3.3), the Code of Conduct for the detection and prevention of acts of corruption and the responsible lobbying guidelines (see section 5.5.2), and the Health, Safety and Environment policy (see section 5.4.7.1). They are applicable at all Safran sites, in all of the countries where Safran operates.

Among internal commitments concerning human resources, social and environmental responsibility, Safran signed a global five-year CSR framework agreement on "working conditions, CSR and sustainable development" with the IndustriALL Global Union and representatives of the metallurgy federations of the French CFE-CGC, CFDT, CGT and CGT-FO unions on October 18, 2017. It covers the entire scope of Safran's activities and applies to all of its employees.

The agreement is designed to:

- provide a formal framework for the Group's social responsibility policy, notably in compliance with the ILO (International Labour Organization) 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 611 performance criteria for safety, 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 all forms of corruption 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;
- support the implementation of Safran's policies, through its subsidiaries, suppliers and subcontractors, so as to take into account international challenges in line with the Sustainable Development Goals adopted by the United Nations in 2015;
- protect the environment through preserving natural resources, fighting global warming, reducing waste and reusing it, and prevent the risk of pollution in order to minimize the impact of the Group's activities on the environment;
- take into account the impact of the business on the local community, so that in each host country it focuses on hiring locally to fill available positions.

Addressing stakeholder relations, the framework agreement provides that fundamental rights will be upheld both by Group subsidiaries and in the selection and assessment of suppliers, subcontractors and service providers.

A global monitoring committee was set up in 2018 to oversee the agreement's implementation and compliance with its commitments. A guide has been developed to enable each Group entity to assess the agreement's nine commitments. By 2019, 93 Safran entities had conducted self-assessments and proposed action plans targeting such issues as professional equality between men and women, relations with suppliers, non-discrimination, the environment and the impact of operations on local communities.

5.1.3.3 Duty of care plan

The duty of care plan described below was prepared by Safran in response to French law 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies. It concerns Group companies and their subsidiaries, addressed in the following paragraph, and Group suppliers, addressed in section 5.5.9.

The Safran duty of care plan was designed as a means of consolidating and intensifying its risk prevention and management processes (see chapter 4 on the risk management system). Internally, the Group complies with the law through the following provisions:

- **respect for human rights and fundamental freedoms**, enshrined in internal documents, the global framework agreement on CSR (see section 5.1.3.2), the Ethical Guidelines and the Code of Conduct for the detection and prevention of acts of corruption (see section 5.5.2). These documents stipulate that the internal rules relating to human rights and fundamental freedoms must comply, at the very least, with the standards of the countries in which Safran operates. When these expectations are less demanding than Safran's own standards, the Group applies its own requirements in terms of human rights, fundamental freedoms and Health, Safety and Environment. Among the human rights guaranteed are the prohibition of child labor and forced labor, respect for the principle of freedom of association and collective bargaining, prevention of the risk of discrimination, and promotion of decent employment and material working conditions.
- **the protection of personal data** (see section 4.3.2), whether it concerns Safran employees or third parties, is subject to a specific organization and a program designed to ensure compliance with the provisions of the European Union's new General Data Protection Regulation (GDPR), which came into force in May 2018, as detailed in section 5.5.7;
- **employee safety** (see section 4.3.2) is ensured through a dedicated organization, both internationally and in France. The workplace safety policy is reflected in the implementation of oversight, analysis, training and monitoring of employees and partners in sensitive geographies;

- **the management of health, safety and environmental risks** through the rollout of HSE policy standards, which serves to develop a culture of anticipation and prevention so as to control risks as part of a continuous improvement process (see sections 4.3.2, 5.4.7 and 5.5.10).
- Specific measures have been taken to round out the duty of care plan in order to **control risks in Safran's purchasing process**. Several measures have been implemented, including training for buyers, the application of CSR strategy principles in purchasing procedures since 2014, and skills development for all purchasing function stakeholders. All buyers must therefore complete responsible purchasing training. The responsible purchasing training indicator tracks the involvement of buyers in duty of care issues (see section 5.2.1). The implementation of these measures makes the purchasing process (see "One Safran", section 1.7) more robust by more thoroughly embedding CSR criteria into each phase:
 - **development of purchasing strategies by group**, supplier selection, supplier approval (including the mandatory signing of Safran's responsible purchasing charter), contracting and contract management, supplier monitoring and supplier performance measurement;
 - **creation of a communication kit specific to the duty of care** and its distribution among purchasers in order to improve their knowledge of the law and the existing system. Another communication kit on the duty of care, which is geared towards suppliers and allows buyers to raise awareness among their suppliers;
 - **the Buyer's Memo** distributed among the purchasing community makes it possible to indicate the mandatory training courses in a buyer's career path, including Responsible Purchasing.

Whistleblowing system

An internally and externally accessible whistleblowing system is in place (see section 5.5.1).

5.1.4 A CSR performance assessed by non-financial rating agencies

In order to guarantee transparency and openness, particularly in respect of investors and shareholders, the Group regularly responds to requests bearing on its non-financial information.





Each year, non-financial rating agencies assess Safran's performance in terms of respect for the environment, social values, community engagement and corporate governance. Their assessments guide fund managers and investors looking for companies delivering an effective CSR performance.

In 2019 and 2020, Safran topped the Aerospace and Defense industry ranking of independent non-financial rating agency Vigeo-Eiris. Its score increased from 49/100 to 55/100 between 2017 and 2019-2020. The improvement in its score attests to the focus that Safran places on environmental, social and governance criteria (ESG) in its strategy. Safran accordingly features in the Euronext Vigeo Eurozone 120 index.

CDP-Climate Change (formerly the Carbon Disclosure Project) provides a comprehensive system for measuring and reporting environmental information that assesses both the performance and transparency of climate change strategies. Safran scored an A- in 2020, demonstrating its maturity in terms of management and leadership, and its progress compared with previous years: it obtained a C in both 2018 and 2019.

The rating awarded by international agency Sustainalytics improved between 2019 and 2020. Safran ranked fourth out of 88 companies in the aerospace and defense industry.

CHANGE IN NON-FINANCIAL RATINGS

| | 2018 | 2019 | 2020 |
|---|---|--|--|
|  | 49/100 - Limited level 14 th company in the aerospace and defense industry ranking | 55/100 - Robust level⁽¹⁾ 1 st company out of 20 in the aerospace and defense industry ranking in Europe 1 st out of 44 worldwide Inclusion in the Euronext Vigeo Eurozone 120 index | |
| Climate change | C (Awareness level) Understanding of environmental challenges for the company | C (Awareness level) Understanding of environmental challenges for the company | A- (Leadership level)⁽²⁾ Best practices in environmental management |
|  | | | |
|  | - | 28.0 - Medium risk 6 th out of 82 in the aerospace and defense industry | 24.9 - Medium risk⁽³⁾ 4 th out of 88 in the aerospace and defense industry |
|  | BBB rating | A rating | A rating⁽⁴⁾ |

Rating scales:

- (1) Rating out of 100 updated every two years.
- (2) Rating from "F-" to "A" (A being the highest).
- (3) ESG risk assessment, the highest score is 0, the lowest risk.
- (4) Rating from "CCC" to "AAA" (AAA being the highest).

Safran is also rated by other international non-financial rating agencies, such as ISS ESG and SAM (Corporate Sustainability Assessment). Additionally, it responds to other surveys from major players in the field of socially responsible investment, such as the magazine *La Financière Responsable*. The Group is part of its *LFR Euro Développement Durable* and *LFR Inclusion Responsible Funds*. For the latter, Safran progressed from "Committed Company" to "Leader" in 2020.

In addition, some Safran sites have CSR certification, such as the Safran Electrical & Power site in Morocco, which, in 2020, renewed the CGEM (*Confédération générale des entreprises du Maroc*) CSR label obtained in 2017. In Mexico, the Safran Aircraft Engines and Safran Landing Systems sites were recognized as socially responsible companies for the second consecutive year by CEMEFI (*Centro Mexicano para la Filantropía*). These two CSR labels are aligned with ISO 26000 and attest to the commitment to CSR actions and their effective rollout in labeled companies.

5

5.2 SAFRAN'S KEY NON-FINANCIAL RISKS

Chapter 4, "Risk factors" and chapter 5, "Non-financial performance" of this Universal Registration Document are linked, and respective cross-references are provided. While the analysis and treatment of the main risk factors are presented in chapter 4, chapter 5 is dedicated to the presentation of the main non-financial risks (see section 5.2), and the associated performance (see sections 5.3 to 5.6).

5.2.1 Summary of risks and associated indicators

The risks relating to Safran's corporate social responsibility are presented in the table below, and have been assessed based on the key risks identified in Safran's Enterprise Risk Management (ERM) (see chapter 4). The indicators presented serve to show the effectiveness of the policies implemented in response to these challenges.

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

The impacts of the Covid-19 crisis are reflected in all of the 2020 indicators and the related change.

| Risk | Policies | Indicators | 2018 | 2019 | 2020 | Year-on-year change |
|--|----------------------------------|--|--------------------|------------|------------|---------------------|
| RISKS RELATING TO CLIMATE CHANGE | | | | | | |
| For the definitions of Scopes 1, 2 and 3, see section 5.3.5, "Climate change indicators and targets". | Low-carbon project | Emissions in metric tons of CO ₂ equivalent: | | | | |
| <ul style="list-style-type: none"> "Transition" risks stem from changes in the economic and regulatory environment linked to adaptation to climate change. The expectations of Safran's stakeholders cover production processes, as well as product design and final use. Potential impacts could include new financial taxes, loss of market share or loss of attractiveness for investors. | Research and technology projects | <ul style="list-style-type: none"> Scope 1 | 219,790* | 221,259* | 146,655 | -33.7% |
| | | <ul style="list-style-type: none"> Scope 2 | 383,186* | 402,360* | 268,333 | -33.3% |
| | | <ul style="list-style-type: none"> Scope 3 | 52,721,000 | 47,980,000 | 24,195,000 | -49.6% |
| Risks resulting from damage directly caused by weather and climate phenomena: | | | | | | |
| <ul style="list-style-type: none"> the risks induced by climate change, such as earthquakes, hurricanes, cyclones, strong winds and floods, could cause damage to the Group's sites and endanger the safety of employees. The exposure of Safran's sites and their value chain depends on their location. The frequency and intensity of climate events, aggravated by the rise in global temperatures, are taken into account when deciding where to locate Safran's activities. | | | | | | |
| See section 4.3.1.5 | | | | | | |
| RISKS RELATING TO SKILLS AND KNOW-HOW | | | | | | |
| Situations liable to cause a loss of skills and know-how in the medium term are as follows: | Medium-term plan | % of Group employees who have had one or more training courses | 87% ⁽²⁾ | 83% | 67% | -19.3% |
| <ul style="list-style-type: none"> accelerated change in business, stemming either from the general impact of the digital transformation or the Group's shift towards disruptive technologies and more electric products with a smaller carbon footprint, involving a lack of longer-term visibility on certain development activities; challenges of adapting load/capacity and matching skills to needs when the impacts of the adaptation measures introduced in response to the economic crisis caused by the Covid-19 pandemic, and in particular the Activity Transformation Agreement (ATA) in France, will have materialized, including the early departure of some experts; tension in the labor market in certain areas of expertise, intense competition between business sectors or turnover in certain geographic areas. | | | | | | |
| See section 4.3.4 | | | | | | |

* 2018 emissions figures were adjusted to take into account the change in scope following the integration of Zodiac Aerospace. 2019 emissions figures, which included estimated data for fourth-quarter 2019, were revised in 2020 to reflect the actual data.

| Risk | Policies | Indicators | 2018 | 2019 | 2020 | Year-on-year change |
|---|--|--|---------------------|-------|--------------------|---------------------|
| RISK OF INSUFFICIENT OR LOSS OF ATTRACTIVENESS | | | | | | |
| The risk of loss or lack of attractiveness for the Group covers: | Talent policy | Permanent departure replacement index | 1.1 | 1.2 | 0.2 | -83.3% |
| <ul style="list-style-type: none"> recruitment times for certain specific profiles (materials, special processes, electrical, power electronics) and new professions for Safran; | Compensation policy | | | | | |
| <ul style="list-style-type: none"> the high concentration of industrial companies in certain international basins, generating intense competition to attract skills and talents, if Safran is not distinguished enough; | Professional equality between men and women approach and action plan | % of women in external recruitment | 36.10% | 37.4% | 34.6% | -7.7% |
| <ul style="list-style-type: none"> insufficient representation of women in the Company, especially in senior positions, generating a risk in terms of image, attractiveness and performance. | | % of women in the workforce | 28.5% | 29.1% | 27.7% | -4.8% |
| | | % of women among senior managers | 12% | 12% | 13% | +1% |
| See section 4.3.4 | | | | | | |
| HEALTH, SAFETY AND ENVIRONMENT RISK | | | | | | |
| Risks relating to industrial activities: | HSE policy | Frequency rate of lost-time work accidents | 2.9 | 3.2 | 2.0 ⁽³⁾ | -37.5% |
| <ul style="list-style-type: none"> risks inherent to industrial activities, such as fire, explosion or the discharge of liquids and gases; | HSE standards | Severity rate (SR) | 0.07 ⁽²⁾ | 0.07 | 0.08 | +14.3% |
| <ul style="list-style-type: none"> risks relating to the management of chemicals on the production sites; | Duty of care plan | Reported accident frequency rate | 22.7 | 18.8 | 11.3 | -39.9% |
| <ul style="list-style-type: none"> exposure of employees to the risks inherent to industrial activities, such as the use of production equipment, load handling, shift work, working at heights, etc. | | Pandemic plan | | | | |
| Risks relating to new regulations: | | | | | | |
| <ul style="list-style-type: none"> local and international health, safety and environmental protection regulations and standards applicable to Safran's activities are diverse, shifting and increasingly stringent. As such, non-compliance with regulations is a risk for the Group. | | | | | | |
| See section 4.3.2 | | | | | | |
| Health risk associated with pandemics (see section 4.3.1.1) | | | | | | |
| Certain risks have emerged as a consequence of the Covid-19 crisis: | | Absenteeism rate | N/A | 2.8% | 2.7% | -3.9% |
| RISK OF EMPLOYEE DISENGAGEMENT | | | | | | |
| This risk, linked to the consequences of the Covid-19 crisis, encompasses: | | | | | | |
| <ul style="list-style-type: none"> detachment from the company after a long period on furlough; | | | | | | |
| <ul style="list-style-type: none"> feeling of uselessness generated by furlough, leaving the employee with the impression of being non-essential; | | | | | | |
| <ul style="list-style-type: none"> risk of resignation of employees in favor of industries less enduringly impacted by the health crisis; | | | | | | |
| <ul style="list-style-type: none"> pressing questions from employees about potential new redundancy plans. | | | | | | |

| Risk | Policies | Indicators | 2018 | 2019 | 2020 | Year-on-year change |
|--|---|--|-------|-------|-------|---------------------|
| PSYCHOSOCIAL RISKS | | | | | | |
| <p>This covers stress and ill-being in the workplace related to:</p> <ul style="list-style-type: none"> the uncertain socio-economic environment; changes in the organization of work (telework, furlough); anxiety about the epidemic; the impact on social relations and management methods. | | % of employees who responded to the social climate survey in November 2020 | | | >48% | |
| CORRUPTION RISK | | | | | | |
| <p>Corruption risk (see section 5.5.2) is assessed on the basis of scenarios involving:</p> <ul style="list-style-type: none"> non-compliance with laws on anti-corruption and influence peddling: potential breaches related to the Group's international exposure, transactions with third parties (customers, suppliers, intermediaries) or transactions with public officials; non-compliance with the Ethical Guidelines, the Code of Conduct for the detection and prevention of acts of corruption and the Safran trade compliance program. | <p>Trade compliance program</p> <p>Anti-fraud policy</p> <p>Code of Ethics</p> <p>Duty of care plan</p> | People trained in trade compliance (anti-corruption) programs | 4,600 | 4,900 | 5,616 | +14.6% |
| CYBERSECURITY RISK | | | | | | |
| <p>As indicated in section 4.3.2, "Risks relating to Group operations" and described in section 5.5.8 below, cybersecurity is a shifting and widespread threat for Safran. It could take the form of either an intrusion into the Group's information systems or an attack on the integrity of its data.</p> <p>Cybersecurity is also a performance criterion for the Group's products. Safran's policy provides an explicit and structured response to customer concerns and the requirements of regulatory authorities.</p> | Cybersecurity policy | % of critical components with at least one intrusion test per year | 50% | 70% | 70% | stable |
| | | % of tier-one entities with an ISSM in place | 100% | 100% | 100% | stable |
| RISKS RELATING TO SUPPLIER RELATIONSHIPS | | | | | | |
| <p>Safran purchased goods and services worth €8 billion in 2020, i.e., more than 48.5% of its adjusted revenue, from more than 16,000 suppliers. Controlling the full range of risks linked to supplier activities is a priority challenge. Suppliers must comply with Safran's Responsible Purchasing Charter, which imposes respect for human rights and compliance with HSE regulations. The risk of failure among Safran's strategic suppliers was heightened in 2020 due to the consequences of the Covid-19 crisis. See section 4.3.2.4.</p> | <p>Responsible purchasing charter</p> <p>Duty of care plan</p> <p>Group purchasing policy</p> | % of buyers trained in responsible purchasing methods during their career | N/A | 40.1% | 43.5% | +8.5% |

| Risk | Policies | Indicators | 2018 | 2019 | 2020 | Year-on-year change |
|---|--|------------|------|------|------|---------------------|
| PRODUCT SAFETY RISK | | | | | | |
| Aviation safety is one of Safran's priorities, which means supplying products that ensure optimum safety for its customers (see section 4.3.2). A robust and proven quality management system is in place (see section 1.7). | Aviation safety policy Quality policy | | | | | |

Scope 1: direct greenhouse gas emissions linked to the combustion of energy sources such as gas, liquefied petroleum gas and aviation fuel as well as refrigerant emissions during the production phases at Safran sites.

Scope 2: indirect emissions linked to the consumption of energy, electrical power or heating/cooling at Safran sites.

Scope 3: other emissions indirectly produced by Safran's activities and not accounted for in Scopes 1 and 2, but linked to the overall value chain (source: Ademe).

(1) Excluding employees on long-term absence.

(2) Excluding activities derived from the former Zodiac Aerospace.

(3) We recorded a drop in the LTAFR in 2020, with more than 190 lost-time incidents avoided. Particular attention will continue to be paid to the prevention of lost-time incidents in 2021.

5.3 CLIMATE STRATEGY: DECARBONIZE AEROSPACE

This section corresponds to the first pillar of the CSR strategy, "Decarbonize aerospace", devoted to the decisions and initiatives taken by Safran to reduce CO₂ emissions. Safran aims to be acknowledged as a leader in decarbonization in the aerospace industry. It has made carbon-neutral aircraft the priority of its research and technology (R&T) and is committed to reducing its CO₂ emissions across its entire value chain. This section meets the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

This is a strategic challenge for Safran, which is making a major effort in terms of R&T (see section 1.4.5). 75% of its R&T expenditure is devoted to improving the environmental impact of air transport. As such, the Group benefits from European and French subsidies, which enabled it not to diminish its level of activity in decarbonization projects in 2020.

5.3.1 Context: climate change and the aerospace industry

Faced with climate change and the associated risks, the 2015 Paris Climate Agreement set the goal of capping the increase the Earth's average temperature at 2°C, or even 1.5°C, by the end of the century compared with preindustrial levels.

The aerospace industry has a role to play in achieving this goal. In 2019, civil aircraft in operation worldwide emitted 2.1%⁽¹⁾ of the CO₂ emissions attributable to human activities. If we add emissions from the production and delivery of fuel to aircraft, aircraft manufacturing and dismantling, and airport operations, aviation accounts for approximately 3% of total CO₂ emissions worldwide. Before the Covid-19 crisis, the industry expected traffic to grow by 3% to 4% per annum over the coming 30 years, measured in passenger kilometers. That would represent a near 3.5-fold increase in traffic between 2015 and 2050, bringing the amount of CO₂ emitted by aviation to a significant level. Reducing CO₂ emissions from aviation is therefore a priority. The Covid-19 pandemic, which caused a drop in air traffic, has not altered this challenge.

Through the Air Transport Action Group (ATAG), and in agreement with the International Civil Aerospace Organization (ICAO), the aerospace industry set a very ambitious objective in 2008: to halve CO₂ emissions by 2050 compared with 2005 levels. Seen against the expected growth in air traffic, that represents a 90% reduction in average emissions per passenger kilometer. All stakeholders in air transport (industry, airlines, air traffic control, airports, public authorities), including Safran, have committed through ATAG to meeting these commitments.

(1) Based on IEA, ICCT, ATAG data.

In addition to CO₂, aircraft engines produce other emissions (contrails, nitrogen oxides), whose impact on global warming is currently being assessed by scientists. According to a recent publication⁽¹⁾, the warming effect (radiative forcing⁽²⁾) attributable to all aviation emissions since 1940 represents 3.5% of the total radiative forcing attributable to human activities. This assessment is subject to significant uncertainties due to the complexity of the physical phenomena

involved. It is important for the understanding of these phenomena to progress to allow us to act and make the right technology choices⁽³⁾. Safran was one of the stakeholders behind the creation of the “aviation and climate” chair at the French Civil Aviation Research Council (*Conseil pour la recherche aéronautique civile* – CORAC), with the aim of reducing all potential emissions produced by aircraft engines that could have an impact on the climate.

5.3.2 Taking climate change into account in Safran’s governance

As an aircraft engine and equipment manufacturer, Safran has a central role to play in achieving the aerospace industry’s climate change targets. To affirm its commitment, Safran has a *raison d’être*, in which it cites climate change as one of its priority challenges (see section 5.1.1). The Group’s commitment is reflected in a cross-functional approach involving multiple departments. It is led at the highest level of the company, both by Executive Management and the Board of Directors.

The Board of Directors sets Safran’s overall business strategy and oversees its implementation, in accordance with the Company’s best interests and taking into account the social and environmental aspects of its activities (see section 6.3.3). In order to deal with the challenges of climate change as effectively as possible, the Board of Directors decided in early 2021 to task one of its independent Directors, who is a member of the Innovation and Technology Committee, with overseeing how the Board takes into account and monitors climate issues, designating him as “Director responsible for monitoring climate issues”. The Board also defined his responsibilities in this area (see section 6.2.3). The Board considered that this role should naturally go to the Chairman of the Innovation and Technology Committee. At the same time as the Director responsible for monitoring climate issues was appointed, the Innovation and Technology Committee was renamed the “Innovation, Technology & Climate Committee” and its roles and responsibilities were extended. This Committee is now responsible for reviewing, examining and issuing recommendations relating to Executive Management’s climate action plan (see section 6.3.4). The Board of Directors’ Internal Rules were amended to reflect these changes (see section 6.3.2).

The Innovation, Technology & Climate Committee and its Chairman accordingly have a particular role to play in climate change challenges, given the high level of interaction with the Group’s technology strategy. The Committee is tasked with analyzing, reviewing and sharing its expertise on Safran’s research and technology objectives and strategic choices, as well as the Group’s action plan on climate change, a very large part of which is designed to enable the Group to help decarbonize aerospace while meeting the growing needs of the world’s population. It assesses the Group’s performance in its main research and innovation roadmaps and climate

plan with a view to meeting its targets. The Committee reports its findings, including those relating to climate change issues, to the Board of Directors.

For the Group’s operational and executive organization, the challenge represented by climate change prompted Safran to tighten its governance on the issue in 2020 by establishing a Climate Challenge Steering Committee bringing together several members of Executive Committee and all of the Company’s departments involved in the various aspects of climate action, namely: Research and Technology, Strategy, Public Affairs, Finance, Operations, Corporate Social Responsibility and Communications. This Committee met three times in 2020. Its work focused primarily on the development of Safran’s strategy for the decarbonization of aerospace against the backdrop of the Covid-19 crisis, and on the development of sustainable aviation fuels. A cross-functional working group covering the relevant departments coordinates regular work on these issues between committee meetings.

Additionally, the operational committee established in 2019 to oversee the Group’s low-carbon project also continued its work in 2020, with a focus on reducing greenhouse gas emissions from Safran’s operations (Scopes 1, 2 and 3 upstream, see section 5.3.5). It is made up of several members of the Group’s Executive Committee and cross-functional units. It is jointly sponsored by the Executive Vice President, Industrial, Purchasing and Performance and the Executive Vice President, Corporate Human and Social Responsibility. It meets every two months. A project manager has been appointed in each tier-one entity. In addition, business line liaison officers have been identified for property or industrial issues, or for energy purchases.

At the beginning of 2021, Safran created a Climate Department, within its Strategy Department, tasked with leading the Group’s climate strategy in all its dimensions.

The work of these committees has resulted in proposals for measures to be submitted to Safran’s Executive Committee, which is the decision-making body on issues of major concern to the Group, such as the creation of an internal carbon price (see section 5.3.3.2).

(1) *The Contribution of Global Aviation to Anthropogenic Climate Forcing for 2000 to 2018*, David S. Lee et al., *Atmospheric Environment*, 2020.
 (2) *Radiative forcing is the difference between incoming solar irradiance (sunlight) absorbed by the Earth and energy radiated back to space, notably caused by the sharp increase in the concentration of greenhouse gases in the atmosphere. It is the basis for the greenhouse effect on planets. High-altitude aviation emissions are thought to have a significant impact on radiative forcing owing particularly to the effect of condensation trails which compound the impact of greenhouse gases.*
 (3) *“There are significant scientific uncertainties remaining in quantifying aviation’s non-CO₂ impacts on climate. The non-CO₂ impacts arise from emissions of oxides of nitrogen (NO_x), soot particles, oxidised sulphur species, and water vapor. These emissions result in changes in the chemical composition of the global atmosphere and cloudiness, perturbing the earth-atmosphere radiation budget. The net impact of aviation non-CO₂ emissions is a positive radiative forcing (warming), although there are a number of individual positive (warming) and negative (cooling) forcings arising from respective aviation non-CO₂ emissions, for which large uncertainties remain.”*

5.3.3 Taking climate change into account in Safran's strategy

5.3.3.1 Reference short- and medium-term climate scenarios taken into account

The Group's climate strategy focuses primarily on reducing the direct greenhouse gas emissions resulting from its energy consumption (Scopes 1 and 2), as well as its indirect emissions, which stem chiefly from the use of its products (Scope 3).

For Scopes 1 and 2 defined in the GHG Protocol⁽¹⁾, Safran has used two emission reduction scenarios: the IEA's 2DS⁽²⁾ scenario was used until 2020, but has been replaced by a trajectory compatible with a 1.5°C scenario since 2021.

As a base for its Scope 1 and 2 greenhouse gas emission reduction targets, the Group used the tools and guides published by the SBTi⁽³⁾, and above all the SDA⁽⁴⁾. The SBTi tools make it possible to construct emission reduction trajectories compatible with global warming scenarios extending to 2050. However, it was not deemed possible to predict and assess Safran's situation over such a long timeframe. The Group has therefore set interim targets for 2025, in line with its medium-term budget forecasts and applicable action plans.

Until 2020, the 2025 targets were based on the IEA 2DS scenario used by the SBTi.

At the beginning of 2021, Safran revised its targets with a view to maintaining a significant decarbonization effort, despite the impact of slower growth in business between now and 2025 due to the impact of the Covid-19 crisis on air transport. As such, Safran is now aiming to reduce its combined Scope 1 and 2 greenhouse gas emissions (representing approximately 416 kt CO₂eq.) by 30% by 2025 compared with 2018. This more ambitious target (initial targets were to reduce Scope 1 emissions by 8% and Scope 2 by 18% by 2025 compared to 2018) was intended to be consistent with emissions reductions compatible with a 1.5°C scenario by the end of the century, as proposed by the SBTi methodology.

For Scope 3, Safran uses a sector scenario compatible with the Paris Agreement goal of a 2°C scenario. The Paris Climate Agreement does not provide a breakdown of greenhouse gas emissions reductions by sector, and therefore does not lay down an emissions trajectory for the aerospace sector. The SBTi has also not set a methodology for the aerospace industry to date.

Through the Air Transport Action Group (ATAG), and in agreement with the International Civil Aviation Organization (ICAO), the commercial aviation industry has set itself the target of reducing its CO₂ emissions by 50% in 2050 compared with 2005, a very ambitious target despite the Covid-19 crisis, since strong growth in air traffic is still anticipated during this period. This target, to which Safran is committed and which has been broken down into different possible trajectories⁽⁵⁾, is compatible with the global SDS climate scenario⁽⁶⁾ published by the IEA at the end of 2020, and as such with the Paris Agreement. In a business-as-usual scenario for air traffic,

i.e. a growth prediction of approximately 4% per year by 2050, the aviation industry will need to reduce its CO₂ emissions by 90% per passenger kilometer compared with 2005.

5.3.3.2 Safran's strategy to reduce Scope 1 and 2 emissions

To achieve these targets, in 2020 each tier-one entity undertook the actions identified in Safran's energy strategy, based on the following pillars:

- **the energy performance of new buildings** to reduce energy consumption at our sites: technical specifications have been drawn up to control the energy consumption of any new buildings at Safran sites, based on the standard envisaged for the next environmental building regulations. The site currently under construction at Le Haillan in France served as a pilot for the drafting of this guide. In its tertiary part, it will meet the most demanding current energy performance standards;
- **the reduction of energy consumption at existing sites:** an "Energy" standard, largely inspired by ISO 50001, has been implemented to optimize energy consumption. Investments are planned to modernize machines or means of heat production, or to improve building insulation. Research and development work is being carried out to improve certain key processes such as the production of carbon brakes that run on natural gas. Awareness-raising and training initiatives have been undertaken to get employees on board;
- **the switching of energy sources** by developing breakthrough solutions for heat generation at the sites, by conversions such as replacing gas boilers with biomass boilers;
- **the purchase of low-carbon energy**, as seen with the Group's industrial and tertiary sites in Querétaro and Chihuahua in Mexico. Both sites signed a solar power electricity contract in 2019. The sites based in England have been using wind power since October 2020. Feasibility studies are to be conducted in the United States and Poland in 2021;
- **on-site production and self-consumption⁽⁷⁾:** solar photovoltaic production facilities have been installed at the Gloucester (UK), Milmort (Belgium) and Sendayan (Malaysia) sites. Feasibility studies will be conducted with partners in 2021 to continue this installation, notably in the United States.

Approved and encouraged by Safran's Executive Committee, an Internal Carbon Price (ICP) has been set for investment projects to encourage arbitrage in favor of low-carbon initiatives (excluding R&T, where emissions reductions are already intrinsic to all projects). In doing so, the Group drew on the publications of the IEA (International Energy Agency), the I4CE (Institute for Climate Economics) and the World Bank, as well as academic literature. The ICP is factored into the calculation of the return on investment; it is applicable to projects such as extensions or new buildings, and energy efficiency investments. In 2021, Safran will consider the opportunity of integrating Scope 3 upstream as part of its efforts to integrate Scope 3 into its purchasing, supplier selection and freight management processes.

(1) Greenhouse Gas Protocol.

(2) 2-degree scenario.

(3) Science-based Targets initiative. However, Safran's greenhouse gas emissions reduction targets have not been certified by SBTi.

(4) Sectoral Decarbonization Approach.

(5) Waypoint 2050 Report, ATAG, September 2020.

(6) IEA Sustainable Development Scenario, 2020. This scenario projects residual emissions of approximately 720 Mt CO₂eq. in 2050, compared with 325 Mt CO₂eq. under the sector target of halving emissions compared with 2005. It is compatible with a scenario of well below 2°C by the end of the century.

(7) Consumption of electricity produced at Safran sites for its own needs.

The use of sustainable fuels for engine testing

In 2019 and 2020, Safran consumed 17.7⁽¹⁾ and 12.1 million liters of kerosene respectively for its internal operations, primarily for engine testing. This corresponds to Scope 1 and Scope 3 (combustion and upstream) greenhouse gas emissions of approximately 56 kt CO₂eq. in 2019 and 37 kt CO₂eq. in 2020.

As part of its strategy to reduce Scope 1 and 2 emissions, and in line with its strategic vision on aerospace emissions, Safran is committed to incorporating sustainable fuels in the aviation fuel used for the aircraft and helicopter engine approval tests conducted on its sites. The Group has set a target of 10% sustainable fuels for its engine approval tests by the end of 2021, and more than 35% by 2025. They will essentially be advanced biofuels, the only existing source to date, and will bring a 60% to 80% reduction in emissions compared with fossil fuels.

5.3.3.3 Safran's strategy to reduce Scope 3 emissions related to the use of its products

Emissions related to production methods (Scopes 1 and 2) represent only a small percentage of emissions in the life cycle of an aircraft. Emissions attributable to the operation of products – mainly those of aircraft in flight in other words – constitute the approximately 95% of the total Scope 1 to Scope 3 emissions. That is why Safran's strategic priority in terms of climate action is to contribute to the decarbonization of the aerospace industry by limiting the greenhouse gas emissions generated during the use phase of its products.

Safran's product strategy is perfectly consistent with the 50% reduction target set by ATAG and ICAO, and aims to move as close as possible to carbon neutrality for its own products by 2050. Safran considers that ATAG's goal of reducing net CO₂ emissions from global aviation by 50% by 2050 compared with 2005 is achievable, with:

- 40% of the effort coming from technology through the development of ultra-efficient aircraft;
- 10% to 20% from air and airport operations, particularly with more economical flight paths;
- 40% from the partial substitution of aviation fuel with sustainable fuels. Total substitution would make it possible to approach carbon neutrality.

The first and third sources directly concern Safran and are guiding the Group's strategy. Safran has accordingly adopted a technology roadmap based on the following three aims:

1) Contribute to the development by 2030-2035 of new, ultra-efficient "low carbon" aircraft compatible with carbon neutrality.

The next generation of short- to medium-haul aircraft, scheduled for 2030-2035, will use ultra-optimized thermal propulsion. Future short- to medium-haul aircraft will have combustion engines able to run on fully sustainable fuels (so-called drop-in⁽²⁾ fuels, such as advanced biofuels or synthetic fuels, or decarbonated hydrogen). Moving towards total decarbonization means prioritizing progress on the energy efficiency of such new aircraft, given the cost and availability of these fuels.

Accelerating the transition to carbon neutrality means "skipping a generation", i.e., aiming for a gain of at least 30% in consumption per passenger per kilometer for the new generation of aircraft compared with the current generation of short- to medium-haul aircraft (i.e., double the gain conventionally achieved in the design of a new aircraft). To contribute, Safran and General Electric (GE⁽³⁾) are working to create an engine that delivers a 20% improvement in fuel consumption compared with LEAP (which is 15% more efficient than CFM56, the previous generation engine). Airframers will have to work on architecture and design studies for breakthrough aircraft, incorporating new propulsion system concepts such as non-enclosed engines, like Safran's open rotor demonstrator.

The 2030-2035 low-carbon aircraft must have innovative aerodynamics, be considerably lighter, and have an enhanced energy chain. Safran, through its equipment, cabin interior and seats businesses, contributes to addressing all of these challenges. Reducing the weight of the cabin through the use of new materials and the optimization of the electric chain are examples of improvements.

2) Enabling a massive increase in the use of sustainable fuels

Sustainable fuels cover several categories of fuels with significantly reduced or virtually zero CO₂ emissions over their life cycle: both advanced biofuels and synthetic fuels produced from decarbonated electricity⁽⁴⁾, which are drop-in fuels, and liquid hydrogen used directly in aircraft.

These different categories are complementary insofar as they mobilize distinct resources (sustainable biomass for advanced biofuels, decarbonated electricity for hydrogen and synthetic fuels), and will mature at different times: advanced biofuels are already mature and are poised to ramp up in the next decade, synthetic fuels are expected to emerge to complement them by 2030, and liquid hydrogen used in direct combustion is not expected to be available before 2035.

The massive rollout of all of these sustainable fuels is critical in all air transport decarbonization scenarios, since there is no single solution offering boundless resources that is applicable to all air transport uses. In particular, the incorporation of sustainable drop-in fuels is within reach in the short term (since the engines of aircraft in service are compatible with an incorporation rate of 50%), making it a ready means of decarbonizing current generations of aircraft and engines, as well as long-haul aircraft for which liquid hydrogen is not a suitable solution given its bulk.

Technologically, Safran is committed to lifting all technical barriers on engine and fuel systems to enable the incorporation of up to 100% sustainable drop-in fuels on the next generation of engines, and to broadening the spectrum of use on existing engines. Safran also supports the diversification of raw materials by participating in the certification of new biofuel production processes, and helps reduce pressure on raw materials by reducing engine consumption.

In addition, Safran supports the initiatives of other public and private players in favor of the development of sustainable fuels in view of the need to develop a regulatory framework on demand and public support for supply. At its 2020 Annual General Meeting, the Group made the following commitment: "Safran notably undertakes to support the launch by the States, and in particular the European Union, of investment plans and regulatory measures aiming to promote the availability and utilization of sustainable fuels for aviation. This will have to be done in a sustainable way, taking into consideration the situation of the aerospace industry and in particular of our customers after the end of the Covid-19 crisis."

(1) 2019 emissions figures, which included estimated data for fourth-quarter 2019, were revised in 2020 to reflect the actual data.

(2) Drop-in fuels can be blended with aviation fuel.

(3) Within CFM International, their 50-50 joint venture.

(4) So-called power-to-liquid fuels, synthesized from CO₂ and hydrogen by electrolysis using decarbonated electricity.

In this context, Safran supports the European Commission's ReFuelEU Aviation initiative, which aims to lay down a clear framework for the development of sustainable fuels, notably with the planned introduction of incorporation requirements. Incorporation targets will have to take into account the situation of the aerospace industry and, above all, of customers affected by the Covid-19 crisis. Sustainable fuels will have to meet exemplary sustainability criteria so as not to compete with food crops or result in deforestation. In France, Safran supports several projects submitted in response to the government's call for expressions of interest.

In addition to drop-in fuels, which are essential to decarbonize existing fleets and long-haul aircraft, Safran is heavily involved in work to define a future short-, medium- or smaller-haul aircraft equipped with turbojet engines powered by liquid hydrogen. The option of direct hydrogen combustion has greater environmental potential than other sustainable fuel pathways, as it does not emit CO₂ in flight. It nevertheless presents significant technical challenges and will require an in-depth study of the consequences for aircraft and propulsion system architecture, safety management, and ground infrastructure and operations. The impact of emissions from hydrogen combustion, especially water vapor, must also be taken into account in the environmental assessment, and is the subject of research work to which Safran is contributing. All of the work carried out by Safran and its partners, notably in the Hyperion project backed by the French government as part of the aerospace support plan, should serve to define the architecture of the propulsion system for such aircraft, thereby holding out the prospect of a decision on the commercial development of a future hydrogen-powered aircraft by 2025.

3) Develop electric propulsion systems for use over short distances, and, more generally, aircraft hybridization.

For reasons of mass energy density and management of high voltage systems at altitude, the potential gain associated with electric propulsion will initially be confined to short distance flights in low-capacity aircraft (small shuttles to start with, such as ATR regional jets with a maximum of 50 seats after 2030, for distances of around 300 km). Subsequently, the propulsion systems of future generations of aircraft will increasingly be electrified via hybridization. Hybridization of the propulsion system is an indispensable means of meeting the fuel efficiency goals of the next generations of commercial aircraft. It also represents significant potential for the development of future helicopter platforms.

Safran is a leader in these hybrid or all-electric architectures thanks to its expertise spanning the entire energy chain, and works with various aircraft manufacturers in the training aircraft, shuttle and VTOL⁽¹⁾ segments for logistics and passenger transport. In particular, Safran is part of the EcoPulse project with Daher and Airbus, which aims to develop a distributed hybrid-propulsion demonstrator, with a maiden flight slated for 2022. In 2020, the VoltAero hybrid aircraft demonstrator, developed by Cassio and powered by Safran's ENGINEUS™ electric engines, made a series of flights throughout France. Lastly, Bye Aerospace has selected Safran's ENGINEUS™ 100 electric engines to power its e-flyer electric aircraft, over 700 of which have already been ordered.

(1) Vertical Take-Off and Landing aircraft.

Safran, a driving force in the development of the aerospace ecosystem

Safran is pursuing this strategy in collaboration with the entire global aerospace ecosystem, including the following notable bodies:

- the International Civil Aviation Organization (ICAO) and in particular its Committee for Aviation Environment Protection (CAEP), through the International Coordinating Council of Aerospace Associations (ICCAIA);
- the European Civil Aviation Conference (ECAC) and its groups of environmental experts;
- 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);
- the French Aeronautical and Space Industries Group (GIFAS).

5.3.4 Risks relating to climate change

Risks relating to climate change are considered and addressed by the Group's global risk management system, the Enterprise Risk Management (ERM), described in section 4.3.1.5.

The materiality of these risks is assessed in accordance with the impact, probability of occurrence and control dimensions defined by Safran's ERM. The system for controlling these risks is determined on the basis of the resources that can be mobilized to achieve the defined targets. For risks relating to climate change, the system is described in chapter 4 of this document.

“Physical” risks

These risks cover the various natural risks faced by Safran sites worldwide (see section 5.2.1). In view of its choice of location and ongoing streamlining initiatives, the Group is not very vulnerable to this type of risk.

“Transition” risks

These risks include the risks defined below, to which Safran and its sites are exposed:

- **More stringent regulations:** Safran is exposed to regulations governing certain energy-intensive manufacturing processes, taxation or restrictions on the use of certain fossil fuels or technologies, and the development of carbon markets and carbon taxes.

At the time of the preparation of the aerospace support plan, the French industry presented a coordinated roadmap for research and development into the technologies needed to decarbonize aviation, and in particular for a new short- to medium-haul aircraft to replace the A320 in 2035. This roadmap represents €9 billion in R&T spending over 10 years, and is backed by exceptional support from the French government in the amount of €1.5 billion over the first three years, as part of its aerospace support plan. Safran's strategic focuses in the area of decarbonization are broadly reflected in the new roadmap: the search for ultra-low energy consumption for all future platforms (short to medium haul, regional, helicopters), electric hybridization on regional aircraft and helicopters, and engines compatible with fully sustainable fuels. Since 2020, Safran has already become involved in a number of research projects in the fields of aircraft engines (successor to LEAP), the hybrid-electric demonstrator for a light helicopter (HELYBRID project), and the HYPERION project to assess the challenges of a hydrogen engine. The exceptional support from the French government will enable Safran to maintain its overall research and technology activity in the field of decarbonization in the coming years.

- **Emergence of disruptive technologies:** Safran's competitors could develop products offering better technical performance, that are more competitive or that come to market earlier, including products offering better environmental performance, especially in terms of fuel consumption.
- **Judicialization:** Safran could be impacted by a tightening of the legal and regulatory framework due to the importance of climate change and developments in the aerospace industry.
- **Market:** the Group also takes into account the risks of a decline in air traffic due to a deterioration in the economic, geopolitical, climate or health environment, or a change in the behavior of airline customers. In addition, the sector may face shortages or rising costs of certain raw materials.
- **Reputation:** Safran is attentive to the risks relating to stakeholder expectations concerning the climate.

Ambitious roadmaps have been developed and implemented to manage these transition risks (see section 5.2.1).

5.3.5 Climate change indicators and targets

A continuous improvement approach in climate reporting

| 2019 Universal Registration Document | 2020 Universal Registration Document | 2021 Universal Registration Document |
|--|---|--|
| <p>Scopes 1 and 2</p> <ul style="list-style-type: none"> ■ Emissions reporting ■ Initial targets: 8% reduction on Scope 1 and 18% reduction on Scope 2 by 2025 compared with 2018 <p>Scope 3:</p> <ul style="list-style-type: none"> ■ Reporting of emissions related to business travel and waste treatment. | <p>Scopes 1 and 2</p> <ul style="list-style-type: none"> ■ Revised targets: 30% reduction on Scopes 1 and 2 by 2025 compared with 2018 <p>Scope 3:</p> <ul style="list-style-type: none"> ■ Expansion of reporting to include emissions related to purchases of goods and services, freight and commuting, as well as direct emissions related to the use of products (within the scope of the propulsion system). ■ Presentation of the climate section of the Universal Registration Document in line with the TCFD recommendations. | <p>Full reporting of all material emission categories.</p> |

Starting in 2020, Safran will implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD is a working group of the G20 Financial Stability Board (FSB). Set up at COP21 in 2015, its aim is to improve companies' disclosure of financial indicators relating to their climate challenges. The TCFD's recommendations are built on four pillars: governance, strategy, risk management, and metrics and targets. On the fifth anniversary of the Paris

Climate Agreement, and jointly with other CAC40 companies, Safran undertook to support the TCFD recommendations and to adopt a continuous improvement process. Safran has therefore decided to align the climate section of this Universal Registration Document with these four areas.

For several years, Safran has been monitoring metrics directly related to climate change challenges. As recommended by TCFD, they are the subject of an annual performance report, as well as future targets going out to 2025.

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

2025 CSR objectives

75% of R&T investment focused on environmental efficiency

30% reduction in Scope 1 and 2 GHG emissions compared with 2018, in metric tons of CO₂ equivalent

100% of facilities to have achieved the five zero targets roadmap

- Zero non-recycled paper;
- Zero machines or equipment running unnecessarily;
- Zero single-use plastic cups or dishes;
- Zero catering products from extracontinental geographic areas;
- Zero non-eco-friendly green spaces.

Scope 1 and 2 greenhouse gas emissions⁽¹⁾

Safran measures the carbon footprint of its activities and energy consumption on Scopes 1 and 2, in line with the general framework proposed by the GHG Protocol. The figures take into account the increase in business, which has a significant impact on electricity and gas consumption. Carbon accounting, common to all Group companies, is based on international standards, namely the GHG Protocol, the International Energy Agency, ISO 14064-1-2016 and Ademe. More than 150 indicators are used to establish the Group's carbon footprint. Data from more than 200 sites with more than 50 employees operated by Safran are consolidated to produce the report.

To define its greenhouse gas emission reduction trajectory and targets, Safran carried out a feasibility study to determine whether targets could be met, taking into account all avenues known for reducing greenhouse gas emissions, together with their associated costs. The Group has decided to set targets for 2025, in line with its medium-term budget forecasts and the action plans that can be implemented. 2018 is the reference year chosen for the inclusion of the emissions of Zodiac Aerospace, acquired by Safran that year. These targets are applied to all of the Group's tier-one entities, covering 100% of Scope 1 and 2 emissions in the reporting scope.

(1) Scope 1: direct greenhouse gas emissions linked to the combustion of energy sources such as gas, liquefied petroleum gas and aviation fuel as well as refrigerant emissions during the production phases at Safran sites.

Scope 2: indirect emissions linked to the consumption of energy, electrical power or heating/cooling at Safran sites.

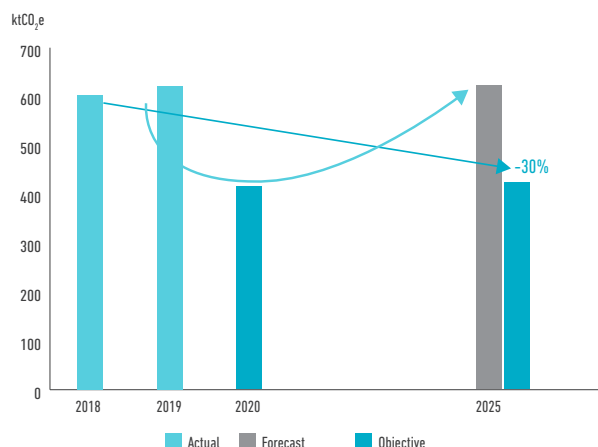
Until 2020, greenhouse gas emission reduction targets were as follows: 8% on Scope 1 and 18% on Scope 2 by 2025 compared with 2018.

In early 2021, due to the impact of the Covid-19 crisis, Safran revised these targets to take into account the slower growth in its business between now and 2025. As such, the Group now aims to reduce its Scope 1 and 2 greenhouse gas emissions by 30% by 2025 compared with 2018. This more ambitious target was set to be consistent with emissions reductions compatible with a 1.5°C scenario by the end of the century, based on the SBTi methodology.

In 2020, Safran reduced its Scope 1 and 2 emissions by 33.5% compared with 2019. This outcome chiefly reflects the drop in business in the wake of the Covid-19 crisis, even though initial emission reduction actions had been undertaken.

Safran estimates that 20% of the action program required to achieve the 2025 target in terms of greenhouse gas emissions reductions (production and self-consumption at industrial sites, streamlining of the industrial footprint, energy savings at plants, etc.) had been completed by the end of 2020. In view of the level of emissions achieved in 2020 and the target set for 2025, Safran's action plan should make it possible to offset the increase in Scope 1 and 2 emissions between 2020 and 2025 resulting from a potential return to previous levels of activity.

CHANGE IN SCOPE 1 AND 2 EMISSIONS AND TARGETS



| Scope 1 and 2 GHG emissions | 2018* | 2019* | 2020*** |
|---|---------|---------|---------|
| Scope 1 direct emissions (t CO ₂ eq.) | 219,790 | 221,259 | 146,655 |
| Scope 2 energy-related indirect emissions (t CO ₂ eq.)** | 383,186 | 402,360 | 268,333 |
| Total Scope 1 and 2 emissions (t CO ₂ eq.) | 602,976 | 623,619 | 414,988 |
| Change in Scope 1 and 2 emissions compared with 2018 | - | +3.4% | -31.2% |

* The 2018 indicators were in relative terms (t CO₂eq./employee). Revised in 2019, they are now set in absolute terms: t CO₂eq. 2018 emissions figures were adjusted to take into account the change in scope following the integration of Zodiac Aerospace. 2019 emissions figures, which included estimated data for fourth-quarter 2019, were revised in 2020 to reflect the actual data.

** These data do not take into account certificates guaranteeing the renewable origin of the electricity supply.

*** Scope 1 and 2 GHG emissions fell sharply due to the Covid-19 epidemic in 2020.

Scope 3 greenhouse gas emissions⁽¹⁾

Safran has begun a gradual approach to extend its Scope 3 emissions reporting. In early 2020, Safran reported its emissions related to business travel and waste treatment.

This year, Safran is supplementing its Scope 3 reporting by broadening the categories of reported emissions to include emissions related to purchases of goods and services by tier-one entities, emissions related to freight, emissions related to engine use and those resulting from commuting. Given the indirect nature of these emissions, the figures reported for emissions related to engine use are estimates that may change in the future. More specifically, for purchases of goods and services, in the absence of detailed data for 2020, it was assumed that the composition of the various channels was unchanged from 2019. An estimate was therefore made of the total volume of purchases in 2020.

The Group has also undertaken a process to assess its indirect emissions resulting from the use phase of its products. At this stage, an initial scope corresponding to emissions linked to the use of civil aircraft and helicopter engines manufactured by Safran, i.e., emissions directly linked to Safran products, has been set for the indicator below, and the corresponding emissions have been calculated for 2019 and 2020.

For this calculation, Safran used the following methodology, in accordance with the recommendations of the GHG Protocol:

- engines are intermediate products and not finished products, as they are not used independently of an aircraft. It is the use of the finished products comprising the aircraft (airplanes or helicopters) that generates greenhouse gases;
- in view of its diversified product portfolio, including engines, equipment and cabin interiors, and insofar as the Scope 3 emissions assessment will concern all such products, Safran has opted to adopt a physical allocation ratio, equal to the mass of its products over the mass of the aircraft. This cross-functional ratio makes the most sense for products, services and retrofits, since it highlights Safran's two direct technological levers, i.e., engine fuel efficiency and the reduction in mass of all products. This choice also avoids double counting within the same company. Lastly, it corresponds precisely to the recommendations given by the GHG Protocol, which cites it as an example⁽²⁾. The assumptions used for the calculation are presented in greater detail in section 5.7.4.

(1) Scope 3: other emissions indirectly produced by Safran's activities and which are not accounted for in Scopes 1 and 2, but which are linked to the overall value chain (source: Ademe).

(2) Technical Guidance Calculating Scope 3 Emissions - Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard, GHG Protocol, p. 124.

Given the many uncertainties affecting the assumptions required for the calculation, the estimate of Scope 3 emissions related to product use is an initial assessment that may be improved in subsequent years.

The Group is also working to complete its assessment for the next Universal Registration Document, taking into account indirect emissions resulting from the use of its other products (mainly aircraft interior equipment and products), thus covering all of the Group's products, and defining related targets.

| Scope 3 GHG emissions | 2018 | 2019 | 2020 |
|--|-------------------|-------------------|-------------------|
| Emissions related to purchases of goods and services (<i>t CO₂eq.</i>) | 5,527,000 | 5,678,000 | 3,256,000 |
| Emissions related to freight (<i>t CO₂eq.</i>) | 263,000 | 330,000 | 177,000 |
| Emissions related to business travel (<i>t CO₂eq.</i>) | 101,000 | 103,000 | 25,000 |
| Emissions related to commuting (<i>t CO₂eq.</i>) | 94,000 | 95,000 | 81,000 |
| Emissions related to waste treatment (<i>t CO₂eq.</i>) | 21,000 | 25,000 | 14,000 |
| Emissions related to the product use phase (<i>t CO₂eq.</i>) - engine scope | 46,900,000 | 41,900,000 | 20,642,000 |
| TOTAL | 52,906,000 | 48,131,000 | 24,195,000 |

Sites concerned by the European CO₂ quota trading system (EU ETS)

Of more than 150 sites in Europe, only 3 are affected by the EU ETS (European Union Emissions Trading System). They are the Gennevilliers, Villaroche and Villeurbanne sites.

To date, Safran has never had to buy CO₂ quotas on the market; its free allowances have always been sufficient. Moreover, the Group is working on an opt-out option from the EU ETS for its Gennevilliers and Villaroche sites by looking into the use of alternative energies.

The other environmental indicators are provided in section 5.5.10.

5.4 HUMAN RESPONSIBILITY: BE AN EXEMPLARY EMPLOYER

This section corresponds to the second pillar of the CSR strategy, "Be an exemplary employer", which focuses on one of the Group's fundamental assets, its employees. Safran's aim is to be an exemplary employer, which it hopes to achieve through encouraging skills development for

everyone, throughout the world, notably via training in the jobs of tomorrow. Its determination is further embodied in work done to guarantee the health and safety of all, improve the quality of life at work, maintain lively and effective social dialogue, and promote diversity and equal opportunity.

5.4.1 Human responsibility objectives

The human resources community as a whole is driven by three major objectives.

The first is to develop the Group's human capital so as to support and improve its performance. The aerospace industry is on the cusp of a host of innovations and disruptive technologies. Safran is working to anticipate future skills needs across all of its businesses, while noting the aspirations of its employees and developing their talents.

The second objective is to guarantee each employee the working conditions that enable them to exercise their skills to the best of their ability, in a safe and healthy environment. The Covid-19 pandemic has further compounded the attention paid by all teams to preserving the health and safety of employees, whatever their role, in all of the Group's host countries. Social dialogue has also been intensified in order to allow work arrangements to be adapted swiftly.

The third and final objective is to promote equal opportunities, diversity and inclusion. Safran, an international group proud of its employees and their uniqueness, is committed to fighting all forms of discrimination and to promoting an inclusive corporate culture.

These three objectives are sources of collective performance, promoting creativity, vitality and innovation.

In 2020, the global HR community joined forces to address the health, labor, social and economic challenges stemming from the Covid-19 crisis. It is committed to working alongside employees to limit the impact of the crisis by promoting new work arrangements and facilitating the development of skills and the extension of digitization, while applying unparalleled health measures.

Against this unprecedented backdrop, the 1,500 members of Safran's HR community led a collective digital initiative dubbed HR Embark, which laid down priorities for the provision of sounder support for the Group's transformation by making employees central to its actions. The HR community has taken up the challenge of being "international, collaborative, inclusive and accountable".

Safran also supported the commitment of its employees in a number of solidarity and community initiatives (see section 5.6.1).

A mark of Safran's commitment to being an exemplary employer is the change of name of the Group Human Resources Department in January 2021. Its new name, the "Group Human

and Social Responsibility Department (HSRD)", reflects the depth of its determination to serve human development and have a positive impact in society as a whole.

The analysis of risks relating to human responsibility is summarized in section 4.3.4 and section 5.2.

Indicators – Workforce

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

| | 2018 | 2019 | 2020 | |
|---|---------------|---------------|-----------------------------|-------------|
| TOTAL | 92,639 | 95,443 | 78,892⁽¹⁾ | 100% |
| Europe | 55,475 | 55,866 | 52,115 | 66.1% |
| ■ of which France | 44,492 | 45,198 | 43,315 ⁽²⁾ | 54.9% |
| Africa and Middle East | 6,701 | 6,855 | 4,903 | 6.2% |
| Americas | 25,601 | 27,585 | 18,469 | 23.4% |
| Asia and Oceania | 4,862 | 5,137 | 3,405 | 4.3% |
| % of men employees | 71.50% | 70.9% | 72.3% | |
| % of women employees | 28.50% | 29.1% | 27.7% | |
| % of managerial-grade employees (Managers & Professionals) | 36.10% | 36.8% | 40.4% | |

(1) Safran's workforce decreased as a result of the economic crisis linked to Covid-19, with the United States, Poland, Mexico, Tunisia and Thailand being the countries the most affected in proportion to their total number of employees.

(2) The number of employees in France declined by 2,776 in 2020, but jobs were safeguarded through the signing of various agreements as part of the Activity Transformation Agreement (ATA) (see section 5.6.4.3).

5.4.2 Talent development

The Group has a dedicated department within the HSRD to ensure that talent development policies become an operational reality. The Talent Department contributes to Safran's performance through the development of its human capital, by anticipating the need for skills and expertise, and by identifying and preparing the senior managers and the human and technical leaders of tomorrow.

In its work, the Talents Department applies:

- a bottom-up approach to detecting people with high potential, from entities in the field to the governing bodies of Group companies;
- personalized career paths reflecting the aspirations of employees and drawing on the diversity of the Group's business lines and geographic regions;
- development tools and specific long-term paths.

To boost talent development, Safran launched the "Express your Talent" project in 2020. The aim is to support high-potential employees and give them practical and effective development tools. The project was built on the findings of surveys and workshops through which operational managers and high-potential employees had the opportunity to express their needs and aspirations.

Four initiatives were prepared and implemented in 2020:

- development of a feedback culture;
- implementation of a mentoring system for employees with potential;
- planning of an integration process for senior managers; and
- construction of a transparent and joint policy for the management of high-potential employees.

5.4.2.1 Building career paths and mobility

The Group has initiated a professional development policy for its employees, resulting in the implementation of performance reviews and professional development processes. The success of the process is measured annually. In 2020, 84% of employees used this process.

Varied career-path propositions are available to all employees, through career committees in operational entities and Group cross-functional committees. These reviews analyze and validate proposals for high-potential profiles, as well as standard mobility pathways and succession plans. It allows more than 3,000 people with potential and nearly 300 experts to enjoy specific monitoring.

Twenty business committees meet several times a year, bringing together HSRD and business line operational staff in a collaborative approach around the medium-term plan (MTP) and HR challenges resulting from changes in the business.

Mobility is highly encouraged and valued within Safran. The fluidity of resources and the ability of employees to develop help maintain their employability and are a core driver for the Group's transformation and agility. Over 1,400 people benefited from mobility or transfers in 2020. The Group also had 267 expatriates located in 38 countries during the year. A mobility charter has been in force across the Group since 2019.

The mobility policy spans several pillars at the international level:

- to develop a richer range of international and multi-company courses, allowing high-potential profiles, experts and managers, known as strategic resources, to have greater access to cross-mobility. Ensuring that succession plans reflect international ambitions and the crossover of experiences between subsidiaries will be key;
- to roll out mobility bodies by geographic area (employment areas) to increase the Group's attractiveness, develop Safran's high-potential profiles locally, obtain increased loyalty among international staff and in that way reduce the high levels turnover that can be seen in countries such as Mexico and Morocco;
- to intensify action plans targeting experts. For example, Mentoring and Tutoring programs have been in place as succession mechanisms since 2018, especially for those whose departure is expected within the timeframe of the medium-term plan. The Group ensures that 100% of the key skills of tomorrow are transferred to successors capable of acquiring and improving them. More than 300 people were repositioned (mobility and secondment) between Group companies under the Activity Transformation Agreement (ATA) in 2020.

To deal with the consequences of the Covid-19 crisis, the Group signed an Activity Transformation Agreement (ATA) with all the trade unions at Group level on July 8, 2020 (see sections 5.4.4 and 5.4.5.3). The ATA places greater emphasis on mobility in order to take into account the disparities between the Group segments that have been severely affected by the crisis and those that are continuing to develop and hire. Safran aims to foster and support mobility projects by making the necessary adjustments between workload and capacity. In particular, secondment opportunities or special leave are available under the ATA.

To this end, a central mobility coordination team has been set up, bringing together mobility officers from across all Safran subsidiaries for weekly meetings. The team identifies mobility needs and coordinates the correct application of mobility rules.

Dedicated, engaging communication events and initiatives were regularly conducted to help employees with their mobility plans, in particular to make them aware of the various opportunities available to them despite the crisis. Webinars were held to present the Group subsidiaries that were hiring, as were CV writing workshops open to all Safran employees. The Group's HR teams and managers organized on-site or remote "job dating", rounded out by "speed mobility" sessions.

In addition to mobility between related business lines, the Group is strengthening its HR policy aimed at allowing people to sidestep from a declining profession into a growing one. This could turn the Covid-19 crisis into an opportunity to discover a new profession of the future for employees wishing to expand their career horizons, thanks to a skills development program built upstream in conjunction with Safran University.

This proactive approach to mobility initiated in 2020 will continue to be rolled out in 2021 to address the major crisis now sweeping across the aerospace industry.

5.4.2.2 Skills and leadership development and training

Skills development

Skills are managed through a process of forward-looking management of jobs and skills in line with a medium-term plan (MTP) built on industrial and financial forecasts. The MTP offers a five-year vision of the quantitative and qualitative skills that each Group department, unit and company will have to acquire in each business line worldwide.

These forecasts are consolidated at Group level in order to build a comprehensive vision of changes in professions and skills and blend it into HR support plans. This vision is built around a job description repository divided into four sections, 35 business lines and a little more than 160 benchmark jobs, which serves as an interpretive and analytical framework.

In a context of major digital transformation, skills and careers are in the throes of a profound shift on three levels:

- multiple critical digital skills: digital continuity, predictive maintenance, software, artificial intelligence, additive manufacturing, cybersecurity, data for new services, architecture, industrial engineering, industrial data processing, etc.;
- organizational and managerial adaptations requiring considerable support: collaborative management and an autonomous multi-business team, development of multi-machining and multi-skills, internationalization of managerial practices;
- Safran's legacy skills (mechanics, avionics, materials), which continue to represent a considerable source of differentiation, and which are gradually integrating skills in data mining. Other existing skills will also need to be reinforced as the ecological transition takes hold: electrical, power electronics, energy management, systems, airworthiness, new fuels.

In terms of innovation in the aerospace value chain, Safran is positioned as an architect of global solutions, products and services, generating new needs for strategic resources, both expert and managerial. Preparing and supporting these changes is a major challenge for the Human Resources function as a whole.

Since 2020, Safran has been taking part in the digital process launched by the French Ministries for Digital Affairs and Industry with a view to developing practical joint projects between major groups that stand to benefit the French economy as a whole, and help bring its digital transformation to a new level.

Leadership development

Safran shares a unique set of leadership skills across all of its sites and for all of its employees. It is made up of behavioral skills falling into five groups: mobilizing around a shared vision, winning as a team, managing by example, daring to innovate and empowering employees. Each skill is itself broken down into five observable behaviors and adapted to the different levels of responsibility.

The digital tools made available by the Group include an individual evaluation of everyone's leadership, allowing for both a self-assessment, and assessment of peers, colleagues and management. Safran University integrates this leadership benchmark into all of its managerial training and encourages the implementation of individual and collective progress plans. All of the companies' initiatives in this area, such as the Team Dynamics coaching methodology and the Leadership Awareness initiative are supported and shared.

In 2020, when furlough schemes were established in France and telework was stepped up, the HSRD teams and Safran's management quickly grasped the importance of facilitating and preserving social ties despite the context. A pragmatic and practical awareness kit entitled "Links and Commitments" was created. It answers the questions that employees and managers were asking themselves and offers turnkey solutions for managers and teams that still contribute today to:

- supporting the transition until the resumption of work on site or the winding down of furlough schemes in the short to medium term;
- helping managers get their teams back on board;
- giving meaning and motivation to work for all and recreating the normal sense of unity within teams;
- helping prevent psychosocial risks.

Training

Safran University is extending its catalog of training offers in line with the MTP to serve the Group's strategy. Companies can define their own training plan in accordance with the guidelines and their own specific needs.

Safran University acts as a key vector for onboarding new hires, transforming the organization and instilling leadership across the Group by:

- welcoming new hires and bringing together Group employees from different companies, countries and generations in a place that inspires pride and a sense of belonging in the Safran community. Safran University holds annual Safran Discovery Days dedicated to new hires. In 2020, only one session could be organized on the Safran Campus, due to the health situation;
- deploying Safran University teams in Safran's major host countries (United States, United Kingdom, China and Morocco) in 2020, with the aim of stepping up the global training offer delivered in some 10 countries, in French, English or the local language;
- selecting 50 Safran University programs representing the Group's culture to be rolled out as a priority in Safran's major host regions in 2020. Held in classrooms or remotely in e-learning, MOOC or other formats, 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

- creating interactive, mutually supportive networks of executives who hone their transformative capabilities and acquire and transmit the Group's values and culture.

- in recent years, over 700 of the Group's high-potential managers have benefited from the Management Development Program (MDP), and 260 executives from the Executives training program. These programs include academic input, group work presented to senior management and Executive Committee members, and a learning expedition,
- over the past three years, 160 high-potential young people have been supported very early in their careers to help fast track their advancement within the Group.

Safran University contributes to knowledge transfer by providing managers, HR and experts with skills transfer tools, such as tutoring on business skills and mentoring on behavioral skills for experts and managers in conjunction with the Talent Department.

Safran University is also a major asset in preserving the employability of all employees by supporting career changes and reorientation to facilitate the development of skills in new professions (data scientists, metallurgy qualification certificate autonomous production unit technicians, Industry of the Future learning expedition, etc.), and by offering comprehensive retraining programs for jobs subject to a shortage of potential candidates, such as those related to software, operational safety, control systems and electronic card programming.

Since 2019, teaching has been focused more closely on the employee, with adapted learning methods resulting from technological and neuroeducational advances. In many courses, Group expertise is transferred through the intermediary of an internal expert or trainer. 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. For instance, an English language learning platform came online in early 2018, to enable any employee to practice his or her English anywhere and anytime, 24/7, from a workstation, tablet or phone.

Each Executive Committee member regularly spends a day on the Campus meeting trainees and discussing Group-related topics and news with them, as do all companies' HR teams.

The Covid-19 crisis has imposed unprecedented transformations and adaptations. The University, together with several Group companies, has therefore launched the "Learn on furlough" project, which enables those employees on furlough schemes who wish to do so to train and develop their skills on a variety of subjects.

In 2020, Safran University also offered employees a new range of training courses, most of which in digital format, enabling 77% of hours to be delivered remotely. To support its rollout, the university has trained 150 trainers in the art of designing and delivering virtual classroom training.

■ KEY TRAINING FIGURES FOR 2020:

Internationally:

- 13 hours dedicated to training per employee on average;
- 67% of employees have taken at least one training course:
 - 965,655 hours, 13% of which distance learning (e-learning, MOOCs and virtual classes) and 26% provided by Safran University;
- overall budget: €66,752,377.

France:

- 430,998 hours:
 - represents an investment of 2.73% of the payroll in France.

2025 CSR objective: maintain the number of training hours per employee and per year compared with 2019.

5.4.3 Recruitment and employer brand

The main challenge in recruitment is to develop a global Safran employer brand consistent with the Group's host locations despite the fact that the needs of labor markets differ and recruitment needs are specific (see section 5.4.3). Safran uses targeted communication promoting a differentiating proposition for our future employees: the promise of varied professional paths and with high technological content, for a safer and more environmentally friendly aerospace industry.

Since 2015, Safran has been pursuing an active policy of developing its employer brand to attract the best talent. Increasing the number of women in its teams is one of the challenges facing the Group (see section 5.4.6.2).

Thanks to the policy, Safran hired 3,332 new employees in 2020 and maintained or improved its place in the rankings:

- Forbes: world's best aerospace and defense employer;
- Capital: #2 ranking maintained in the "Aerospace, Rail and Marine" category, #8 overall in the best employer ranking in France (#4 in 2019);
- Universum: #4 company preferred by students from engineering schools in France (a gain of 15 places in seven years);
- *Le Figaro Cadremploi*: ranking as the #5 benchmark employer for students and graduates from engineering schools in France maintained.

Despite departures internationally, Safran is continuing its efforts to maintain its appeal.

Numerous communication initiatives are run on social networks and recruitment sites to promote awareness of the Group's jobs of the future. For example, Safran had 587,000 LinkedIn followers at the end of 2020, up from 390,000 at the start of 2018. Safran also has an Employee Advocacy program to encourage employees to voice their opinions on social media.

Virtual events for students were held from the start of the 2020 academic year, including forums, round tables, talks, simulated interviews and CV coaching by experienced recruiters. The Group's Talents page generates 50% of the traffic on the Safran website, and the "Talent News" publication is regularly sent to more than 190,000 potential candidates.

The many partnerships signed with target engineering schools and universities (including 19 partnerships in France) are managed dynamically, with the support of an active network of Safran employee ambassadors to these institutions (265 in 2020). All of the partnerships were renewed in 2020. Trainees, apprentices, PhD students and young people on international corporate volunteer programs from these partner schools are encouraged and followed particularly closely. The ambassadors participate in the design of the educational content of their schools, and organize or participate in numerous events between the Group and their partner school. The Group plans to strengthen its attractiveness in new digital skills, thanks to new partnerships with schools and specialized masters programs, as well as via a communication campaign with recruitment targets and new digital ambassadors.

Integrating young people is a central theme. Before the Covid-19 crisis, the Group welcomed on average more than 6,000 interns and work-study students, PhD students and young people on international corporate volunteer programs in Europe each year in all of its business lines, helping them gain access to employment. In 2020, the welcome of more than 5,000 young people was maintained.

Through its European framework agreement to support young people transitioning from school to work, Safran has reaffirmed its commitment to ensuring that work-study students and interns each account for 5% of Safran's workforce in Europe. Interns, work-study trainees, PhD students and young people on international corporate volunteer programs made up 9.9% of the Group's Europe-based workforce in 2020. Every year, this commitment enables a large number of employees to mentor a young trainee in their company.

Safran is a partner of the Global Apprenticeship Network (GAN). In this way, it acts in support of employment for young people by encouraging the development of learning and by participating in local initiatives such as the national work-study day in France.

In France, the Group continued its efforts in 2020 to develop the attractiveness of Safran and its businesses, through a series of specific steps:

- the academic and business worlds were brought closer together with the CGenial Foundation through two operations: “Technicians and engineers in the classroom” and “Professors in business” (see section 5.6.3.2). Many local initiatives are run with middle and high schools. Although activities had to be discontinued for part of 2020, 27 Safran instructors worked with more than 1,200 students in middle and high schools;
- the ongoing agreement between Safran and the French Ministry of Education and Youth for the professional integration of young people. For example, 350 final-year middle school students were welcomed in various Group companies in France;

- Safran was the second-largest employer of CIFRE (industrial training-through-research agreements) doctoral students in 2020, and the largest between 2018 and 2020;
- Safran was named “Best in class 2020” by *Engagement Jeunes* in three areas: Environment & Working Conditions, Image & Motivation & Pride. The distinction reflects the very positive evaluations by young people welcomed into Group companies. *Engagement Jeunes* is a community platform where socially committed companies share their work-study trainees, interns, VIEs and PhD students with their ecosystem and the job market;
- two challenges bringing together 850 students were organized: the Safran Challenge and the Safran Electronics & Defense Black-Out Challenge in 2019, with the second edition kicking off in October 2020.

Indicators – Training, hirings and separations

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

| | 2018 | 2019 | 2020 |
|---|----------------------|--------------------|----------------------|
| TRAINING | | | |
| Average number of hours of training per employee ⁽¹⁾ | 26 ⁽²⁾ | 26 | 13 |
| % of employees having completed at least one training course ⁽¹⁾ | 87% ⁽²⁾ | 83% | 67% |
| WORKFORCE BY AGE GROUP | | | |
| % of people aged under 30 in the workforce | 20% | 19% ⁽³⁾ | 14% |
| % of people aged 30 to 39 in the workforce | 29% | 30% ⁽³⁾ | 31% |
| % of people aged 40 to 49 in the workforce | 23% | 24% ⁽³⁾ | 26% |
| % of people aged over 50 in the workforce | 28% | 28% ⁽³⁾ | 29% |
| Average age | 40 years | 41 years | 42 years |
| HIRINGS AND SEPARATIONS | | | |
| Total new hires – world | 13,050 | 14,880 | 3,332 |
| % of men new hires | 63.9% | 62.6% | 65.4% |
| % of women new hires | 36.1% | 37.4% | 34.6% ⁽⁴⁾ |
| Number of definitive departures | 12,022 | 12,461 | 19,845 |
| Of which retirements | 1,276 | 1,280 | 1,481 |
| Of which resignations and other voluntary departures | 6,658 | 6,947 | 4,946 |
| Of which dismissals and other involuntary departures ⁽⁵⁾ | 4,088 | 4,234 | 13,418 |
| Permanent departure replacement index | 1.1 | 1.2 | 0.17 |
| Number of mobilities (between companies) and transfers (within companies) | 1,384 | 2,025 | 1,418 |
| Absenteeism rate | 2.61% ⁽¹⁾ | 2.84% | 2.73% |

(1) Excluding employees on long-term absence.

(2) Excluding Safran Aerosystems, Safran Passenger Solutions, Safran Cabin and Safran Seats.

(3) Excluding Safran Cabin.

(4) In 2020, there was a decline in the proportion of women non-managerial-grade (Non Managers & Professionals) hires, particularly in North America, South America and the Middle East due to production shutdowns and site closures, but an increase in the proportion of women managerial-grade (Managers & Professionals) hires: 30.5% in 2020, compared with 29% in 2019.

(5) Other involuntary departures: end of fixed-term contracts, large-scale workforce reduction measures due to the Covid-19 pandemic, end of trial periods, negotiated terminations and deaths.

5.4.4 Compensation and giving employees a stake in company performance

The compensation policy is based on the following fundamental principles:

- maintain employees’ purchasing power by ensuring that they keep within the local standards of Safran’s various employment areas and by supporting mobility and promotions to encourage risk-taking and initiative;

- build compensation partly on the basis of employees’ individual performance, but also on the collective performance of their company and the Group;
- offer the most differentiating and attractive benefits possible compared with competing employers.

Gender pay ratios are presented in section 6.6.2.5.

Compensation trends

Internationally

Increases in compensation internationally were in line with local market trends: overall increases in the Group's main host countries averaged 2.5% in the United States, 5% in Mexico, 1.5% in the United Kingdom, 3.5% in Morocco and 5.5% in China.

France

In 2020, average annual compensation increased by between 2.00% and 2.40% of payroll, depending on the company. The 2020 pay round included across-the-board and individual pay rises for below managerial-grade employees, and individual pay rises for management-grade employees.

As part of the Activity Transformation Agreement (ATA) (see section 5.4.5.3) signed on July 8, 2020 between Safran's management and the trade unions at Group level, measures have been taken until December 2021, such as encouraging voluntary early retirement, capping optional employee profit-sharing for 2020 and 2021, suspending the Company top-up contribution to invested employee savings in 2021, and suspending supplementary retirement contributions for engineers and managerial-grade employees (*cadres*) in 2021.

The French law of September 5, 2018 on the freedom to choose one's professional future and its implementing decree of January 8, 2019 create an obligation for companies in France to measure five indicators in terms of equal pay between men and women (see section 5.4.6.2).

Statutory employee profit-sharing

Internationally, profit-sharing systems (profit-sharing, bonuses) allow employees to share in their companies' results. In France, statutory and optional profit-sharing schemes are used to allow employees to benefit comprehensively and fully from the Group's economic and financial results.

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.

On May 29, 2019, the Group profit-sharing agreement was extended to the companies of the former Zodiac Aerospace scope.

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. Under the Activity Transformation Agreement (ATA) (see section 5.4.5.3), optional employee profit-sharing has been capped for 2020 and 2021.

Employee savings plans

When Safran was created in 2005, 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). It provides employer financial support to employees of foreign subsidiaries

who wish to contribute to a savings plan based on Safran shares (Company contribution of up to €2,000 per year per employee). More than 18,800 employees in Group companies in Belgium, Canada, Germany, Mexico, Morocco, the United Kingdom and the United States have access to this plan.

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. The Group employee savings plan encourages employee share ownership in particular, by allocating up to €2,000 per year and per employee in Company contributions to an FCPE invested in Safran shares. This contribution is among the highest of CAC 40 companies.

The Safran collective retirement savings plan (PERCO), which dated back to the 2012 Group agreement, was transformed into a collective PER (PERCOL) plan in 2020. It enables employees to build up savings for retirement through seven FCPE mutual funds with different management styles. In 2020, a matching employer contribution of up to €900 per employee per year was once again offered, while a bonus contribution of up to €1,700 is planned for employees in their last two years of service ahead of retirement. Under the Activity Transformation Agreement (ATA) (see section 5.4.5.3), the Company top-up contribution to invested employee savings has been suspended for 2021.

The former Zodiac Aerospace scope has been gradually brought under these agreements since January 2020 for the French operations. Group employees located in France have been eligible for the Group employee savings plan and the PERCO/PER retirement plans since January 2020.

Employee share ownership

Safran boasts one of the highest proportions of current and former employees participating in share ownership plans of all CAC 40 companies. Together, they held 7.25% of the Company's outstanding shares at December 31, 2020. Safran was awarded the "Grand Prix de l'Indice Euronext-FAS IAS" on February 4, 2021, a prize awarded by the French Federation of Associations of Employee Shareholders and Former Employees (FAS), in recognition of its policy of actively promoting employee share ownership, and the success of the Safran Sharing 2020 plan.

Employee shareholding is based on:

- long-term schemes such as the PEG in France and the PEGI internationally;
- the implementation of one-off operations since the Group's creation, such as the allocation of 100 free shares in 2009 in Europe, the leveraged employee shareholding offer in 2012 and the classic employee shareholding offer with a matching contribution in 2014.

In 2020, a new employee shareholding plan - Safran Sharing 2020 - reserved for all eligible employees based in France and 15 other countries was launched, covering 91% of the Group's workforce. The overall take-up rate was 38%, rising to 64% in France. Under the leveraged offer, participants could acquire Safran shares at preferential conditions via the PEG or the PEGI. The invested capital is guaranteed and investors will benefit from a gain in the event of an increase in the Safran share price during the five-year lock-up period (see section 7.3.7.2).

Employee protection and personal risk insurance

Internationally

Special attention is paid to healthcare and personal risk insurance plans through the implementation of single, harmonized plans for all Safran companies in a given country, notably in the United States, Canada, India and Morocco.

In addition, an audit was performed in the international subsidiaries in 2018 to ensure that each unit provided sufficient healthcare and other insurance coverage for Group employees.

2025 CSR objective: 100% of employees worldwide to benefit from a minimum level of health cover (medical, optical and dental).

France

A single mandatory personal risk insurance plan was set up for Group employees in 2009, covering short- and long-term disability, death and healthcare and offering generous benefits for employees and their dependents. Including dependents, more than 113,200 people were covered by the healthcare plan in 2020, as well as nearly 22,600 retirees. 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.

Since November 1, 2018, Group employees and retirees have been able to access a range of caregiver support services. Available by phone or online, the services are intended to support Safran employees and retired employees faced with the loss of autonomy of a loved one.

Lastly, on September 18, 2019, a rider to the Group agreement extended Safran's health and personal insurance plans to employees of former Zodiac Aerospace companies, and improved the level of overall guarantees, notably with the introduction of an optional supplementary benefit to better cover excess fees and hospitalization costs as of January 1, 2020.

In addition, Group employees and retirees benefited from a new "MyDoctors" service, a completely free online teleconsultation service, in 2020.

Indicators - Compensation

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

| (in € millions) | 2018 | 2019 | 2020 |
|--|------|------|------|
| Statutory employee profit-sharing ⁽¹⁾⁽³⁾ | 170 | 218 | 103 |
| Optional employee profit-sharing ⁽²⁾⁽³⁾ | 172 | 178 | 15 |
| Matching contributions (World scope) ⁽³⁾ | 66 | 87 | 33 |
| Amount paid as PERCO, PEG and PEGI matching contributions for all Group employees | | | |
| Employee savings | 417 | 458 | 538 |
| Total amount paid in respect of statutory and optional profit-sharing (France scope) and related contributions (World scope) (including the corporate social contribution) | | | |

(1) For French companies, the minimum salary used to calculate the individual amount of statutory employee profit-sharing is 1.2 times the annual social security ceiling (PASS) (i.e., €49,363.2 for a full-time employee in 2020). Employees who received lower salaries during the year under consideration will receive the minimum amount (pro-rated to the period of their employment).

(2) For French companies, the amount of optional employee profit-sharing may total up to 7% of payroll, depending on the agreement and the company's performance. However, in accordance with the provisions of the Group Activity Transformation Agreement (ATA) signed on July 8, 2020, the amount of optional profit-sharing for 2020 has been capped so that the sum of statutory and optional profit-sharing does not exceed 4% of the company's reconstituted gross payroll.

(3) Amount from the consolidated financial statements (see section 3.1, Note 7) of companies included in the scope of consolidation, as defined in section 3.1, Note 37.

5.4.5 Social dialogue

Since its creation, Safran has seen social dialogue as an integral part of its corporate culture. In 2006, management and all of the trade unions at Group level signed an agreement on the development of social dialogue in which the parties reaffirmed the importance of union action in balancing and regulating labor relations within the Group.

In addition, ESG rating agency Vigeo-Eiris gave the quality of social dialogue at Safran a very positive evaluation in 2019 and 2020, assigning it a score of 79/100.

Lastly, on a daily basis, the HSRD and the employees and trade union representatives cooperate widely on subjects of common interest, at various levels.

2020 saw considerable intensification of social dialogue due to the health and economic crisis, which required businesses to adapt very quickly, with adaptation measures devised with trade union and employee representatives.

5.4.5.1 Worldwide

At Group level, the framework agreement on corporate social responsibility (see section 5.1.3.2) applies to all Safran employees worldwide. Under this agreement, the Group and its subsidiaries guarantee the proper representation of employees and respect for union rights in accordance with international standards (notably the ILO conventions) and local laws.

Comprehensive multi-year collective bargaining agreements are in force in the subsidiaries in the United States, Canada, Mexico and the Czech Republic, and cover company life very broadly. Outside France, in other countries such as Germany, agreements signed with the employee representative bodies relate to more specific subjects and cover varying periods.

Across the Group, local company agreements of this nature now cover nearly 80% of employees. In addition, sector agreements exist in many countries, concerning Safran employees in France, Germany, Belgium, the Netherlands, Brazil, etc. Lastly, new employee representative bodies were elected in 2020 in certain subsidiaries (Switzerland, Morocco) that did not previously have them.

In 2020, HR affairs were dominated by the aim of ensuring employee protection against the backdrop of a global pandemic, with employee representatives closely involved in the rollout and communication of the necessary health measures.

The Group also took care to intensify social dialogue and increase the accessibility of local management for employee representatives, to ensure that they were kept closely and fully informed and were regularly consulted in accordance with legal provisions and internal agreements.

All employees, including those teleworking and on furlough⁽¹⁾, were kept regularly informed locally using appropriate means including digital media (online talks, social networks, etc.).

Numerous agreements covering the implementation of furlough arrangements, reduced working hours and telework were signed in subsidiaries in France, Germany, Poland, the Czech Republic, Spain, Belgium, the United Kingdom, Morocco, Tunisia and China.

Against the backdrop of a significant decline in business, Safran had to implement headcount reduction measures in consultation with employee representatives, internal trade unions or regional trade union managements (Tunisia), and in liaison with the authorities.

The Group adopted support measures for employees affected by these departure plans:

- assistance with professional repositioning (finding a new job and skills training in particular) was offered in the United Kingdom, Poland and Morocco. The activation of the HR networks of companies in the relevant region or country served to identify job opportunities passed on to affected employees;

- in some countries, Safran encouraged employees made redundant to take part in training programs designed to raise skills levels in preparation for the recovery of the aerospace industry (the IMA's "New Opportunities" program in Morocco), or to retrain for jobs in sectors growing locally;
- in many countries, re-employment priorities have been planned.

5.4.5.2 In Europe

At Group level, social dialogue mainly revolves around the European Works Council (EWC) and the application of two agreements covering all European Union countries and Switzerland.

The European Works Council

The European Works Council has 21 full members representing Belgium, the Czech Republic, Finland, France, Germany, the Netherlands, Spain, Poland and the United Kingdom. It is designed to represent the Group's 52,115 employees in the European Union.

Given the many European labor issues on the table, the European Works Council was again the scene of intense discussions in 2020. Several plenary meetings of the EWC were held (six in total), together with some 20 meetings between the HSRD and the EWC office, and close communication was established with the EWC Secretariat as necessary throughout the crisis.

The main topics discussed at these meetings were the pandemic at Safran sites, social measures and support for employees during the health crisis, the situation of companies and their outlook, reorganizations, Group strategy, prevention of psychosocial risks, and Brexit and its impact on Safran.

European collective agreements

Two agreements, one relating to the professional integration of young people and the other for skills development and professional careers, 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.

Currently in force in the subsidiaries in Belgium, Germany, the United Kingdom, Poland, Spain and the Czech Republic, nearly a hundred specific collective bargaining agreements have been concluded, for fixed or indefinite periods, covering a variety of topics such as work organization, vacations, optional employee profit-sharing, social dialogue, skills management, working conditions and furlough schemes.

(1) Furlough: a system whereby employers can access government support to cover part of the wages of employees who are experiencing an unforeseeable drop in their activity. Used until September 30, 2020. Long-term furlough: a system designed to support companies that continue to be affected by a sustained decline in their business during the recovery phase. Introduced via the agreement updating the Activity Transformation Agreement (ATA), concluded for a fixed term from September 28, 2020 to September 30, 2022.

In 2020, negotiations took place between Safran's management and the European section of IndustriALL⁽¹⁾ to strengthen the European framework agreement on skills development and securing career paths. The aim of these exchanges was to improve support for companies in the development and transformation of their jobs and skills, while respecting local cultures and contexts. Moreover, the crisis stemming from the Covid-19 pandemic has tended to increase the pace of digital transformation. The effects of this phenomenon on skills and jobs are studied and taken into account in these negotiations, together with measures geared towards preparing employees, in order to actively contribute to employability.

In Belgium, Safran Aero Boosters signed an agreement with all the trade unions present in the company, safeguarding jobs in 2021 and 2022 in readiness for the recovery. It provides for measures bearing on wage restraint, long-term furlough, unpaid leave, temporary external mobility in the form of employee assignments in research and technology centers partnering with the Walloon Region's Technological Innovation Plan, as well as measures in favor of internal mobility or on the reinforcement of training and knowledge transfer, or early retirement. A commitment has been made not to lay off any employees for economic reasons during the term of the agreement.

In 2020, the adaptation measures deployed in response to the crisis were subject to consultation with local employee representatives and laid down in agreements signed in subsidiaries in Germany, Belgium, Poland, the Czech Republic, Spain and the United Kingdom.

5.4.5.3 France

At Group level

As a shared foundation for labor policy, collective agreements attest to the Group's commitment to its employees and, 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.

Against the backdrop of the economic and health crisis in 2020, the Group's management and trade union coordinators met regularly, signing three major agreements on social support from the Group in France.

The Group's first agreement, signed on April 15, 2020, was particularly innovative. It paved the way for the creation of a Group solidarity fund to ensure fairness and foster solidarity among employees. In practical terms, the fund guarantees additional compensation for any furloughed employees suffering a loss of pay through the deduction of one day's leave from the pay of other furloughed employees receiving their full net wage, as well as through voluntary donations of leave.

The 2020 Activity Transformation Agreement (ATA)

On July 8, 2020, management and trade unions signed a Group Activity Transformation Agreement (ATA). Running until December 31, 2021 and renewable if necessary, the ATA aims to preserve jobs and skills. It provides for a series of temporary measures including:

- wage restraint, with the postponement of mandatory annual negotiations until 2022;
- the capping of optional employee profit-sharing for 2020 and 2021, the suspension of the Company top-up contribution to invested employee savings in 2021 and the suspension of supplementary retirement contributions for engineers and managerial-grade employees (*cadres*) in 2021;
- age-based measures aimed at facilitating voluntary early retirement for eligible employees, such as retirement termination benefits, purchases of additional quarterly pension contributions, individual retirement interviews or additional contributions to the senior time savings account;
- stronger measures to foster internal and external mobility.

In return, Safran has undertaken to not lay off any employees for economic reasons through the implementation of employment protection plans. Thanks to the ATA, 10,000 jobs in France were safeguarded⁽²⁾. Additionally, the French Strategic Advisory Board for Civil Aviation Research (CORAC) scheme made it possible to keep a further 1,000 people in their jobs.

Based on the observation as regards the underactivity resulting from the overstaffing crisis in France, the contribution and effort resulting from the ATA can be broken down as follows:

- people on furlough under French government measures (Safran cannot benefit from any equivalent measures internationally);
- target departures through incentives for voluntary early retirement;
- people kept in their jobs thanks to the CORAC aerospace support scheme (civil aviation studies and research);
- people kept in their jobs as a result of wage restraint measures.

The agreement also includes a "return to good fortune" clause whereby some of the measures may be eased in the event of an improvement in the Group's economic and financial situation.

As an extension of the Activity Transformation Agreement (ATA), an agreement relating to long-term furlough was signed unanimously by the trade unions on September 28, 2022.

From April 1 to December 31, 2020, the furlough and long-term furlough rates covered 23% of the theoretical hours (excluding absences) of employees in France.

Several agreements on top of these three major Group agreements were also negotiated and signed (transformation of the Safran PERCO into a PERCOL in accordance with the Pacte Act), as were a number of amendments (personal insurance and retirement in particular: regulatory developments, update to the scope of the agreements, changes in the guarantees, etc.).

(1) IndustriALL is a global association of unions in the metal, chemical, energy, mining, textile and related industries.

(2) Source: Safran.

Lastly, the Group Works Council frequently holds ordinary and extraordinary meetings. Made up of 30 members, 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.

In addition to the signing of these agreements and the holding of regular meetings with employee representatives in 2020, two new directors representing employee shareholders were appointed to Safran's Board of Directors. One was elected by employee shareholders and the other was appointed by the supervisory boards of mutual funds whose investments primarily comprise shares.

5.4.6 Diversity and inclusion

5.4.6.1 An inclusive working environment

Diversity is at the heart of Safran's identity: Safran employees come from more than 25 countries, representing more than 110 nationalities and covering a multitude of professions. Diversity and inclusiveness are great sources of creativity, innovation and collective performance for the Group.

Safran has a committed diversity and inclusion policy, promoting equal opportunity and the fight against all forms of discrimination. Aligned with the principles of the United Nations Global Compact, the sixth of which is to contribute to the elimination of all discrimination in respect of employment, the Group does not tolerate any form of discrimination on the basis of gender, disability, family situation, age, sexual orientation, religious beliefs, trade union activity, or ethnic, social or cultural origins, either internally or in contacts with customers, suppliers, business partners or other external service providers. All employees are made aware of stereotypes and non-discrimination. Safran aims for every employee to be able to find his or her place and feel valued in an inclusive working environment. Safran has been a signatory of the Diversity Charter since 2010, and is committed to integrating its principles throughout the company in its management, decision-making and HR processes.

"Companies, whose role is not confined to the economy, must be models of solidarity for everyone. Their sustainability depends in large part on their ability to allow everyone to make their uniqueness a factor of individual and collective performance. At Safran, the diversity of profiles is an asset, a

2025 CSR objective: 22% of women among senior managers.

Other 2025 objectives for gender equality in the workplace are for women to make up 41% of new recruits and for there to be at least four women on each of Safran's tier-one entity management committees.

These objectives are monitored annually by the Board of Directors and the Executive Committee.

Safran builds its commitment and actions on three ambitions:

- bring about lasting change in corporate culture, in favor of greater inclusion and gender balance in the workplace;
- strengthen Safran's attractiveness among women externally (see section 5.4.3);

Within 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 2020, the Group's companies quickly adapted in response to the health crisis stemming from the Covid-19 pandemic by adopting telework on a large scale wherever possible.

driver of innovation and performance," said Ross McInnes, Chairman of the Board of Directors, in 2020 ahead of the 10th edition of the *Dialogues de l'Inclusion et de la RSE*, a day of events organized by the French government on the themes of inclusion and CSR in society, with a European dimension (<https://officiel-inclusion.fr/speaker/ross-mcinnnes/>).

5.4.6.2 Professional equality between men and women

Gender equality in the workplace is a core concern for the Group, broadening visions to ensure that Safran is able to respond to the challenges in store. At Safran, we strive constantly to make our corporate culture more inclusive and attractive for women, improve the gender balance in all positions, and take action to deconstruct gender bias in broader society.

In 2020, women accounted for 27.7% of the workforce, 34.6% of new hires, 24.8% of managerial-grade staff and 13% of senior managers. In all, 23% of management committees within tier-one entities and the Group Executive Committee have three or more female members. Constant work is carried out to improve the identification of women with potential (28% of high-potential profiles in 2020) and increase the proportion of women in senior manager succession plans (21% in 2020). The proportion of women across all management training programs is also constantly increasing, and the Group supports women in their careers through the Women@Safran network and mentoring programs.

- increase the number of female managers.

At December 31, 2020, 42.86% of Safran's Board of Directors were women (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 11% 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.

Safran acting in favor of gender balance and equality within its ecosystem

The issue of professional equality between men and women is also addressed in terms of broader society. Safran and its employees are taking steps to combat stereotypes and encourage women to enter the technical professions at an early age. Safran has been a member of women's mentoring association *Elles Bougent* (Women on the Move) since 2005, and is continuing its partnership in a national and international network. The Group had more than 330 women sponsors and women and men mentors in 2020, and promotes the place of women in the aerospace industry among middle and high school students, as well as those in further education (see section 5.6.3.2). This internal network of sponsors and mentors organizes a range of events including forums, workshops and Safran site visits around the world during Girls On The Move week to show young women that technical professions are not just for men. Through the work of Safran sponsors and mentors, and the networks of ambassadors participating in forums at engineering schools, speaking at events including the IAWA Conference and sponsoring chairs such as the "Women and Science" chair at the Sorbonne, Safran employees help promote engineering sciences and professions outside the company, thereby helping to expand the field of possibilities for young women.

Gender Equality European & International Standards (GEEIS)

Safran continued its international professional equality labeling process through external audits in 2020, with the aim of maintaining the label for the seven Group entities concerned, in four countries. This label, obtained for the 2018-2021 period, highlights the Group's ongoing commitment to gender equality. All policies, processes, managerial practices, actions and the corporate culture as relating to professional equality are reviewed during these audits. The GEEIS label was born at the initiative of Arborus and international companies, under the patronage of the European Social and Economic Committee. The aim is to have efficient management tools to support the gender equality policy. The label contributes to the emergence of a European and international culture in terms of gender equality and promotes company practices.

Since its award, an international working group and a steering committee comprising Group senior managers⁽¹⁾ have helped strengthen the gender equality policy and share good HR and managerial practices internally.

Gender equality index in France

The French legal index relating to the pay gap between men and women places Safran among the top performers. The Group's overall score has increased from 87/100 at March 1, 2019 to 89/100 at March 1, 2020 and 2021. The aim of human resources is to ensure a policy of fair pay in the various geographic areas where Safran operates.

Committed employees at all sites worldwide

A range of initiatives are being developed and offered to women in the Group. For instance, the Women@Safran network brings in personalities to talk about issues such as the place of women in business and the work-life balance.

This network organizes meetings, notably in France, the United Kingdom, Morocco, the United States and Singapore. Programs combating all types of discrimination have been run in all Group companies. They include "Illuminate" in the United States, "Girl's Day" in Mexico and "Future en tous genres" (Future in all Genders) in Switzerland.

Since 2019, Safran Helicopter Engines Brasil, through its declaration of support for a United Nations entity in Brazil - UN Mulheres - has been promoting gender equality and the development of girls and young women in the technical and scientific sectors.

5.4.6.3 Integrating and retaining employees with disabilities

For more than ten years now, Safran has been running a proactive policy on the inclusion of people with disabilities. It covers four points: keeping employees with disabilities on the payroll, hiring people with disabilities, working with sheltered workshops and disabled-staffed companies, and ensuring a disability-friendly workplace (to the Afnor standard). In 2019, Safran signed the Manifesto proposed by the French government to commit to practical measures to ensure better inclusion of people with disabilities in the company.

The key objective of the agreement signed for the 2018-2022 period in France is to achieve an employment rate of 6% of people with disabilities.

A network of liaison officers in companies in France is developing job retention measures such as suitable arrangements for anyone experiencing health problems so that they can continue to work, including work-study students and interns. The correspondents play a pivotal role, first by supporting employees and second by raising awareness among managers and within teams.

A large number of awareness-building events are carried out throughout the year, such as workshops on breaking down stereotypes and awareness-raising initiatives on different disabilities. Initiatives to help young people with disabilities are also conducted through Safran's foundations, thanks to several partners among non-profits. For example, among the initiatives carried out in 2020, the French Safran Aircraft Engines, Safran Electronics & Defense and Safran Nacelles sites introduced the use of inclusive masks for the deaf and hearing impaired.

The last objective of Safran's disability policy is to increase the integration of disability into all of the Company's processes. In 2020, more than 17 entities were committed to the AFNOR "disability-friendly workplace" standard.

In view of the differences in legal frameworks between countries, Safran's data have not been consolidated worldwide. However, entities outside France are carrying out awareness-raising initiatives. The main actions are practical, such as workstation modifications, often with the help of ergonomists. Partnerships with associations also allow people with disabilities to familiarize themselves with the world of work for a few weeks or months through services.

(1) Senior managers: members of the Executive Committee and employees are classified into four categories ("bands") based on their level of responsibility. Responsibilities increase from category 4 to category 1. This classification is linked to the Willis Towers Watson Global Grading System (GGS) method.

5.4.6.4 Balance between generations

Social and professional integration of young people

Through the European agreement for the professional integration of young people (see section 5.4.3), Safran also takes action for the social and professional integration of young people in difficult situations or from lower-income neighborhoods. Safran participates in numerous guidance and training initiatives by taking action to promote technical professions, in schools or universities alike, or by inviting young people to its sites, in partnership with non-profits (see section 5.6.3). The Group offers orientation, training or employment opportunities to young people in difficulty, thereby helping fight exclusion in the most disadvantaged areas.

In 2020, Safran kept up its efforts despite the economic crisis by welcoming more than 5,000 work-study students, interns, PhD students and young people on international corporate volunteer programs. 51.6% of graduate positions in Europe were filled by young people trained within the Group⁽¹⁾ (see section 5.4.3). As a member of the PAQTE plan (from the French acronym for pact with neighborhoods for all businesses), Safran aims to maintain its efforts to take in young people excluded from employment. PAQTE is a support program designed to achieve greater economic inclusiveness. It has four pillars: awareness-raising, training, recruiting and purchasing.

In France, Safran is also a partner of *Article 1*, a non-profit working to build a society where academic choices and success and professional integration are not dependent on

social, economic and cultural origins, and where success grows from social bonds and civic engagement. The Group has been contributing to *Article 1* as a sponsor for more than 10 years. Group employees have also been working as mentors, supporting young people during their studies and as they enter the workforce. More broadly, the Group has elected to position its charitable work in favor of the social and professional integration of young people, particularly through its two Foundations, one for social integration and the other for music (see section 5.6.3).

Seniors

To maintain a balance between generations, the Group is committed, especially in France, to promoting the recruitment of seniors and helping them stay in work.

These commitments are illustrated by two objectives for France. The target of recruiting 4% of people over the age of 50 per year was exceeded in 2020, with a rate of 8.8%. The target of having 15% of employees aged 55 and over within the French workforce was also exceeded, with a total of 20.9% in 2020.

End-of-career arrangements such as telework, modified scheduling and assisted part-time schedules are implemented, as are support measures adapted to certain professional or personal situations.

In 2020, age-based measures aimed at facilitating voluntary early retirement for eligible employees were adopted under the Group Activity Transformation Agreement (ATA) (see section 5.4.4).

5.4.6.5 Indicators – Diversity

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

| | 2018 | 2019 | 2020 |
|---|--------|-------|-----------------------|
| INTEGRATION OF YOUNG PEOPLE ON TRAINING | | | |
| Number of interns – Europe | 2,914 | 2,728 | 1,652 |
| Number of work-study participants – Europe | 3,210 | 3,493 | 3,224 |
| Number of student researchers – Europe | 234 | 260 | 254 |
| Number of young people on international corporate volunteer programs in Europe | 115 | 138 | 80 |
| DIVERSITY AND EQUAL OPPORTUNITIES | | | |
| % of women employees | 28.5% | 29.1% | 27.7% |
| % of women hires | 31.1% | 37.4% | 34.6% |
| % of women managerial-grade employees (Managers & Professionals) among total managerial-grade employees (Managers & Professionals) | 24.30% | 25.2% | 24.8% |
| % of women among senior managers ⁽¹⁾ | 12% | 12% | 13% |
| % of women on Safran's Executive Committee | 6% | 6% | 11% |
| % of women on the Company's Board of Directors (see section 6.2.4.2) | 46.7% | 38.5% | 42.86% ⁽²⁾ |
| Number of disabled people(France agreement scope) | 1,892 | 1,929 | 2,155 |
| Internal and external employment rate of people with disabilities (France agreement scope, including all Safran entities) ⁽³⁾ | N/A | N/A | 5.37% |
| Overall employment rate (direct and indirect) of employees with disabilities (France agreement scope excluding Safran Aerosystems, Safran Passenger Solutions, Safran Cabin and Safran Seats) | 5.1% | 5.1% | N/A ⁽³⁾ |

(1) Senior managers: members of the Executive Committee and employees are classified into four categories ("bands") based on their level of responsibility. Responsibilities increase from category 4 to category 1. This classification is linked to the Willis Towers Watson Global Grading System (GGs) method.

(2) Excluding Directors representing employees and Directors representing employee shareholders as provided for under French law (see section 6.2.4.2).

(3) Following the reform of the employment obligation for disabled people under French law 2018-771 of September 5, 2018 on the freedom to choose one's professional future, the overall employment rate is no longer calculated. It has been replaced by the internal and external employment rate. As the calculation methods have been modified, change in the two rates between 2019 and 2020 is not comparable. As no official data had been received from the social security authorities at the time of writing, this rate was calculated based on internal data and may therefore change upon receipt of official data.

(1) Corresponding to former interns, work-study students, PhD students and young people who have completed an international corporate volunteer program at Safran.

5.4.7 Employee health and safety, and quality of life at work

5.4.7.1 HSE challenges, policy and standards

Challenges

Safran's biggest challenge is to ensure the protection of the health and safety of Group employees. 2020 was marked by the management of the Covid-19 health crisis. In January 2020, a Group monitoring unit, led by the Group Risk and Insurance Department, was set up to manage the consequences of the Covid-19 pandemic. The Group's coordinating physician and the Health, Safety and Environment (HSE) Department worked to provide coordination and assistance to employees based in China. In February 2020, the monitoring unit was upgraded to the level of a Group crisis unit. Safran quickly drew up a Group health protocol to ensure business continuity while protecting its employees. Occupational physicians and nurses, HSE coordinators from tier-one entities and the site HSE network assisted in its drafting. An e-learning module was created in three languages to provide training for employees when resuming work on site. It was supplemented by on-site visits by multidisciplinary HSE teams. As of December 31, 2020, more than 20,000 employees had taken the module via the "360 learning" internal training platform. At sites not connected to this platform, 80% of employees have undertaken e-learning via local networks.

The HSE objectives and roadmap initially laid down for 2020 were reviewed and adapted to the Group's health and economic situation in June 2020. In the new context, the digitization of training, the prevention of situations presenting psychosocial risks and the development of ergonomic skills more than ever rank as the Group's key health and safety challenges.

The rollout of the HSE standard in companies that joined Safran in 2018 continued in 2020 and will continue again in 2021. Noteworthy initiatives include the migration to shared IT tools that will ultimately simplify practices and make health and safety management more effective.

Section 5.4.7.1 describes the policy and reference framework related not only to health and safety but also to the environment, the three themes being combined within the same documents. Section 5.4.7.2 describes health, safety and ergonomics initiatives. In addition, initiatives related to the consideration of environmental impacts are set out in section 5.5.10.

Policy

Safran is committed to promoting a culture of prevention to control health and safety risks for the benefit of its employees, supplier partners, customers and any other stakeholder in its activities, in a spirit of transparency and sincerity. As a result, health and safety risks have already been included in Safran's HSE standards, as required by France's duty of care law.

It renewed its commitment in 2019, with all members of the Safran Executive Committee signing the health, safety and environment policy applicable to all sites.

The policy objectives combine to embody a comprehensive approach to continuous improvement of the health, safety and environment management system aimed at:

- preserving the health and safety of the men and women of the Group;
- reducing environmental impact by designing products and services that are more efficient throughout their life cycle (see sections 5.3.3.3 and 5.5.10);
- reducing production-related greenhouse gas emissions, notably by reducing energy consumption (see section 5.3.3);
- guaranteeing the compliance of facilities all over the world;
- preventing and reducing pollution potentially generated by activities (see section 5.5.10).

All actors of the Group, company chairmen, managers and employees agree to respect and implement the Group's HSE policy, by:

- complying with legal and other applicable requirements, including the Safran HSE standard;
- playing a part in prevention procedures and ensuring the active contribution of all stakeholders in each entity;
- ensuring that progress plans are effective and that the HSE function is involved in all industrial projects.

To ensure this commitment, operational directors undergo specific two-day training in day-to-day HSE management. Approximately 100 hundred managers attended this training in 2020. A distance version was prepared at the end of 2020 and tested with a site in the United States, for implementation in 2021.

Overall and operational HSE guidelines

Every day, Safran strives to achieve excellence in its workplace health and safety practices. The rollout of the Health, Safety and Environment (HSE) policy is based on an internal organization and standards. The comprehensive HSE Guidelines serve to structure risk management and improve the operational HSE performance. Their management involves close collaboration with the HSE coordinators of tier-one entities, site prevention officers, occupational health services, ergonomists and a decentralized expert network. The cluster coordinators, combining several local entities, promote local synergies within the framework of the system.

The Safran guidelines include the HSE manual covering ISO 14001 and ISO 45001, as well as standards specifying Safran's specific operational requirements by theme. 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 an external body, which certified their compliance with the ISO 14001 and ISO 45001 standards.

The 29 standards of the HSE guidelines lay down the HSE requirements applicable to the various issues, broken down into five categories:

- 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;

- seventeen good practice standards: work at height, lock-out tag-out procedures, confined spaces, explosive atmospheres, off-site work, chemical risks, physical risks, health and working conditions, asbestos, ergonomics, environment-soil and legacy pollution, environmental aspects, emergency management, fire, energy, road risk, etc.;
- an ecodesign standard company process.

In 2020, these standards were simplified to 611 requirements (compared with 943 in 2019).

Today, these guidelines are being applied in every Group unit. Every year, compliance with the Guideline standards is audited to measure operating performance, as indicated by the level of maturity demonstrated by the facilities. Internal HSE auditors, whose qualifications are verified by the HSE Department and an external certification body, 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 the Group HSE Department. A representative of an external certification body sits on the Committee. The certificate issued by this committee specifies the overall level of maturity achieved for each site on all 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). In 2020, due to the Covid-19 crisis, it was only possible to perform 20 of the 142 audits planned. This indicator is therefore used to measure the sites' HSE maturity. The objective is for 100% of sites to have achieved Gold-level classification by 2025.

5.4.7.2 Actions related to employee health and safety

Health & Psychosocial Risk (PSR) prevention

In parallel with the health protection protocol common to all sites and keen to ensure the well-being of its employees, Safran, opened an Attention and Support Service for employees in France and overseas in April 2020. The system offers employees access to a remote consultation with a psychologist if they feel it is needed. This provision is currently in place until the end of 2021, but may be extended if necessary.

In September 2020, all companies ran a survey on the experience of work during the health crisis. The questionnaire was available in eight languages and gave everyone the chance to express themselves. More than 39,000 employees, or over 48% of the workforce, responded. Their feedback was invaluable and helpful in addressing the issues encountered during the pandemic, depending on the country, company and site. It gave the entities a better grasp of the consequences on employee's daily professional lives, allowing them to gauge the impact of organizational methods and working conditions during the crisis, and also to assess the impact of communication methods. The results were analyzed (at the Group level and for each company) by statisticians from the Center for Research on Work Experience, Age, and Populations (CREAPT). The survey highlighted the high level of employee confidence in the health protection measures applied at all sites, as well as the quality of communication within the Group during periods of lockdown.

It is part of the Group's work dating back over 15 years aimed at preventing psychosocial risks and promoting quality of life in the workplace. Favorable psychosocial factors and risk factors have been identified, and targeted action plans suited to situations requiring treatment will be implemented in 2021.

Programs and tools have been rolled out at all of the Group's sites through the health and working conditions standard. This standard consists of three parts:

- primary prevention is based on a psychosocial risk assessment program described in the Group's agreements on workplace stress and moral or sexual harassment. It 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 about such risks, detecting and supporting people in difficulty, 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. Since 2018, the Group has also set up PSR monitoring units at sites in France. These multidisciplinary units, which are bound by professional secrecy, aim to deal with situations of discomfort at work, either individually or in small groups, with the agreement of the employees concerned. Occupational health services can also call on specialized providers who can act quickly if necessary.

Since 2018, Safran has begun rolling out the EVREST occupational health developments and relationships observatory at all sites in France and Morocco. In 2020, more than 130 sites circulated the questionnaire. EVREST allows the Group to collect data on employees' experience and health over time, which can then be used to identify areas for improvement. Indicators such as workload, recognition, quality of working relationships, psychological and physical health are regularly shared. Work will be carried out in 2021 to define harmonized indicators across the Group.

Ergonomics: putting people at the heart of production systems

The Ergonomics pillar contributes to the engineering of work situations within the Group. It contributes to building health and safety at work and improving the performance of production systems.

In 2020, the rollout of the Group "Ergonomics" standard continued on all sites. Among other benefits, it reduces the risks associated with poor posture, carrying heavy loads and repetitiveness, an essential step towards preventing occupational illnesses, particularly lower back pain and musculoskeletal disorders (MSD). The standard includes training for all stakeholders, tools and an organizational structures. The training offered ranges from awareness-raising among management teams (70 people in 2020) to an introduction into engineering professions (43 people in 2020). Safran relies on the PRAP (Prevention of Risks Related to Physical Activity) program of the INRS (French national institute for research and safety) to train people to assess ergonomics-related risks (164 people in 2020).

These shared skills and assessments allow us to target improvement initiatives for implementation. They also facilitate the integration of ergonomics into design projects for future means of production. This is one of the challenges of the Group's Factory of the Future, aimed at improving working conditions and performance. This can be seen in the introduction of new technologies such as collaborative robotics, which offers fresh prospects for improving work situations. At the Gennevilliers site, a collaborative robot has been designed to assist in cutting edge sanding operations. The operator guides the robot on a first sanding cycle that is adapted to the work to be carried out on the part. The robot then carries out 80% of the sanding work autonomously. Here too, the operator is focused on supervision and finishing operations. It is much more efficient because it can perform certain tasks simultaneously, without the same vulnerability to repetitiveness and vibration.

In terms of organization, the Group Ergonomics standard relies on a dynamic international network. In total, since 2013, more than 2,000 employees have been trained in PRAP ergonomics assessment within the Group. These assessments are processed by more than 200 ergonomics officers and over 1,000 ergonomics representatives in the industrial engineering professions. In addition, the Group now has more than 15 full-time ergonomists dedicated to analyzing and improving workstations. This network has already produced more than 400 best practices that increase the improvement pace of workstations. Each year an "Ergonomics" Award is presented for the Group's best practice.

Site security and protection

A network of Health, Safety & Environment prevention officers operates throughout the Group. Each part of the network is managed centrally by geographic area: America, Europe and Asia. Several one-day meetings are organized with all HSE actors each year. Monthly meetings also allow the exchange of good practices and feedback within this network. Regional clusters have been established to provide support directly on the sites. They are managed by an HSE prevention officer from the cluster.

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. A road risk standard has also been added to the HSE Guidelines. Since 2019, 100% of the Group's facilities self-assess their compliance with the new standard. Action plans have been implemented with a view to reaching level 3 maturity in 2025.

Lastly, the Group continued to improve the protection of its sites against fire risks. A committee meets every three months to study expansion, renovation and similar projects. The fire expert from the Group HSE Department attends the meetings, which bring together other cross-cutting functions. State-of-the-art practices can therefore be factored in as far upstream as possible. In addition, the HSE Department performs a review every six months with a fire prevention and protection firm, insurers and the Group Risk and Insurance Department. Meetings provide a forum for discussion on past and future developments.

5.4.7.3 Health and safety objectives and indicators

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

| | 2018 | 2019 | 2020 |
|--|---------------------|------|--------------------|
| Percentage of Gold-level sites (indicative of maturity in terms of compliance with the 29 standards) | 30% | 50% | 60% ⁽¹⁾ |
| Reported accident frequency rate ⁽²⁾ | 22.7 | 18.8 | 11.3 |
| Frequency rate of lost-time work accidents | 2.9 | 3.2 | 2.0 |
| Severity rate of work-related accidents (SR) ⁽³⁾ | 0.07 ⁽⁴⁾ | 0.07 | 0.08 |
| Fatal work-related accidents | 1 | 3 | 0 |
| Number of occupational illnesses (France) | 87 | 52 | 47 |
| Number of occupational illnesses (United States and Mexico) | N/A | 36 | 22 |
| Level of fire protection | 6.8 | 6.8 | 6.8 |

(1) 80 sites concerned by the ranking in 2020. Over 200 sites will be concerned in 2025.

(2) Reported accident frequency rate: accidents with and without lost time and first aid.

(3) Number of accidents per million hours worked.

(4) Excluding activities derived from the former Zodiac Aerospace.

2025 CSR objectives:

- 100% of sites certified "Gold" to internal HSE standards.
- Frequency rate of lost-time work accidents below 2.5.

Safety

Managers' appraisals take into account an HSE-related objective, in particular in parts of the business sensitive to work safety (production, tests, etc.).

Occupational illnesses

The number of occupational illnesses is monitored by each Group entity in accordance with the country's national legislation. As the Group's activities require manual and

precise operations, the main occupational diseases are related to certain movements and work postures, notably affecting the upper limbs. Improvements are made each year following ergonomic assessments of workstations aimed at reducing the need for harmful operations for employees. Assessments are carried out by people who have received ergonomics training in what is known as actor PRAP (prevention of risks related to physical activity), or by Ergonomics correspondents.

In France, the number of occupational diseases fell from 52 in 2019 to 47 in 2020. Of the number reported, 80% of cases 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. A Group procedure published in 2020 standardizes the Group's reporting of occupational illnesses and takes into account the specific characteristics of each country, particularly the United States, Mexico and the United Kingdom.

Fire protection

An indicator relating to the level of protection of sites against fire is monitored following visits by an international firm specializing in fire prevention and protection. This contributes to the Group's fire risk mapping. For all of the facilities mapped in that way, protection against fire risks was rated "Good", with a score of 6.8/10. The score is based on several criteria such as the installation of sprinklers, documentary and operational management, and the building construction. The criteria are then weighted to give an overall score from 0 to 10, 10 being the best. In 2020, the criteria of the rating schedule were revised to allow sites to manage fire prevention more precisely. The new schedule will be implemented in 2021.

5.5 ETHICS, BUSINESS COMPLIANCE, RESPONSIBLE PURCHASING AND THE ENVIRONMENT: EMBODY RESPONSIBLE INDUSTRY

This section corresponds to the third pillar of the CSR strategy, "Embody responsible industry". Safran is committed to being an industry benchmark in its production methods throughout its value chain. The Group manages its corruption risks and applies the necessary care with regard to its suppliers' corporate responsibility issues. It is committed to exemplary ethics, strengthening responsible supply chain practices, supporting its suppliers, and respecting the environment and natural resources.

For Safran, industrial responsibility also means placing great importance on product and service safety, and implementing its quality management system (see details of the Safety Management System [SMS] in section 1.7 and the Enterprise Risk Management [ERM] system in section 4.3.2.1). This demanding approach underlies all of Safran's actions and decisions, and contributes to customer satisfaction. Aviation safety considerations are factored into the product and engine design phase. The network of SMS leaders helps instill a "safety culture" among employees, which in turn improves practices and ensures compliance with applicable regulations.

5.5.1 An ethical commitment stemming from the Ethical Guidelines

Safran strives to comply with the commitments set out in its Ethical Guidelines that embody the seven corporate values shared by all employees.

The Ethical Guidelines

Safran builds on its Ethical Guidelines⁽¹⁾ to assert its identity and express its determination to unite everyone within the Group around these shared values. The Ethical Guidelines formalize shared principles and standards, so that every employee can apply them 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. In particular, they concern:

- adherence to the fundamental principles (the Safran *raison d'être*, respect for laws and regulations, duty of care, respect for individual freedoms and human rights);
- adoption of proper business practices;
- promotion of honest and stringent management of information;
- protection of the environment;
- provision of an attentive ear for stakeholders.

Its values and Ethical Guidelines enable Safran to consolidate the trust placed in it by all of its stakeholders.

The Compliance, Ethics and Anti-Fraud Committee

The Compliance, Ethics and Anti-Fraud Committee is tasked with supervising employee respect for the general framework governing compliance with the rules laid out in the Ethical Guidelines and any changes in the system. It is chaired by the Group's Corporate Secretary and Group Ethics, but all of the Group's departments are responsible for ensuring that their teams respect the compliance criteria. Its other permanent members are the Group Deputy Chief Executive Officer and Chief Financial Officer, the Senior EVP International and Public Affairs, the EVP Corporate Human and Social Responsibility, the Chief Legal Advisor, the Group Compliance Officer (Director of the Trade Compliance Department), the Group Chief Security and Fraud Officer, the Head of Audit and Internal Control and the Head of Group Internal Control.

The Group has Ethical Guidelines, a Code of Conduct for the prevention and detection of acts of corruption, a charter for the prevention and management of conflicts of interest, an anti-fraud policy, an internal control framework, procedures and processes, and a fraud prevention, awareness, detection and assessment program.

(1) Available on www.safran-group.com.

Moreover, a system is in place to ensure the reporting of information concerning behavior or situations contrary to Safran's Code of Conduct, and fraud or attempted fraud identified in Group companies. In response, appropriate remedial action is taken by the companies, the operating departments concerned and, as necessary, by the Group Audit and Internal Control Department and the Group Security Department. The fraud officer is tasked, among other things, with defining internal investigative procedures and, when applicable, conducting the investigations. He reports to the Compliance, Ethics and Anti-Fraud Committee, which met twice in 2020.

Whistleblowing system

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.

In 2019, the Group reinforced its whistleblowing system by providing its employees, its external or occasional employees, its customers and its suppliers with a secure and multilingual email address: safran@alertethic.com. This email address is managed by an external and independent third-party reporting and collection agency. The system protects whistleblowers and preserves the confidentiality of data. Whistleblowers can

use this address to file, anonymously or openly, any good faith report of a breach of the principles enshrined in the Group's Code of Ethics. Among other aspects, the whistleblowing system meets the legal requirements on the duty of care and the Sapin II law.

The issues that may be reported via the email address safran@alertethique.com are:

- any fraud or attempted fraud;
- any conduct or situation contrary to Safran's Code of Conduct as regards the prevention and detection of acts of corruption;
- more broadly, any serious and manifest violation of applicable laws and regulations, notably those bearing on human rights and fundamental freedoms, including discrimination of any kind, issues relating to health, personal safety and the environment, as well as any violations relating to the duty of care in respect of suppliers or a threat or serious prejudice to general interest.

In 2020, Safran received 32 reports through this system (17 from external and 15 from internal whistleblowers):

- after their initial characterization, 17 reports were qualified as beyond scope and closed;
- nine reports concerned HR matters (allegations of inappropriate behavior or non-compliance with Safran's rules and values): six resulted in action and three were closed without further action;
- six reports concerned alleged fraudulent behavior: one resulted in action, two were closed without further action and three are still under investigation.

5.5.2 Business ethics and prevention of corruption risk

Ethics is a cardinal value at Safran, shared by all employees. It is embodied in particular in the program for the prevention and detection of corruption risks based on a "zero tolerance" policy towards any practice contrary to the fight against corruption, influence peddling, facilitating payments⁽¹⁾, embezzlement, undue advantage, misappropriation of public funds, or favoritism. The generic term "corruption" is hereafter used to refer to these dishonest and immoral violations of the Group's standards, which are prohibited by Safran. These matters are also monitored by the Audit and Risk Committee of the Board of Directors.

Safran was the first CAC 40 company to be "anti-corruption" certified by the French Agency for the Diffusion of Technological Information (ADIT), in 2012. This certification, renewed in April 2017 until March 2020, attests to the robustness of Safran's anti-corruption program, the requirements of which align with those of the most rigorous international standards: US Foreign Corrupt Practices Act, UK Bribery Act, OECD Convention, France's Sapin II Act, the tenth principle of the United Nations Global Compact, and ISO 37001. The renewal of the certification scheduled for 2020 had to be postponed until 2021 due to the health crisis. Safran ensures that its activities are conducted in accordance with high standards of honesty, integrity and professional standards that are consistent with the highest international standards of business ethics, promoted by the International Forum of Business Ethical Conduct (IFBEC), combining the major international aerospace and defense companies.

Zero tolerance of corruption

The importance of ethical values in shaping Safran's policies and operations has been clearly and continuously articulated by Safran's Chief Executive Officer, who has expressed this special commitment in his introductory message to trade compliance courses: ***"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 trade compliance program

Safran's trade compliance program integrates all the requirements of international conventions and national regulations applying to its activities, including the requirements of the law of December 9, 2016 on transparency, the fight against corruption and the modernization of economic life, known as "Sapin II". It seeks to instill a Group-wide culture of honesty, as laid out in Safran's Ethics Guidelines, and to see that every employee embraces the imperative of demonstrating exemplary conduct in this regard.

(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.*

The trade compliance 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.

It is supervised within a dedicated organization: the Trade Compliance Department, headed by Safran's Group Compliance Officer and reporting to the Senior EVP International and Public Affairs, who in turn reports to the Chief Executive Officer.

The program thus addresses two main concerns: (i) promoting responsible behavior among employees and management, and (ii) protecting Group assets through risk management. It is based on the following eight pillars:

- setting the example at the highest level: "Tone at the Top";
- dedicated corruption risk mapping;
- a Group Code of Conduct;
- a dedicated organization;
- appropriate procedures;
- an information and training program;
- a procedure control and monitoring system;
- an internal alert system.

Part of numerous international initiatives, Safran is at the forefront of the fight against corruption. In addition, the Group is deeply involved in a wide range of collective, industry or thematic initiatives dedicated to strengthening and sharing best business integrity practices. A member of the Compliance, Ethics and Anti-Fraud Committee, the Group Compliance Officer steers the entire process of preventing the risk of corruption, conducting exchanges and promoting good practices with businesses, national and international authorities and civil society. It participates in and contributes to the initiatives of national and international professional bodies:

- the *Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS)*, of which Safran chairs the ethics and corporate responsibility committee;
- the AeroSpace and Defence Industries Association of Europe (ASD);
- the International Forum of Business Ethical Conduct (IFBEC);
- the MEDEF, of which Safran chairs the international ethics committee;
- the Business and Industry Advisory Committee (BIAC) to the OECD, of which Safran co-chairs the anti-corruption task force;
- the B20 Integrity & Compliance task force;
- the European Business Ethics Network (EBEN), of which Safran is a director.

Setting the example at the highest level: "Tone at the Top"

The Board of Directors, the Chairman, the Chief Executive Officer and all members of the Executive Committee have emphasized the need for their behavior and that of their employees to be exemplary. 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 on integrity and the fight against corruption, signed every year by all of the chief executives of the Group's tier-one entities, as well as ArianeGroup and Roxel, which make a commitment on behalf of their company and ensure that the 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 entities is also periodically reviewed with their chairmen and with ArianeGroup.

Dedicated corruption risk mapping

Safran's compliance program is informed by a corruption risk map, integrated into the Group's risk map (see section 4.1.1). This takes into account changes in the scope of the companies and their 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 entities update their corruption risk maps. Ultimately, the rollout of these maps is intended to cover all operational departments of tier-one entities and all tier-two entities. The maps are then analyzed by the Audit and Risk Committee, which reports to the Board of Directors. Corruption risk mapping is the primary tool for mutually defining pathways to improvement, resource requirements and the training plan.

A Code of Conduct for the detection and prevention of acts of corruption

In compliance with the Sapin II Act, the Code of Conduct reaffirms the engagement of the Group and its management in a corruption prevention and detection process. The Code of Conduct makes reference to the Safran leadership model and the ethical guidelines. 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, finalized in 2018, has been incorporated into companies' internal rules, after consultation with employee representatives, or into procedural guidelines for companies located outside France. It is therefore applicable to all employees.

A dedicated organization

The Group Compliance Officer was assisted by a network of 27 Trade Compliance Officers (TCOs) in 2020, appointed in all companies that are independent from a trade compliance perspective. 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 215 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. The number of TCCs and TCMs increased from 199 in 2019 to 215 in 2020 due to the ongoing integration of the former Zodiac Aerospace operations.

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 meet regularly to share their knowledge, discuss best practices and help to improve the trade compliance program and its procedures.

They also conduct trade compliance reviews in their units to ensure compliance with the procedures. Lastly, they report any failure to follow procedures to the Group Compliance Officer as soon as it is detected.

Appropriate procedures

These procedures precisely describe the roles of employees and the rules that they are expected to follow while 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 "Sapin II") 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** and other sponsorship expenses given to or received from customers, suppliers and other stakeholders, as well as the corporate patronage charter, are designed to avoid any violation of current legislation or any potential conflict of interest. A specific version of the procedure applies to all employees based in the 12 countries where Safran has an office or a representative company, and where national law sets a limit on the amount of gifts and invitations that may be granted or received by public officials. In addition, a compliance audit of projects supported by sponsorship has been in place since 2015.

2025 CSR objective: 100% of senior managers and exposed and affected people⁽²⁾ trained in anti-corruption.

The management committees of Safran subsidiaries are also briefed annually. 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 internally as trainers.

As concerns purchasing:

- an ethics clause is included in Safran's general purchasing conditions;
- the written opinion of the Trade Compliance Officer is required for the use of advice or intellectual services outside France in order to assess the need to validate the partner in accordance with the international trade compliance procedure described above;
- the Group's responsible purchasing charter, updated in 2020, incorporates the terms of the IFBEC Supplier Model Code of Conduct⁽¹⁾ (see section 5.5.9.3).

An information and training program

Regular and appropriate information is distributed to all members of the Executive Committee, the executive management teams of the companies and all employees directly or indirectly involved in preventing corruption risk. A variety of tools are used to promote a culture of corruption prevention within the Group, including: a fortnightly anti-corruption "observatory", a weekly business ethics newsletter, specific country regulation reviews and a dedicated intranet. In 2020, 99 such documents were distributed.

A communication campaign on integrity in business transactions rolled out in late 2015 with the slogan "Adopt the Compliance Attitude" continued apace in 2020, helping to raise employee awareness of how to respond appropriately in different situations at risk.

An on-site trade compliance training course was developed for Group companies worldwide. In 2020, the health crisis limited face-to-face training and turned the focus to online training tools such as Massive Online Open Courses (MOOC). As such, all Group employees directly or indirectly exposed to corruption risk were enrolled in the dedicated corruption risk prevention module. In 2020, 4,207 people completed the online training course.

Preventing and detecting corruption was a topic incorporated into several Safran University training programs, aimed specifically at staff involved in sales, marketing, purchasing, human resources, financial resources and programs. More than 26,600 people concerned by these issues have attended dedicated training courses since 2010, including more than 5,600 in 2020.

(1) Available on www.safran-group.com.

(2) Exposed and affected employees in the Purchasing, Human Resources and Labor Relations, Legal, Finance, Audit and Internal Control, Trade Compliance, Risks and Insurance and Communications Departments, as well as affected employees among customers, suppliers and partners.

A procedure control and monitoring system

In 2020, 73 trade compliance reviews were conducted by the Group Compliance Officer on all of Safran's tier-one and tier-two entities. In 2019, anti-corruption certification audits, using guidelines based on the corruption risk prevention requirements resulting from Sapin II, the FCPA and ISO 37001, were successfully carried out at Safran Electrical & Power and Safran Transmission Systems.

In addition, as part of its due diligence, the Audit and Internal Control Department conducts annual management audits of entities; they systematically include work on ethics verification, trade compliance and export control. The internal control system also includes control points relating to ethics, trade compliance and export control in its reference framework; these points are subject to an annual evaluation process.

5.5.3 Complying with export control laws, and sanctions and embargoes

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. Risks relating to the export control process have been included in legal and regulatory risks (see section 4.3.1.3). To manage them, Safran has implemented procedures to ensure strict compliance with export control regulations and laws in all Group companies, with specific adjustments for Safran subsidiaries in the United States.

In France, this robust system has enabled Safran Electronics & Defense and Safran Aircraft Engines to obtain certification issued by 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 2020, Safran Electronics & Defense and Safran Aircraft Engines both had this certification.

Safran's export control compliance standard is structured around nine areas:

- **establishment of the export control organization:** overseen by the Senior Executive Vice President, International and Public Affairs, the Group Export Control Department is supported by a global network of 439 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. A Group Export Control Committee generally meets quarterly. However, the health crisis has prevented its meetings since March 2020: two remote plenary meetings were held in 2020, and five working groups are underway in restricted format on subjects of interest to all Group companies. Safran participates in a variety of working groups with public

In 2020, the French Anti-corruption Agency (AFA) audited the corruption risk prevention program operated by Safran SA and all the subsidiaries and companies under its control. The work took place between December 20, 2019 and October 2, 2020. The purpose of this audit, comprising 163 questions, was to verify the existence, quality and effectiveness of the eight measures aimed at preventing and detecting acts of corruption or influence peddling in France or other countries, in accordance with Article 17-II of the Sapin II law. A specific questionnaire was sent to tier-one entities. An in-depth audit was conducted between January and September 2020 at Safran SA, four tier-one entities (Safran Aircraft Engines, Safran Cabin, Safran Electronics & Defense and Safran Helicopter Engines) and 12 tier-two entities located in Europe, the United States, Brazil, Russia, China, Mexico, Morocco and South Korea.

authorities and trade associations, such as the French Aeronautical and Space Industries Group (GIFAS), the AeroSpace and Defence Industries Association of Europe (ASD), French employers' federation MEDEF and Business Europe. Safran chairs the GIFAS working group on French export control regulations, and co-chairs the GIFAS working group on foreign export control regulations. Lastly, Safran co-chairs the working group on international regulations with the French Directorate General of Weapons Procurement;

- **identification of export restrictions on products:** Safran ensures the compliance of all operations of Group companies with the countries and companies subject to sanctions or embargoes, in collaboration with the Group Finance Department;
- **management of export authorization and license applications;**
- **compliance with the terms and conditions of the licenses granted;**
- **identification and protection of controlled technologies;**
- **training, exchanges of good practices and awareness-raising** for the employees concerned: training and awareness-raising initiatives are organized by the Group companies and departments concerned and by Safran University, both face-to-face and in MOOC format. In 2020, the health crisis resulted in a reduction in face-to-face training (2,378 people were trained or took part in awareness-raising), offset by an increase in distance training, with more than 1,430 people taking the MOOC. In addition, 136 information memos were distributed in 2020. A dedicated export control intranet is also available to all Safran personnel worldwide, including a directory of the correspondents within the export control network;

2025 CSR objective: 100% of senior managers and exposed and affected people⁽¹⁾ trained in export control.

(1) People exposed and affected in all Group departments.

- **monitoring of improvement action plans by the Group Export Control Department** and maturity reviews every two years of the control program of the relevant Group companies and departments, with the help of an external service provider. These reviews allow the risk map to be updated twice a year;
- **treatment of non-compliance with applicable regulations:** Safran 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;
- **the application of the compliance standard by each company:** each tier-one entity is responsible for ensuring the rollout and effectiveness of the control program in its own subsidiaries.

Safran has operations in more than 30 countries, and must therefore take into account changes in the global geopolitical environment, which may result in export restrictions to countries, legal entities or individuals. As such, specific

5.5.4 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 French Customs Directorate's Key Accounts Office, which provides dedicated expertise and ensures that the Group's customs transactions are consistently and quickly expedited.

In 2020, the Group Customs Department and the subsidiaries' customs officers focused on further updating their procedures and authorizations so as to comply with the new requirements of the regulatory directives implemented in 2019 and thereby benefit as soon as possible from easier administrative procedures and lower customs duties. In addition, planning for the impact of Brexit is described in section 4.3.1.1 of this Universal Registration Document.

To ensure compliance with applicable customs legislation and the seamlessness of international operations, the Group compliance standard is structured around 11 areas:

- **a customs organization;**
 - the Group Customs Department, created in 2016 as part of the Group Department of International and Public Affairs, supported by a worldwide network of internal experts with Empowered Officials appointed from within the management committees in each Group company,
 - a Customs Officer in each company, tasked by the chief executive with assisting the Empowered Officials,
 - a Group Customs Committee, primarily comprising the Group Compliance Officer, the Group Customs Officer and the tier-one entity customs officers,
 - a Group Customs Committee, primarily comprising the Group Compliance Officer, the Group Customs Officer and the tier-one entity customs officers, meets quarterly. However, the health crisis disrupted these meetings in 2020: one plenary meeting was held face-to-face and two others took place remotely. This Committee is responsible for enhancing the maturity of the Group's compliance with national and international laws and regulations, with appropriate, actionable practices, and implementing continuous improvement plans⁽¹⁾;

measures have been implemented to verify the compliance of operations and financial transactions with sensitive countries and recipients. Safran provides all of its employees with a tool to assess operations and financial transactions involving countries, legal entities and individuals subject to sanctions or embargoes, and to obtain a better understanding of regulations. Prospective transactions are systematically subject to an analysis of export control and the compliance of financial flows by the relevant Group company, and are then approved or rejected by the Group Export Control Department and the Group Finance Department.

2020 saw major changes in the international regulatory environment, including the adoption of a new export control law in China, as well as the imposition of numerous restrictive measures, mainly in the United States against China, Russia and Venezuela. Safran analyzes all changes to determine their impact on the operations of its companies so as to ensure its compliance with new obligations, and scrupulously adheres to all restrictive measures applicable to its operations and financial transactions, particularly those imposed by the United States.

- **operating procedures:** 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 for the people concerned in Group companies:** in 2020, training was limited or even postponed because of the health crisis. The Group Customs Department accordingly carried out 56 regulatory monitoring measures (meetings, investigations, communications), some of which were essential to meet the requirements of the new post-Brexit SmartBorder customs system, and 442 people were trained or made aware. Awareness-raising modules in MOOC format are planned to round out the existing system in 2021;
- **subsidiary reporting procedure to the Group Customs Department;**
- **managing cases of non-compliance;**
- **certification as an Authorized Economic Operator (AEO)** or equivalent issued by internationally recognized customs administrations. Safran Electrical & Power, Safran Aero Boosters and Zodiac Aero Electric each obtained their AEO certification in 2019;
- **relations with customs authorities;**
- **application of the compliance program,** based notably on biannual assessments of the maturity of customs compliance processes for tier-one entities, carried out by an external service provider. The assessments also help to identify potential difficulties and risks, so as to provide operational support as needed. Using the information gathered, the Group Customs Department updates the risk map twice a year and can draw up improvement plans.

The Group Customs Department participates in a large number of working groups, including those conducted as part of the customs commissions of GIFAS, the French Federation of Electrical, Electronic and Communication Industries (FIEEC), French employers' 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 the dematerialization of trade, customs clearance and self-assessment by 2025.

(1) Customs regulations on origin are complex. Although based on a standard framework issued by the World Customs Organization, they may differ in some countries, which may in turn trigger disputes. The aim of securing this data has led some subsidiaries to undertake work to define rules, processes and algorithms, and to integrate ERP data (Safran Helicopter Engines conducted a model program in 2020, presented at the last Group Customs Committee meeting).

5.5.5 Trade compliance, export control, customs indicators

All of the indicators mentioned below relate to a Group scope unless otherwise stated.

| | 2018 | 2019 | 2020 |
|--|---------|----------|------------------------|
| TRADE COMPLIANCE | | | |
| Tier-one entities that have issued a representation letter on integrity and the fight against corruption | 100% | 100% | 100% |
| Tier-one entities that have completed and submitted a dedicated anti-corruption risk map to the Group Compliance Officer | 100% | 100% | 100% |
| Number of Trade Compliance Managers and Officers in Group companies | 169 | 227 | 242 |
| Number of on-site compliance training courses for employees concerned | 148 | 216 | 121 |
| Number of people trained | > 4,600 | > 4,900 | > 5,600 ⁽¹⁾ |
| Number of trade compliance reviews | 40 | 40 | 73 |
| Number of tier-one entities that have been certified or are in the process of renewal of anti-corruption certification by ADIT | 9 | 9 | 9 |
| EXPORT CONTROL | | | |
| Number of Export Control experts and correspondents in tier-one entities and ArianeGroup and Roxel in tier-two entities | 427 | 434 | 439 |
| Number of people having received training and awareness-raising | > 4,400 | > 11,600 | > 3,800 ⁽²⁾ |
| Number of information memos issued to the employees concerned | 83 | 130 | 136 |
| CUSTOMS | | | |
| Number of information memos issued to the employees concerned | 107 | 48 | 56 |
| Number of people trained | 1,429 | 1,470 | 442 |
| Number of companies certified as Authorized Economic Operator (OEA) or equivalent certifications | 11 | 15 | 20 ⁽³⁾ |

(1) More than 26,500 since 2010.

(2) More than 47,000 since 2010.

(3) 20 companies have OEA or equivalent certifications: 9 tier-one entities and 11 tier-two entities.

5.5.6 Supporting the Group's business over time with a responsible tax policy

Safran undertakes to comply with all applicable laws, rules and regulations with regard to tax compliance and the fight against tax evasion in all jurisdictions where the Group operates. It has therefore established a Group-wide tax policy and created a tax team dedicated to Group operations. Safran fully and openly cooperates with tax authorities and discloses all the information they need to perform their reviews. It 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.

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. Furthermore, on March 14, 2019, Safran signed a tax partnership agreement with the French State, based above all on transparency in the exchange of information with the French tax authorities. This personalized support offer set up by the French Minister for the Budget aims to establish a long-term working relationship between Safran and a dedicated correspondent designated within the French tax authorities. The principles of this cooperation are as follows:

- transparency and clarity in the exchange of information;
- availability and speed;
- pragmatism and consideration of the constraints of each party.

The aim is to confirm the tax treatment of issues and/or risks contemporaneously. Within this framework, all questions relating to the taxes managed and collected by the Directorate General of Public Finance (DGFIP) can be addressed. The administration undertakes to give a written opinion in the form of a ruling on the tax issues raised between the administration and Safran. Opinions are to be issued at the earliest possible date and at most within three months depending on the Company's deadlines and the complexity of the issues raised. Rulings issued within the framework of the fiscal partnership are binding on the DGFIP.

Safran believes that its industrial and commercial business must be supported over the long term by a fair and sustainable corporate tax policy. Safran's tax policy is public and can be accessed on the safran-group.com website, in the media section, under tax policy.

5.5.7 Protecting personal data and privacy

Safran has a Group policy for the protection of personal data, as well as an internal framework. The policy covers the protection of personal data within the framework of the international organization for the protection of personal data, the management of the exercise of the rights of data subjects, the management of personal data breaches, the management of the register of processing activities including the management of Privacy Impact Assessments, the management of controls implemented by the Data Protection Officers (DPO) and the management of transfers of data outside the European Union.

Safran's personal data protection organization comprises a Group Data Protection Officer (DPO), DPOs in tier-one entities, country correspondents and local correspondents for the Group's major sites. The country correspondents, a role created in 2020, are tasked with providing expertise and standardized personal data protection compliance in countries where personal data protection legislation has undergone major change recently, or where Safran has significant operations, such as India, Brazil, Morocco and China.

The company DPOs and the country correspondents circulate the internal policy and procedures widely, thereby raising awareness of the importance of personal data protection among all actors within the Group.

The Group is continuing to develop its compliance system with a view to continuous improvement:

- continued efforts to develop the knowledge of Group employees through enrollment campaigns for e-learning

modules on the five key principles of personal data processing (purpose, proportionality of data, retention periods, security and confidentiality, and rights of data subjects), specific training by field (HR, IT, communications, legal, etc.) and open-house awareness sessions on current issues at the sites;

- strengthening of control points with the creation of each internal IT project and from the design phase of customer products to ensure privacy by design and by default;
- implementation of the Group application for analyzing personal data processing projects and keeping of the register of processing activities subject to regulations requiring such a register to be kept within all subsidiaries;
- performance of personal data protection audits by DPOs;
- establishment of an annual representation letter signed by the chairmen of the tier-one entities.

In addition, since 2018 Safran has been working with the European data protection authorities to develop its Binding Corporate Rules Controller (BCR Controller), created in 2010. BCRs serve to manage the transfer of personal data between the Group's international subsidiaries.

As such, Safran is implementing a number of initiatives to ensure compliance with various European and international personal data protection regulations through a concerted effort by corporate departments and subsidiaries to target activities and processes involving the processing of personal data.

5.5.8 Cybersecurity

As stated in section 4.3.2.7, "Data confidentiality risks", cybersecurity is a shifting and widespread a threat for Safran. It could take the form of either an intrusion into the Group's information systems or an attack on the integrity of its data. A cyberattack, should one occur, could result in IT service disruptions. More broadly, it could affect the Group's business continuity. It could also directly or indirectly damage Safran's image.

As part of the actions undertaken by Safran, its information systems security policy (ISSP), which sets out organizational, technical and governance guidelines, has been redefined. This policy notably meets requirements set out in French regulations on the protection of intangible assets. In addition, 100% of tier-one entities have an Information Systems Security Officer (ISSO). Moreover, 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. In 2020, 70% of components identified as critical underwent at least one penetration test. Since January 14, 2021, a new Digital and Information Systems Department, represented on the Executive Committee, has been in charge of these issues. One of its tasks, other than stepping up the Group's digital transformation, is to strengthen the Group's cybersecurity.

Cybersecurity is also a performance criterion for the Group's products. Safran's Chief Executive Officer has signed a policy aimed at strengthening existing systems and measures to protect the smart products and services provided by the Group: "Safran strengthens product cybersecurity policy", available at [safran-group.com](https://www.safran-group.com). It provides an explicit and structured response to customer concerns and the requirements of regulatory authorities. This policy, which is directly applicable in all Group companies and sites, is implemented through two major systems:

- enhanced coordination of three chains: physical security, information systems cybersecurity and product cybersecurity;
- appointment of a Product Security Officer in all tier-one entities working in a network and tasked with implementing the cyber product policy through concerted and practical actions such as:
 - the integration of the "cybersecurity" parameter throughout the product life cycle, from design to withdrawal from service,
 - the strengthening of training plans and raising employee awareness.

5.5.9 Responsible purchasing

5.5.9.1 Group 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.

Both the policy and the Group's purchasing procedures apply to all suppliers and subcontractors. The policy awards business to suppliers that are capable of meeting the Group's standards, its competitiveness criteria and the demands of the aerospace, defense and space markets. Suppliers must be prepared to work with Safran over the long term in a fair, mutually beneficial relationship.

Safran's purchasing policy accordingly aims to work with a base of efficient, reliable suppliers that strictly comply with the domestic and international laws and regulations applicable to them. They are subject to compliance with international trade rules (including those relating to export controls), as well as environmental, health and safety, ethical and social obligations.

Suppliers must:

- meet Safran's present and future performance requirements (cost, quality, leadtime and innovation);
- enable Safran to provide its customers with innovative, value-creating solutions;
- guarantee that Safran's CSR commitments will be cascaded down through the whole supplier chain.

To this end, Safran must:

- involve its 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 shared methods, management standards and metrics across all Group companies so as to improve Safran's supplier performance management 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.

In 2020, the implementation of the Group's purchasing policy was marked by:

- the continued rollout of the Group's purchasing policy and procedures in the four new companies: Safran Cabin, Safran Seats, Safran Aerosystems and Safran Passenger Solutions;
- the continued rollout of a supply-chain duty of care plan on corruption prevention, human rights, HSE requirements, as described above, and CSR challenges with suppliers;
- the updating of the Safran responsible purchasing charter to take regulatory developments into account;
- the inclusion of a new procedure GRP-0087 in the Safran requirements applicable to external service providers;
- the release of new general purchasing conditions to take the dematerialization of supplier invoices and the provisions of the GDPR into account.

5.5.9.2 Purchasing governance

Safran's purchasing organization comprises three entities:

- **a centralized Group Purchasing Department** integrated into the Industrial, Purchasing and Performance Department represented on the Executive Committee. It defines the Group purchasing strategy for product and material families and the establishment of contracts for these materials for Group companies. It applies the purchasing policy in accordance with the specificities of Safran's various markets. It guarantees constant cooperation between companies, seamless coordination among all Group players in contact with suppliers and the involvement of purchasing teams across the product life cycle. It is also responsible for defining, improving and ensuring respect of the purchasing process and its procedures;
- **a centralized Safran Purchasing shared services center** integrated into the Industrial, Purchasing and Performance Department, represented on the Executive Committee. It is responsible for non-production purchases on behalf of Group companies;
- **a purchasing department in each company**, in charge of bill of materials (BOM) procurement.

These entities are the main vectors of Safran's commitments to subcontractors and suppliers.

Safran purchased goods and services worth €8 billion in 2020 (representing 48.5% of adjusted Group revenue) from over 16,000 suppliers, breaking down into three main groups:

- materials purchases;
- product-related purchases;
- non-product related purchases.

In deploying its purchasing governance, Safran relies on:

- **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;
- **internal improvement plans** reflecting assessments from Safran's various suppliers;
- **a training system** accessible to each buyer to guarantee within the Group the implementation of professional and responsible purchasing practices including e-learning and classroom training programs dedicated to integrating CSR issues into the purchasing process;
- **a process to map, prioritize and manage risks** (including the risks identified in the duty of care plan), with monthly reviews of both the map and the related action plans;
- **an annual internal control audit of the purchasing cycle** in all companies, with 33 internal control points covering the purchasing process. Each company is audited (15 control points per company) to establish the purchasing compliance rate by company, and action plans are implemented if necessary;
- **the Procure to Pay (P2P) approach** for the hourly payment of suppliers and subcontractors.

5.5.9.3 A commitment to responsible purchasing

A responsible purchasing policy

The responsible purchasing policy draws on the ten responsible purchasing practices listed in the responsible supplier relations charter (available on the [economie.gouv.fr](https://www.economie.gouv.fr/mediateur-des-entreprises/charte-relations-fournisseurs-responsables) website under *Médiateur des Entreprises* > Charte Relations Fournisseurs Responsables responsables <https://www.economie.gouv.fr/mediateur-des-entreprises/charte-relations-fournisseurs-responsables>), [French only]), to which Safran has been a signatory since 2010. The charter aims to develop a balanced relationship of trust between suppliers and customers in the knowledge and respect of their respective rights and duties. The Group has accordingly appointed an internal mediator to whom suppliers can refer matters, with the aim of avoiding or resolving any potential conflicts as quickly as possible. The Safran mediator also takes action within the framework of initiatives led by the GIFAS aerospace and space mediator.

In 2014, the Group was awarded the “Responsible Supplier Relationships Label” by the French Business Mediation and the National Purchasing Council. This label recognizes companies that are committed to building lasting collaborative relationships. The procedures and mechanisms implemented to fight corruption and improve payment terms were praised for their rigor. On December 4, 2020, Safran received the new “Responsible Purchasing and Supplier Relationships Label”. The “Responsible Purchasing and Supplier Relationships Label” reference system is compatible with the responsible purchasing guidelines of ISO 20400: 2017 Sustainable Procurement. Safran’s responsible purchasing maturity level, with respect to ISO 20400, is assessed as “mature” (level 3 out of 4, the fourth level being the “leading” level).

In June 2020, under the government stimulus plan for the aerospace industry, Safran signed a charter of commitments on customer-supplier relationships within the aerospace sector: the Group informed the French supply chain of its decision to intensify its responsible purchasing approach. Safran has also reaffirmed the use of mediation, which has always been a tool for Safran (amicable dispute resolution).

Safran also works with the French Ministry of the Armed Forces through a bilateral convention known as *Pacte Défense PME*, whose purpose is to facilitate access for SMEs to defense markets and to establish balanced partnerships. An annual review is conducted with the various players in the French Directorate General of Weapons Procurement (DGA).

Support for suppliers in the crisis

The frequency of the quarterly meeting with the DGA’s Industrial Affairs and Economic Intelligence Service has been increased to a minimum of bi-monthly to address the most critical SMEs for DGA and Safran, as well as opportunities for both industrial and government support.

To deal with the Covid-19 crisis and its repercussions on the aerospace industry, Safran has set up a unit to monitor and support its strategic suppliers, with the following objectives:

- identify the suppliers most at risk, with potential impact on its businesses;
- establish a dialogue with those suppliers in order to understand the impact of the current crisis for them and their ability to sustain their business;
- examine together with the suppliers the measures to be implemented within Safran, as well as the impact of the support and tools provided by the French government and local authorities to overcome the crisis. Where necessary, and if it can be justified insofar as traditional resources are insufficient, action can be taken to direct them towards longer-term and structural solutions, such as receiving backing from other industrial players or investment funds.

This approach is carried out in coordination with the public bodies that can offer aid as well as with other OEMs (Airbus, Dassault, Thales) within the framework of GIFAS when the supplier is shared, and can, where necessary, result in proposals for consolidation with the Ace Aéro Partenaires Fund.

Industry-specific relief fund

In 2020, Safran made a €58 million subscription to the “Ace Aéro Partenaires” fund established as part of the French relief plan for the aerospace industry, thereby continuing the investments undertaken by the Aerofund I, Aerofund II and Aerofund III funds since 2004. In contributing to the financing of SMEs, the Group actively participates in the restructuring and consolidation of the industrial fabric of the French aerospace sector. Strengthening its suppliers’ financial structures is a means for the Group to secure its supply chain while promoting the emergence of more robust and competitive intermediate-sized companies that can expand in the global marketplace when the crisis ends.

Strengthening of ties with suppliers

Since 2010, Safran has been a member of the *Pacte PME* association and sits on its Board, in a commitment to strengthening ties between SMEs and large accounts, to supporting the development of French SMEs, and particularly to helping innovative companies get off the ground and grow. Note that 42% of Safran’s purchasing volume was sourced from French-based suppliers in 2020, with French SMEs and intermediate-sized enterprises representing 83% of this volume. Safran participates in *Destination ETI* and the *Pacte PME* barometer on the quality of supplier relationships.

As before, the aim is still to establish a lasting and comprehensive partnership relationship between the SMEs supported and large accounts, but also to support the growth and competitiveness of the member SMEs through advice, workshops and feedback. For example, nearly 80 people representing 68 SMEs and industrial groups participated in the *Pacte PME Innovathon*, and 30 SMEs benefited from the “accelerator”). Safran’s purchasing strategy also involves a collaborative innovation approach with its suppliers via the “Management and Operation of Collaborative Innovation” program, which goes by its French acronym, MaGIC.

Safran is a member of the steering committee of the “Industrial Performance 1 and 2” and “Industry of the Future” programs (national programs to improve the performance of the aerospace supply chain) of the French Aeronautical and Space Industries Group (GIFAS). The aim of these programs is to increase operational performance in terms of quality and on-time delivery in the supply chain, to improve the customer/supplier relationship, to strengthen the competitiveness of companies while improving working conditions, and to develop jobs in the sector and take them up the value chain. The assessment of phase 2 of the Industrial Performance program (2017-2020), which ended in March 2020, shows a reduction of more than 30% in non-performance. As a reminder, phase 1 (2014-2016) helped drive a reduction of some 50% in non-performance events flagged for quality and the supply chain in the participating companies. In the “Industrial Performance” programs, 256 Safran suppliers benefited from phase 1 of the program (2014-2017), and 186 new Safran suppliers were able to launch performance improvement plans, allowing half of them to take a further step on the road to industrial excellence.

Safran is involved in the development of a GIFAS “Industry of the Future” program aimed at strengthening the competitiveness of the sector by introducing new 4.0 technologies and supporting the sector’s transformation. By 2020, the program will have 20 active groups comprising five to six SMEs, including five groups sponsored by Safran. A total of 108 companies are participating, including 60 Safran suppliers. Ultimately, 60 groups are to embark on the construction of their digital roadmap, with support for its initial implementation.

Safran is a founding member of Space, an association created in 2007, and plays an active role in its operations by contributing its proven methodologies each year and assisting in the implementation of new tools for SMEs by hosting round tables and theme-based webinars. Space seeks to improve the performance of French SMEs by leading individual supplier development projects and offering a panel of 31 training courses developed specifically for aerospace SMEs. Against the backdrop of the Covid-19 crisis, Space has adapted its support to SMEs to facilitate their recovery plan.

Special attention to the protected sector

Lastly, the Group pays special attention to sheltered workshops and disabled-staffed companies. Where possible, purchasers are required to call upon disabled-staffed companies and organizations and services providing assistance through work. Under the terms of the disability agreement, a Safran representative participates in the biannual commissions monitoring the agreement to discuss achievements and prospects in this area. In France, the useful amount (total cost of labor) spent with sheltered workshops and disabled-staffed companies exceeded €6.86 million in 2020. Mapping has identified possible areas of collaboration with sheltered workshops for non-product related purchases and thereby to develop partnerships either directly or by co-contracting with disabled-staffed companies and organizations and services providing assistance through work.

5.5.9.4 Rollout of the duty of care plan for suppliers and subcontractors

Safran’s implementation of the duty of care (French law of 2017) is more fully described in section 5.1.3.3. This section addresses the duty of care as regards health and safety and environmental risks concerning the Group’s business with its suppliers and subcontractors. In the duty of care plan for its supplier scope, Safran has taken a broader approach, addressing the requirements ushered in by the Sapin II law through measures concerning the risks of corruption and influence peddling.

Safran’s monitoring of the duty of care and the Sapin II law is the subject of an annual progress presentation and follow-up by the Executive Committee.

Identification of risks

Health and safety of people and the environment

Using the methodology applied to the activities of subsidiaries and suppliers, as presented in chapter 4, HSE risks have been identified, analyzed and prioritized. Accordingly:

- nine types of supplier risk have been identified among the 29 HSE standards applicable to Safran sites: Toxicological, Aqueous releases, Gaseous releases, Fire, Explosion, Radiation, Waste, Accidents, and Regulatory;
- supplier businesses have been broken down into 26 activities;
- each “activity/type of risk” pair is assessed in terms of its impact from 1 (low) to 5 (critical);
- the eight most critical activities, namely those with an impact equal to 5 on at least one count, have been identified. They are waste removal, chemical product development, surface treatments with baths, paint application, additive manufacturing, thermal spraying, buildings and public works, and radiation control.

Human rights and fundamental freedoms

Suppliers are rated on the basis of the risks in terms of respect for human rights in the countries where they operate, from lowest to highest. Suppliers identified as “at risk” are those located in the countries with the greatest exposure.

In the event of doubt as to the integrity of suppliers, the case is examined by the Trade Compliance Department.

Corruption

The identification of suppliers at risk is based on the Transparency International map (used by the Safran Trade Compliance Department, see: https://www.transparency.org/news/feature/corruption_perceptions_index_2016), which shows suppliers’ geographical position: only suppliers located in countries with a score below or equal to 30 are taken into account.

Regular evaluation procedures for subcontractors

Suppliers affected by HSE challenges

An initial list of suppliers from the Safran global panel has been drawn up, based on eight critical activities: waste removal, chemical product development, surface treatments with baths, paint application, additive manufacturing, thermal spraying, buildings and public works, and radiation control. Safran has opted not to classify suppliers belonging to a group known to have an HSE policy as “at-risk”. Safran has selected impact 5 (critical) suppliers, as defined in the purchasing risk map. Among them:

- 286 suppliers whose activities are subject in whole or in part to the REACH regulation (particularly for chromium 6) are considered “at risk” and therefore prioritized (priority 1 for suppliers in Europe and priority 2 for those outside Europe). Among these 286 most critical suppliers:
 - 172 are in compliance with HSE expectations through self-declaration,
 - eight are being monitored with action plans,
 - responses from other suppliers are being reviewed or pending receipt;
- 1,400 suppliers have a lower priority; of these, 243 are in compliance with HSE expectations and four have action plans. Responses from others are pending or being reviewed.

Suppliers affected by the protection of human rights

Ninety-one suppliers out of the total panel of suppliers of all Safran subsidiaries (excluding intra-group companies belonging to an international group with a publicly disclosed CSR policy), located in countries in the areas most exposed to human rights risks were identified.

These 91 suppliers received a self-assessment request (based on the human rights questionnaire validated by the IndustriALL Global Union, a stakeholder with which Safran has signed a global framework agreement on “working conditions, social responsibility and sustainable development”) bearing on ten issues spanning human rights and corruption. The approach is shared with the Group International and Public Affairs Department. The supplier base is regularly reviewed

using the Visual Compliance solution to verify suppliers’ compliance with international sanctions and embargoes, and with respect to fraud and corruption. Forty-one suppliers are monitored by Safran and are subject to specific action plans following analysis of HSE and human rights questionnaires deemed unsatisfactory.

Prevention and mitigation initiatives

The responsible purchasing charter

First, the responsible purchasing charter is submitted to suppliers for their approval. The purpose of the Safran GRF-0164 responsible purchasing charter is to obtain suppliers’ commitment and contribution in respect of the Group’s CSR requirements. 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. In February 2020, the responsible purchasing charter dating from 2016 was revised. The charter is available on the Group’s supplier portal in French and English⁽¹⁾. Its nine key principles are:

- promotion and respect for human rights;
- development of human potential;
- maintenance of a culture of integrity within the Group;
- compliance with international import and export controls;
- accurate and reliable data archiving;
- protection of information;
- continuous efforts to achieve excellence in the security and protection of people and property;
- development of innovative products and processes with a lower environmental impact (CO₂, energy, chemicals, waste);
- involvement of suppliers and partners in the implementation of the CSR strategy.

Safran’s responsible purchasing charter incorporates the terms of the IFBEC Supplier Model Code of Conduct.

In March 2020, a signature campaign was launched with suppliers breaking down as follows: 4,537 for non-production purchases and 2,347 for production purchases.

2025 CSR objective: 80% of purchases made from suppliers that have signed the responsible purchasing charter⁽²⁾.

Taking CSR and geopolitical issues related to the extraction of minerals and rare earths into account

As a purchaser of processed materials (bars for machining, sheet metal for boiler making, forging billets, etc.), Safran does not directly purchase raw materials such as minerals and rare earths. However, Safran is subject to a duty of care throughout its supply chain, and in respect of the human and environmental consequences that the extraction of these materials may entail. In 2020, through the AeroSpace and Defence Industries Association of Europe (ASD), Safran took part in the European Raw Materials Alliance (ERMA) working group, whose inaugural meeting was held in November 2020.

Conflict minerals

Safran complies with applicable laws and regulations regarding the supply of ores (such as tin, tungsten, tantalum and gold) from conflict zones, in particular the American regulations resulting from the Dodd-Frank Act, and already applies the European regulations due to come into force in 2021. To that end, Safran identifies suppliers liable to use such minerals and requires them, through a campaign conducted every three years (most recently in 2018), to undertake to comply with applicable laws and regulations, and to establish an internal policy enabling them to ensure that the minerals contained in the products they manufacture are not used to finance, directly or indirectly, armed groups whose activities are contrary to human rights. A specific clause is included in contracts signed with suppliers providing materials or equipment that may use minerals. Safran’s suppliers must also, as may be required by law, exercise due diligence in choosing the source and traceability of minerals, inform Safran of the origin of the minerals used, and in turn impose the same conditions on their own suppliers. Lastly, Safran fills out the Conflict Mineral Reporting Template (CMRT) each year for its main customers in the United States.

(1) <https://www.safran-group.com/suppliers/working-safran/Travailler%20avec%20Safran>.

(2) Or using an equivalent responsible purchasing charter.

Safran's research work to reduce the use of certain minerals and rare earths

For new metallic materials designed to withstand turbine temperatures or lighten structures, CSR issues concerning hazardous substances are now taken into account from the upstream phases. This work is facilitated by the implementation of new digital metallurgy methods at Safran Tech. The new calculation methods consist of predicting the characteristics of a material based on its chemical composition. The aim is to reduce the proportion of certain undesirable elements without degrading the characteristics of the material. The chemical elements concerned include cobalt and rare earths.

System for tracking the measures taken and assessing their effectiveness

Performance indicators and targeted management of actions

These actions apply, in whole or in part, to all suppliers obtaining an insufficient score on the HSE questionnaire or whose responses to the human rights questionnaire reveal areas of non-compliance.

5.5.10 Environmental impacts

In its determination to lead by example in its production methods and throughout its value chain, Safran pays particular attention to the environmental impact of its operations and products. In addition to taking into account its impact on climate change (see section 5.3), Safran strives to preserve the environment and natural resources. The Occupational Health, Safety and Environment policy is described in section 5.4.7.1.

Taking environmental impacts into account in the product life cycle, starting with design

Through the HSE Guidelines (see section 5.4.7.1), Safran asks each of its tier-one entities to set up an organization dedicated to eco-design: skills, training, design rules, control process, etc. This internal eco-design standard guides companies in reducing the environmental footprint of their products during the main stages of their life cycle. An integral part of the HSE standard, it is also characterized by requirements classified by maturity level – bronze, silver and gold – and is audited over a three-year cycle. In addition to this standard, Safran is systematically designing environmental stewardship into its new programs and technological building blocks. The new Arrano and Aneto engines are examples of innovation and achievement in the helicopter market. In addition to enhanced performance, they 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.

The duty of care plan covers the following steps:

- additional information from other stakeholders where necessary, and requests for explanations from the supplier;
- specific analysis with the supplier;
- corrective action plans to reduce risks, under the supervision of the lead buyer of a Safran company, with monthly follow-up;
- bimonthly reviews with the Purchasing Departments to oversee the deployment plan, track action plans and make adjustments where necessary, potentially resulting in action to raise the supplier's awareness or even in the termination of the business relationship;
- a decision by the Group Purchasing Committee, which may decide to terminate the relationship if the non-compliance is not remedied quickly.

Whistleblowing system

Suppliers and subcontractors have access to the whistleblowing system (see section 5.5.1).

As well as addressing climate-related challenges, Safran promotes eco-design so that environmental impacts are reduced from the product design phase and throughout the life cycle.

With a view to ensuring continuous improvement, the objectives of eco-design are to:

- limit impacts on the environment and human health, notably by restricting the use of dangerous chemical substances;
- proactively address changing legislation and customer/stakeholder expectations by anticipating, among other things, obsolescence of chemicals or processes;
- keep ahead of the applicable International Civil Aviation Organization (ICAO) standards;
- stimulate technological innovation;
- foster synergies within the Group;
- stand out from the competition and strengthen the Group's brand image.

To do so, Safran has chosen to focus on four areas of meaningful improvement for its businesses:

- chemical risk (limiting the use of dangerous substances);
- noise (limitation of noise pollution);
- non-renewable natural resources (reduction in the use of natural resources, product recycling, reduction and treatment of waste);
- energy consumption (see section 5.3.3.2).

Restricting the use of substances hazardous to health and the environment

Preventing the risks relating to the use of hazardous chemicals is an issue addressed by a number of internal stakeholders in the Group. The objective is to reduce risks at source when qualifying materials and processes, and to control them when using chemicals on industrial sites.

Rules for the choice and use of chemicals are defined through an internal process. In this way, Safran is drawing up a list of substances that are banned or whose replacement is to be prioritized. This list is taken into account when choosing the materials and processes to be used, both for the design of new programs or technological building-blocks and for existing programs. In addition, before being approved for use in a production facility, each new chemical is analyzed in depth by a panel of stakeholders.

Since early 2020, the Group has been implementing a responsible chemicals management approach. In the spirit of regulations applicable to chemical products, in particular the REACH regulation (European regulation on chemical substances), it aims to gain an understanding of the challenges related to chemical risks as a whole, throughout the life cycle of equipment and via a multidisciplinary organization. The approach has three components: anticipate, substitute, and control. It involves several Group departments and various business networks within tier-one entities. As such, the HSE Department provides strategic monitoring of substances to enable each tier-one entity to anticipate possible obsolescence and draw up a response strategy. Based on the needs expressed by the various entities, substitution work is coordinated for the technical aspects by the Group's Materials and Processes Department, before being brought into industrial-scale production within each tier-one entity. The "Purchasing" function is at the forefront to associate the Group's suppliers and subcontractors in all work. Lastly, the "Programs" function has a key role in determining a strategy that will be shared with customers.

The HSE Department coordinates the responsible management of chemical products via a focal point in each tier-one entity. Substances committee meetings are organized quarterly at Group level to ensure overall progress and set strategic guidelines. This committee brings together the Industrial, Purchasing and Performance, Programs, Materials and Processes, Product Environment and HSE Departments.

Lastly, the use of chemicals at facilities is a daily concern for the production teams and the HSE risk prevention officers. Although programs deployed in the equipment cycle upstream can attenuate workstation hazards, residual risks remain and must be managed. One of the 29 standards of the HSE standard is dedicated to chemical risks. "Chemical risk" correspondents are specifically trained on the industrial sites. The Group's HSE Department is tasked with overseeing the performance of scientific and technical studies and issuing recommendations for the control of chemical risks.

Safran is actively involved in the management of chemical substances and the associated regulations with French and European associations representing the aerospace profession, such as the French Aeronautical and Space Industries Group (GIFAS), the AeroSpace and Defence Industries Association of Europe (ASD) and the International Aerospace Environment Group (IAEG) aimed at finding solutions for the management and substitution of hazardous substances.

Reducing noise pollution

Aircraft noise standards have been becoming increasingly stringent for decades. They primarily reflect environmental and quality of life concerns: aircraft noise is bad for residents, ground staff and passengers. To anticipate the objectives set by ACARE (65% reduction in perceived noise by 2050 compared with 2000) and the standards issued by ICAO, Group companies are working together to reduce noise emissions from their equipment.

At Safran, dedicated teams play a central role in the main aeroacoustic programs. They are developing research partnerships with aircraft manufacturers, helicopter manufacturers and the largest French and European laboratories, notably ONERA and DLR4.

The main source of noise pollution during takeoff is the propulsion system, which is the focus of a great part of research efforts. In engines, the increase in the dilution rate (ratio between the flow of hot air and the flow of cold air) obtained by widening the diameter of the ducted fan has greatly contributed to progress achieved over the last 40 years by reducing the gas ejection speed and as such noise. On LEAP, CFM International successfully met the technological challenge posed by the increase in the engine diameter and its integration into the aircraft. Safran's efforts also focus on reducing the noise emitted by the engine and nacelle modules. This involves optimizing the shape of the blades, using modeling based on the physics of noise-generating mechanisms. The nacelles also offer increased performance by trapping the residual engine noise at the source. The A320 nacelles have honeycomb composite skins that absorb some of the noise. New technologies currently in the research phase will further improve their efficiency by producing a counter-noise from miniaturized speakers to neutralize the motors' sound waves. Ultimately, it is estimated that the acoustic footprint of aircraft on the ground has been reduced by 75% in four decades. Between the most optimized versions of CFM56 engines certified in the early 2000s and the LEAP engine, an average improvement of 12 decibels over the ICAO standard has been achieved.

In the landing and approach phases, the noise reduction achieved on the latest-generation engines is such that efforts are now being turned to the noise of the aircraft itself, which was previously masked by engine noise. Landing gear makes a significant contribution to overall noise during this phase of flight. The solutions proposed by Safran Landing Systems' aerodynamicists cover landing gear design and the addition of fairings, while taking size, weight, flight safety and maintenance constraints into account. Safran Landing Systems is fitting Boeing's ecoDemonstrator2020 with a system that reduces the noise footprint of landing gear by approximately 20%.

Reducing the use of natural resources

In a long-cycle industry like aerospace, marked by extreme technical complexity and uncompromising safety standards, technological progress can mobilize many players and take decades to come to fruition. Safran pays particular attention to the issue of non-renewable natural resources. The Group therefore places great importance on the reparability of its products, offering MRO (maintenance, repair and overhaul) solutions worldwide. Each year, Safran experts develop and perform several hundred new repairs on an industrial scale and offer a comprehensive range of services including performance restoration, replacement of parts with a limited life, and inspection and maintenance of all equipment.

Advocating a structured and consummate sustainability model, Safran even offers the reuse of used parts through a circular economy approach. CFM Materials, a joint venture between GE and Safran specializing in second-hand parts for CFM56 engines, offers its customers access to large stocks of spare parts with guaranteed quality and traceability, in a real-time response to the needs of maintenance workshops around the world.

In this way, the solutions offered by Safran help reduce the use of non-renewable natural resources. Due to its long life cycles, the high technicality of the products and the high added value of its services, Safran applies a responsible management approach in its operations.

Product recycling

Safran has partnered with two other leading players (Airbus and Suez) to create Tarmac Aerosave. Created in 2007 and based in Tarbes (Hautes-Pyrénées), Tarmac Aerosave today ranks as the European benchmark for storage and the world benchmark for the recycling of military and civil aircraft manufactured by Airbus, Boeing, ATR, Bombardier and Embraer. Safran has been involved since the very beginning of this project, which is at the heart of its environmental responsibility approach. A site for storing aircraft and equipment, Tarmac Aerosave offers the largest aircraft dismantling capacity in Europe. The company, which already operated in France (on two sites) and Spain (on one site), opened a fourth site in France in 2020. Since 2007, 250 aircraft and 140 engines have been dismantled and recycled, with a recovery rate of more than 92% of total aircraft weight. For example, 75% of Airbus A340s recycled worldwide have been recycled by Tarmac Aerosave.

Waste reduction and treatment

Safran is also committed to reducing and treating waste from its production sites in order to reduce its impact on resources and the environment. Waste is broken down into seven categories (plastics, paper/cardboard, wood, composite, metallic, hazardous and other non-hazardous waste). The sites do not discharge radioactive waste. Several treatments are possible for each type: material recycling, incineration with energy recovery, incineration without energy recovery and landfilling for final and hazardous waste. Depending on the type of waste, the maturity of existing channels and the countries in which Safran operates, recovery rates (material and energy) can vary from 99% for metallic waste to 35% for composite waste, for which treatment channels are only now taking shape.

In addition, water from industrial processes that could represent a risk is discharged into surface water via continuously monitored treatment 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. 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 Group HSE 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.

Since 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 and late 2018 financial warranties were offered to local authorities to ensure that the facilities classified as Seveso or ICPE (installation classified for protection of the environment) sites are secured and decontaminated in the event of decommissioning. The facilities concerned are subject to additional local regulations relating to the financial warranties.

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. No environmental accidents with a significant impact on the environment were recorded in the Group in 2020.

2025 CSR objective: increase the waste recovery ratio compared to 2019.

2025 CSR objective: 100% of facilities to have achieved the five zero targets roadmap (see section 5.3.5).

Indicators – Environment

| Energy | 2018* | 2019* | 2020 |
|---|------------|------------|------------|
| Electricity (MWh) | 1,304,597 | 1,352,946 | 997,647 |
| Natural gas and liquefied petroleum gas – LPG (MWh PCS) | 868,910 | 920,851 | 603,924 |
| Aviation fuel (in liters) | 17,305,991 | 18,345,252 | 12,146,639 |
| Heating/steam and cooling networks (MWh) | 53,491 | 51,055 | 44,824 |
| Fuel oil (in liters) | 865,466 | 621,596 | 510,173 |

| Waste – Water | 2018 | 2019 | 2020 |
|---|-----------|-----------|-----------|
| Total waste generated (in metric tons) | 96,267 | 95,243 | 57,794 |
| Total waste recovered and reused (in metric tons) | 72,187 | 65,006 | 40,723 |
| % of waste recovered and reused | 75.0 | 68.3 | 70.5 |
| Water (cu.m.) | 3,722,234 | 4,582,612 | 2,521,900 |

* The 2018 and 2019 figures were revised in 2020 using the same emissions factors database as in 2020.

5.6 CORPORATE SOCIAL RESPONSIBILITY: AFFIRM OUR COMMITMENT TO CITIZENSHIP

This section corresponds to the fourth pillar of the CSR strategy, “Affirm our commitment to citizenship”, and deals with the impacts Safran’s decisions and businesses, and its development and commitments have on society. It describes Safran’s aim of engaging with local communities and contributing to local development. Safran is committed to being at the forefront of innovation to protect people, develop training and research partnerships, and facilitate the professional and social integration of young people.

5.6.1 Spearhead innovation on protection for citizens

5.6.1.1 Initiatives to combat the Covid-19 pandemic

From the outset of the Covid-19 epidemic, employee initiatives aimed at contributing to the fight against the epidemic were supported and guided within a working group known as “Safran Anti-Covid”.

The Safran Anti-Covid group worked to design and produce a range of equipment certified for the fight against the pandemic:

- in many of Safran’s host countries, employees used 3D printing to manufacture a variety of medical equipment or spare parts to meet urgent equipment needs in hospitals, laboratories and other medical institutions. For example, in March 2020, Safran drafted an instruction manual for the manufacture of visors using 3D printing, and circulated it throughout the Group. Employees throughout the world joined forces to manufacture hundreds of visors each week, and several thousand visors were distributed to local medical personnel in the areas where Safran operates. 3D printing was also used to manufacture so-called contactless parts, to protect employees from contact contamination from certain surfaces. Thousands of parts were manufactured and made available to staff;
- in France, a number of engineers from Group companies took action to adapt Easybreath, the Decathlon snorkeling mask. Drawing on a variety of skills, the mask was transformed into a surprisingly versatile medical device that could be used at different stages of patient care, from outpatient to intensive care. The design was completed in

two weeks, and the project received invaluable assistance from the French Army Biomedical Research Institute (IRBA) for initial guidance and development tests. Work to prepare industrial-scale production was carried out with engineering group Segula Technologies. The French National Agency for Health and Medicines granted provisional marketing authorization in record time (10 days) so that hospitalized patients could have access to the Safran kit. The device was rolled out in some public and private hospitals, and digital parameters for 3D printing can be downloaded from the Safran website;

- in Mexico, Safran teams worked to produce a device to protect doctors during patient intubation and extubation, in the form of polycarbonate aerosol boxes (or aerosol shields). More than 150 aerosol boxes were delivered to the local Ministry of Health to supply hospitals treating Covid-19 patients;
- in Mexico, employees also partnered with other local players to manufacture 1,000 certified respirators for local hospitals;
- in France, the Mistral combat mask developed by Safran was validated with the help of the IRBA to protect caregivers while enabling them to cope with increases in heart rate, such as when carrying patients or equipment, thanks to a ventilation system. A dozen military hospitals adopted this protective device for medical personnel in contact with patients;
- at several sites, employees embraced textile production to make several thousand barrier masks and gowns for various local health and safety institutions (hospitals, emergency medical services, etc.), as well as Safran employees;

- several Safran companies joined forces and partnered with Schneider Electric in France to develop a reusable high-protection mask known as R-Safe. It represents an innovation in respiratory protection: its replaceable filter blocks particles 30 times smaller than a conventional mask, while reducing the impact on the environment (replaceable filter, bio-sourced, reusable elements, and local production);
- in France, as part of its call for “anti-Covid” proposals, France’s Directorate General of Weapons Procurement (DGA) selected and financed a prototype of the technology for the Safe Air intrapreneurship project. Delivered in January 2021, the prototype measures the filtering capacities of used masks and filter cartridges, thereby helping reduce the viral load in enclosed spaces.

Many Safran sites, particularly at the local level, made commitments in addition to these initiatives to help combat the pandemic and its economic and social consequences. Accordingly:

- several sites raised funds to financially support institutions in the purchase of medical equipment. In Poland, for instance, Safran Transmission Systems provided financial support to the hospital in Łañcut as part of a campaign to enlist the help of local contractors. In March 2020, several companies came together in China to purchase protective clothing, glasses and gloves for local medical institutions; donations totaling roughly 100,000 yuan were made through the Hubei Youth Development Foundation;
- in many countries, Safran also made direct in-kind donations of protective and pandemic equipment to governments, hospitals and schools. In Tunisia, for example, Safran Aerosystems donated gowns, visors and personal protective equipment to various hospitals, schools and the Ministry of Health. In Switzerland, Safran Colibry donated several hundred masks to the staff of local retirement homes;
- in the United Kingdom, Safran Seats employees volunteered to help set up rooms ready to accommodate Covid-19 patients, in addition to donating a wide range of personal protective equipment;
- Safran worked to support people left vulnerable by the pandemic. In France, employees were able to access “*Tous mobilisés contre la Covid-19*” (All mobilized against Covid-19), a platform launched alongside MicroDON, to work with a number of charities. In China, Safran Landing Systems provided financial assistance to vulnerable people in Suzhou, thanks to employee and company donations. The same site also set up a financial support system for employees in difficulty;
- in France, Safran Electrical & Power employees created the “*Industrie Solidaire*” platform, bringing together French industrial companies and hospitals to provide a more effective response to the need for medical equipment.

In addition to the initiatives mentioned above, Safran set up an international working group dubbed “O Covid” in June 2020, with the aim of anticipating and preparing for prospective demands from airlines following the pandemic. Work is underway on future cabin layouts, and seating and air quality initiatives designed to remove the risk of contamination during flights.

5.6.1.2 Employees involved in other support initiatives

Safran is involved in a variety of support initiatives at the local level, particularly in the health sector. They are often initiated by Safran employees, and differ from one site to another. Noteworthy examples in 2020 include:

- in Mexico, Safran Aerosystems employees launched a campaign to collect plastic bottle caps, which were then donated to *Banco de Tapitas*, a charity, to support children suffering from cancer. The caps are transformed and reused to make various medical, educational or entertainment equipment for the children;
- at Safran Electrical & Power in Mexico, employees organized a fundraising campaign to coincide with the Telethon. In 2020, they raised more than 21,200 Mexican pesos to donate to the Foundation;
- in Singapore, Safran is part of the Adopt a Wish initiative, which enables retirement home residents to make a wish list. Safran employees are involved in the purchases and preparations needed to make some of those wishes come true;
- in South Africa, Safran Electronics & Defense donated materials and equipment no longer in use to a local charity to help train unemployed people and facilitate their return to the workforce;
- Safran Aerosystems’ sites in Tunisia are committed to collecting and donating packed lunches to local families in need. Similar initiatives are being coordinated at Safran Seats in the United Kingdom and at Safran Electrical & Power in France and Mexico, in partnership with food banks to which employees donate food;
- in the United Kingdom, Safran Seats actively supports prostate and breast cancer associations Breast Cancer Now and Prostate Cancer UK: more than £12,500 was raised and donated this year. In addition, employees take part in numerous operations organized by charities (running races, awareness raising), although several had to be suspended due to the pandemic in 2020;
- in France, Safran SA partnered with *La Cravate Solidaire* to collect men’s and women’s clothing for people to wear to job interviews. A total of 475 kilos of clothing were collected at the three sites that took part in the operation, making it possible to “dress” 142 vulnerable people (according to the association’s estimates). The recipients all also benefited from the advice of an image coach and job interview preparation from professional recruiters;
- in France, Safran Aircraft Engines supports *L’Étoile de Martin*, an association committed to supporting research into childhood cancer. €56,000 was donated in 2020 after the Group’s collaborative innovation process: the greater the number of employees taking part in the innovation process and putting forward ideas, the greater the amount donated to the association.

5.6.1.3 Building a “safer world” through our defense business

Faced with growing instability in the global environment, Safran offers high-tech products, services and solutions to protect national and individual interests.

Its *raison d'être* commits Safran to help build a “safer world”. Protecting national sovereignty, people and their economic interests requires heightened vigilance and high-performance technological resources to deal with risks of attack or other threats in numerous forms, from asymmetric warfare to cybercrime.

Safran contributes to the independence of its sovereign customers through its mastery of very high-level technologies and its broad industrial footprint in France, which together help guarantee the long-term viability and security of its resources and skills.

High technology as a foundation of sovereignty

Safran places its know-how, technologies and industrial resources at the service of the sovereignty of France, Europe and other allied countries, and offers optimal capabilities to Observe, Decide, Guide, Dissuade and Act on land, at sea and in the air, as well as in space.

Safran develops and produces engine systems and equipment for military aircraft (combat aircraft, transport aircraft, helicopters), surveillance systems (drones), optronics, inertial navigation and critical software, and keeps them operational. Safran guarantees independent access to space via ArianeGroup, with launch vehicles and services. The Group participates in a large number of missions with its equipment for satellites, space vehicles and spacecraft. Its optical systems, telemetry solutions and ground stations facilitate space exploration and help keep it under surveillance.

In 2020, this role was reflected practically in:

- the supply of new optronic surveillance pods for French Navy and Special Forces helicopters;
- the selection of new-generation observation binoculars by several NATO countries;
- the supply of satellite network surveillance services to the French Space Command.

Since 2018, Safran has also been involved in preparatory work for future European defense capabilities through eight major projects (in the Preliminary Actions for Defense Research and European Defense Industrial Development Programme). They include maritime surveillance capabilities using drones and “see-and-avoid” functions for entering air traffic, highly integrated and cyber-secure electronic solutions (EXCEED project), high-integrity (GEODE project) or vision-assisted satellite navigation functions, robotic vehicles for distance and remotely operated intervention (I-MUGS) to reduce the exposure of military personnel. These preparatory projects are aligned with the European Defense Fund (EDF), a European funding program designed to prepare common defense capabilities for greater European autonomy. These technologies call in particular on artificial intelligence and new vibrating inertial sensors (HRG and MEMS) associated with sensor fusion techniques.

Civil-military duality, a source of technological and industrial independence

The safety, availability and performance requirements of systems and equipment deployed in the civil and military sectors are similar, although uses and frequency of use differ. The duality of its markets allows Safran to offer its customers high-performance solutions built on technological, technical and industrial synergies.

For all Safran customers, the combination of the excellence acquired in both markets, the pooling of R&T efforts and investments, the implementation of a single quality process, and a policy of developing multi-purpose technological building blocks are differentiating factors guaranteeing competitiveness, and economic and strategic independence.

This independence comes at the cost of considerable investment, to which governments contribute. Access to export markets, subject to the receipt of authorizations, is necessary to maintain a viable defense industry and the perpetuation of expertise, and in turn to guarantee sovereignty. In this area, Safran complies strictly with export control laws and embargoes imposed by the governments in whose territories the Group operates, as well as international bodies.

A powerful example of this strategy in 2020 was the inauguration at Safran Electronics & Defense’s French site in Poitiers - a center of excellence in defense optronics - of very high-performance space optics manufacturing capabilities to produce the mirrors of the future to be fitted on the world’s largest telescope (European Extremely Large Telescope), currently under construction by the European Southern Observatory (ESO).

5.6.2 Develop partnerships on training and research

5.6.2.1 Scientific partnerships

Safran maintains over 300 scientific, technological and industrial research partnerships with external public and private stakeholders (see section 1.4.2). Thirty of these partnerships are seen as strategic because they carry high stakes for the Group. They are governed by framework agreements with ONERA, CNRS, CEA Tech and École Polytechnique de Montréal in Canada. Safran is closely involved in competitiveness clusters (ASTech, Aerospace Valley, etc.) and in the creation of three technological research institutes formed under France’s PIA Investments for the Future Program. Long-term partnerships such as these, together with the coordination of thematic networks bringing

together several laboratories, such as the INCA (Advanced Combustion Initiative) network, serve to advance knowledge and innovation, and above all to promote a more efficient aerospace industry while at the same time reducing its environmental impact. In this way, Safran contributes to the dynamics of a broader ecosystem around scientific knowledge and innovation.

As a major contracting company within these partnerships, Safran provides the visibility needed by its ecosystem (manufacturers, SMEs, start-ups, laboratories, etc.) on the sector’s challenges and outlook. This transparency in turn supports the roadmaps of other players in the aerospace, defense and space industry, and vice versa.

2025 CSR objective: increase the number of new PhD students joining the Group each year. The annual average between 2017 and 2019 was 63, with the number of new PhD students in 2020 totaling 36. The 2025 objective is to welcome more than 65 PhD students.

Safran also supports research through training by welcoming more than 250 PhD students, by working in partnership with schools and university research centers, and through industrial chairs supported by France's national research agency. Safran was the leading employer of CIFRE (industrial training-through-research agreements) doctoral students in France between 2018 and 2020. A large number of Safran employees are involved in higher education institutions each year, teaching classes or participating in educational program guidance bodies, including 265 "ambassador" employees (see section 5.4.3.). This role in broader society helps bring young people into the workforce in high-tech professions, and teaching work serves to federate the academic community around concerted scientific objectives, complementing bilateral mechanisms and chairs.

5.6.2.2 Creator and actor in host regions

Safran contributes to the development of its host regions. In France, for instance, it is part of the COMMUTE (Collaborative Mobility Management for Urban Traffic and Emission reduction) project in Greater Toulouse. Born of a partnership between Toulouse Métropole, Toulouse-Blagnac Airport, Afnor and other locally based companies, the COMMUTE project aims to analyze and prepare the traffic and mobility management systems of tomorrow, in the metropolitan area's airport and aerospace zones. With a budget of €5.2 million (80% of which in the form of European Union subsidies), the project aims to build a shared vision of urban mobility on the scale of the airport zone. It revolves around four goals: reduce the impact of private cars through carpooling, increase the use of public transportation, promote the use of bicycles and micro-mobility, and limit movements.

Professional training centers created by Safran worldwide

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 changes in 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". Safran also favors local partners and subcontractors so as to minimize product imports.

This commitment is demonstrated in the provision of vocational training for aerospace jobs to facilitate skills transmission, as well as in Safran's support for research to encourage innovation at the Group's various locations.

For example:

- Safran operates in India through six companies located in New Delhi, Bangalore and Hyderabad, with 600 employees and a CFM Training Center to help employees upgrade their skills. A joint venture has been created between Safran Helicopter Engines and Indian company HAL, which provides support to national and international operators using helicopter engines, primarily the Indian air force and army.
- In Morocco, Safran helped 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 Aircraft Engines and Safran Landing Systems are 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 with 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 Helicopter Engines promotes excellence and mobility among young students, especially in the field of science and technology. Since 2018, Safran has had a partnership agreement with the University of Brasilia (UnB) to foster collaboration in research and knowledge transfer. In 2019, Safran Cabin also set up partnerships with universities and language schools in the São Paulo region to promote training for its employees.
- In China, the CFM International training center has trained more than 10,000 trainees. It is CFM's third-largest training center worldwide.
- In Poland, the CEKSO 2 training plan marks Safran's contribution, alongside other Aviation Valley companies, to the establishment of training standards to adapt educational programs to the needs of the aviation industry. Safran employees are involved in these training courses.
- In Canada, Safran works with an aerospace association to identify the key skills of a future industry and to influence academic programs.
- In France, Safran has been working since 2016 with the MetaFensch research and development platform and several metallurgy groups, including Eramet and Vallourec, with the aim of developing the French titanium sector of the future.

Launch of CampusFab training courses – preparation for the Factory of the Future

CampusFab, in which Safran is a partner, opened in 2019. Its aim is to provide training for aerospace and space technicians and engineers in the jobs that will be part of the industry of the future. The campus, located in Bondoufle, France, is run by a consortium of industrial and employment stakeholders and training organizations. It is also supported by public institutions and by the French government as part of its PIA Investments for the Future Program.

CampusFab has acquired the technologies, industrial equipment and software solutions underpinning Industry 4.0. Digital technology is omnipresent in this modular 2,000 sq.m. space, with collaborative robots, connected objects, virtual or augmented reality, and additive manufacturing. Everything is designed and organized to monitor data continuity, from product design to completion.

CampusFab offers access to a centrally located digital room, where data and processes are controlled and analyzed. It also features an additive manufacturing center, a model machining line producing aerospace quality/automotive capability parts, an assembly line, a maintenance hub for the production facilities and a space for activities and professional meetings.

CampusFab is designed to provide Safran employees with continuous training to prepare them for the challenges of tomorrow's digital factory, and to give them the knowledge needed to pilot industrial systems and manage data. Training modules will be offered to people on combined work-study programs. From their initial training, they will be ready for Industry 4.0 developments.

CampusFab is an essential component of support for the digital transformation of the Group's operations. It involves Safran University working alongside business experts to develop training programs focused on the Factory of the Future to meet the skills development needs of Group employees, through qualifying training programs such as the metallurgy qualification certificate for autonomous production unit technicians.

In 2020, CampusFab welcomed apprentices from various Group companies for training on machining technician courses, as well as temporary workers for retraining after completing their assignments.

Safran is also promoting the platform among engineering schools, with the aim of providing future graduates with a tool geared toward the Factory of the Future.

5.6.3 Facilitate professional and social integration

5.6.3.1 Safran foundations, a commitment to young people

For more than 15 years, Safran has been assisting people in their professional and social integration, through two corporate foundations.

The Safran Foundation for Integration

The Safran Foundation for Integration provides support for young people with disabilities and disadvantaged young people. Central to its actions are professional integration projects carried out by non-profits that are conscious of the difficulties faced by very disadvantaged or marginalized young people, or the specific characteristics of young people with disabilities, in order to help them find mainstream jobs. Substantial work is also devoted to social integration projects, because an individual integration project can only truly succeed if all the difficulties encountered are taken into account. The Foundation sees housing, culture and sport as key areas of action among the young people it assists. They are also often effective gateways to reintegration.

In view of the substantial impact of the health crisis on support projects in the spring of 2020, the Foundation had to adapt its activities, extending its assistance to its partners' recurring operating budgets. Thirty-two non-profits were assisted out of 141 applications received, bringing the number of partners supported since 2005 to nearly 290. A total of nearly €575,000 was distributed in 2020. This year, 25% of the projects supported were proposed by Group employees throughout France.

The Foundation also continued its long-term projects in 2020:

- Alongside the start-up OMNI, it has become co-owner of patents for an electric urban mobility kit that can adapt any type of wheelchair to any type of commercially available electric scooter, in connection with the SHIFT project supported by the Foundation for many years.
- The commitment to the AlphaOmega foundation, initiated in 2017 with a total endowment of €1 million, continues. This project has allowed the Safran Foundation for Integration to move into the field of venture philanthropy. It now aims to use this innovative approach inspired by the methods of venture capital to support seven associations carefully chosen for their ability to obtain in-depth results in the field of education in France. They all displayed responsiveness and ingenuity by continuing and expanding their work during the months of lockdown.

The Safran Foundation for Music

Safran's involvement as a patron of the arts also takes the form of support for young talent destined to emerge as the great figures of classical music in the future, through the Safran Foundation for Music. For more than 15 years, the Safran Foundation for Music has been scouting and supporting these budding artists, in work applauded by professionals in the music community. It has provided several generations of virtuosos with assistance adapted to changes in the music scene, through scholarships, funding for debut recordings and support for the purchase of instruments. Its action also extends to the stage, which is essential for these young people: the Foundation has partnered, often on a long-term basis, with several associations or institutions working to give these young musicians access to the public.

2020 weakened the musical scene to a significant extent, but the Foundation kept up its work with young people, to help them continue their studies or take their first professional steps wherever possible. A total of €133,000 was devoted to these different projects in 2020. Twelve applicants were selected from among 60 submissions, bringing to more than 140 the number of young artists assisted by the Foundation. The structures supported by the Foundation have all done remarkable work with these young people. The Foundation has chosen to continue its support to each of them, and to open this circle to La Scala Paris, with which it organized this year's competition for young soloists at master's level, won by pianist Virgile Roche.

Lastly, 2020 was synonymous with sustainability and transmission: a new partnership was established with association *Talent & Violoncelles* with a view to having a viola made by a French violin maker. The instrument will be loaned to Paul Zientara, winner of the 2019 Foundation Prize, and then passed on to another young talent in a few years.

5.6.3.2 Education-focused patronage projects

In 2020, corporate philanthropy at the head office focused on continuity with the projects funded in 2019. At the local level, Safran sites continued to carry out a wide range of initiatives, particularly in connection with the world of education and geared toward social and professional integration. These initiatives concern sites all over the world, and sometimes take a long-term approach. The initiatives carried out in 2020 included:

- In France, "*Chouette, on lit!*". Launched by a priority education middle school in Les Andelys (France), the initiative involves starting the first period after lunch each day with 15 minutes of silent, individual reading and is now a permanent fixture thanks to Safran's donation, which enabled 334 books to be purchased and a fund for dyslexic students to be created.
- In France, the "*Art en immersion*" educational and cultural program created by the Fondation Culturespaces aims to promote access to cultural education and artistic activities for disadvantaged children aged 5 to 11. It was designed around immersive digital exhibitions offered by the three largest digital art centers in France, in Paris, Les Baux-de-Provence and Bordeaux. Safran produced 330 educational kits, which were distributed among 286 organizations, including 171 priority school classes. Nearly 5,000 children have been enrolled in the program and educational workshops.
- Thanks to a donation from Safran, *ÁndAle para oír, padres de niños Sordos*, a Mexican non-profit located in Querétaro, has enabled 60 deaf children to make progress in learning to write in Spanish. The purchase of iPads made it easier to connect with students and families during the pandemic. The workshops were held remotely, and the educational program allowed the youngest participants to create a calendar printed in 500 copies, while the teenagers produced a magazine with a print run of 2,000 copies. All of the students were able to express themselves in Spanish, putting down their ideas in writing and communicating on the topics of interest to them. The program will give them real encouragement to persevere and gain autonomy over the coming years.
- In the United States, Safran Seats donated US\$5,000 to the Gainesville Independent School Education Foundation (GISDEF) to support local schools in purchasing school equipment and organizing educational activities for classes.

2025 CSR objective: at least one social or professional integration initiative run by each Safran site each year.

Safran employees' actions in favor of education

In addition to financial donations, some Safran companies around the world run local initiatives to promote the social and professional integration of young people, notably through education.

For example, Safran Seats sites in the United Kingdom welcomed students to their premises for discovery days. Several activities were organized, including job presentations, discussions between Safran female employees and girl middle school students, and visits to production workshops. Numerous institutions were able to participate in the system, from primary to higher education. This type of initiative gives young people a better idea of what careers in aerospace actually look like, allowing them to better envision their future. Similar initiatives take place in Mexico at Safran Landing System and Safran Aircraft Engines, in Brazil at Safran Helicopter Engines and in France at Safran Aircraft Engines in Gennevilliers.

Safran also provides long-term support to a number of associations:

CGénial, a foundation to link education and industry

Since 2017, Safran has been a partner of the CGénial Foundation, whose aim is to develop young people's appetite for science and technology, and introduce them to related professions. By visiting schools to talk about their jobs through the "Technicians and engineers in the classroom"

program, Safran employees help bring the worlds of business and education closer together, raising awareness among middle and high school students.

As part of the "Professors in business" program, Safran companies welcomed a number of teachers and managers from the French national education system to their sites in France in 2019 and 2020. Being immersed in the heart of the business, learning more about certain professions and discussing future developments with Safran employees better equips these people to advise and guide their students.

In 2020, more than 85 new Safran employees volunteered to take part in the two programs, either in person or virtually. A total of more than 160 Safran technicians and engineers take part in the two programs, making them the largest community within the foundation.

Elles Bougent

Safran is continuing the partnership initiated in 2005 with women's mentoring association *Elles Bougent* (Women on the Move), in a national and international network. The Group has more than 330 *Elles Bougent* sponsors in its ranks. They promote the place of women in the aerospace industry among schoolgirls, high school students and university students. Through a wide range of initiatives, including forums, workshops and visits at Safran sites around the world during Girls On The Move week, this network of mentors and sponsors shows young women that technical professions are not just for men.

5.7 METHODOLOGICAL NOTE AND INDEPENDENT THIRD PARTY (ITP) REPORT

5.7.1 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 has introduced 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 2020 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, EY & Associés, in accordance with prevailing legislation.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the report of the independent third party in section 5.7.5.

5.7.2 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, 2020 cover all of the subsidiaries in the scope of reporting, regardless of their business activities.

Indicators on employees with disabilities and the percentage of full-time employees pertain only to France. Indicators on work-study programs and internships pertain to Europe.

HSE indicators

The Health and Safety reporting scope covers Safran and some of its direct or indirect subsidiaries that are more than 50% owned (see chapter 3, Note 37) and in which the HSE prevention policies and processes are in place. 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 Group's Score system within 24 months, according to a schedule set with Safran's HSE 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.

5.7.3 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 for the international scope are collected in each of the subsidiaries directly controlled by Safran (tier-one entities), which in turn are responsible for collecting employee data from their more than 50%-controlled subsidiaries. Employee data are collected using a standard template.

On the France scope, a BIHR reporting tool receives input at the end of each month from the ZEPHIR information system and the payroll systems. This solution covers the entire French scope with the exception of Airfoils Advanced Solutions, a Safran Aircraft Engines subsidiary with 72 employees.

After checking for consistency, the Group Human and Social Responsibility Department consolidates employee data for the French and international companies.

HSE indicators

Safety indicators are reported on a monthly basis, while health and environmental indicators are reported on a quarterly or annual basis. Disclosed data correspond to the data available at year-end 2020.

At every facility, data are entered by appointed representatives into a dedicated Group data collection application. They are consolidated by the Group HSE Department.

5.7.4 Details on certain indicators

The definitions of the labor indicators presented below are specified in the template used by contributors 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.

Reference headcount

Headcount is stated as of December 31, 2020. It includes all employees of companies included in the labor reporting scope that work under permanent or fixed-term employment contracts, and excludes other types of contracts such as work-study programs, research students, international corporate volunteer programs and interns. Employees are counted in terms of individuals.

The data on the employee age pyramid cover close to 99% of Safran's headcount, as some subsidiaries qualify this information as confidential and/or discriminatory.

Managers & Professionals (managerial-grade employees) / Non Managers & Non Professionals (non-managerial-grade employees)

Managerial-grade employees (Managers & Professionals) are employees who coordinate an assigned set of physical, human or financial resources with the degree of independence and responsibility required to meet targets. The management and responsibility entrusted to them can relate to a team, projects, a process, a technique (R&D or production) or a customer or supplier portfolio.

All other employees who are not identified as Managers & Professionals are classified as Non Managers & Non Professionals.

New hires

External hiring refers to the recruitment of employees from outside the Group, excluding acquisitions, on fixed-term or permanent contracts. Only the reference headcount is taken into account in this indicator.

Permanent departures

Permanent departures concern the departure from the Group of members of the reference headcount for the following reasons:

- retirements;
- resignations;
- dismissal;
- other voluntary departures (e.g. end of trial period at the employee's initiative, abandonment of position);
- other involuntary departures (e.g., negotiated termination, death, end of probationary period at the employer's initiative).

Permanent departure replacement index

The permanent departure replacement index is determined by dividing the number of new hires by the number of separations.

Job mobility

The total number of job mobilities includes employees on permanent and fixed-term contracts. This indicator takes into account mobility and transfers:

- mobility is a movement corresponding to a change of legal entity within the Group;
- transfer is a movement corresponding to a change of site within the same Safran legal entity.

Worldwide absenteeism

Absenteeism corresponds to the total number of paid or unpaid hours lost to illness, occupational accidents or work-related travel accidents, strikes and unjustified absences 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, specific contracts and expatriates/seconded workers.

Long-term leave is defined as:

- contract suspensions;
- employees on sick leave for more than six consecutive months.

Employees with disabilities in France

In France, this indicator includes employees on payroll in 2020 who were certified as disabled as defined by Article L.5212-13 of the French Labor Code (*Code du travail*) and Articles 394 and 395 of the French Code of Military Pensions (*Code des pensions militaires*). It does not cover persons working under work-study contracts, CIFRE and research internships or seasonal employment contracts.

Employment rate of people with disabilities:

Since 2020, French law no. 2018-771 of September 5, 2018 on the freedom to choose one's professional future has changed the basis for calculating the employment rate of people with disabilities.

This rate is now determined by dividing the number of employees that are beneficiaries of the requirement to employ people with disabilities ("BOETH") by the total number of employees of the company subject to the obligation.

The number of BOETH beneficiaries is determined pro rata to the time spent by the employees in the company over the year under all contracts with no exceptions, multiplied by 1.5 for employees aged over 50.

The total number of employees subject to the obligation is also determined as a yearly average, pro rata to the time spent in the company over the year. It includes all employees except temporary or seconded staff, trainees on work-study programs, apprentices and employees under professional training or subsidized contracts.

Work-study contracts, internships, CIFRE and DRT research internships

This indicator includes persons working under work-study contracts (apprenticeship and professional training contracts), internship agreements with a minimum duration of four weeks and CIFRE and DRT research internships in 2020 on the European scope.

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. Other supporting documents may also be used outside France, such as invoices, evaluation sheets, quality certificates, etc.

The indicator showing the percentage of employees that have completed a training course during the year corresponds to the number of active employees to have completed training during the year as a proportion of the number of registered employees excluding long-term absence. The number of employees on long-term leave worldwide is determined by extrapolating the number of employees on long-term leave in France.

Accidents

The frequency rate of occupational accidents equals the number of incidents resulting in more than one day's lost time, divided by the number of hours worked, multiplied by 1 million.

Hours worked correspond to theoretical hours, calculated based on a three-year average of actual hours worked. This average is calculated by country.

The occupational accident severity rate corresponds to the total number of working days lost to occupational accidents, divided by the number of hours worked, multiplied by 1,000.

CO₂ emissions

Emissions are classified as Scope 1, 2 and 3 using the methodologies defined in Article 75 of the Grenelle II Act. Emissions from refrigerants are reported for the 2020 calendar year.

Calculating CO₂ emissions

Scope 1: inclusion of emissions from butane, propane, natural gas, home heating oil, diesel fuel, heavy fuel oil, kerosene for portable and stationary engines, and refrigerants.

Scope 2: inclusion of emissions from purchased electricity, steam, heat and cold.

The emission factor for electricity only takes combustion into account.

Scope 2 emissions do not take into account the purchase of renewable electricity with guarantee of origin. The 2018 and 2019 Scope 1 and 2 figures were revised in the 2020 NFIS using the same emissions factors database as in 2020.

Scope 3: Emissions related to business travel within the Group's scope of consolidation are taken into account using the business travel and business expense management tools. The scope covers 92% of Safran employees for long trips, and nearly 50% of the workforce for trips by taxi or private car. As such, all modes of transportation (plane, train, private car, taxi) as well as accommodation are taken into account. Emissions are then averaged for each kilometer traveled depending on the mode of transportation selected. Accommodation is also subject to an average estimate for each night spent in a hotel.

Emissions related to commuting to and from work were estimated taking into account the distance traveled morning and evening by 83.8% of the Group's employees in 2020. The calculation is performed by estimating the modes of transportation used, which are assigned a CO₂ emission rate per kilometer for each mode: private vehicle (100% thermal); public transport (bus, train, tram, metro), bicycle, walking.

The scope selected mainly covers internal and downstream freight. The calculation method used is that of monetary emission factors, which allow CO₂ emissions to be associated with the amounts committed according to the mode of transportation (road, air, rail).

The emissions induced by Safran's purchases of goods and services have been estimated using monetary emission factors that associate CO₂ emissions with the value of purchases made for the different types of goods or services purchased. The scope is limited to tier-one entities and excludes energy purchases (gas, electricity, aviation fuel) and freight purchases.

Safran has followed the methodology recommended by the GHG Protocol for emissions related to product use:

- the precise reporting scope covers Safran Aircraft Engines' civil engines and Safran Helicopter Engines' engines, including engines for which Safran cooperates with other companies in joint programs, for which emissions attributable to the engines have been allocated in line with Safran's share of the program (e.g., 50% for CFM programs);
- for engines constituting intermediate products, emissions were calculated from the emissions of the aircraft on which they are installed, which are assigned a ratio. Based on the examples given in the GHG Protocol, Safran has chosen the option of a mass ratio, equal to the weight of the engines divided by the weight of the aircraft. This is the most meaningful ratio for all of the Group's products (engines, equipment, interiors);
- depending on the diversity of products, engine families have been defined to simplify the calculation, corresponding to the most popular types sold by Safran and therefore the most representative;
- the calculation also requires numerous assumptions to be made, particularly with regard to aircraft use scenarios (annual distance flown, load factor, etc.). Wherever possible, Safran has used external data (2020 average load factor provided by IATA, open source fleet flight data). These assumptions may be updated in the coming years depending on developments in the aerospace industry, or if a sector-specific methodology is defined;
- at this stage, in the absence of regulations or a sufficiently consensual scenario, Safran has not assumed the significant development of sustainable fuels.

Waste

Waste corresponds to the total of all hazardous and non-hazardous waste.

Categories of waste are defined according to local legislation.

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

In 2018: data relating to natural gas and liquefied petroleum gas are indicated in kWh LHV (lower heating value) or kWh HHV (higher heating value), depending on the business activity and location.

In 2019: data relating to natural gas and liquefied petroleum gas are all indicated in kWh HHV (higher heating value).

Exclusions from the Non-financial Information Statement (NFIS)

In view of its businesses, the fight against food waste and food insecurity, respect for animal welfare and social commitments in favor of a responsible, fair and sustainable food system are not major challenges for Safran.

5.7.5 Report by the independent third party on the consolidated non-financial information statement

Year ended December 31, 2020

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 users. 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 under number 3-1681 (whose scope is available at www.cofrac.fr) and member of the network of one of the Statutory Auditors of Safran (hereinafter the "entity"), we hereby report to you on the consolidated non-financial information statement for the year ended December 31, 2020 (hereinafter the "Statement"), included in the management report pursuant to the provisions of Articles R.225-105 and R.225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

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 entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and are available on request from the entity'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.225-105 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 entity and outside the scope of our certification, reasonable assurance as to whether the information selected by the entity and identified by the symbol * in Appendix 1 (hereinafter the “Information Selected”) was prepared, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to comment on the entity’s compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation, or the consistency of products and services with the applicable regulations.

1) 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 and with the professional standards applicable in France to such engagements, as well as with ISAE 3000⁽¹⁾:

- we obtained an understanding of all the consolidated entities’ activities and the description of the main risks;
- 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 labor and environmental information set out in Article L.225-102-1 III of the French Commercial Code, as well as the information subject to the provisions of Article L.225-102-1 of the French Commercial Code under the conditions set out for the companies referred to in Article L.22-10-36 of the French Commercial Code regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified, where relevant with respect to the principal risks, that the Statement provides the information required under Article R.225-105 II of the French Commercial Code and includes, where appropriate, an explanation for the absence of the information required under Article L.225-102-1 III, 2 of said Code;
- we verified that the Statement presents the business model and a description of 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 related to the principal risks;

- we referred to documentary sources and conducted interviews to:

- assess the process for identifying and confirming the principal risks, as well as the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented,
- corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1. For certain risks (relating to employment, training, equality, responsible procurement, anti-corruption, the prevention of tax evasion and personal data protection), our work was carried out at the level of the consolidating entity; for other risks, our work was carried out at the level of the consolidating entity and in a selection of entities, namely Safran Aircraft Engines, Safran Helicopter Engines, Safran Electronics & Defense, Safran Electrical & Power, Safran Nacelles, Safran Aerosystems, Safran Cabin, Safran Transmission Systems, Safran Landing Systems and Safran Seats;

- we verified that the Statement covers the scope of consolidation, i.e., all the entities included in the scope of consolidation in accordance with Article L.233-16 of the French Commercial Code within the limitations set out in the Statement;

- we asked what internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;

- for the key performance indicators and the other quantitative outcomes that we considered the most important presented in Appendix 1, we implemented:

- analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data, and
- 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 as listed above and covers between 16% and 22% of the consolidated data selected for these tests (16% of employees and 22% of CO₂ emissions);

- we assessed the overall consistency of the Statement based on our knowledge of all the entities included in the scope of consolidation.

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 six people between November 2020 and March 2021 and took a total of 24 weeks.

We conducted interviews with around 10 people responsible for preparing the Statement, representing Executive Management and the Innovation, Risk Management, Compliance, Human Resources, Health, Safety and Environment, and Purchasing departments.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the consolidated 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.

Comments

Without qualifying our conclusion and in accordance with Article A.225-3 of the French Commercial Code, we have the following comment: the calculation of greenhouse gas emissions linked to the use of products covers the scope of aircraft engines and helicopter turbines, the use of which directly generates such emissions. An extension in the scope of this calculation to include all products whose use indirectly generates such emissions is currently under development, with details to be published in 2022 in the 2021 Universal Registration Document.

Paris-La Défense, March 25, 2021

Independent Third Party

EY & Associés

Jean-François Bêlorgey

Partner

Christophe Schmeitsky

Partner, Sustainable Development

2) Reasonable assurance report on the Information Selected

Nature and scope of our work

Regarding the Information Selected by the entity and identified by the * symbol in Appendix 1, we conducted similar but more in-depth (especially regarding the scope of the tests) work as described above in paragraph 1 for the key performance indicators and for the other quantitative results that we considered to be most important.

The sample selected represents 35% of the selected headcount.

We consider that this work allows us to express a reasonable assurance opinion on the Information Selected.

Conclusion

In our opinion, the Information Selected by the entity was prepared, in all material respects, in accordance with the Guidelines.

Appendix 1: Information considered to be the most important

| Labor information | |
|--|---|
| <i>Quantitative information (including key performance indicators)</i> | <i>Qualitative information (measures and outcomes)</i> |
| Total headcount and breakdown of employees by gender, region, age and professional category* | Attractiveness and talent retention |
| Number of new hires* | Health and safety and its application in the workplace |
| Number of definitive departures* | Training |
| Number of mobilities and transfers* | Equal opportunities (men/women, anti-discrimination, employment of people with disabilities) |
| Permanent departure replacement index* | |
| Absenteeism rate* | |
| Average number of training hours per employee | |
| Percentage of Group employees to have completed at least one training course | |
| Number of training hours per subject | |
| Percentage of women new hires - world* | |
| Percentage of female engineers and managers as a proportion of total engineers and managers* | |
| Percentage of women among senior managers* | |
| Average number of women per management committee* | |
| Employment rate of people with disabilities* | |
| Frequency and severity rate of lost-time work accidents | |
| Number of occupational diseases | |
| Environmental information | |
| <i>Quantitative information (including key performance indicators)</i> | <i>Qualitative information (measures and outcomes)</i> |
| Emissions linked to leaks of refrigerants: t CO ₂ eq. | Means and outcomes relating to the environmental and energy policy |
| CO ₂ emissions, Scopes 1 and 2: t CO ₂ eq. | Circular economy (raw materials, energy, waste management) |
| CO ₂ emissions, Scope 3: t CO ₂ eq. | Climate change (significant sources of emissions owing to operations; target reductions; adaptation measures) |
| <ul style="list-style-type: none"> ■ use of engines with mass weighting ■ purchases of goods and services ■ freight ■ employee commuting ■ business travel ■ waste | |
| Electricity consumption: MWh | |
| Natural gas and liquefied petroleum gas consumption: MWh HHV | |
| Fuel oil consumption: liters | |
| Aviation fuel consumption: liters | |
| Heating/steam network consumption: MWh | |
| Cooling network consumption: MWh | |
| Waste recovery and reuse: % | |
| Total waste: metric tons | |
| Total waste recovered and reused: metric tons | |
| Waste recovery/reuse ratio: % | |
| Social information | |
| <i>Quantitative information (including key performance indicators)</i> | <i>Qualitative information (actions and outcomes)</i> |
| Percentage of CSR-trained buyers: % | Sub-contracting and suppliers (labor and environmental challenges) |
| Number of employees trained under trade compliance, customs and export control programs and having undergone awareness-raising sessions | Measures taken to fight against corruption and tax evasion |
| Number of trade compliance reviews | |
| Number of representation letters of tier-one entities regarding ethics and anti-corruption | |
| Number of export control and customs declarations issued | |

5.8 CROSS-REFERENCE TABLE FOR THE NON-FINANCIAL INFORMATION STATEMENT (NFIS)

| Themes | Chapter | Pages |
|--|---------------------------------|--------------------|
| ITEMS COMPRISING THE NFIS | | |
| Business model | Integrated Report | 22 and 23 |
| Main non-financial risks | 5.2 | 259 |
| Reasonable diligence policies and procedures | 5.3 - 5.6 | 263 - 306 |
| Publication of key performance indicators | Integrated Report | 15 |
| MANDATORY TOPICS CITED IN ARTICLE L.225-102-1 | | |
| Labor-related consequences of the business | 5.4 | 271 |
| Environmental consequences of the business | 5.3 and 5.5.10 | 263 and 299 |
| Respect for human rights | 5.1.3.3; 5.5.1; 5.5.2 and 5.5.9 | 258, 287, 288, 295 |
| Fight against corruption | 5.5.2 | 288 |
| Fight against tax evasion | 5.5.6 | 293 |
| Consequences of the Company's business and the use of the goods and services it produces on climate change | 5.3 | 263 |
| Social commitments in favor of the circular economy | 5.5.10 | 299 |
| Collective bargaining agreements in place within the Group and their impacts on economic performance and working conditions of employees | 5.4.5 | 278 |
| Measures to combat discrimination and promote diversity | 5.4.6 | 281 |
| Social commitments in favor of the fight against food waste ⁽¹⁾ | N/A | N/A |
| Measures taken in favor of people with disabilities | 5.4.6.3 | 282 |
| Social commitments in favor of the fight against food insecurity ⁽¹⁾ | N/A | N/A |
| Social commitments in favor of respect for animal welfare ⁽¹⁾ | N/A | N/A |
| Social commitments in favor of a responsible, fair and sustainable food system ⁽¹⁾ | N/A | N/A |
| Social commitments in favor of sustainable development | 5.6 | 263 and 302 |

(1) These topics were excluded from the scope of the analysis because they were considered to be too far removed from Safran's business.





CORPORATE GOVERNANCE

| | | | | |
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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 compensation policy applicable to the corporate officers, as well as the components of their compensation and benefits.

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 January 30, 2020), drawn up jointly by the French employers' associations, AFEP⁽²⁾ and MEDEF⁽³⁾, as well as the related application guidelines (revised version of March 2020). 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, "Application of the AFEP-MEDEF Corporate Governance Code" of this Universal Registration Document.

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.

At its meeting on April 23, 2015, the Board of Directors opted to separate the roles of Chairman of the Board of Directors and Chief Executive Officer. Following the appointment of Olivier Andriès as the new Chief Executive Officer, the Company will maintain the same governance structure.

- On April 23, 2015, Ross McInnes was appointed Chairman of the Board of Directors for an initial period of four years. At its meeting on May 23, 2019, as the Board wished to continue to benefit from Ross McInnes' commitment, expertise and professionalism, it re-appointed him as its Chairman for the duration of his term as a Director, i.e., until the Annual General Meeting to be held in 2023. The Board took this decision in view of its satisfaction with (i) the 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.
- On December 16, 2020, following the announcement after its November 4, 2019 meeting, the Board of Directors officially appointed Olivier Andriès as the Group's Chief Executive Officer, succeeding Philippe Petitcolin with effect from January 1, 2021. In accordance with the

Company's bylaws, the Chief Executive Officer's initial term corresponds to his term as a Director and therefore runs until the close of the 2023 Annual General Meeting.

Consequently, on December 16, 2020, the Board also appointed Olivier Andriès as a Director, to replace Philippe Petitcolin – who stood down from the Board – for a term commencing on January 1, 2021 and expiring at the close of the 2023 Annual General Meeting. This appointment reflects the Board's continuing belief that it is useful and necessary for the Chief Executive Officer to also be a Director of the Company, as it enables the Chief Executive Officer to be among his peers around the Board table, and also allows the Board to benefit from his contribution to its discussions.

The complementary profiles, expertise and careers of the Chairman of the Board of Directors and the Chief Executive Officer will be a major factor for ensuring the Group's smooth governance, based on transparency between Executive Management and the Board, and a balanced, measured split between the roles of the Chairman and the Chief Executive Officer which ensures their duties are effectively segregated.

See section 6.2.2 of this Universal Registration Document for the profiles of the Chairman of the Board of Directors and 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.

(1) Report drawn up in accordance with Article L.225-37, paragraph 6, of the French Commercial Code.

(2) Association française des entreprises privées.

(3) Mouvement des entreprises de France.

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 2020

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, notably dealing with public authorities and institutional shareholders. He took part in various meetings 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 work, including:

- rapidly and effectively adapting the Board's work program and meeting schedule to the situation caused by the Covid-19 crisis that has impacted the entire aerospace sector. The underlying aim was to fully involve the Board in monitoring, guiding and supporting Executive Management in ensuring the Group's day-to-day running and implementing the measures and decisions required for Safran to adapt to the crisis. By being fully involved, the Board was also able to regularly take stock of how the pandemic was affecting the Group's situation in terms of health and safety, operations, manufacturing capabilities and financial performance. It also meant that the Board could be presented with the adaptation plans as they were drawn up and given updates on their progress, and take all related decisions within its remit;
- 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;
- further developing shareholder dialogue, notably through governance roadshows organized for the Group's main shareholders and investors in order to present the Board's membership structure and the organization of its work and decision-making processes, as well as proposed changes and how the expectations of shareholders and investors are taken into account.

In addition, working with the Lead Independent Director and the Appointments and Compensation Committee, the Chairman:

- actively participated in monitoring, overseeing, implementing and finalizing the succession process concerning the Chief Executive Officer and taking the related decisions, in line with the Board of Directors' strategy and resolutions, and ensuring that the Board remained fully involved and informed throughout the process;
- organized the process of selecting a Director candidate in view of the terms of office of the independent Directors that are due to expire at the close of the 2021 Annual General Meeting (drawing up the candidate profile, selecting candidates and holding interviews in conjunction with the members of the Appointments and Compensation Committee), and subsequently making a recommendation to 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 by the Board on the powers of the Chief Executive Officer 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 sets Safran's overall business strategy and oversees its implementation, in accordance with the Company's best interests and taking into account the social and environmental aspects of its activities. 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 governed by Article L.225-38 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;
- dividing among the Directors the aggregate annual compensation allocated to them by the shareholders at the Annual General Meeting (formerly "attendance fees");
- 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, in accordance with conditions set by the Board.

In addition, the Board of Directors performs any checks and controls that it deems appropriate (notably carried out by its Chairman).

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 (see section 7.1.2.1 of this Universal Registration Document):
 - decisions related to starting up 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 of the program or the 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 that 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 that 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

At the filing date of this Universal Registration Document, Safran's Board of Directors comprises 18 members, including one representative of the French State, one Director put forward by the French State, two Directors representing employee shareholders and two Directors representing employees.

The 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 (at the filing date of this Universal Registration Document)

| Directors | 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 | 67 | M | French and Australian | 16,017 ⁽¹²⁾ | 3 | No | April 23, 2015 | 2023 (AGM held to approve the 2022 financial statements) |
| Olivier Andriès Chief Executive Officer | 59 | M | French | 19,841 ⁽¹²⁾ | 1 | No | January 1, 2021 (effective date) | 2023 (AGM held to approve the 2022 financial statements) |
| Anne Aubert | 50 | F | French | 102 ⁽¹²⁾ | 1 | No | May 28, 2020 | 2024 (AGM held to approve the 2023 financial statements) |
| Marc Aubry | 58 | M | French | 874 ⁽¹²⁾ | 1 | No | May 28, 2020 | 2024 (AGM held to approve the 2023 financial statements) |
| Hélène Auriol Potier | 58 | F | French | 500 | 1 | Yes | June 15, 2017 | 2021 (AGM held to approve the 2020 financial statements) |
| Patricia Bellinger | 60 | F | American and British | 515 | | Yes | May 28, 2020 | 2024 (AGM held to approve the 2023 financial statements) |
| Hervé Chaillou | 55 | M | French | 89 ⁽¹²⁾ | 1 | No | November 20, 2019 | November 19, 2023 |
| Jean-Lou Chameau | 67 | M | French and American | 1,000 | 1 | Yes | April 21, 2011 | 2023 (AGM held to approve the 2022 financial statements) |
| Monique Cohen | 65 | F | French | 500 | 3 | Yes | May 28, 2013 | 2022 (AGM held to approve the 2021 financial statements) |

(1) At the filing date of this Universal Registration Document or the departure date of Directors whose terms of office expired at end-2020.

(2) See section 6.2.4.1, "Independence of the members of the Board of Directors".

(3) At December 31, 2020.

(4) Including directorship with Safran, in compliance with the recommendations of the AFEP-MEDEF Code.

(5) From March 28, 2014 to April 23, 2015 as a Director representing the French State.

(6) Director put forward by the French State and appointed by shareholders at the Annual General Meeting.

(7) Only two companies are taken into account for calculating Robert Peugeot's aggregate number of directorships as provided for in Article 18.2 of the AFEP-MEDEF Code, namely FFP and Sofina. His directorships in three other companies (Safran, Peugeot S.A. and Faurecia) 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) Not applicable, since Olivier Andriès became Chief Executive Officer and a Director on January 1, 2021.

(9) Suzanne Kucharekova Milko was named as representative of the French State by way of a ministerial decree dated October 27, 2020 for the remainder of her predecessor's term of office, i.e., until the close of the Annual General Meeting to be held in 2023.

(10) Hélène Dantoine was named as representative of the French State by way of a ministerial decree dated March 13, 2019 and her term was renewed on May 23, 2019.

(11) The Innovation and Technology Committee was renamed the "Innovation, Technology & Climate Committee" on February 24, 2021.

(12) Including shares held via corporate mutual fund units.

| 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 |
|---|------------------------|--|---|---|--|
| 5 years and 11 months | May 23, 2019 | No | 100% | - | Chairman of the Board of Directors |
| 3 month | | No | N/A ⁽⁶⁾ | - | Chief Executive Officer |
| 10 months | | Yes | 100% | - | Perspective of an employee/ Knowledge of the Group and its markets |
| 10 months | | Yes | 100% | Audit and Risk Committee | Perspective of an employee/ Knowledge of the Group and its markets |
| 3 years and 9 months | - | No | 100% | Appointments and Compensation Committee Innovation, Technology & Climate Committee ⁽¹¹⁾ | Organization and management of corporations/International business/Digital transformation |
| 10 months | | No | 100% | Appointments and Compensation Committee | HR-Diversity-Talent management/International business/Industry/Energy/Strategy/Competitive environment |
| 1 year and 4 months | - | Yes | 100% | Innovation, Technology & Climate Committee | Perspective of an employee/ Knowledge of the Group and its markets |
| 9 years and 11 months | May 23, 2019 | No | 100% | Appointments and Compensation Committee Innovation, Technology & Climate Committee | RTDI/International business |
| 7 years and 10 months | May 25, 2018 | No | 90% | Appointments and Compensation Committee (Chair) | Financial and banking markets/ Private equity/Shareholding strategy |

| Directors | 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) |
|--|--------------------|--------|----------------------|------------------------|---|-------------------------------------|----------------------|--|
| Odile Desforges | 71 | F | French | 500 | 3 | Yes | April 21, 2011 | 2021 (AGM held to approve the 2020 financial statements) |
| Didier Domange | 77 | M | French | 195,109 | 1 | No | May 25, 2018 | 2022 (AGM held to approve the 2021 financial statements) |
| Laurent Guillot | 51 | M | French | 500 | 2 | Yes | May 23, 2019 | 2023 (AGM held to approve the 2022 financial statements) |
| Vincent Imbert | 65 | M | French | N/A | 1 | No | March 28, 2014 | 2023 (AGM held to approve the 2022 financial statements) |
| Suzanne Kucharekova Milko ⁽⁹⁾ | 42 | F | French and Slovakian | N/A | 1 | No | October 27, 2020 | 2023 (AGM held to approve the 2022 financial statements) |
| Daniel Mazaltarim | 61 | M | French | 1,981 ⁽¹²⁾ | 1 | No | November 20, 2014 | November 19, 2023 |
| Patrick Péлата | 65 | M | French | 500 | 1 | Yes | June 15, 2017 | 2021 (AGM held to approve the 2020 financial statements) |
| Robert Peugeot Permanent representative of F&P | 70 | M | French | 500 | 2 ⁽⁷⁾ | Yes | May 25, 2018 | 2022 (AGM held to approve the 2021 financial statements) |
| Sophie Zurquiyah | 54 | 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 2020 and since | | | | | | | | |
| Philippe Petitcolin | 68 | M | French | 58,768 ⁽¹²⁾ | 3 | No | April 23, 2015 | December 31, 2020 |
| Hélène Dantoine ⁽¹⁰⁾ | 49 | F | French | N/A | 2 | No | March 13, 2019 | September 14, 2020 |
| Gérard Mardiné | 61 | M | French | 7,173 ⁽¹²⁾ | 1 | No | May 19, 2016 | 2020 (AGM held to approve the 2019 financial statements) |
| Fernanda Saraiva | 52 | F | French | 820 ⁽¹²⁾ | 1 | No | July 25, 2019 | 2020 (AGM held to approve the 2019 financial statements) |

(1) At the filing date of this Universal Registration Document or the departure date of Directors whose terms of office expired at end-2020.

(2) See section 6.2.4.1, "Independence of the members of the Board of Directors".

(3) At December 31, 2020.

(4) Including directorship with Safran, in compliance with the recommendations of the AFEP-MEDEF Code.

(5) From March 28, 2014 to April 23, 2015 as a Director representing the French State.

(6) Director put forward by the French State and appointed by shareholders at the Annual General Meeting.

(7) Only two companies are taken into account for calculating Robert Peugeot's aggregate number of directorships as provided for in Article 18.2 of the AFEP-MEDEF Code, namely FFP and Sofina. His directorships in three other companies (Safran, Peugeot S.A. and Faurecia) 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) Not applicable, since Olivier Andriès became Chief Executive Officer and a Director on January 1, 2021.

(9) Suzanne Kucharekova Milko was named as representative of the French State by way of a ministerial decree dated October 27, 2020 for the remainder of her predecessor's term of office, i.e., until the close of the Annual General Meeting to be held in 2023.

(10) Hélène Dantoine was named as representative of the French State by way of a ministerial decree dated March 13, 2019 and her term was renewed on May 23, 2019.

(11) The Innovation and Technology Committee was renamed the "Innovation, Technology & Climate Committee" on February 24, 2021.

(12) Including shares held via corporate mutual fund units.

| 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 |
|---|-----------------------------|--|---|---|---|
| 9 years and 11 months | June 15, 2017 | No | 100% | Audit and Risk Committee (Chair) | Organization and management of corporations/Industry/RTDI/ Performance and management control |
| 2 years and 10 months | - | No | 90% | Appointments and Compensation Committee | Organization and management of corporations/International business/Knowledge of the Group and its markets |
| 1 year and 10 months | - | No | 100% | Audit and Risk Committee | Organization and management of corporations/International business/Industry |
| 7 years ⁽⁵⁾ | May 23, 2019 ⁽⁶⁾ | No | 100% | Audit and Risk Committee Appointments and Compensation Committee Innovation, Technology & Climate Committee | Industry/Strategy/ Defense industry/Competitive environment |
| 5 months | - | No | 100% | - | Finance/ESG strategy/Industry/ Asset management |
| 6 years and 4 months | November 20, 2019 | Yes | 100% | Appointments and Compensation Committee | Perspective of an employee/ Knowledge of the Group and its markets |
| 3 years and 9 months | - | No | 100% | Innovation, Technology & Climate Committee (Chairman) Appointments and Compensation Committee | Organization and management of corporations/International business/Strategy/ Industry/New technologies |
| 2 years and 10 months | - | No | 100% | Audit and Risk Committee | Organization and management of corporations/International business/ Finance/Asset management |
| 3 years and 9 months | - | No | 100% | Audit and Risk Committee | Organization and management of corporations/International business/Industry |
| January 1, 2021 | | | | | |
| 5 years and 8 months | May 23, 2019 | No | 100% | - | Former Chief Executive Officer |
| 1 year and 6 months | May 23, 2019 | No | 100% | Audit and Risk Committee Appointments and Compensation Committee | Finance/Organization and management of corporations/ International business/Industry |
| 3 years and 10 months | - | Yes | 75% | Audit and Risk Committee | Perspective of an employee/ Knowledge of the Group and its markets |
| 8 months | - | Yes | 100% | - | Perspective of an employee/ Knowledge of the Group and its markets |

6.2.2 Directors' profiles (at the filing date of this Universal Registration Document)



Ross McINNES

Chairman of the Board of Directors

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 16,017⁽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.

From November 2016 to November 2019, he was a member of the French High Committee for Corporate Governance.

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, he 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.

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, Chairman of the Governance and Nominations Committee, and a member of the Audit, Risk and Compliance Committee of Eutelsat Communications (listed company)
- Director, Chairman of the Ethics, Environment and Sustainable Development Committee, member of the Audit Committee, and member of the Strategy, Investment and Technology Committee of Engie (listed company)
- Trustee and Director of the IFRS Foundation (United States and United Kingdom)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Director of Lectra (listed company) and a member of its Board committees until April 2020
- Non-executive Director and Chairman of the Audit Committee of IMI PLC (listed company) (United Kingdom) until October 2017
- Director and Chairman of the Audit Committee of Faurecia (listed company) until May 2017

(1) Including 7,507 shares via corporate mutual fund units (conversion, where applicable, based on the Safran share price at December 31, 2020), and 8,500 shares purchased under a life insurance policy (whereby the insurer retains ownership of the shares and the insured party is owed the related amount by the insurer).



Olivier ANDRIÈS

Chief Executive Officer and Director

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

Number of Safran shares held: 19,841⁽¹⁾

PROFILE - EXPERTISE AND EXPERIENCE

Born in 1962, Olivier Andriès is a graduate of École Polytechnique (1981) and École des Mines de Paris (1984).

After holding various positions in the French Ministry of Industry and the Treasury department at the French Ministry of Finance, in 1993 he joined the cabinet of the Minister of the Economy and Finance as advisor on industrial affairs.

In 1995, he moved to the Lagardère group as Deputy Director of Strategy, where he managed various merger and acquisition projects, and in 1998 was named personal advisor to Jean-Luc Lagardère.

Olivier Andriès joined Airbus in 2000, as Product Policy Director, before being appointed Vice President, Widebody Aircraft Programs in 2004 and then Executive Vice President, Strategy and Cooperation in 2005.

In July 2007, he became Executive Vice President, Strategy at EADS.

He joined Safran in March 2008 as Executive Vice President, Strategy and Development, and in September 2009 was subsequently named Executive Vice President, in charge of the Defense and Security branch.

In 2011, he was appointed Chairman and Chief Executive Officer of Safran Helicopter Engines, and in June 2015 was named Chief Executive Officer of Safran Aircraft Engines.

In September 2020, he became an Executive Vice President of the Safran Group, working alongside the Chief Executive Officer.

Safran's Board of Directors appointed Olivier Andriès as the Group's Chief Executive Officer, with effect from January 1, 2021, and also as a Director from the same date, replacing Philippe Petitcolin who stepped down from the Board.

MAIN POSITION(S) HELD

- Chief Executive Officer of Safran since January 1, 2021

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Chief Executive Officer of Safran since January 1, 2021
- Director of Safran since January 1, 2021

NON-GROUP

None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Director of Safran Aero Boosters, until November 2020
- Chief Executive Officer of Safran Aircraft Engines, until September 2020
- Chairman of the Rafale GIE, until September 2020
- Director of EPI GmbH, until September 2020
- Permanent representative of Safran Aircraft Engines on the Board of Directors of PowerJet, until September 2020
- Director of Safran Aircraft Engines Mexico (Mexico), until September 2020
- Director of CFM International Inc. (United States), until September 2020
- Director of Société de Motorisations Aéronautiques (SMA), until November 2017

NON-GROUP

None

(1) Including 8,951 shares via corporate mutual fund units (conversion, where applicable, based on the Safran share price at December 31, 2020).



Anne AUBERT

Director representing employee shareholders

Safran Seats – Z.I. La Limoise – Rue Robert-Maréchal-Senior – 36100 Issoudun, France

Number of Safran shares held: 102⁽¹⁾

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1971, Anne Aubert, a French national, has a degree in mechanical engineering from Compiègne University of Technology.

Anne Aubert has held a variety of front-line positions at Safran Seats' Issoudun plant since January 2012 and is currently head of Project Management Office Operations. She began her career with the Group managing Business Class seat programs, spending just over six years working with American, Chinese, French and Dutch airlines on Airbus and Boeing programs. She was then put in charge of the Airbus customer account, before becoming head of Project Management Office Operations in October 2019.

Anne Aubert 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

- Head of Project Management Office Operations at Safran Seats Issoudun

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran representing employee shareholders since May 2020

NON-GROUP

None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Member representing employees on the Supervisory Board (until June 2018) and member of the Compensation Committee (until February 2018) of Zodiac Aerospace SA (listed company)

NON-GROUP

None

(1) Including 96 shares via corporate mutual fund units (conversion, where applicable, based on the Safran share price at December 31, 2020).



Marc AUBRY

Director representing employee shareholders

Member of the Audit and Risk Committee

Safran Aircraft Engines – Établissement de Vernon – Plateau de l'Espace – 1, avenue Hubert-Curien – 27200 Vernon, France

Number of Safran shares held: 874⁽¹⁾

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1963, Marc Aubry is an engineer from École Nationale Supérieure d'Hydraulique et de Mécanique de Grenoble (ENSHMG) (major in water resources and planning) and has a post-graduate degree (DEA) in environment and engineering geophysics (major in hydrology).

Marc Aubry has worked with the Group for 33 years. From 1989, he held the post of Design Engineer in the space engine turbopumps department, and in 2015 joined the plasma propulsion business.

He has been the CFDT trade union representative since 1999 at the Vernon plant, before serving at the level of Safran Aircraft Engines and finally as Group trade union coordinator. His areas of expertise include social dialogue, compensation and benefits including employee savings plans, pension savings plans, employee share ownership, supplementary benefit plans and gender equality in the workplace.

From 2011 to 2016, he represented employee shareholders on the Board of Directors of Safran and served as a member of the Audit and Risk Committee.

Since July 1, 2019, he has been seconded for 80% of his time to the FGMM CFDT union, serving as National Secretary.

Marc Aubry 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 products and markets.

MAIN POSITION(S) HELD

- National Secretary of the FGMM CFDT union, in charge of economy and CSR, secretary for the Bourgogne Franche Comté region and the IT and Electronics sector

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran representing employee shareholders since May 2020
- Trade union representative and member of the Social and Economic Committee for Safran Aircraft Engines' Vernon plant
- Substitute member of Safran Aircraft Engines' Central Social and Economic Committee
- Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund
- Member of the Supervisory Board of Safran Ouverture

NON-GROUP

- National secretary of the Fédération Générale des Mines et de la Métallurgie CFDT (trade union)
- Chairman of the Société Philharmonique de Vernon (non-profit organization)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Safran Group CFDT trade union coordinator until August 2019
- CFDT central trade union representative, Safran Aircraft Engines, until July 2019
- Chairman of the Economic Commission of Safran Aircraft Engines' Central Works Council until January 2019
- Director representing employee shareholders and a member of the Audit and Risk Committee until June 2016

NON-GROUP

None

(1) Including 834 shares via corporate mutual fund units (conversion, where applicable, based on the Safran share price at December 31, 2020).



Hélène AURIOL POTIER

Independent Director

Member of the Appointments and Compensation Committee

Member of the Innovation, Technology & Climate Committee

Safran - 2, bd du Général Martial-Valin - 75015 Paris, 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.

From November 2018 to September 2020, she served as Executive Vice-President International for Orange and was 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)

- 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 a member of the Compensation Committee of Mimecast (United Kingdom) (listed company) since January 2021
- Member of the Compensation Committee (since March 2020 and Chair since March 22, 2021), member of the Nominations Committee (since September 2019) and member of the Supervisory Board of Oddo BHF SCA
- Member of the Supervisory Board of Randstad since June 2020 (Netherlands) (listed company) and member of the Governance and Nomination Committee since December 2020
- Managing Partner of Alinerom

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



Patricia BELLINGER

Independent Director

Member of the Appointments and Compensation Committee

Harvard University – Cambridge, Massachusetts Hall, Cambridge, MA 02138 – United States

Number of Safran shares held: 515

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1961, Patricia Bellinger, a dual US and British national, is trilingual (English, French and Spanish) and tricultural. A graduate of Harvard University, she began her career in Madrid in 1986 by founding a casting agency, and continued to work in media and communications in Spain until 1995.

She then returned to the United States to join Bristol Myers Squibb (BMS), the pharmaceutical company, where she was successively Associate Director for Communications, Associate Director for Public Affairs and in 1998, Corporate Director of Culture and Diversity.

In 2000, she joined BP in London as Vice President for Diversity and Inclusion, and served as Group Vice President and Director of the BP Leadership Academy until 2007.

In March 2011, she was appointed Executive Director of Executive Education at Harvard Business School. In August 2013, she was also appointed Executive Director and an adjunct lecturer at the Center for Public Leadership at Harvard Kennedy School (CPL).

From September 2017 to June 2018, she was an adjunct lecturer and Senior Fellow at the Center for Public Leadership at Harvard Kennedy School (CPL).

Since July 2018, she has been the Chief of Staff and Strategic Advisor to the President of Harvard University.

Patricia Bellinger contributes to the Board the depth and breadth of her career and her diverse experience, as well as her time in industry, her HR/Diversity/Talent Management expertise (in terms of both strategic and people-centric issues), her multilingualism, and her knowledge of French corporate governance.

MAIN POSITION(S) HELD

- Chief of Staff and Strategic Adviser to the President of Harvard University.

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran since May 2020

NON-GROUP

- Member of the Corporate Board of the Sonepar Group
- Independent director and member of the Nominating and Governance Committee and the Human Capital and Compensation Committee of LBrands (listed company) (United States)
- Member of the Advisory Board of the non-profit organization My Life My Choice (United States)
- Member of the Board of Trustees of the Academy Museum of Motion Pictures (United States)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Member of the Board of Trustees of uAspire (United States) until June 2020
- Director and member of the Compensation Committee of Sodexo until July 2018
- Member of the Diversity and Inclusion Advisory Board of Barilla SpA (Italy) until August 2018
- Director and Chair of the Nominating Governance and Compensation Committee of Pattern Energy Inc. (United States) until December 2018



Hervé CHAILLOU

Director representing employees

Member of the Innovation, Technology & Climate Committee

Safran Aircraft Engines – Direction Industrielle et Supply Chain

Rue Henri-Auguste-Desbrières – B.P. 81 – 91003 Évry Cedex, France

Number of Safran shares held: 89⁽¹⁾

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1966, Hervé Chaillou holds a higher technical diploma in production theory.

He began his career with the Safran Group in 1983 at Safran Aircraft Engines (formerly Snecma) as a lathe operator, where he received professional certification from the Snecma academy.

A method technician at Safran Aircraft Engines, Hervé Chaillou is currently a machine programmer in the structure chamber and compressors Industrial Center of Excellence (Industrial Management and Supply Chain Department) at the Évry-Corbeil facility.

A former CGT union representative for the Corbeil site, Hervé Chaillou was notably the correspondent for the external advisor on industrial investment and organizational matters within the Social and Economic Committee.

Hervé Chaillou brings to the Board his insight into health, safety and working conditions, as well as his view of Safran from an employee's perspective and an in-depth knowledge of the Group and its markets.

MAIN POSITION(S) HELD

- Machine programmer at Safran Aircraft Engines' structure chamber and compressors Industrial Center of Excellence

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

SAFRAN GROUP

- Director of Safran representing employees since November 2019 and member of the Innovation, Technology & Climate Committee since February 14, 2020
- Employee representative for Safran's health insurance plan

NON-GROUP

None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

- Elected member of the Social and Economic Committee at Safran Aircraft Engines' Corbeil site until October 2019
- Officer of the Social and Economic Committee at Safran Aircraft Engines' Corbeil site until October 2019
- Member of the market commission of the Social and Economic Committee at Safran Aircraft Engines' Corbeil site until October 2019
- Elected member of Safran Aircraft Engines' Central Social and Economic Committee until October 2019
- Officer of Safran Aircraft Engines' Central Social and Economic Committee until October 2019
- Substitute member of Safran Aircraft Engines' Works Council until January 2019
- Trade union representative on Safran Aircraft Engines' Central Works Council and acting in this capacity as a member of the central economic commission until January 2019

NON-GROUP

None

(1) Via corporate mutual fund units (conversion, where applicable, based on the Safran share price at December 31, 2020).



Jean-Lou CHAMEAU

Independent Director

Member of the Appointments and Compensation Committee

Member of the Innovation, Technology & Climate 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 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 Global Advisory Council of the Jio Institute (Mumbai) since March 2020

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Member of the Academic Research Council of Singapore (Republic of Singapore) until May 2020
- 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



Monique COHEN

Lead Independent Director

Member and Chair of the Appointments and Compensation Committee

Apax Partners - 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 SA (Luxembourg)
- Chair of the Board of Directors of Fides Holdings SAS
- Vice-Chair and member of the Supervisory Board and Chair of the Audit Committee of Hermès International (listed company)
- Director of Fides Acquisitions SAS
- 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

- Director of Apax Partners SAS until June 2020
- Chair of Trocadéro Participations II SAS until October 2016
- Chair and member of the Supervisory Board of Texavenir II SAS
- Member of the Supervisory Board and the Audit Committee of JC Decaux (listed company) until May 2017
- Member of the Supervisory Board of:
 - Global Project SAS until June 2017
 - Trocadéro Participations SAS until October 2016



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)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Director and a member of the Strategy Committee of Imerys (listed company) until May 2020
- 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) until July 2019
- 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 the École Supérieure de Commerce in Le Havre, France.

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 Aerospace, becoming Chairman and Chief Executive Officer in 1973.

When Zodiac Aerospace 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

NON-GROUP

- Chairman of Fidogest
- Chairman of the Supervisory Board of Fidoma
- Representative of CICOR on the Supervisory Board 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
- Representative of CICOR on the Board of Directors of Banque Transatlantique until May 2016



F&P⁽¹⁾ 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 has been in charge of business development at FFP since end-2002, first as Chairman and Chief Executive Officer and, since May 2020, as Chairman of the Board of Directors.

Until January 2021, he was FFP's permanent representative on the Supervisory Board of Peugeot SA, and was also Chairman of the Strategy Committee and a member of the Finance and Audit Committee of Peugeot SA.

Since January 2021, he has been Vice-Chairman and a Director of Stellantis (created from the merger of Peugeot SA and Fiat Chrysler Automobiles N.V.), and a member of its Compensation Committee.

Since November 2018, he has been a member of the French High Committee for Corporate Governance.

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)

- Vice-Chairman of the Board of Directors of Stellantis
- Chairman of the Board of Directors of FFP⁽²⁾
- Company Director

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

SAFRAN GROUP

- Permanent representative of F&P as a Director of Safran

NON-GROUP

- Director, Vice-Chairman and a member of the Compensation Committee of Stellantis since January 2021
- Chairman of the Board of Directors (since May 2020) and Chairman of the Investments and Shareholdings Committee of FFP (listed company)
- Chairman of F&P
- Permanent representative of Maillot II as a member of the Board of Directors of Sicav Armene 2
- Permanent representative of FFP on the Board of Directors of Peugeot 1810 (formerly Maillot I)
- Director and member of the Compensation Committee of Faurecia (listed company)
- Director and Chairman of the Nominations Committee of Sofina (listed company) (Belgium)
- 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 and Investment Committee of Signa Prime (Austria)
- Member of the Supervisory Board of Soparexo
- Director of FFP Investment UK Ltd
- Legal manager of:
 - CHP Gestion
 - SC Rodom

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- 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), until January 2021
- Chairman and Chief Executive Officer of FFP (listed company) until May 2020
- Permanent representative of FFP as Chairman of FFP Invest until May 2020
- Permanent representative of FFP Invest as Chairman and a member of the Supervisory Board of Financière Guiraud SAS until May 2020
- Permanent representative of Maillot I as a member of the Board of Directors of Sicav Armene 2 until 2020
- Member of the Supervisory Board of ACE Management SA until May 2020
- Member of the Supervisory Board, member of the Audit Committee and member of the Compensation, Appointments and Governance Committee of Hermès International (listed company) until June 2019
- Permanent representative of Maillot I as a member of the Board of Directors of Sicav Armene until May 2019
- Director and member of the Nomination and Compensation Committee of DKSH Holding AG (listed company) (Switzerland) until March 2019
- Permanent representative of Maillot I as a member of the Board of Directors of Sicav Armene until May 2019
- 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
- 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

(1) F&P is a joint venture set up by Peugeot Invest Assets (formerly FFP Invest) and Fonds Stratégique de Participations (FSP) specifically for the purpose of exercising the role of a Director of Safran.

(2) At FFP's Annual General Meeting on March 31, 2021, its shareholders will be invited to change FFP's corporate name to "Peugeot Invest".



Laurent GUILLOT

Independent Director

Member of the Audit and Risk Committee

Saint-Gobain Group – Tour Saint-Gobain – 12 Place de l'Iris – 92096 Paris La Défense cedex, France

Number of Safran shares held: 500

PROFILE – EXPERTISE AND EXPERIENCE

Born in 1969, Laurent Guillot, a French national, is a graduate of École Polytechnique and of École des Ponts ParisTech 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.

From 2009 to the end of 2015, Laurent Guillot served as Saint Gobain's Chief Financial Officer and was also in charge of Group procurement and information systems.

In 2016, he was appointed Vice-President of the High-Performance 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 brings to the Board his financial expertise, his skills and experience as an operational and functional manager of a global industrial group, and 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

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran since May 2019

NON-GROUP

- Non-executive Director, 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 and Director of Saint-Gobain Ceramics & Plastics, Inc. (United States)
- Chairman of the Board of Directors of Saint-Gobain Tm K.K. (Japan)
- Chairman of Saint-Gobain Technology Services France; Saint-Gobain International Digital IT Services; 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.
- Director of Saint-Gobain DSI Groupe
- Deputy Director of Saint-Gobain Archives
- Director of Saint-Gobain Corporation (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 Solutions UK Limited (formerly Saint-Gobain High Performance Materials UK Limited) (United Kingdom); 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

- President, Chief Executive Officer and Director of Zenpure Corporation (United States) until April 2019; Zenpure Americas, Inc. (United States) until April 2019
- Chief Executive Officer and Director of Saint-Gobain Solar Gard, LLC (United States) until April 2019
- Director of Carborundum Ventures Inc. (United States) until April 2019; Phoenix Coating Resources, Inc (United States) until April 2019; Saint-Gobain Hycomp LLC (United States) until April 2019; Fluocabron Components, Inc. (United States) until April 2019; 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 of the Board of Directors of Sepr Italia SpA (Italy) until March 2019
- President & 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



Vincent IMBERT

Director

Member of the Audit and Risk Committee

Member of the Appointments and Compensation Committee

Member of the Innovation, Technology & Climate Committee

Inspection générale des armées – 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.

He was appointed government commissioner on the Board of Directors of the École Polytechnique Foundation, with effect from March 10, 2021.

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

- Managing Partner of EDVI

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

None



Suzanne KUCHAREKOVA MILKO

Representative of the French State

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 1978, Suzanne Kucharekova Milko is a dual French and Slovakian national. She has a Master's degree in History and is a graduate of ÉNA (Marie Curie class).

She started her career in teaching. After graduating from ÉNA, she joined the Auvergne Rhône-Alpes Regional Audit Chamber where she served as a financial magistrate responsible for overseeing the audits of urban development projects and semi-public companies and investigations undertaken by the National Audit Office.

In January 2017, she joined the Industry division of the French State Investments Agency (APE), monitoring the French State's interests in the Renault group and Chantiers de l'Atlantique.

On September 1, 2019, she was appointed Secretary-General of the APE.

Suzanne Kucharekova Milko brings to the Board her expertise in corporate finance and ESG strategy, as well as her experience as a Director/Supervisory Board member of industrial groups.

MAIN POSITION(S) HELD

- Secretary-General of the French State Investments Agency (APE)

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Representative of the French State on the Board of Directors of Safran since October 2020

NON-GROUP

- Representative of the French State on the Board of Directors of RATP since November 2020
- Representative of the French Economy and Finance Ministry on the Supervisory Board of Grand Port Maritime du Havre
- Director of Chantiers de l'Atlantique, put forward by the French State

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Director of TSA until January 2018



Daniel MAZALTARIM

Director representing employees

Member of the Appointments and Compensation Committee

Safran Aircraft Engines - Division de la Qualité, du Progrès et de la Transformation Digitale
Etablissement d'Évry-Corbeil - Rue Henri-Auguste Desbruères - B.P. 81 - 91003 Évry Cedex, France

Number of Safran shares held: 1,981⁽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 20 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

- Master Black Belt in the Safran Aircraft Engines' Quality, Progress and Digital Transformation Department.

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

CURRENT OFFICES AND POSITIONS

SAFRAN GROUP

- Director of Safran representing employees

NON-GROUP

None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Chairman of COSAF 13 until August 2019

(1) Via corporate mutual fund units (conversion, where applicable, based on the Safran share price at December 31, 2020).



Patrick PÉLATA

Director responsible for monitoring climate issues – Independent

Member and Chairman of the Innovation, Technology & Climate 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 he is the President. He returned to Paris in July 2017.

Since December 2018, he has been a member of the Académie des Technologies, a French think-tank that issues recommendations on the best use of technologies for society.

Patrick Pélata brings to the Board his experience of leading innovative, high-tech industrial groups on an international scale, as well as his expertise in strategy, consulting and industrialization, which is particularly valuable given today's focus on drastically reducing greenhouse gas emissions and increasing electrification and digitalization.

MAIN POSITION(S) HELD (OUTSIDE THE COMPANY)

- Consultant at 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
 - Vulog
 - Consultant at Meta Strategy Consulting
- Director of Mobivia (automotive services and accessories and new mobilities) since January 2021

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



Sophie ZURQUIYAH

Independent Director

Member of the Audit and Risk Committee

CGG - 27, avenue Carnot - 91300 Massy, 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)
- Director of Bazean (United States) since January 2019
- Since April 1, 2021: Director and member of the Audit Committee of TechnipFMC (listed company)

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
- Senior Executive Vice President of CGG Services (U.S.), Inc. (United States) until March 2018
- Chief Operating Officer of CGG SA (listed company) until January 2017

Skills and expertise of the members of the Board of Directors

The tables below summarize the expertise and diverse skills of each of the Directors. They show 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, 61% of the Board members (i.e., 11 out of 18) and 89% of the independent Directors (8 out of 9) 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.

A diverse range of profiles, expertise and skills within the Board

| Experience and specific positions exercised by Directors in different sectors and activities | Number of Directors |
|--|---------------------|
| Aerospace industry | 11 ■■■■■■■■■■ |
| Other industries | 15 ■■■■■■■■■■■■ |
| Innovation, R&T, Development, Engineering | 13 ■■■■■■■■■■ |
| International career and experience | 11 ■■■■■■■■■■ |
| Strategy, competition and M&A | 12 ■■■■■■■■■■ |
| Finance and management control | 11 ■■■■■■■■■■ |
| Digital - New technologies | 6 ■■■■■■ |
| Governance and compensation | 14 ■■■■■■■■■■■■ |
| Human Resources - CSR | 11 ■■■■■■■■■■ |

Diverse skills and expertise of each Director

| | Ross McInnes | Olivier Andriès | Anne Aubert | Marc Aubry | Hélène Auriol Potier | Patricia Bellinger | Hervé Chaillou | 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 | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

| | Odile Desforges | Didier Domange | F&P represente d by Robert Peugeot | Laurent Guillot | Vincent Imbert | Suzanne Kucharekova Milko | Daniel Mazaltarim | Patrick Pélata | Sophie Zurquiyah |
|--|--------------------|-------------------|--|--------------------|-------------------|---------------------------------|----------------------|-------------------|---------------------|
| 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 | | | | ✓ | | ✓ | | | |

6.2.3 Other information about the Board of Directors' membership structure

Lead Independent Director – Monique Cohen

Monique Cohen has served as the Company's Lead Independent Director since March 2018 and will continue to serve in this capacity 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 have such a Director.

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 compensation for her duties in this capacity.

Work carried out by the Lead Independent Director during the year

In 2020, 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. 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:

- actively participated in monitoring, overseeing, implementing and finalizing the succession process concerning the Chief Executive Officer and taking the related decisions, in line with the Board of Directors' strategy and resolutions, and ensuring that the Board remained fully involved and informed throughout the process;
- organized the process of selecting a Director candidate in view of the terms of office of the independent Directors that are due to expire at the close of the 2021 Annual General Meeting (drawing up the candidate profile, selecting candidates and holding interviews in conjunction with the members of the Appointments and Compensation Committee), and subsequently making a recommendation to the Board;
- chaired the Directors' meetings held in 2020 that were classified as "executive sessions", during which they reviewed the Board's operating procedures and monitored the actions taken in areas identified as requiring improvement in the Board's formal assessment process.

Director responsible for monitoring climate issues - Patrick Pélatá

The Board of Directors is fully aware of the strategic importance of climate issues for the aerospace industry, an awareness that it shares with the Company's shareholders.

It is therefore understandable that the shareholders want to be regularly and fully informed of Safran's climate strategy and related action plans.

Accordingly, on February 24, 2021, the Board decided to appoint an independent Director and member of the Innovation and Technology Committee as "Director responsible for monitoring climate issues". The Board also set this Director's roles and responsibilities, which notably include assessing how climate issues are being addressed by the Board.

The Board felt that the obvious choice for the position would be the Chairman of the Innovation and Technology Committee, Patrick Pélatá, who accepted the appointment. Patrick Pélatá's term of office as an independent Director is due to expire at the close of the May 26, 2021 Annual General Meeting. Consequently, at that Meeting, the shareholders will be invited to re-appoint him for a further four-year term (see

section 8.2.1.5), which will also be an opportunity for the shareholders to express their support for the Company's climate strategy.

At the same time as the Director responsible for monitoring climate issues was appointed, the Innovation and Technology Committee was renamed the "Innovation, Technology & Climate Committee" and its roles and responsibilities were extended (see section 6.3.4). This Committee is now responsible for reviewing, examining and issuing recommendations relating to Executive Management's climate action plan and the related information intended for publication by the Company and for presentation to the Annual General Meeting. The Board of Directors' Internal Rules have been amended to include the roles and responsibilities of the Director responsible for monitoring climate issues, as defined by the Board (Article 39 of the Internal Rules, which are available on Safran's website at www.safran-group.com under Group/Corporate governance/Board of Directors) (see section 6.3.2). In accordance with these amended Rules, the Director responsible for monitoring climate issues:

- takes the lead in ensuring follow-up of the climate action plan by the Innovation, Technology & Climate Committee. Within this scope, he and this Committee are involved in monitoring and overseeing Executive Management's climate action plan and in preparing the related information intended for publication by the Company and for presentation to the Annual General Meeting;
- is informed of questions from the shareholders on matters falling within the scope of his role and, where necessary, makes himself available to discuss those matters with them, in conjunction with the Chairman of the Board of Directors;
- may be assigned other specific duties related to his role by the Chairman of the Board of Directors;
- may put forward to the Chairman of the Board of Directors additional items related to his role for inclusion in the agenda for Board of Directors' meetings;
- in conjunction with Executive Management, presents information prepared by Executive Management on the climate action plan to the Annual General Meeting, after having submitted said information to the Innovation, Technology & Climate Committee for its opinion and then to the Board of Directors for its approval;
- does not receive any specific additional compensation and performs his duties under the responsibility of the Board of Directors, which takes the final decisions on the climate issues concerned.

The above-described approach put in place by the Company and its Board fully complies with the applicable legal framework. It is the outcome of open dialogue with shareholders and is aimed at meeting certain expectations that they have expressed.

Independent Directors

The Board has nine 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.

Following the Annual General Meeting of May 23, 2019, the number of Directors with a link to the French State was reduced from three to two, i.e.:

- one representative of the French State appointed by way of a ministerial decree; and
- one director put forward by the French State and appointed by shareholders at the Annual General Meeting (compared with two previously).

This reduction resulted 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.

In connection with Safran's implementation of the August 20, 2014 *ordonnance*:

- by way of a ministerial decree dated October 27, 2020, the French State appointed Suzanne Kucharekova Milko as its representative on Safran's Board of Directors for the remainder of the term of office of her predecessor, Hélène Dantoine, i.e., expiring at the Annual General Meeting to be held in 2023;
- Vincent Imbert was re-appointed as a Director at the Annual General Meeting of May 23, 2019, having been put forward again by the French State⁽¹⁾. His new term of office is for four years, expiring at the close of the Annual General Meeting to be held in 2023.

Directors representing employee shareholders

Safran's Board of Directors includes two Directors representing employee shareholders, who are appointed by the shareholders in a General Meeting:

- Marc Aubry, appointed by the Annual General Meeting of May 26, 2020, for a four-year term expiring at the close of the Annual General Meeting to be held in 2024; and
- Anne Aubert, appointed by the Annual General Meeting of May 26, 2020, for a four-year term expiring at the close of the Annual General Meeting to be held in 2024.

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.

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⁽²⁾, 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 October 24, 2019, Daniel Mazaltarim was re-elected and Hervé Chaillou elected as Directors representing employees for four-year terms commencing November 20, 2020, 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.

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.

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 Group's Social and Economic Committee 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 Social and Economic Committee

Ould Bouamama was appointed on December 9, 2019 by the Group's Social and Economic Committee as its representative on the Board of Directors, pursuant to the provisions of Article L.2312-72 of the French Labor Code.

(1) In accordance with Article 6 of the August 20, 2014 *ordonnance*.

(2) Adopted pursuant to the French Employment Security Act of June 14, 2013.

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, nine of Safran's Directors qualify as independent (i.e., 64.3%). 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 judgment.

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 9.5 of the AFEP-MEDEF Code):

- criterion 1: an independent Director must not be, or must not have been, during the past five years:
 - an employee or executive corporate officer of Safran,
 - an employee, executive corporate officer or Director of a company that is consolidated by Safran,
 - an employee, executive corporate officer or Director of Safran's parent company or a company consolidated by Safran's parent company;
- criterion 2: an independent Director must not be an executive corporate officer of a company in which Safran holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive corporate officer of Safran (currently in office or having held office within the past five years) is a Director;

- criterion 3: an independent Director must not be a customer, supplier, commercial banker, investment banker, or advisor:
 - that is significant for Safran or the Group, or
 - for which Safran or the Group represents a significant portion of its business;
- criterion 4: for any Director who has 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 said banks with Safran or any other Group company, (ii) the work of any of said banks in the event of the performance of a mandate entrusted to the 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 5: an independent Director must not have any close family ties with a corporate officer of Safran or any other Group company;
- criterion 6: an independent Director must not have been a Statutory Auditor of Safran in the past five years;
- criterion 7: an independent Director must not have been a member of Safran's Board of Directors (or previously its 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 8: 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 | Independent |
|-----------------------------------|------------------|---|---|---|---|---|---|---|------------------|
| Ross McInnes | X ⁽¹⁾ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X ⁽¹⁾ |
| Olivier Andriès | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X |
| Marc Aubry | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X |
| Anne Aubert | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X |
| Hélène Auriol Potier | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Patricia Bellinger | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hervé Chaillou | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | x |
| Jean-Lou Chameau | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Monique Cohen | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Odile Desforges | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Didier Domange | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X ⁽²⁾ |
| F&P represented by Robert Peugeot | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Vincent Imbert | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X | X |
| Suzanne Kucharekova Milko | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X | X |
| Laurent Guillot | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Daniel Mazaltarim | X | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X |
| Patrick Pélata | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sophie Zurquiyah | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

✓ Independence criterion met

X Independence criterion not met

- (1) Concerning the Chairman of the Board of Directors, Ross McInnes, although he could be considered as meeting the independence criteria set in the AFEP-MEDEF Code because (i) he had not been an employee or executive corporate officer of Safran in the five years preceding the independence review (criterion 1), and (ii) he does not have any relationship whatsoever with Safran, the Group or its Management that may compromise his freedom of judgment, the Board decided not to reclassify him as an independent Director. Due to the fact that there was no interruption between the end of Ross McInnes' executive functions at Safran and his appointment as Chairman of the Board, and the policies and views that the shareholders or their representatives could have with regard to that situation, he informed the Board that he did not wish to be reclassified as an independent Director.
- (2) Concerning Didier Domange, although he could be considered as meeting all of the independence criteria in the "Corporate Governance Code of Listed Corporations" applied by Safran, to date the Board has decided not to classify 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 Didier 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.

Independence review

At its meeting on March 24, 2021, on the recommendation of the Appointments and Compensation Committee, the Board undertook a review of the independence status of its members.

During this review, both the Board and the Appointments and Compensation Committee examined any business relations that may exist between Safran, its Directors, and the companies (advisory/consultancy/management firms) and institutions in which Safran's Directors are corporate officers. The findings of the review were that none of the Directors considered as independent have any business relations with Safran that could jeopardize their independence. Following the review, the Board of Directors was able to confirm that its independent Directors still qualify as independent.

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, as set out in section 6.2.5 of this Universal Registration Document;
- 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).

The results of these reviews were as follows:

- each independent Director stated that they had no conflicts of interest;
- no information was identified showing that any conflicts of interest exist, as defined in the Board's Internal Rules;
- for the materiality test in respect of Safran SA's business relations with other companies (advisory/consultancy/management firms) and institutions in which Safran's independent Directors are corporate officers or executives: no relations were either disclosed or identified that generate payments by Safran to companies in which Safran's independent Directors are corporate officers and which could call into question their independence;
- based on specific materiality tests concerning the business relations between Safran and (i) BNP Paribas, of which Monique Cohen is a Director, and (ii) Oddo BHF SCA, of which H el ene Auriol Potier is a member of the Supervisory Board:
the business relations between Safran and BNP Paribas and Oddo BHF SCA do not generate any financial dependency, and Safran's relations with these banks are neither exclusive nor represent a predominant portion of its overall banking relations. The Board once again concluded that Monique Cohen and H el ene 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 H el ene Auriol Potier;

6.2.4.2 Diversity, expertise and female representation 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, which it regularly reviews and monitors.

The resolutions relating to the Board's membership structure that will be put to shareholders at the Annual General Meeting of May 26, 2021 (see sections 6.2.6.2 and 8.2.1) contribute to the implementation of 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 61).

Gender balance on the Board

The Board of Directors comprises seven women and eleven men including the Directors representing employees and the Directors representing employee shareholders. The proportion of women Directors on the Board is therefore 42.86% (6/14), excluding the Directors representing employees and the Directors representing employee shareholders, as provided for under French law for the purposes of calculating the gender balance on corporate boards.

The gender diversity policy applicable more widely to Safran's management bodies, as presented by the Chief Executive Officer to the Board of Directors, is described in section 5.4.6.2.

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. It also includes the main documents presented to the Board of Directors before the arrival of the new Director, when these documents are of particular importance or relate to long-term issues (such as files for the Board of Directors' strategy seminar, the Group's medium-term business plan, financial presentations and outlooks, "Capital Markets Day" presentations, etc.). 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 the Directors representing employee shareholders are offered additional training, notably 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 2019, the Directors visited the Group's sites at Villaroche (Safran Aircraft Engines) and Issoudin (Safran Seats). No site visits could be organized in 2020 due to the Covid-19 health crisis;
- 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):

- every member of the of 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 interest, or a potential conflict of interests, he or 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 or herself, then he or she must inform the Vice-Chairman of the Board of Directors or, failing that, the Lead Independent Director;
- the member of the Board of Directors concerned must abstain from voting on the decisions relating to the 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.

Internal charter on regulated and unregulated related-party agreements

On February 26, 2020 the Board of Directors adopted an internal charter on “regulated” (i.e., subject to approval) and “unregulated” (i.e., entered into in the ordinary course of business on arm’s length terms and therefore not subject to approval) related-party agreements. The purpose of this charter is to reiterate the regulatory framework applicable in France to regulated and unregulated related-party agreements and to set out the procedure applied by the Company to (i) qualify a related-party agreement as regulated or unregulated, and (ii) regularly assess whether agreements qualified as unregulated fulfill the conditions required for such qualification. The charter is available on Safran’s website (under Group/Corporate Governance). It describes the processes for identifying any related-party agreements that could qualify as regulated, as well as the qualification criteria to be used and the procedures for the Board’s regular reviews of these agreements. At the same time as the Board adopted this charter, an internal procedure was sent to the various departments within the Company and to its subsidiaries, which sets out the underlying principles of the charter and how it will be implemented.

6.2.6 Changes in the membership of the Board of Directors

6.2.6.1 Changes in the membership structure of the Board of Directors in 2020 and since January 1, 2021

| Name | Departure | | | | Appointment | | | | Re-appointment | | | |
|---------------------------|--------------------|--------------------------|---|--|--------------------|--------------------------|---|--|--------------------|--------------------------|---|--|
| | Board of Directors | Audit and Risk Committee | Appointments and Compensation Committee | Innovation, Technology & Climate Committee | Board of Directors | Audit and Risk Committee | Appointments and Compensation Committee | Innovation, Technology & Climate Committee | Board of Directors | Audit and Risk Committee | Appointments and Compensation Committee | Innovation, Technology & Climate Committee |
| Olivier Andriès | | | | | Jan. 1, 2021 | | | | | | | |
| Philippe Petitcolin | Dec. 31, 2020 | | | | | | | | | | | |
| Anne Aubert | | | | | May 28, 2020 | | | | | | | |
| Marc Aubry | | | | | May 28, 2020 | May 28, 2020 | | | | | | |
| Patricia Bellinger | | | | | May 28, 2020 | | May 28, 2020 | | | | | |
| Hervé Chaillou | | | | | | | | Feb. 14, 2020 | | | | |
| Hélène Dantoine | Sept. 14, 2020 | Sept. 14, 2020 | Sept. 14, 2020 | | | | | | | | | |
| Suzanne Kucharekova Milko | | | | | Oct. 27, 2020 | | | | | | | |
| Gérard Mardiné | May 28, 2020 | May 28, 2020 | | | | | | | | | | |
| Fernanda Saraiva | May 28, 2020 | | | | | | | | | | | |
| Vincent Imbert | | | | | | Sept. 18, 2020 | Sept. 18, 2020 | | | | | |

Olivier Andriès was appointed as Chief Executive Officer and a Director, to replace Philippe Petitcolin, with effect from January 1, 2021.

By way of a ministerial order dated October 27, 2020, Suzanne Kucharekova Milko was appointed as a Director representing the French State to replace Hélène Dantoine, who resigned from that position with effect from September 14, 2020. Suzanne Kucharekova Milko’s term of office as a Director runs for the remainder of her

predecessor’s term, i.e., until the Annual General Meeting to be held to approve the 2023 financial statements.

At the Annual General Meeting of May 28, 2020, the shareholders appointed the following Directors for four-year terms:

- Patricia Bellinger (independent Director);
- Marc Aubry (Director representing employee shareholders);
- Anne Aubert (Director representing employee shareholders).

The profiles of the above-mentioned Directors are set out in sections 6.2.1 and 6.2.2 of this Universal Registration Document.

See sections 6.2.1 and 6.2.2 of the 2019 Universal Registration Document for the profiles of the Directors whose terms of office ended in 2020.

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 26, 2021

The terms of office of the following independent Directors are due to expire at the close of the Annual General Meeting to be held on May 26, 2021: H el ene Auriol Potier, Patrick P elata, Sophie Zurquiyah and Odile Desforges. At that Meeting, the shareholders will be invited to vote on the proposals to fill these vacancies (see section 8.2.1.5).

If the shareholders follow the Board's recommendations and adopt the resolutions relating to the re-appointments and new appointment described below, this will enable the proportion of independent Directors on the Board to remain at 64.3% and the proportion of women at 42.86%, which complies with the law.

Re-appointment of H el ene Auriol Potier, Patrick P elata and Sophie Zurquiyah as independent Directors

Based on the recommendations of the Appointments and Compensation Committee, the Board of Directors decided that it wishes to continue to benefit from the expertise of H el ene Auriol Potier, Patrick P elata and Sophie Zurquiyah and will therefore put forward these three independent Directors for re-appointment for four-year terms expiring at the close of the Annual General Meeting to be held in 2025.

H el ene Auriol Potier brings to the Board her experience as a Director as well as her experience of leading international corporations, an international outlook, and expertise and vision in digital technologies and transformation. She is also a member of the Appointments and Compensation Committee and the Innovation, Technology & Climate Committee.

Patrick P elata brings to the Board his experience of leading innovative, high-tech industrial groups on an international scale, as well as his expertise in strategy, consulting and industrialization in the digital age and his experience as a Director. He is also Chairman of the Innovation, Technology & Climate Committee and a member of the Appointments and Compensation Committee. Fully aware of the strategic importance of climate issues for the aerospace industry, a vision that it shares with the Company's shareholders, on February 24, 2021, the Board of Directors appointed Patrick P elata as Director responsible for monitoring climate issues and defined his roles and responsibilities in that capacity. One of his tasks is to ensure that climate issues are effectively addressed and followed up by the Innovation, Technology & Climate Committee (see section 6.2.3). Within this scope, he and this Committee are involved in monitoring and overseeing Executive Management's climate action plan and in preparing the related information intended for publication by the Company and for presentation to the Annual General Meeting. In addition, he is informed of questions from the shareholders on matters falling within his remit and, where necessary, makes himself available to discuss those matters with them, in conjunction with the Chairman of the Board of Directors.

If Patrick P elata is re-appointed, the shareholders would also be expressing their support of the Board and Executive Management in their deployment of the Company's climate strategy.

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. She is also a member of the Audit and Risk Committee.

The profiles of the above Directors are presented in section 6.2.2.

Appointment of Fabienne Lecorvaisier as an independent Director to replace Odile Desforges (9th resolution)

Odile Desforges - whose term of office as a Director is due to expire at the Annual General Meeting of May 26, 2021 - has informed the Board that she does not wish to be re-appointed. If she were re-appointed, she would lose her status as an independent Director before her renewed term of office expires, due to the fact that she would have served on the Board for more than 12 years.

At the Annual General Meeting of May 26, 2021, the shareholders will be invited to appoint Fabienne Lecorvaisier as an independent Director to replace Odile Desforges (see section 8.2.1.5), for a four-year term expiring at the close of the Annual General Meeting to be held in 2025. If appointed, she would be invited to join the Audit and Risk Committee as an additional member.

She has all of the qualities that the Company was seeking during the selection process. Fabienne Lecorvaisier would bring to the Board the experience that she has gained in various functions within international industrial groups in France and overseas, as well as her expertise as a Chief Financial Officer and her experience as a Director. She also has the skills, profile and ability to take on other tasks and responsibilities required of a Board member, notably in the areas of strategy, energy transition, risk and financial transaction management, and wide-reaching projects.

The profile of Fabienne Lecorvaisier is presented in section 8.2.4.3.

When Odile Desforges' term of office expires at the close of the Annual General Meeting of May 26, 2021, Laurent Guillot will become the Chairman of the Audit and Risk Committee and Fabienne Lecorvaisier will join this Committee upon her appointment as a Director.

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 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|------------------|------------------|------------------|------------------|
| Ross McInnes | | | √ ⁽³⁾ | |
| Olivier Andriès | | | √ ⁽³⁾ | |
| Anne Aubert | | | | √ ⁽⁴⁾ |
| Marc Aubry | | | | √ ⁽⁴⁾ |
| Hélène Auriol Potier | √ ⁽¹⁾ | | | |
| Patricia Bellinger | | | | √ ⁽⁴⁾ |
| Hervé Chaillou | | | √ ⁽³⁾ | |
| Jean-Lou Chameau | | | √ ⁽³⁾ | |
| Monique Cohen | | √ ⁽²⁾ | | |
| Odile Desforges | √ ⁽¹⁾ | | | |
| Didier Domange | | √ ⁽²⁾ | | |
| F&P represented by Robert Peugeot | | √ ⁽²⁾ | | |
| Laurent Guillot | | | √ ⁽³⁾ | |
| Vincent Imbert | | | √ ⁽³⁾ | |
| Suzanne Kucharekova Milko | | | √ ⁽³⁾ | |
| Daniel Mazaltarim | | | √ ⁽³⁾ | |
| Patrick Péлата | √ ⁽¹⁾ | | | |
| Sophie Zurquiyah | √ ⁽¹⁾ | | | |

(1) At the close of the Annual General Meeting to be held in 2021 to approve the 2020 financial statements.

(2) At the close of the Annual General Meeting to be held in 2022 to approve the 2021 financial statements.

(3) At the close of the Annual General Meeting to be held in 2023 to approve the 2022 financial statements.

(4) At the close of the Annual General Meeting to be held in 2024 to approve the 2023 financial statements.

6.2.6.4 Process for selecting Directors

Other than for Directors whose nominations are subject to specific provisions of the law or the Company's bylaws (see section 6.2.3), the process for selecting Directors to be put forward for appointment is carried out on behalf of the Board of Directors by the Appointments and Compensation Committee. This Committee conducts the selection process under the supervision of the Company's Chairman and the Chair of the Appointments and Compensation Committee, who is the Lead Independent Director.

This Committee conducts the selection process under the supervision of the Company's Chairman and the Chair of the Appointments and Compensation Committee, who is the Lead Independent Director.

- determining the profiles sought and the related essential and additional skills and attributes (specifications), taking into account (i) the principles and objectives of the Board of Directors' diversity policy (see section 6.2.4.2), (ii) the aim of achieving a balanced membership structure for the Board, and (iii) any specific requirements expressed, for example during the Board's assessment of its operating procedures;

- selecting a specialized firm or consultant to help with the process if necessary;
- drawing up and reviewing lists of potential candidates and performing the necessary checks (compliance with specifications, independence, analysis of business relations);
- short-listing potential candidates based on their files;
- organizing meetings and interviews with the shortlisted candidate(s);
- issuance by the Appointments and Compensation Committee of its recommendation to the Board of Directors (initial selection);
- decision by the Board of Directors (final selection of the candidate), and candidate put forward for appointment (or for ratification of the Board's appointment) by the shareholders at the Annual General Meeting, with the reasons for the Board's choice of candidate included in its report to the Annual General Meeting.

See section 6.2.6.2 and sections 8.2.1.4 and 8.2.1.5 for information about the changes in the Board's membership structure that will be put forward for the shareholders' approval at the next Annual General Meeting.

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 2020

The following table shows the number of meetings of the Board and its Committees that took place in 2020 and the attendance rates of each Director.

| Director | Number of Board 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, Technology & Climate Committee meetings attended | Attendance rate (%) |
|--|-----------------------------------|---------------------|--|---------------------|---|---------------------|--|---------------------|
| Total number of meetings in 2020 | 10 | 98 | 6 | 94 | 9 | 90 | 2 | 100 |
| Ross McInnes | 10 | 100 | | | | | | |
| Philippe Petitcolin | 9 ⁽¹⁾ | 100 | | | | | | |
| Anne Aubert ⁽²⁾ | 7/7 | 100 | | | | | | |
| Marc Aubry ⁽³⁾ | 7/7 | 100 | 4/4 | 100 | | | | |
| Hélène Auriol Potier | 10 | 100 | | | 9 | 100 | 2/2 | 100 |
| Patricia Bellinger ⁽⁴⁾ | 7/7 | 100 | | | 3/7 ⁽⁴⁾ | 43 | | |
| Hervé Chaillou | 10 | 100 | | | | | 2/2 | 100 |
| Jean-Lou Chameau | 10 | 100 | | | 9 | 100 | 2/2 | 100 |
| Monique Cohen | 9 | 90 | | | 9 | 100 | | |
| Hélène Dantoine ⁽⁵⁾ | 6/6 | 100 | 3/4 | 75 | 3/4 | 75 | | |
| Odile Desforges | 10 | 100 | 6 | 100 | | | | |
| Didier Domange | 9 | 90 | | | 7 | 78 | | |
| F&P represented by Robert Peugeot | 10 | 100 | 5 | 83 | | | | |
| Laurent Guillot | 10 | 100 | 6 | 100 | | | | |
| Vincent Imbert ⁽⁶⁾ | 10 | 100 | 2/2 | 100 | 5/5 | 100 | 2/2 | 100 |
| Suzanne Kucharekova Milko ⁽⁷⁾ | 3/3 | 100 | | | | | | |
| Gérard Mardiné ⁽⁸⁾ | 3/4 | 75 | 2/2 | 100 | | | | |
| Daniel Mazaltarim ⁽⁹⁾ | 10 | 100 | | | 9 | 100 | | |
| Fernanda Saraiva ⁽¹⁰⁾ | 4/4 | 100 | | | | | | |
| Patrick Pélata | 10 | 100 | | | 9 | 100 | 2/2 | 100 |
| Sophie Zurquiyah | 10 | 100 | 6 | 100 | | | | |

(1) Ten Board of Directors' meetings, including one "executive session" that was not attended by the former Chief Executive Officer, Philippe Petitcolin, whose term of office ended on December 31, 2020.

(2) Director representing employee shareholders since May 28, 2020.

(3) Director representing employee shareholders and a member of the Audit and Risk Committee since May 28, 2020.

(4) Director and a member of the Appointments and Compensation Committee since May 28, 2020. Patricia Bellinger's low attendance rate at Appointments and Compensation Committee meetings was due to the fact that a large number of meetings were held in the second half of 2020, although not originally scheduled for that period. Some of these meetings were called at short notice or at times of the day that were difficult for her to attend in view of international time differences. However, prior to each meeting, the agenda items were discussed between Patricia Bellinger and the Committee Chair (or sometimes the Chairman of the Board), who could then pass on her opinions and recommendations to the other members of the Committee.

(5) Representative of the French State, member of the Audit and Risk Committee and the Appointments and Compensation Committee until September 14, 2020.

(6) Member of the Audit and Risk Committee and the Appointments and Compensation Committee since September 18, 2020.

(7) Representative of the French State ended on October 27, 2020

(8) Director representing employee shareholders and a member of the Audit and Risk Committee until May 28, 2020.

(9) Member of the Appointments and Compensation Committee. Attends only the "compensation" portion of Appointments and Compensation Committee meetings.

(10) Director representing employee shareholders until May 28, 2020.

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 compensation 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).

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.

The Internal Rules were most recently updated in February 24, 2021 in order to (i) insert a new article enabling the Board to appoint a Director responsible for monitoring climate issues and to define his or her roles and responsibilities (see section 6.2.3), and (ii) extend the role of the Innovation and Technology Committee, which was renamed the "Innovation, Technology & Climate Committee" (see section 6.3.4).

6.3.3 Operating procedures and work of the Board of Directors

Indicators

| | 2019 | 2020 |
|--|---------------------|---------------------|
| Number of meetings | 10 | 10 |
| Average attendance rate | 95% | 98% |
| Number of Directors | 17 | 18 |
| Percentage of independent Directors ⁽¹⁾ | 61.5% (8 out of 13) | 64.3% (9 out of 14) |

(1) Excluding Directors representing employee shareholders and Directors representing employees.

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 videoconference or any other means of telecommunications. In addition, in the cases permitted by law, the Board of Directors may take decisions by means of written consultation.

At least half of the Board's members must be present 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 2020

The Board of Directors met ten times in 2020, with an average attendance rate of 98%.

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 2020 was as follows:

Decisions specifically related to the Covid-19 crisis and the aviation industry

Mirroring Executive Management's swift and effective reaction to the Covid-19 crisis, which impacted the entire aviation sector, Safran, its employees, suppliers and customers, the Board quickly sprang into action to become fully involved in overseeing, guiding, supporting and constructively challenging Executive Management, which was in charge of the Group's day-to-day running and implementing the measures and decisions required for Safran to adapt to the situation caused by the crisis.

The Board reorganized and made additions to its work program and meeting schedule in order to be able to regularly take stock of how the pandemic was affecting the Group's situation in terms of health and safety, operations, manufacturing capabilities and financial performance and be given presentations of the adaptation plans as they were drawn up as well as updates on their progress, and take all related decisions within its remit. The decision was also taken to schedule extra Audit and Risk Committee meetings before certain Board meetings.

The Board made use of all the flexibility solutions offered by the specific Covid-19 legislation to speed up decision-making processes, such as taking decisions by way of written consultation.

Additionally, between scheduled Board meetings, the Chairman ensured, and continues to ensure, that the information relayed to the Directors is properly communicated, relevant and meets their requirements and needs for fulfilling their roles, duties and responsibilities. There were also more regular meetings and contact between the Chairman and the Directors than usual, notably to keep the Directors informed about the decisions and measures taken by Executive Management.

An initial set of governance decisions was announced by the Board on March 26, 2020, relating, among other things to:

- the Board's support of the adaptation plan launched by Executive Management;
- the Board's withdrawal of its initial proposal for a dividend payment for 2019, in a spirit of responsibility vis-à-vis Safran's stakeholders and in order to preserve the Group's resources;
- authorizations given to Executive Management (including delegations of the authorizations given to the Board at the Annual General Meeting of May 23, 2019) for the purpose of preserving the Group's liquidity;
- withdrawal of the previously announced guidance for 2020 given the unprecedented situation;
- the addition of another key objective for the Chief Executive Officer's annual variable compensation for 2020: "Overcome and manage the Covid-19 crisis", as recommended by the Compensation Committee.

As from March 2020, at each Board meeting the Board assessed how Safran, and the aerospace sector as a whole, was coping with the Covid-19 crisis. During these assessments, the Board examined the following issues in particular:

- Covid safety and protective measures for the Group's employees;
- headway made with the crisis adaptation plan (streamlining the Group's industrial footprint, reducing capex, purchases and operating expenses, and implementing workforce adjustment plans);
- cash and liquidity management;
- air traffic volumes and the situation of the Group's customers and suppliers.

Corporate governance and compensation

As is the case every year, the Board of Directors' corporate governance work 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 policies and packages for Safran's corporate officers (both executive and non-executive).

The Board's work during the year also covered:

- as described above, the crisis caused by the Covid-19 pandemic and Safran's related adaptation plan;
 - defining and communicating the Group's corporate purpose;
 - monitoring, overseeing, implementing and finalizing the management transition process following the change in Chief Executive Officer effective from January 1, 2021 (succession process and related decisions). This included analyzing the terms and conditions of the departure of the former Chief Executive Officer, whose term of office ended on December 31, 2020.
- Anticipating and ensuring a smooth succession process for the Chairman and the Chief Executive Officer is one of the Board's main responsibilities. On the recommendation of the Appointments and Compensation Committee, the Board regularly reviews and approves 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, and can remain in force without requiring an annual review. However, the Board of Directors would need to carry out another analysis at the time any such unforeseen or sooner-than-expected vacancy occurred, before deciding on the course of action to take;
- monitoring the elections for the candidates to be put forward for appointment by the shareholders as Directors representing employee shareholders;
 - implementing changes in the Board's membership, notably nominating another woman independent Director (appointed at the 2020 Annual General Meeting) and making the related amendments to the Company's bylaws;
 - updating the Company's bylaws in order to simplify them and align them with recent regulatory changes;
 - drawing up two sets of amendments to the Board of Directors' Internal Rules in order to (i) align their wording with recent regulatory changes and the AFEP-MEDEF Corporate Governance Code, and (ii) set out the terms and conditions for Board of Directors' meetings held by videoconference or any other means of telecommunications;
 - reviewing the operating procedures of the Board and its Committees (see section 6.3.5);
 - determining the compensation policies for the Chairman, the Chief Executive Officer and the Directors;

- allocating performance shares to Group senior managers (see section 6.6.4.2), under the 2020 Long-Term Incentive Plan;
- launching the “Safran Sharing 2020” employee shareholding plan (see sections 5.4.5 and 7.3.7.2);
- adopting a charter (see section 6.2.5) and an internal procedure relating to “regulated” or “unregulated” related-party agreements, which notably sets out how to assess whether unregulated related-party agreements (i.e., those entered into on arms’ length terms and concerning routine operations) meet the two criteria for being classified as such;
- authorizing two new regulated related-party agreements (see sections 7.1.4.3, 8.2.1.3 and 8.5.1) and reviewing the related-party agreements and commitments that were entered into or remained in force in 2020 (with the Board concluding that they continue to meet the criteria that led to their approval by the Board and therefore should remain in force);
- reviewing the results of the consultation process with Safran’s Social and Economic Committee 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.

Two meetings referred to as “executive sessions” were held in 2020, which take place without any executive or in-house Directors attending. During these executive sessions, the other Board members generally discuss the operating procedures of the Board and its Committees, the performance of the Chairman and the Chief Executive Officer and the work carried out on succession plans, and identify any issues that need 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. As described above, as from March 2020, these progress reports were given in the context of the Covid-19 pandemic and Safran’s related adaptation plan.

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 trends and developments, acquisitions and divestments, the progress of major programs in light of the Covid-19 crisis, negotiations or signatures of key agreements, overall market trends, and the competitive environment.

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 2020 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.

The Chief Executive Officer regularly gives an update on launches of new projects and structural programs.

In 2020, these updates included reports on the Covid-19 situation and Safran’s related adaptation plan.

Lastly, on an annual basis, the Board examines the results of the consultation with the Group’s Social and Economic Committee on the strategic goals set for the Company and the Group.

Certain Board meetings may be dedicated to a particular strategic or M&A project.

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).

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 Universal Registration Document (including the Annual Financial Report) and the Integrated Report, in 2020 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:

- taking the decision to withdraw the Board’s initial recommendation concerning the dividend payment, and instead recommending at the Annual General Meeting that no dividend be paid in 2020 for 2019, due to the Covid-19 crisis and in the aim of acting responsibly towards all of Safran’s stakeholders;
- withdrawing, in March 2020, Safran’s previous guidance for 2020 given the unprecedented nature of the situation (Covid-19 crisis), and issuing new 2020 guidance in July, despite the high level of uncertainty that still prevailed;
- reviewing the Group’s cash and liquidity position, including financing, refinancing and safeguarding the Group’s liquidity, particularly in view of the Covid-19 crisis and Safran’s related adaptation plan, such as the increase in the ceiling on the NEU CP program with Banque de France (see section 3.1, Note 27), the syndicated loan set up with a banking pool (see section 3.1, Note 27 and section 8.2.1.3), and the OCÉANE 2027 bond issue (see section 3.1 Note 27, and sections 7.2.3.2 and 8.4);
- the Group’s policy for hedging euro/USD currency risk;
- implementing the share buyback program (in accordance with the authorization given by shareholders at the Annual General Meeting);
- launching the “Safran Sharing 2020” employee shareholding plan in 2020;
- 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 2021 (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, 2020, when they reported on their audit work on the parent company and consolidated financial statements for 2019 and presented their audit findings. They certified the 2019 parent company and consolidated financial statements without qualification. They also attended the Board of Directors' meeting of July 29, 2020 to present their work on the consolidated financial statements for the first half of 2020.

Corporate Social Responsibility (CSR)

The Board of Directors sets the Company's overall business strategy and oversees its implementation, in accordance with the Company's best interests and taking into account the social and environmental aspects of its activities. From a practical perspective, the way these aspects are taken into account in the work of the Board and its Committees can be illustrated as follows.

Certain topics, discussed at the Board's strategy seminars dedicated to setting the Group's strategic objectives, factor in environmental aspects that are key to the Group's operations and business development, and to the aviation industry in general.

The Group's medium-term business plan - which is presented to and approved annually by the Board - includes an HR/social section, on which additional presentations may be given.

When presentations on certain investments or programs are given to the Board for its approval, the related CSR aspects, impacts or consequences are also presented where relevant. These principles have been written into the Board of Directors' Internal Rules (see section 6.3.2). Consequently, the description of the Board's powers in the Internal Rules now includes the principles of taking into account the Company's best interests and the social and environmental aspects of its activities, and the Internal Rules now specify that presentations given to the Board on projects must contain information about the project's social and environmental aspects, where such information is relevant.

A general presentation on CSR is included once a year on the Board's agenda, at the Board meeting held to review the Group's CSR process, main CSR goals (HR, social and environmental), CSR policy, the related objectives and results, and a summary of the CSR work plan.

In addition, presentations are given or focus discussions carried out about specific issues such as gender parity, equal opportunities, environmental policies and climate strategy (decarbonization trajectory).

The Board also reviews and approves the Universal Registration Document, which sets out in its "Corporate Social Responsibility" chapter the Group's CSR policy, relevant HR, social and environmental information, and the non-financial information statement. The Group's integrated report - which includes summarized CSR information - is also presented to the Board of Directors.

Lastly, eleven Directors have been identified as having ESG-CSR-HR skills and expertise.

Acting within their specific remits, the Board's Committees likewise address CSR issues as part of their work.

For instance:

- the Innovation, Technology & Climate Committee monitors objectives, trends, developments, progress and the overall direction of roadmaps concerning topics that include major environmental issues (CO₂, hybridization, etc.);
- since mid-January 2021, the Climate Department has been integrated into the Group Strategy Department;
- at its meeting on February 24, 2021, the Board decided to appoint an independent Director and member of the Innovation and Technology Committee as "Director responsible for monitoring climate issues". The Board also set this Director's roles and responsibilities, which notably include assessing how climate issues are being addressed by the Board (see section 6.2.3). At the same time as the Director responsible for monitoring climate issues was appointed, the Innovation and Technology Committee was renamed the "Innovation, Technology & Climate Committee" and its roles and responsibilities were extended. This Committee is now notably responsible for reviewing, examining and issuing recommendations relating to Executive Management's climate action plan (see section 6.3.4). The Board of Directors' Internal Rules were amended to reflect these changes (see section 6.3.2);
- the Audit and Risk Committee's risk review work includes analyzing CSR-HR risks, such as workplace health and safety risks and risks concerning personal safety and talent management, and it regularly has focus discussions on the main risks contained in the Group's risk map;
- the Appointments and Compensation Committee includes CSR-HR objectives (continuous CSR and HR measures and priority action plans) in its recommendations to the Board concerning the individual objectives applicable to the Chief Executive Officer's annual variable compensation.

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, whose roles, organizational structure and operating procedures are set out in the Board of Directors' Internal Rules:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee;
- the Innovation, Technology & Climate Committee.

As stated above, on February 24, 2021, the Board took the decision to rename the Innovation and Technology Committee the "Innovation, Technology & Climate Committee". At the same time, the Committee's roles and responsibilities were extended, (see below) and the Board decided to task one of its independent Director members with overseeing how climate issues are addressed by the Board (the "Director responsible for monitoring climate issues", see section 6.2.3). The Board of Directors' Internal Rules were amended to reflect these changes (see section 6.3.2).

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.

Audit and Risk Committee

Indicators

| | 2019 | 2020 |
|--|------------------|------------------|
| Number of meetings | 5 | 6 |
| Average attendance rate | 82% | 94% |
| Number of members | 6 | 6 |
| Percentage of independent members ⁽¹⁾ | 80% (4 out of 5) | 80% (4 out of 5) |

(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. | | | | |
|----------------------|---|-------------|---------------------|------------------------------|---------------------------------|
| | At the filing date of this Universal Registration Document | Independent | Date of appointment | Expiration of term of office | Seniority as a Committee member |
| | Odile Desforges, Chair | X | May 28, 2013 | 2021 | 7 1/2 years |
| | Vincent Imbert (Director put forward by the French State) | | Sept. 18, 2020 | 2023 | Less than 1 year |
| | Laurent Guillot | X | May 23, 2019 | 2023 | 1 1/2 years |
| | Marc Aubry (Director representing employee shareholders) | | May 28, 2020 | 2024 | Less than 1 year |
| | Robert Peugeot (representative of F&P) | X | May 25, 2018 | 2022 | 2 1/2 years |
| | Sophie Zurquiyah | X | June 15, 2017 | 2021 | 3 1/2 years |

| | |
|--|--|
| <p>Roles and responsibilities</p> | <p>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.</p> <p>In this regard it is responsible for:</p> <ul style="list-style-type: none"> ■ reviewing the draft interim and annual parent company and consolidated financial statements before they are submitted to the Board of Directors, and in particular: <ul style="list-style-type: none"> ● 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: <ul style="list-style-type: none"> ● 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. <p>The Audit and Risk Committee is also tasked with verifying the effectiveness of Safran's internal control and risk management systems.</p> <p>In this regard it is responsible for:</p> <ul style="list-style-type: none"> ■ 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: <ul style="list-style-type: none"> ● 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: <ul style="list-style-type: none"> ● 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. <p>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.</p> <p>In this regard it is responsible for:</p> <ul style="list-style-type: none"> ■ 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: <ul style="list-style-type: none"> ● 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 (<i>Haut Conseil du Commissariat aux Comptes</i> – 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 approving 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. |
|--|--|

Main work carried out in 2020

The Audit and Risk Committee met six times in 2020 in order to address the above topics, with an average attendance rate of 94%.

The Statutory Auditors and the Government Commissioner attended all of these meetings.

The main work carried out by the Committee during these meetings related to:

- the Covid-19 crisis, and more particularly:
 - monitoring the Group's cash and liquidity position (financing, refinancing and safeguarding liquidity),
 - monitoring performance indicators for the Group's businesses (including for support-per-flight-hour contracts) and the action plans launched to respond to the crisis, which is not yet over,
 - reviewing the Group's financial communication, particularly in relation to the annual and interim financial statements and market guidance;
- reviewing the interim and annual parent company and consolidated financial statements, with a presentation by the Chief Financial Officer on the Group's off-balance sheet commitments, which was also attended by the Group Management Control 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;
- carrying out a preliminary review of the Group's 2020 results;
- reviewing the 2020 budget and the draft 2021 budget;
- preparing for the Annual General Meeting of May 28, 2020 (appropriation of profit, draft resolutions, the Board of Directors' report on the draft resolutions, related-party agreements that were entered into or remained in force in 2020, the management report, the corporate governance report, and the draft Universal Registration Document including the Annual Financial Report);
- examining the Group's risks (meeting also attended by the Risk Management and Insurance Director), changes in the risk map (with focus discussions on certain specific risks), and the Group's insurance coverage in light of the Covid-19 crisis;
- receiving a presentation on the Group's information systems security;
- assessing the Group's internal control and internal audit situation (meeting attended by the Head of Audit and Internal Control), monitoring the compliance and anti-fraud system, amending the 2020 audit plan and the 2020 internal audit campaign due to the Covid-19 pandemic, drawing up the 2021 audit plan, and conducting a preliminary review of the findings of the 2020 internal control audits;
- monitoring the Statutory Auditors' independence and reviewing their audit fees, audit methods and non-audit services;
- tracking and verifying the EUR/USD exchange rate and the currency hedges in place (meeting attended by the Group Treasurer);
- examining management forecasts;
- reviewing the cap on guarantees, endorsements and sureties;
- checking, authorizing and monitoring non-audit services provided by the Statutory Auditors.

The Statutory Auditors (who attend all of the Committee's meetings) gave the Committee presentations on their work concerning the annual and interim financial statements and internal control. In addition, the Committee regularly meets with the Statutory Auditors without any members of Executive Management being present.

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

| | 2019 | 2020 |
|--|---------------------|---------------------|
| Number of meetings | 9 | 9 |
| Average attendance rate | 98% | 90% |
| Number of members | 7 | 8 |
| Percentage of independent members ⁽¹⁾ | 66.66% (4 out of 6) | 71.43% (5 out of 7) |

(1) Excluding Directors representing employee shareholders and Directors representing employees.

| Membership structure | <p>The Appointments and Compensation Committee has at least three members, including its Chair. The majority of the members must be independent Directors.</p> <p>Patricia Bellinger joined the Appointments and Compensation Committee on May 28, 2020.</p> <p>Vincent Imbert joined the Appointments and Compensation Committee on September 18, 2020, replacing H el ene Dantoine.</p> <p>The Committee has eight members, five of whom are independent Directors, i.e., 71.43% (5/7) (not counting the Director representing employees).</p> <p>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 may also be involved in the Committee's work in relation to nominating candidates.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|------------------------------|---------------------------------|------------------------------|---------------------------------|----------------------|---|---------------|------|-------------|------------------------|---|---------------|------|-------------|--------------------|---|--------------|------|------------------|------------------|---|--------------|------|-------------|----------------|--|--------------|------|-------------|--|--|----------------|------|------------------|---|--|---------------|------|---------|-----------------|---|---------------|------|-------------|
| | <table border="1"> <thead> <tr> <th>At the filing date of this Universal Registration Document</th> <th>Independent</th> <th>Date of appointment</th> <th>Expiration of term of office</th> <th>Seniority as a Committee member</th> </tr> </thead> <tbody> <tr> <td>Monique Cohen, Chair</td> <td>X</td> <td>June 15, 2017</td> <td>2022</td> <td>3 1/2 years</td> </tr> <tr> <td>H el ene Auriol Potier</td> <td>X</td> <td>June 15, 2017</td> <td>2021</td> <td>3 1/2 years</td> </tr> <tr> <td>Patricia Bellinger</td> <td>X</td> <td>May 28, 2020</td> <td>2024</td> <td>Less than 1 year</td> </tr> <tr> <td>Jean-Lou Chameau</td> <td>X</td> <td>May 26, 2015</td> <td>2023</td> <td>5 1/2 years</td> </tr> <tr> <td>Didier Domange</td> <td></td> <td>May 25, 2018</td> <td>2022</td> <td>2 1/2 years</td> </tr> <tr> <td>Vincent Imbert (Director put forward by the French State)</td> <td></td> <td>Sept. 18, 2020</td> <td>2023</td> <td>Less than 1 year</td> </tr> <tr> <td>Daniel Mazaltarim (Director representing employees)⁽¹⁾</td> <td></td> <td>Feb. 26, 2018</td> <td>2023</td> <td>3 years</td> </tr> <tr> <td>Patrick P elata</td> <td>X</td> <td>June 15, 2017</td> <td>2021</td> <td>3 1/2 years</td> </tr> </tbody> </table> | At the filing date of this Universal Registration Document | Independent | Date of appointment | Expiration of term of office | Seniority as a Committee member | Monique Cohen, Chair | X | June 15, 2017 | 2022 | 3 1/2 years | H el ene Auriol Potier | X | June 15, 2017 | 2021 | 3 1/2 years | Patricia Bellinger | X | May 28, 2020 | 2024 | Less than 1 year | Jean-Lou Chameau | X | May 26, 2015 | 2023 | 5 1/2 years | Didier Domange | | May 25, 2018 | 2022 | 2 1/2 years | Vincent Imbert (Director put forward by the French State) | | Sept. 18, 2020 | 2023 | Less than 1 year | Daniel Mazaltarim (Director representing employees) ⁽¹⁾ | | Feb. 26, 2018 | 2023 | 3 years | Patrick P elata | X | June 15, 2017 | 2021 | 3 1/2 years |
| At the filing date of this Universal Registration Document | Independent | Date of appointment | Expiration of term of office | Seniority as a Committee member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Monique Cohen, Chair | X | June 15, 2017 | 2022 | 3 1/2 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| H el ene Auriol Potier | X | June 15, 2017 | 2021 | 3 1/2 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Patricia Bellinger | X | May 28, 2020 | 2024 | Less than 1 year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jean-Lou Chameau | X | May 26, 2015 | 2023 | 5 1/2 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Didier Domange | | May 25, 2018 | 2022 | 2 1/2 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Vincent Imbert (Director put forward by the French State) | | Sept. 18, 2020 | 2023 | Less than 1 year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Daniel Mazaltarim (Director representing employees) ⁽¹⁾ | | Feb. 26, 2018 | 2023 | 3 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Patrick P elata | X | June 15, 2017 | 2021 | 3 1/2 years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>(1) Daniel Mazaltarim only attends the "compensation" part of Appointments and Compensation Committee meetings.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>Appointments</p> <p>The Appointments and Compensation Committee has the following roles and responsibilities with respect to appointments:</p> <ul style="list-style-type: none"> ■ assisting the Board of Directors in its choice of: <ul style="list-style-type: none"> ● 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. <p>Compensation</p> <p>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:</p> <ul style="list-style-type: none"> ■ the allocation of the Directors' compensation; ■ 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 (<i>censeurs</i>); ■ any amendments to pension and personal risk insurance plans; ■ benefits-in-kind and various financial benefits; and ■ where appropriate: <ul style="list-style-type: none"> ● stock option grants, and ● free share grants. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|---|---|
| | <p>More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors relating to:</p> <ul style="list-style-type: none"> ■ the compensation policies for the Chairman and the Chief Executive Officer; ■ the compensation policy for senior managers; and ■ profit-sharing systems set up for the employees of Safran and other Group entities, including: <ul style="list-style-type: none"> ● employee savings plans, ● supplementary pension plans, ● employee rights issues, and ● stock option and/or free share grants and any other employee share ownership arrangements. <p>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.</p> <p>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.</p> |
| <p>Main work carried out in 2020</p> | <p>In 2020, the Appointments and Compensation Committee met nine times, with an average attendance rate of 90%.</p> <p>Its main work carried out in 2020 concerned the following:</p> <ul style="list-style-type: none"> ■ monitoring, overseeing, implementing and finalizing the management transition process following the change in Chief Executive Officer effective from January 1, 2021 (succession process and related decisions). This included analyzing the terms and conditions of the departure of the former Chief Executive Officer, whose term of office ended on December 31, 2020 (see section 6.3.3); ■ reviewing the membership structure of the Board of Directors and its Committees and the process for identifying and selecting Director candidates (in view of Directors' terms of office expiring (i) at the close of the 2020 Annual General Meeting, including those of the Directors representing employee shareholders, and (ii) in 2021 for certain independent Directors); ■ nominating another woman independent Director (for appointment at the 2020 Annual General Meeting) and amending the Company's bylaws accordingly; ■ reviewing the Directors' independence status; ■ examining the Board of Directors' operating procedures; ■ determining the compensation policies of the corporate officers (the Chairman, the Chief Executive Officer and the Directors), including for the new Chief Executive Officer who took over in this role on January 1, 2021; ■ determining the compensation packages of the Chairman and the Chief Executive Officer, including for the new Chief Executive Officer who took over in this role on January 1, 2021; ■ reviewing the Group's policy on long-term incentive plans; ■ launching a performance share plan for certain Group senior managers and executives (2020 LTI Plan); ■ setting the amount of Directors' compensation for 2020; ■ preparing the Annual General Meeting and the annual Universal Registration Document (including the corporate governance report); ■ launching the "Safran Sharing 2020" employee shareholding plan in 2020; ■ amending the Board of Directors' Internal Rules. |

Innovation, Technology & Climate Committee

Indicators

| | 2019 | 2020 |
|--|------------------|------------------|
| Number of meetings | 2 | 2 |
| Average attendance rate | 90% | 100% |
| Number of members | 5 | 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 Innovation, Technology & Climate Committee has at least three members, including its Chairman. Hervé Chaillou joined the Innovation, Technology & Climate Committee on February 14, 2020. The Committee therefore still has five members, three of whom are independent, i.e., 75% (not including the Director representing employees). | | | | |
| | At the filing date of this Universal Registration Document | Independent | Date of appointment | Expiration of term of office | Seniority as a Committee member |
| | Patrick Péлата, Chairman, Director responsible for monitoring climate issues | X | Oct. 26, 2017 | 2021 | 3 1/2 years |
| | Hélène Auriol Potier | X | Oct. 26, 2017 | 2021 | 3 1/2 years |
| | Jean-Lou Chameau | X | Oct. 26, 2017 | 2023 | 3 1/2 years |
| | Vincent Imbert (Director put forward by the French State) | | May 25, 2018 | 2023 | 2 1/2 years |
| | Hervé Chaillou (Director representing employees) | | Feb. 14, 2020 | 2023 | 1 year |
| | Fully aware of the strategic importance of climate issues for the aerospace industry, at its meeting on February 24, 2021, the Board of Directors decided to: <ul style="list-style-type: none"> ■ rename the Innovation and Technology Committee as the “Innovation, Technology & Climate Committee” and formally define its roles and responsibilities in relation to climate issues; ■ appoint the Committee’s Chairman, Patrick Péлата, as the Director responsible for monitoring climate issues and define his roles and responsibilities in that capacity (see section 6.2.3). | | | | |
| Roles and responsibilities | <p>The Innovation, Technology & Climate Committee is responsible for analyzing, examining and giving its opinion on the following matters:</p> <ul style="list-style-type: none"> ■ the Group’s medium- and long-term strategic goals and choices concerning: <ul style="list-style-type: none"> ● 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; ■ the appropriateness of the organizational structures and resources in place to meet the roadmaps’ objectives over time; ■ Executive Management’s climate action plan and the related information intended for publication by the Company and for presentation to the Annual General Meeting (responsibilities added following decisions taken by the Board on February 24, 2021). | | | | |
| Main work carried out in 2020 | <p>In 2020, the Innovation, Technology & Climate Committee met twice, with an average attendance rate of 100%.</p> <p>Its main work carried out in 2020 concerned the following:</p> <ul style="list-style-type: none"> ■ Safran’s climate strategy (R&T and the Environment); ■ alternative fuels; ■ artificial intelligence; ■ aviation propulsion (full engine); ■ follow-up of action plans for digital technology, additive manufacturing and hybrid propulsion; ■ the main aspects of the Group’s R&T plan; ■ competitor analysis. | | | | |

6.3.5 Self-assessment by the Board of its operating procedures

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.

At its meeting on December 16, 2020, the Board carried out an initial review of its operating procedures, during which it decided:

- to add an "executive session" at the end of each scheduled Board meeting as from 2021. Such sessions will not necessarily have a specific agenda but will enable the Board to discuss its operating procedures without any executive Directors being present. Prior to this decision, two "executive sessions" were held per year;
- to carry out another review of the Board's operating procedures at a subsequent Board meeting, based on the Directors' responses to a self-assessment questionnaire.

The Board completed the formal self-assessment process at its meeting on March 24, 2021 when it discussed the main points raised by the Directors, which were as follows:

Points of satisfaction: the Directors stated that they particularly appreciated:

- the recurring agenda item for the Board meetings about the Group's business and operating context for the aviation sector in general, with discussions about the Group's strategy and how it is being implemented;
- the quality of the strategy seminars;
- the transparency, clarity and precision of the information provided to the Directors (high-quality meeting packs), notably concerning the Group's main challenges and major strategic goals;
- the Board's team spirit and open dialogue.

Expectations: the Directors notably stated that going forward they would like to see the Board:

- continue to increase the focus and depth of the work carried out by the Group and the Board on:
 - CSR issues (including the environmental transition process and decarbonization) and HR (including gender equality),
 - the digital transformation (consolidated digital strategy, including cybersecurity),
 - the regular presentations of the Group's business, which are also an opportunity for the Directors to meet with Management and high-potential talent;
- reschedule the Directors' visits to manufacturing sites as soon as possible depending on the health crisis.

Overall assessment of the Board's operating procedures and performance: during the assessment, the Directors stated that the Board had performed particularly well in the following areas:

- crisis management, with the Board showing agility and a strong sense of solidarity;
- setting strategic goals (at the strategy seminar) and managing M&A activities;

- verifying the work on preparing and monitoring the budget and medium-term business plan;
- corporate governance, notably the processes for recruiting new Directors and managing the Chief Executive Officer's succession process.

Overall, the Directors felt that the Board's operating procedures are very satisfactory and effective. They also said they thought the Board sets a good example in terms of corporate governance, and particularly noted the quality of the Chairman's leadership, as well as the fact that Board discussions are clear and varied, that the Directors have shared values and a strong team spirit, and that they take decisions effectively as a body. The findings of the assessment showed that the Board's relatively large size does not adversely affect how it is run as Board discussions are led in a disciplined way.

Succession process for the Group Chief Executive Officer:

the Directors indicated that they were satisfied with this process, which is one of the Board's main responsibilities. They particularly appreciated that it was kept strictly confidential and that issues were anticipated upstream, as well as the overall clarity of the process, the transparent and precise information communicated by the Appointments and Compensation Committee throughout, and the fact that the Board was kept constantly involved which meant that clear decisions could be made. The separation of the roles of Chairman of the Board of Directors and Chief Executive Officer also proved its worth during this process and the ensuing transition period.

Concerning the Board committees: the Directors feel that the committees generally operate well and that:

- the Audit and Risk Committee has a very good level of maturity, enabling risk-mitigation measures implemented by the Group to be effectively assessed;
- the Appointments and Compensation Committee communicates very transparently to the Board on its work, and it clearly explains the reasons for its recommendations and proposals; and
- a greater number of strategic, technology-related issues are being addressed by the Innovation, Technology & Climate Committee.

Reminder of the formal assessment process carried out in 2018:

In 2018, the Board of Directors used 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 corporate boards. 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.

The main observations noted in the 2018 assessment featured again in the 2020 version. For example, the Directors continue to be satisfied with the fact that the roles of the Chairman and the Chief Executive Officer have been separated, and they find this is working effectively. They also think that the Board's operating procedures are still of a high level (very professional, good balance between operations and strategy, and high-quality documents provided), and that strategic issues are handled well. In 2020, the Directors also noted that progress had been made on the measures and action plans put in place for the areas of improvement that were identified in the 2018 assessment.

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 of this Universal Registration Document).

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 |
|---|--|
| <p>Article 21. Termination of employment contract in the event of appointment as a corporate officer</p> <p>When an employee is appointed as Chairman and/or Chief Executive 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.</p> | <p>Philippe Petitcolin's employment contract was suspended on April 23, 2015, when he was appointed Chief Executive Officer (a post he held until December 31, 2020).</p> <p>Olivier Andriès' employment contract was suspended when he became Chief Executive Officer on January 1, 2021.</p> <p>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).</p> <p>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 <i>savoir-faire</i>, share and relay the Group's culture and values, and have an in-depth knowledge of its markets.</p> |
| <p>Article 22. Requirement to hold shares</p> <p>The Board of Directors should set a minimum number of shares that the Chairman and/or the Chief Executive Officer are required to hold as registered shares until the end of their term of office.</p> | <p>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 the Chairman and/or the Chief Executive Officer, 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.</p> <p>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). He has also purchased shares under a life insurance policy (whereby the insurer retains ownership of the shares and the insured party is owed the related amount by the insurer).</p> |

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 the *ordonnance* 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 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 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.

Both the Code and its addendum are regularly updated in line with legislative and regulatory changes and the AMF's guidelines. They were last updated in July 2019, in order to take into account new legislation⁽¹⁾ that amends the restrictions on sales of free shares.

All of Safran's corporate officers 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.

(1) French Act no. 2019-744 of July 19, 2019 on simplifying, clarifying and updating corporate law.

6.5.3 Transactions in the Company's shares carried out by corporate officers and senior managers

In accordance with the applicable regulations, when the aggregate amount of transactions carried out by any corporate officer or senior manager exceeded €20,000 in 2020, the person concerned disclosed the corresponding transaction(s).

The transactions carried out in 2020 in Safran shares and related financial instruments by the Company's corporate officers and 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 (number of shares) | Purchase of debt securities carrying immediate or deferred rights to Safran shares | Delivery of shares under free share plans ⁽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) | Sales/buybacks of units in Group corporate mutual funds invested in Safran shares (number of shares corresponding to mutual fund units sold) |
|---|--|--|---|--------------------------------------|--|---|
| Ross McInnes | 8,500 ⁽³⁾ | | | | | |
| Olivier Andriès | | | 5,658 | | 274 | |
| Philippe Petitcolin | | | 26,062 | | | 9,560 |
| Marc Aubry | | | | | 60 | |
| Bernard Delpit | | | 5,658 | | 274 | |
| French State, governmental entity related to the representative of the French State on the Company's Board and the Director put forward by the French State | | 1,037,624 ⁽⁴⁾ | | | | |
| Alex Fain | | | 5,658 | | 146 | |
| FFP Invest, entity related to F&P SAS (Director) | | | | 1,100,000 ⁽⁵⁾ | | |
| Daniel Mazaltarim | | | | | 119 | |

(1) Delivery of performance shares under the 2017 Long-Term Incentive Plan.

(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.

(3) Shares purchased under a life insurance policy (whereby the insurer retains ownership of the shares and the insured party is owed the related amount by the insurer).

(4) Purchase of Océane 2027 bonds (see sections 7.2.3.2 and 8.4).

(5) Forward sale: on November 18, 2020, FFP Invest undertook to carry out a forward sale, between February 15 and March 19, 2021, of 1,100,000 ordinary Safran shares to Crédit Agricole Corporate and Investment Bank (CA-CIB) (see AMF notice 2020DD710980). This sale took place on March 5, 2021 (see AMF notice 2021DD735401).

6.6 COMPENSATION POLICY AND COMPENSATION PACKAGES FOR CORPORATE OFFICERS

6.6.1 Compensation policy for corporate officers – 2021

This section constitutes the report on the compensation policy for corporate officers required under Article L.225-37-2 of the French Commercial Code. It was prepared by the Board of Directors with the assistance of the Appointments and Compensation Committee.

In compliance with Article L.22-10-8 of the French Commercial Code, the Board of Directors determines a compensation policy for the corporate officers, which sets out the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of their total compensation and benefits. By nature and by construction, the components of the policies are specific and different, depending on whether they concern the Chairman, the Chief Executive Officer or the Directors, all of whom are corporate officers. These policies are submitted for shareholders' approval each year at the Annual General Meeting.

In compliance with the applicable regulations concerning the compensation of corporate officers of listed companies⁽¹⁾, the compensation policies describe:

- the principles and rules for determining the compensation and benefits for all corporate officers;
- any major changes compared with the compensation policies approved at the May 28, 2020 Annual General Meeting;
- the specific compensation policy for the Chairman of the Board of Directors. No changes have been made that alter the substance of this policy compared with the compensation policy approved at the last Annual General Meeting;
- the specific compensation policy for the Chief Executive Officer, which may be adapted and applied to any Deputy Chief Executive Officer(s). No changes have been made that alter the substance of this policy compared with the compensation policy approved at the last Annual General Meeting. Provided that this policy is approved at the May 26, 2021 Annual General Meeting, it will also apply for 2021 to Olivier Andriès, Safran's new Chief Executive Officer, who took up office on January 1, 2021;
- the specific compensation policy for Directors. The principles, terms and conditions and amounts of this policy are unchanged compared with those approved at the May 28, 2020 Annual General Meeting.

The 2021 policies have been approved by the Board of Directors and will be submitted to a shareholder vote at the Annual General Meeting on May 26, 2021.

6.6.1.1 Principles and rules for defining the compensation policies

In the best interests of the Company as well as its shareholders, employees and other stakeholders, the compensation policies for corporate officers 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.

These policies are defined 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 defined based on the guidelines in 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.

Where relevant, depending on the corporate officer concerned (Chairman or Chief Executive Officer), the Committee may also examine or take into consideration the application – after appropriate adjustments – of the compensation policy's structure and components to certain Company employees or employee categories, the existence of specific systems in favor of certain employee categories (such as discretionary or statutory profit-sharing, or pension arrangements), and information about compensation multiples (ratio between the compensation of the Chairman and the Chief Executive Officer and that of employees).

The above-mentioned benchmark surveys are used as the basis for analyzing, and making any changes to, the components of the compensation and benefits of the Chairman and the Chief Executive Officer.

(1) Ordonnance 2019-1234 dated November 27, 2019 and Decree no. 2019-1235 dated November 27, 2019.

Governance

The compensation policies for corporate officers are defined by the Board of Directors, based on recommendations issued by the Appointments and Compensation Committee, and are then put to the shareholders' vote at the Annual General Meeting.

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 defining the policies and implementing them for setting the amounts or values of compensation and benefits packages.

Implementing the principles and rules above when defining the compensation policies for corporate officers helps to provide assurance that the policies (i) are aligned with the Company's best interests, (ii) are consistent with its strategy (notably its business strategy by applying exacting performance criteria to corporate officers that are closely linked to the Group's performance and objectives), and (iii) contribute to supporting the Company's long-term development.

The Chairman and the Chief Executive Officer do not take part in any discussions or votes on the policies concerning themselves, which therefore avoids any conflicts of interest.

6.6.1.2 No changes to the 2021 compensation policies that alter the substance of the compensation policies approved at the May 28, 2020 Annual General Meeting

No changes have been made to the 2021 compensation policies that alter the substance of the compensation policies approved at the May 28, 2020 Annual General Meeting.

As a new Chief Executive Officer took up office on January 1, 2021, the required information concerning the suspension of his employment contract and the related entitlements has been added to the compensation policy applicable to him in his role as Chief Executive Officer. The decision to suspend, rather than terminate, the new Chief Executive Officer's employment contract is in line with the Board of Directors' strategy of favoring internal promotion of talent and appointing a new Chief Executive Officer from within the Group where possible (see section 6.6.1.4).

6.6.1.3 Compensation policy for the Chairman of the Board of Directors

At the date of this Universal 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 allocated any compensation in his capacity as a Director.

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 Chairman is covered by the supplementary pension schemes and personal risk insurance plan implemented by the Group. The Chairman is covered by the supplementary pension schemes and personal risk insurance plan implemented by the Group.

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.

The Chairman's annual fixed compensation for 2021 has been kept at €450,000, unchanged from 2020 (see section 6.6.2.1).

Directors' compensation (formerly "attendance fees")

Irrespective of whether or not the role of Chairman is separate from that of Chief Executive Officer, the Chairman is not entitled to receive any compensation in his capacity as a Director (formerly "attendance fees"). He is therefore not included in the allocation of Directors' compensation carried out in accordance with the rules provided for in the compensation policy for Directors (see section 6.6.1.5).

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.

Supplementary pension system

Safran's policy is to align the post-employment benefits of the Chairman and the Chief Executive Officer 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 with considerable experience and expertise, often acquired during their many years' service with the Group, to move seamlessly into corporate officer positions and to grant corporate officers similar entitlements to those of the plan's other beneficiaries.

For information purposes, it is hereby disclosed that:

- the Chairman's employment contract with Safran was terminated on May 23, 2019, as decided by the Chairman himself when his term of office was renewed (see section 6.4 of the 2019 Universal Registration Document);
- in accordance with the applicable law, some of the benefits described below for which the Chairman of the Board of Directors is currently eligible have already been submitted for shareholder approval by way of the special vote required for related-party commitments, in accordance with the procedure that was in force at the date on which the Board decided to extend these benefits to the Chairman. He was already eligible for some of these benefits prior to his appointment as Chairman. These related-party commitments were approved by the shareholders in the 8th resolution of the May 28, 2020 Annual General Meeting.

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.

The supplementary pension plans applicable in France to the Group's managerial-grade staff, including the Chairman, are as follows:

“Article 83” defined contribution plans

Two defined contribution supplementary pension plans in force at January 1, 2018 are applicable in France for all Group managerial-grade staff:

- the “Article 83 Core Plan”, which is financed through employer contributions equal to 1.5% of salary Tranche A, 4% of Tranches B and C and no contributions on Tranche D⁽¹⁾;
- the “Article 83 Additional Plan”, which provides for contribution rates of 6.5% on Tranche A and 4% on Tranches B and C.

The Chairman is eligible for these plans under the same terms and conditions as the other plan members.

The “Article 83 Core Plan” contributions are based on the compensation subject to social security contributions that the Chairman receives for his role as Chairman of the Board of Directors.

The “Article 83 Additional Plan” contributions are based on the compensation subject to social security contributions that the Chairman receives for his role as Chairman of the Board of Directors, capped at eight times the annual social security ceiling (PASS).

Information on the expenses recognized for 2020 by the Company in relation to the Article 83 plans of which the current Chairman is a member, as well as the theoretical estimated amount⁽²⁾ at December 31, 2020 of the annuity that could be paid to him under those plans are disclosed in section 6.6.2.1 of this Universal Registration Document.

As provided for in the Group's Activity Transformation Agreement (see sections 5.4.5 and 5.4.6.3), employer contributions to Article 83 and Article 82 defined contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to either of those plans for the Chairman for 2021.

“Article 82” defined contribution plan

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 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 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).

(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, 2021, irrespective of the eligibility conditions.

The above payments are borne in full by the Company and are subject to social security contributions in the same way as salaries.

Information on the expenses recognized for 2020 by the Company in relation to the Article 82 Plan of which the current Chairman is a member, as well as the theoretical estimated amount⁽¹⁾ at December 31, 2020 of the annuity that could be paid to him under that plan are disclosed in section 6.6.2.1 of this Universal Registration Document.

As provided for in the Group's Activity Transformation Agreement (see sections 5.4.5 and 5.4.6.3), employer contributions to Article 83 and Article 82 defined contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to either of those plans for the Chairman for 2021.

"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⁽²⁾ 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 2021 is €41,136, unchanged from 2020);
- 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.

Information on the expenses recognized by the Company for the Chairman in relation to this frozen Article 39 Plan, as well as the theoretical estimated amount⁽¹⁾ at December 31, 2020 of the annuity that could be paid to him under that plan are disclosed in section 6.6.2.1 of this Universal Registration Document.

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.

The contributions to this plan are based on the compensation subject to social security contributions that Ross McInnes receives for his role as Chairman of the Board of Directors.

Information on the expenses recognized for 2020 by the Company in relation to the personal risk insurance plan of which the current Chairman is a member is disclosed in section 6.6.2.1 of this Universal Registration Document.

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.

6.6.1.4 Compensation policy for the Chief Executive Officer

At the date of this Universal Registration Document, this policy solely concerns Olivier Andriès, who has been the Group's Chief Executive Officer since January 1, 2021.

In view of the prevailing situation (the Covid-19 pandemic and the crisis in the aerospace industry), as well as Safran's Activity Transformation Agreement (see sections 5.4.4 and 5.4.5.3) which includes wage restraint measures, no changes have been made to this policy for 2021 that alter its substance compared with the compensation policy approved at the last Annual General Meeting.

Compensation package structure

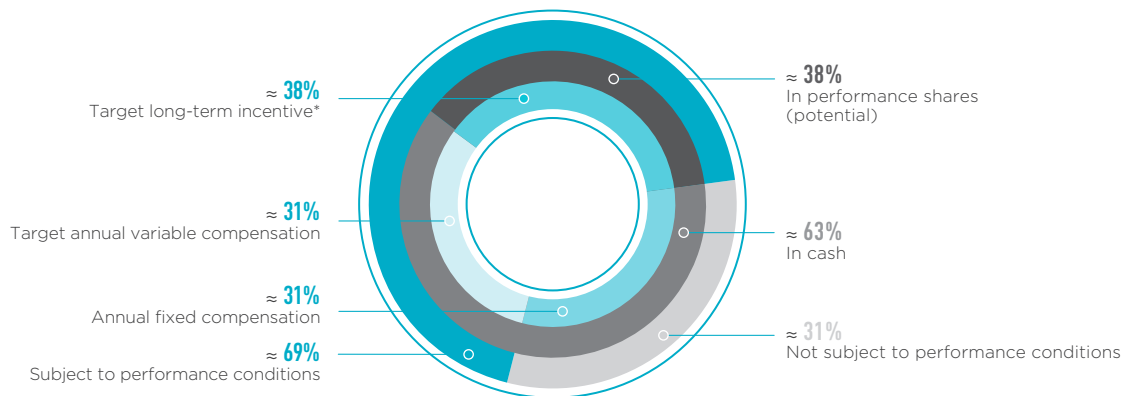
The structure of the Chief Executive Officer's compensation package comprises, on a recurring basis, annual fixed compensation (cash-settled), as well as annual variable compensation and performance shares awarded under a long-term incentive plan. This structure is applied to all of the Company's senior 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.

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions.

(2) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code.

PRESENTATION OF THE CHIEF EXECUTIVE OFFICER'S RECURRING COMPENSATION STRUCTURE



* Value at grant date in accordance with IFRS.

The Chief Executive Officer is covered by the supplementary pension and personal risk insurance plans implemented by the Group.

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.

The Chief Executive Officer's annual fixed compensation for 2021 has been kept at €800,000, unchanged from the amount set for the previous Chief Executive Officer for 2020 (see section 6.6.2.2).

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 (as adjusted, if necessary, to take into account exceptional circumstances or events), and are subject to the performance thresholds set out below.

The achievement rates of the performance objectives are assessed by the Board of Directors, based on the review and recommendations of the Appointments and Compensation Committee. The review is carried out on an objective basis, for all of the financial and individual and qualitative and quantitative objectives, as well as on an aggregate basis. The results of this assessment are published in a press release.

An overall percentage achievement rate is calculated both for (i) the financial objectives and (ii) the individual objectives, based on the applicable metrics and weightings and the achievement rates for each objective. These overall percentages are then used to calculate the actual amount due.

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 is 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 usually 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.

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.

An overall percentage achievement rate is calculated for the individual objectives based on the applicable weightings and the achievement rates for each objective. This overall percentage is then used to calculate the actual amount due.

Information on the current Chief Executive Officer's individual objectives for 2021 is provided in section 6.6.2.2 of this Universal Registration Document.

Payment condition

In accordance with the law, the payment of the Chief Executive Officer's annual variable compensation for 2021 (payable in 2022) will be subject to approval by the shareholders at the Annual General Meeting to be held in 2022.

(1) Adjusted recurring operating income (see section 2.1.2 of this Universal 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 Universal Registration Document) corresponds 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 2.0 of this Universal Registration Document and broken down in section 3.1, Note 17.

(5) Receivables unpaid at their due date, as measured at the end of the reference period.

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. Consequently, related resolutions will be submitted to the Annual General Meeting and the shareholders will be asked to approve the components of the long-term incentive system. If approved, these resolutions could be used to add to and adjust the policy applicable to the Chief Executive Officer in relation to long-term compensation.

Detailed description of the Chief Executive Officer's annual variable compensation

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 Shareholders' 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 relating to financial and economic performance 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 ROI and FCF targets for the fiscal year in which the grant takes place and for the following two fiscal years, as set in the Group's most recent medium-term plan (MTP) or in the budget based on the MTP for the fiscal year in progress, as adjusted to factor in any exceptional circumstances or events and approved by the Board of Directors before the grant date (the "Reference Target"). The following achievement levels have been set for these conditions:

- lowest achievement level: if 80% of the Reference Target is achieved, 40% of the shares contingent on that target will vest,
- target achievement level: if 100% of the Reference Target is achieved, 80% of the shares contingent on that target will vest,
- highest achievement level (cap): if 125% of the Reference 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 in linear fashion. Below the lowest achievement level, none of the shares contingent on the external performance condition will vest.

Additional conditions

As well as the portion attributed to the "standard" financial and economic performance conditions, the Board of Directors may, at its discretion, apply additional demanding and quantifiable performance conditions. These additional conditions would take into account the Group's medium-term priorities and challenges or non-financial performance conditions relating to CSR and sustainable development objectives. 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 financial and economic performance conditions.

Such additional performance conditions would not therefore affect the cap on the value of grants to be made as defined above.

The achievement rate of each performance condition is assessed by the Board of Directors, based on the review and recommendations of the Appointments and Compensation Committee. The results of this assessment are published in a press release.

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.

(1) See section 3.1, Note 2.r of this Universal Registration Document.

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 for the duration of his term of office, the Chief Executive Officer will be required to hold in registered form 40% of the vested performance shares delivered 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.

In addition, the Chief Executive Officer will be required to hold in registered form, until his term of office as Chief Executive Officer ends, a minimum of 500 of the vested performance shares delivered to him under each of the performance share plans under which he is granted performance shares during his term of office as Chief Executive Officer;

- 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.

Information on the performance share grant made to Olivier Andriès in his capacity as Chief Executive Officer since January 1, 2021 is provided in section 6.6.2.2 of this Universal Registration Document.

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 (“continuing service condition”), apart from in a limited number of usual cases (death, disability, retirement of the beneficiary and a specific decision by the Board of Directors). In particular:

- In the event of his death before the end of the vesting period, the Chief Executive Officer’s heirs or beneficiaries may ask for the performance shares to be attributed (and delivered) to them. If the achievement rate of the performance conditions is not yet known at that date, the performance conditions will be deemed to have been met.
- If the Chief Executive Officer retires before the end of the vesting period, and provided that he has been with the Group for at least one year before retirement, he will retain his rights proportionately to the time he was with the Group during the vesting period.
- The Board of Directors may grant exemptions from the continuing service condition and the requirements set out above, and may decide to maintain all or part of the beneficiary’s entitlements, in accordance with terms and conditions set by the Board.

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.

Directors’ compensation (formerly “attendance fees”)

The Chief Executive Officer does not receive any compensation in his capacity as a Director of the Company (formerly “attendance fees”). He is therefore not included in the allocation of Directors’ compensation carried out in accordance with the rules provided for in the compensation policy for Directors (see section 6.6.1.5).

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, as well as any specifically agreed personal travel expenses, and he is provided with the material resources required for performing his duties.

Supplementary pension system

Safran’s policy is to align the post-employment benefits of the Chairman and the Chief Executive Officer 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 with considerable experience and expertise, often acquired during their many years’ service with the Group, 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.

The Board decided that the current Chief Executive Officer who took up office on January 1, 2021 would be eligible for the plans and benefits described below in the same way as for the previous Chief Executive Officer, which he was already eligible for when he was an employee before he was appointed Chief Executive Officer.

The Chief Executive Officer is a beneficiary of the same plans as described in section 6.6.1.3 concerning the compensation policy for the Chairman. These plans are as follows:

Defined contribution plans (Article 83 Core Plan, Article 83 Additional Plan and Article 82 defined contribution plan)

The current Chief Executive Officer is a beneficiary of these plans under the same terms and conditions as the other plan members.

The “Article 83 Core Plan” contributions are based on the compensation subject to social security contributions that the Chief Executive Officer receives for his role as Chief Executive Officer.

The “Article 83 Additional Plan” contributions are based on the compensation subject to social security contributions that the Chief Executive Officer receives for his role as Chief Executive Officer, capped at eight times the annual social security ceiling (PASS).

The contributions to the Article 82 defined contribution plan are based on the annual fixed compensation and the annual variable compensation (subject to performance conditions) that the Chief Executive Officer receives for his role as Chief Executive Officer.

The theoretical estimated amount⁽¹⁾ at December 31, 2020 of the annuity that could be paid to the current Chief Executive Officer under the frozen Article 39 plan is disclosed in section 6.6.2.2 of this Universal Registration Document.

As provided for in the Group's Activity Transformation Agreement (see sections 5.4.4 and 5.4.5.3), employer contributions to Article 83 and Article 82 defined contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to either of those plans for the Chief Executive Officer for 2021.

"Article 39" defined benefit plan (closed to new entrants and entitlements frozen)

The current 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 6.6.1.3 of this Universal Registration Document), subject to the same terms and conditions as the other plan members. Mr. Andriès 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 current 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 6.6.1.3). These terms and conditions notably include seniority, which accounts for an additional 15.9% of the reference compensation.

The theoretical estimated amount⁽¹⁾ at December 31, 2020 of the annuity that could be paid to the current Chief Executive Officer under the frozen Article 39 plan is disclosed in section 6.6.2.2 of this Universal Registration Document.

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.

The contributions to this plan are based on the compensation subject to social security contributions that the Chief Executive Officer receives for his role as Chief Executive Officer.

Indemnities or benefits payable to the Chief Executive Officer 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.

This approach is consistent with Safran's policy - which is described below - of suspending, rather than terminating, the employment contracts of any Group senior managers who are appointed as corporate officers of the Company, and is aimed at avoiding any potential cumulation of corporate officers' and employees' benefits.

Suspension of the Chief Executive Officer's employment contract and related entitlements

Safran's policy is to suspend, rather than terminate, employment contracts when senior managers are appointed as corporate officers because, depending on their age and length of service with the Group, terminating their employment contract could deter them from moving into top executive positions on account of the rights they could lose upon such termination. This policy is aimed at favoring internal promotion of talent wherever possible, which enables Safran to propose corporate officer positions to its senior managers who have the highest level of *savoir-faire*, share and relay the Group's culture and values, and have in-depth knowledge of its markets. The objective of suspending, rather than terminating, employment contracts is not to avoid the AFEP-MEDEF Code's recommendations and guidelines relating to Chief Executive Officers (notably concerning corporate officers' departures), since reactivating an employment contract at the end of a corporate officer's term of office does not release him or her from the regulatory framework applicable to such officers.

The current Chief Executive Officer has a permanent employment contract with Safran, which has been suspended but not terminated (see section 6.4). In accordance with the collective bargaining agreement applicable to Safran (engineers and managerial-grade employees in the metallurgy industry), the rights attached to a suspended employment contract may include benefits or indemnities provided for under French labor law. Consequently, when the current Chief Executive Officer ceases to hold his corporate office and his employment contract resumes:

- On his retirement date, he may be eligible for a retirement bonus. This retirement bonus would be calculated based on (i) the Chief Executive Officer's seniority within the Company (taking into account the years during which his employment contract was suspended when he was a corporate officer), and (ii) his annual compensation (based on a reference salary corresponding to the salary he was earning when his employment contract was suspended), adjusted based on a percentage representing the average of the individual salary increases applied at Safran during the contract suspension period.
- If the employment contract is terminated by Safran, the Chief Executive Officer may be entitled to a termination benefit and a six-month notice period. This termination benefit would be calculated based on (i) his seniority within the Company (taking into account the years during which his employment contract was suspended when he was a corporate officer), and (ii) his compensation (based on a reference salary corresponding to the salary he was earning when his employment contract was suspended), adjusted based on a percentage corresponding to the average of the individual salary increases applied at Safran SA during the contract suspension period.

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions.

Exceptional circumstances or events

If any significant exceptional circumstances or events occur, i.e., circumstances or events that are out of the ordinary or beyond the Company's control, whose effects are not taken into account or reflected in the original metrics, criteria or benchmarks or those on which the current compensation policy concerning annual variable compensation and long-term incentive bonuses is based, the Board of Directors may decide, on the recommendation of the Appointments and Compensation Committee, to adapt and adjust these metrics, criteria or benchmarks, notably by raising or lowering the performance targets, to take the impact of these circumstances or events into account. However, any caps on this type of compensation expressed in terms of a percentage of the Chief Executive Officer's fixed compensation may not be altered.

If any adjustments are made as a result of exceptional events or circumstances:

- the Board of Directors will ensure that these adjustments (i) are designed to restore, to a reasonable extent, the original balance or objective, as adjusted for the expected impact of the event over the period concerned and (ii) maintain alignment with the Company's interests, strategy and outlook;
- the adjustments and the reasons therefor will be disclosed in a press release.

Adaptation of the compensation policy for the Chief Executive Officer in the event of a new Chief Executive being appointed or the duties of an existing Chief Executive Officer ceasing during the year

If a new Chief Executive Officer is appointed or the duties of an existing Chief Executive Officer cease during the course of a year, the above principles will apply on a proportionate basis for the period during which he performs his duties.

In the case of a new appointment, these principles will be applied by taking as the reference point the annual fixed compensation decided by the Board of Directors when the new Chief Executive Officer is appointed.

However, if an appointment takes place during the second half of the year, the assessment of the Chief Executive Officer's performance for the purpose of calculating his or her annual variable compensation will be carried out by the Board of Directors on a discretionary basis, on the recommendation of the Appointments and Compensation Committee. The rationale underpinning the determination of the performance criteria achievement rate would be disclosed in a press release.

Concerning long-term incentive plans (which take the form of performance share grants), the plan rules provide for a limited number of exceptions to the continuing service condition, as stated above, notably the possibility for the Board of Directors to grant exemptions from the continuing service condition. Accordingly, the Board may decide that on the expiration of the Chief Executive Officer's term of office, he may retain all or some of his entitlement to the long-term incentive plan benefits he has accrued, based on terms and conditions set by the Board. The rationale underpinning this decision, as well as the decision about what happens to the vested rights under the plan, would be disclosed in a press release.

Adaptation of the policy for Deputy Chief Executive Officers

If the Company appoints any Deputy Chief Executive Officers, the compensation structure, principles and criteria provided for

in the compensation 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).

6.6.1.5 Compensation policy for Directors

The compensation policy for Directors for 2021 is unchanged compared with the policy approved at the May 28, 2020 Annual General Meeting. At that meeting, the shareholders set the aggregate annual amount of compensation that may be allocated to the Directors for their duties at €1,100,000.

Principles

Article 17 of the Company's bylaws provides for compensation to be paid to the Directors.

In accordance with the law, the shareholders in a General Meeting set the aggregate annual amount of compensation that may be allocated to the Directors as consideration for their duties (the "Aggregate Compensation"). The Aggregate Compensation is set by way of a resolution put to the shareholders' vote. The Aggregate Compensation approved by the shareholders remains unchanged and applies for each successive fiscal year until decided otherwise by way of a new resolution adopted by the shareholders at a General Meeting.

The rules for allocating the Aggregate Compensation (the "Allocation Rules") are set by the Board of Directors and are also submitted to shareholders via the vote to approve the Directors' compensation policy.

The Allocation Rules take into account Directors' actual attendance at meetings of the Board and its Committees, and therefore include a significant variable portion. The amount of compensation paid to each Director must be adapted to their specific level of responsibility and the time they devote to their duties.

The Aggregate Compensation is allocated between the Directors by the Board, by applying the Allocation Rules, resulting in the individual amounts provided for in accordance with said rules.

The individual amounts paid to each Director are set out in the corporate governance report (see section 6.6.3).

The Chairman of the Board of Directors and the Chief Executive Officer do not receive any compensation amounts out of the Aggregate Compensation, as stipulated in their compensation policies (see sections 6.6.1.2 and 6.6.1.3 of the 2018 Registration Document, sections 6.6.1.3 and 6.6.1.4 of the 2019 Universal Registration Document and sections 6.6.1.3 and 6.6.1.4 of this Universal Registration Document).

In accordance with the applicable regulations, the Directors' compensation allocated to the representative of the French State and Directors put forward by the French State are paid to the French Treasury when those Directors act in the capacity of public agents.

The cases in which the payment of compensation to Directors must be suspended are also set out in the applicable regulations.

Allocation Rules

In accordance with the Allocation Rules set by the Board of Directors⁽¹⁾, the Aggregate Compensation is allocated as follows (which may not necessarily represent the full amount of the Aggregate Compensation):

- The representative of the French State appointed pursuant to Article 4 of *ordonnance* 2014-948 dated August 20, 2014 and the Director(s) appointed pursuant to Article 6 of said *ordonnance* do not directly receive Directors' compensation when they act in the capacity of public agents. Instead, their portion of the Aggregate Compensation is paid directly by the Company to the French Treasury. For compensation allocated to Directors appointed pursuant to Article 6 of said *ordonnance* who are not public agents, the same applies to any amount that exceeds the cap set in the ministerial decree of December 18, 2014 implementing section V of Article 6 of said *ordonnance*.
- Irrespective of whether or not the role of Chairman of the Board of Directors is separate from that of Chief Executive Officer, the Chairman and the Chief Executive Officer (if he is a Director) are not entitled to Directors' compensation and are not included in the allocation of compensation carried out by the Board in accordance with the Allocation Rules.
- For membership of the Board of Directors:

Annual fixed compensation:

 - Each Director (excluding the Chairman and the Chief Executive Officer if he is a Director) and any Board Advisors (*censeurs*) is entitled to annual fixed compensation whose amount is set by the Board of Directors.
 - If a new Director is appointed (or elected) during a given year, or if a directorship ceases during a given year, this annual fixed compensation is calculated proportionately based on the number of Board meetings held during the year.

Variable compensation per Board meeting:

 - Each Director (excluding the Chairman and the Chief Executive Officer if he is a Director) and any Board Advisors (*censeurs*) is entitled to variable compensation for each Board meeting he or she attends, the amount of which is set by the Board of Directors.
- For membership of the Board Committees - Variable compensation per Committee meeting:
 - Each Director (including the Chair(s) of temporary committees, but excluding the Chairman and the Chief Executive Officer if he is a Director) is entitled to variable compensation for each meeting he or she attends of any Committee(s) of which he or she is a member (or each meeting of any temporary committee that he or she chairs). The amount of this variable compensation is set by the Board of Directors.
 - Each Chair of a standing Board committee (excluding, where applicable, the Chairman and the Chief Executive Officer if he is a Director) is entitled to a higher amount of variable compensation for each standing Committee meeting that he or she chairs. The amount of this variable compensation is set by the Board of Directors.
- Additional compensation for geographical distance:
 - Directors residing outside Metropolitan France are entitled to an additional amount of variable compensation per Board and Committee meeting that he or she physically attends. The amount of this additional variable compensation is set by the Board of Directors.

- Cap and potential adjustment:
 - A maximum annual gross amount of Directors' compensation is set per Director by the Board of Directors. If the application of the Allocation Rules leads to an individual annual gross amount of Directors' compensation exceeding this cap, the individual allocation of the Director(s) concerned will be reduced to this cap, before any adjustment is made.
 - If the application of the Allocation Rules leads to a total amount of compensation to be allocated that is higher than the Aggregate Compensation set by the shareholders, said total amount will be decreased by reducing, on an equal proportionate basis, each individual allocation (rounded down to the nearest euro where necessary), such that the total amount allocated is equal to the Aggregate Compensation.
- Each year, the Board of Directors places on record the overall and individual allocation of the Directors' compensation resulting from the application of the Allocation Rules. Where appropriate, the Board may decide to allocate any residual unallocated amount corresponding to the difference between the Aggregate Compensation set by the shareholders and the total allocated amount resulting from the application of the Allocation Rules.

Reimbursement of expenses

Each member of the Board of Directors is entitled to be reimbursed for travel expenses incurred in connection with their directorship, subject to providing the appropriate receipts.

Specific or one-off assignments

Directors may be allocated additional compensation if they carry out specific assignments, such as, by way of illustration, those performed by the Vice-Chairman or the Lead Independent Director. In such a case, the Board may decide to set specific amounts for this purpose that will be taken into account when applying the Allocation Rules for the Aggregate Compensation.

Directors may also be paid additional compensation for any one-off assignments they may carry out, in which case the payment of this additional compensation will be subject to the procedure applicable to related-party agreements.

Additional information

For information purposes, it is hereby disclosed that:

- The amount of the Aggregate Compensation to be allocated among the Directors, as approved by the shareholders at the 2020 Annual General Meeting and still applicable for 2021, is €1,100,000.
- The total amount of the allocations made to each Director may not exceed the maximum authorized amount of the Aggregate Compensation in effect, as set by the shareholders at the Annual General Meeting.
- The following table shows the amounts of fixed and variable compensation allocated to Directors based on attendance at Board and/or Committee meetings in accordance with the Allocation Rules set by the Board of Directors. These Allocation Rules have been used since 2020 and are unchanged compared with the rules referred to in the compensation policy for Directors approved at the 2020 Annual General Meeting.

(1) Rules set on February 26, 2018 and applicable as from 2018.

| Amounts set for the purpose of applying the Allocation Rules: | Applicable since 2020 and remaining applicable for subsequent years (in euros) |
|---|--|
| Annual fixed compensation per Director (full-year basis)(excluding the Chairman and the Chief Executive Officer) | 11,000 |
| For attendance at Board meetings: | |
| ■ Variable compensation per Board meeting for the Directors: (no Directors' compensation for the Chairman and the Chief Executive Officer) | 5,000 |
| For attendance at meetings of the standing Board committees and special temporary committees: | |
| ■ Variable compensation per meeting for the Chairs of the standing committees | 9,000 |
| ■ Variable compensation per meeting for committee members (including for the Chairs of special temporary committees) | 5,000 |
| Additional compensation for geographical distance, based on physical attendance per Board and/or committee meeting | |
| ■ Cross-Atlantic travel or equivalent | +3,500 |
| ■ Travel from a European country | +1,250 |
| Annual cap on individual Directors' compensation paid out of the Aggregate Compensation | 130,000 |
| Annual cap on the Aggregate Compensation (approved at the May 28, 2020 AGM) | 1,100,000 |

■ If there are any major changes in the membership structure and work of the Board or the Board Committees or if their Chair changes during a given year, or if any significant exceptional circumstances or events occur, the Board may adjust these amounts accordingly, provided the weighting of the variable portion of Directors' compensation still represents the majority of the individual amounts

allocated. In all circumstances, any such adjustments may not result in the total final allocation exceeding the amount of the Aggregate Compensation in effect at the time the adjustment(s) are made.

The table summarizing the Directors' compensation paid or payable to members of the Board of Directors for 2019 and 2020 is provided in section 6.6.3.

6.6.2 Compensation and benefits of the Chairman and the Chief Executive Officer for 2020 (and components of compensation and benefits for 2021 that have already been set)

The following section sets out the compensation and benefits of:

- the Chairman of the Board of Directors, Ross McInnes, for 2020 as well as the components of his compensation for 2021 that have already been set by the Board of Directors;
- the current Chief Executive Officer, Olivier Andriès, for the compensation components for 2021 that have already been set by the Board of Directors;
- the former Chief Executive Officer, Philippe Petitcolin, for 2020, as well as information about the terms and conditions of his departure as Chief Executive Officer.

6.6.2.1 Compensation and benefits of the Chairman of the Board of Directors for 2020 and components of his compensation and benefits for 2021 that have already been set

In his role as Chairman of the Board of Directors, in 2020 Ross McInnes received a fixed amount of annual compensation. He does not receive any variable compensation or Directors' compensation (formerly "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 2020 is in line with the compensation policy described in section 6.6.1.3 of the 2019 Universal Registration Document, which was approved by the shareholders at the Annual General Meeting of May 28, 2020.

The compensation and benefits of the Chairman of the Board of Directors are summarized in the tables in section 6.6.2.4 of this Universal Registration Document.

Fixed compensation for 2020 and 2021

At its meeting on March 26, 2020, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to keep the Chairman's annual fixed compensation at €450,000 for 2020, i.e., unchanged from 2019.

The Chairman's annual fixed compensation has been kept at €450,000 for 2021.

Directors' compensation (formerly "attendance fees") for 2020

The Chairman did not receive any compensation in his capacity as a Director in 2020, in accordance with the compensation policy approved at the Annual General Meeting of May 28, 2020 (see section 6.6.1.3 of the 2019 Universal Registration Document and section 6.6.1.3 of this Universal 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 (see section 6.6.1.3 of this Universal Registration Document), 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.

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, pursuant to the legal provisions applicable at that date.

The corresponding expense recognized in the 2020 financial statements amounted to €5,974.08.

Supplementary pension system in 2020

No specific supplementary pension system was in place for the Chairman of the Board of Directors.

“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 (see section 6.6.1.3 of this Universal Registration Document), subject to the same terms and conditions as the other plan members.

The 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 legal provisions applicable at that date.

The expenses recorded in the 2020 financial statements relating to the contributions paid for Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €12,135.12 and €14,191.92 respectively.

At December 31, 2020, the estimated theoretical amount⁽¹⁾ of the annuities that could be paid to Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €8,373.36 and €2,560.97 respectively.

As provided for in the Group's Activity Transformation Agreement (see sections 5.4.5 and 5.4.6.3), employer contributions to Article 83 and Article 82 defined contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to either of those plans for the Chairman for 2021.

“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 (see section 6.6.1.3).

Under the Article 82 Plan, the Insurer Contribution and Additional Payment for the Chairman for 2020 totaled €43,762.56 each (i.e., €87,525.12 altogether), corresponding in each case to 9.725% of his reference compensation (19.45% in total).

At December 31, 2020, the estimated theoretical amount⁽²⁾ of the annuity that could be paid to the Chairman under the Article 82 Plan was €6,861.

As provided for in the Group's Activity Transformation Agreement (see sections 5.4.5 and 5.4.6.3), employer contributions to Article 83 and Article 82 defined contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to either of those plans for the Chairman for 2021.

“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 in section 6.6.1.3 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.

At December 31, 2020, the estimated theoretical amount⁽²⁾ of the annuity that could be paid to Ross McInnes corresponded to the cap set in the plan, i.e., €123,408 (corresponding to three times the annual social security ceiling [PASS], based on the 2021 value of the PASS, which is unchanged from 2020).

Indemnities or benefits payable for the termination of office or a change in duties – Non-compete indemnities

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.

As previously announced (see sections 6.1.1 and 8.2.1 of the 2018 Registration Document), the Chairman terminated his employment contract when his term of office was renewed on May 23, 2019. He did not receive any severance pay or other specific benefits on the termination of his employment contract. At that date, he lost the entitlements to severance pay and retirement bonuses associated with his employment contract (see section 6.6.2.1 of the 2018 Registration Document).

6.6.2.2 Compensation and benefits for 2021 of the current Chief Executive Officer, Olivier Andriès – Information available to date

In his role as Chief Executive Officer, Olivier Andriès' compensation package for 2021 comprises annual fixed compensation, annual variable compensation and performance shares awarded under a long-term incentive plan. He continues 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 has the use of a company car as a benefit-in-kind and can claim travel expenses.

The structure of Olivier Andriès' compensation package for 2021 is in line with the compensation policy described in section 6.6.1.4. No changes have been made that alter the substance of this package compared with the package approved for the former Chief Executive Officer at the last Annual General Meeting.

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions (in accordance with Article D.225-29-3 of the French Commercial Code).

(2) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions.

(3) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code.

Fixed compensation for 2021

At its meeting on December 16, 2020, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors set Olivier Andriès' annual fixed compensation for 2021 at €800,000, unchanged from the amount set for 2020 for the former Chief Executive Officer. This decision was taken in view of the prevailing situation (the Covid-19 pandemic and the crisis in the aerospace industry), as well as Safran's Activity Transformation Agreement which includes wage restraint measures.

Annual variable compensation for 2021

The Chief Executive Officer's variable compensation for 2021 will be set based on the terms and conditions of the applicable compensation policy, as approved by shareholders at the Annual General Meeting.

It will be determined as follows:

- two-thirds will be contingent on the following quantitative financial performance objectives:
 - recurring operating income (ROI) (60% weighting),
 - free cash flow (FCF) (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 for 2021 (see table below).

The table below summarizes the main rules applicable to the Chief Executive Officer's annual variable compensation for 2021 as well as the underlying performance objectives and their respective weightings, as set by the Board of Directors on February 24, 2021 based on the recommendation of the Appointments and Compensation Committee.

2021 annual variable compensation for the Chief Executive Officer – Olivier Andriès

(payment subject to shareholders' approval at the 2022 Annual General Meeting):

The compensation policy currently applicable to the Chief Executive Officer provides that his "target" variable compensation - i.e., the amount payable if the achievement rate is 100% for all of the financial and individual performance objectives - 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 - will represent a maximum of 150% of his annual fixed compensation.

- Target amount: €800,000, i.e., 100% of his fixed compensation if the achievement rate for all of the objectives is 100%
- Maximum amount: €1,200,000, i.e., 150% of his fixed compensation if the achievement rate for all of the objectives is 130%

2021 financial performance objectives

(quantitative financial objectives)*

Weighting

Accounting for two-thirds of the CEO's annual variable compensation (67%)

| | | |
|---|---|-----|
| 1 | Recurring operating income (ROI) | 60% |
| 2 | Free cash flow (FCF) | 30% |
| 3 | Working capital (10%), comprising the following components: | |
| | ■ Operating assets (Inventories) | 5% |
| | ■ Unpaid receivables (late customer payments) | 5% |

Sub-total (base: 100%)

100%

2021 individual objectives

(qualitative and quantitative individual performance objectives)*

Weighting

Accounting for one-third of the CEO's annual variable compensation (33%)

| | | |
|---|---|-----|
| 1 | Management of the Covid crisis and relations with aircraft manufacturers (qualitative and quantitative) | 15% |
| 2 | R&T - Climate (qualitative and quantitative): | 30% |
| | ■ Actions to ensure alignment with partners on decarbonization strategy | |
| | ■ Actions to promote Sustainable Aviation Fuels (SAF) | |
| | ■ Collaborative progress in aerospace R&T programs and related milestones | |
| 3 | Digital/Cybersecurity (qualitative): | 30% |
| | ■ Group digital roadmap and key projects | |
| | ■ Cyber action plan | |
| | ■ Rollout of a data organization program | |
| 4 | CSR & human capital (qualitative and quantitative): | 25% |
| | ■ Safety: frequency rate of occupational accidents maintained at the 2020 level | |
| | ■ CSR & human capital: implementation of the new CSR strategy with two main focuses in 2021: | |
| | ● Improving the gender equality ratio (Group Executive Committee and companies' management committees) | |
| | ● Low-carbon project: deploying the "Scopes 1 & 2" plan on a company-by-company basis, increasing the use of bio-fuels in engine tests, and making progress on the "Scope 3" plan to be published in 2022 | |

Sub-total (base: 100%)

100%

* The content of the individual qualitative objectives and the expected achievement rates for the quantitative objectives have been precisely pre-determined and defined, but cannot be disclosed in further detail for confidentiality reasons in view of their strategic and competitive sensitivity.

The achievement of the financial and individual objectives set for the new Chief Executive Officer's variable compensation for 2021 will be reviewed by the Board of Directors, after consultation with the Appointments and Compensation Committee.

Payment of this annual variable compensation for 2021 will be subject to shareholders' approval at the 2022 Annual General Meeting.

Directors' compensation (formerly "attendance fees") for 2021

The Chief Executive Officer will not be allocated any Directors' compensation for 2021, in accordance with the compensation policy described in section 6.6.1.4. No changes have been made that alter the substance of this policy compared with the compensation policy approved at the last Annual General Meeting.

2021 Long-Term Incentive Plan (performance shares)

At its meeting on March 24, 2021, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors used the authorization granted by the shareholders in the 30th resolution of the May 23, 2019 Annual General Meeting to grant performance shares to certain Group managers and senior executives (see section 6.6.4.4).

The Board granted 14,466 performance shares to the Chief Executive Officer, representing less than 5% of the total grant, in compliance with the compensation policy described in section 6.6.1.4. No changes have been made that alter the substance of this policy compared with the compensation policy approved at the last Annual General Meeting⁽¹⁾.

All of the performance shares granted to the Chief Executive Officer are subject to the condition that he is still with the Group when the shares vest ("continued presence condition") and to the achievement of internal and external performance conditions (see section 6.6.4.4 of this Universal Registration Document).



The two "standard" internal performance conditions count for 70% of the total vested shares and are based on:

- ROI, for 50%; and
- FCF, for 50%.

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 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.

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 ("continuing service condition"), 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 (2021-2023) 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 delivered under this plan or any other plans until the number of shares he holds represents the equivalent of one year of his most recent annual fixed compensation. In addition, the Chief Executive Officer will be required to hold in registered form, until his term of office as Chief Executive Officer ends, a minimum of 500 of the vested performance shares delivered to him under this plan and any other plan under which he is granted performance shares during his term of office as Chief Executive Officer.

The accounting value of these performance shares, as measured at the grant date in accordance with IFRS 2 (see section 3.1, Note 2.r of this Universal Registration Document - i.e., March 24, 2021), corresponds to €959,963.76.

Personal risk insurance plan

As decided by the Board of Directors on December 16, 2020, the Chief Executive Officer is a beneficiary of Safran's personal risk insurance plan set up in France for all Group managerial-grade staff (see section 6.6.1.4), subject to the same terms and conditions as the other plan members. The Chief Executive Officer was previously a beneficiary of this plan in his former capacity as a Company employee.

(1) 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 - see section 3.1 Note 2.r of this Universal Registration Document), as estimated at the grant date.

Supplementary pension system in 2021

No specific supplementary pension system has been put in place for the Chief Executive Officer.

“Article 83” defined contribution plans

In accordance with a decision taken by the Board of Directors on December 16, 2020, 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 (see section 6.6.1.4), subject to the same terms and conditions as the other plan members. The Chief Executive Officer was previously a beneficiary of these plans in his capacity as a Company employee.

At December 31, 2020, the estimated theoretical amount⁽¹⁾ of the annuities that could be paid to the new Chief Executive Officer under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €11,864 and €1,894 respectively.

As provided for in the Group’s Activity Transformation Agreement (see sections 5.4.5 and 5.4.6.3), employer contributions to Article 83 and Article 82 defined contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to either of those plans for the new Chief Executive Officer for 2021.

“Article 82” defined contribution plan

In accordance with a decision taken by the Board of Directors on December 16, 2020, the new 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 6.6.1.4).

At December 31, 2020, the estimated theoretical amount⁽¹⁾ of the annuity that could be paid to the new Chief Executive Officer under the Article 82 Plan was €18,409.

As provided for in the Group’s Activity Transformation Agreement (see sections 5.4.5 and 5.4.6.3), employer contributions to Article 83 and Article 82 defined contribution supplementary pension plans have been frozen for 2021. Consequently, no contributions will be made to either of those plans for the new Chief Executive Officer for 2021.

“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 6.6.1.4), subject to the same terms and conditions as the other plan members. Mr. Andriès 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.

At December 31, 2020, the estimated theoretical amount⁽¹⁾ of the annuity that could be paid to the new Chief Executive Officer corresponded to the cap set in the plan, i.e., €123,408 (corresponding to three times the annual social security ceiling [PASS], based on the 2021 value of the PASS, which is unchanged from 2020).

Indemnities or benefits payable for the termination of office or a change in duties – Non-compete indemnities

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.

Suspension of the Chief Executive Officer’s employment contract and related entitlements

On December 16, 2020, when Olivier Andriès was appointed Chief Executive Officer, the Board of Directors decided and placed on record that his employment contract with Safran entered into on March 1, 2008 would be suspended as from January 1, 2021 (see section 6.4).

The new Chief Executive Officer’s employment contract was therefore automatically suspended on the date he took up office. This Board decision is in line with the Group’s strategy (see section 6.6.1.4) of favoring internal promotion of talent wherever possible, which enables Safran to propose corporate officer positions to its senior managers who have the highest level of *savoir-faire*, share and relay the Group’s culture and values, and have in-depth knowledge of its markets.

The entitlements attached to Olivier Andriès’ employment contract, as at the date of its suspension and based on a seniority of 12 years and 10 months, are as follows:

- When he ceases to serve as Chief Executive Officer and his employment contract resumes, on retirement he may be entitled to a retirement bonus pursuant to French labor law. In accordance with the collective bargaining agreement applicable to engineers and managerial-grade employees in the metallurgy industry, this retirement bonus would be calculated based on (i) his seniority within the Company (taking into account the years during which his employment contract was suspended when he was a corporate officer), and (ii) his annual compensation (based on a reference salary corresponding to the salary he was earning when his employment contract was suspended), adjusted based on a percentage representing the average of the individual salary increases applied at Safran during the contract suspension period. For information purposes, at December 31, 2020 this retirement bonus amounted to €174,046.
- After his employment contract resumes when he ceases to serve as Chief Executive Officer and if the contract is then terminated by Safran, he may be entitled to a termination benefit pursuant to French labor law, as well as to a six-month notice period. In accordance with the collective bargaining agreement applicable to engineers and managerial-grade employees in the metallurgy industry, this termination benefit would be calculated based on (i) his seniority within the Company (taking into account the years during which his employment contract was suspended when he was a corporate officer), and (ii) his compensation (based on a reference salary corresponding to the salary he was earning when his employment contract was suspended), adjusted based on a percentage representing the average of the individual salary increases applied at Safran SA during the contract suspension period. For information purposes, at December 31, 2020 this termination benefit amounted to €554,338.
- The payment of his paid vacation entitlements accrued and not taken prior to the suspension of his employment contract, adjusted based on a percentage corresponding to the average of the individual salary increases applied at Safran during the suspension period.

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions (in accordance with Article D.225-29-3 of the French Commercial Code).

- An employee's salary corresponding to (i) the fixed compensation he was earning in his capacity as an employee on the date his employment contract was suspended, adjusted based on a percentage corresponding to the average of the individual salary increases applied at Safran during the suspension period, plus (ii) annual variable compensation, whose target amount (i.e., if the applicable objectives are achieved) would represent 70% of his fixed compensation.

6.6.2.3 Compensation and benefits for 2020 of the former Chief Executive Officer, Philippe Petitcolin, and information on the terms and conditions of his departure as Chief Executive Officer

6.6.2.3.1 Compensation and benefits for 2020 of the former Chief Executive Officer, Philippe Petitcolin, whose term of office ended on December 31, 2020

In his role as Chief Executive Officer, Philippe Petitcolin's compensation package for 2020 included annual fixed compensation, annual variable compensation and performance shares awarded under a long-term incentive plan. Philippe Petitcolin 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 the former Chief Executive Officer's compensation package for 2020 is in line with the compensation policy described in section 6.6.1.4 of the 2019 Universal Registration Document, which was approved by the shareholders at the Annual General Meeting of May 28, 2020.

The compensation and benefits of the former Chief Executive Officer are summarized in the tables in section 6.6.2.4 of this Universal Registration Document.

Fixed compensation for 2020

At its meeting on March 26, 2020, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to keep the annual fixed compensation of the former Chief Executive Officer, Philippe Petitcolin, at €800,000 for 2020, i.e., unchanged from 2019.

Annual variable compensation for 2020

The former Chief Executive Officer's annual variable compensation for 2020 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 28, 2020, as described in section 6.6.1.4 of the 2019 Universal Registration Document.

At its meeting on February 24, 2021, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors set the amount of the annual variable compensation to be awarded for 2020 to the former Chief Executive Officer, Philippe Petitcolin, based on the terms and conditions of the compensation policy approved by the shareholders at the 2020 Annual General Meeting.

Based on the achievement levels of the applicable financial and individual objectives, the amount of Philippe Petitcolin's annual variable compensation for 2020 totals €309,333, representing 38.7% of his annual fixed remuneration. Its payment will be subject to shareholders' approval at the 2021 Annual General Meeting.

This amount reflects:

- an overall achievement rate of 9% for the portion related to the Group's financial performance (accounting for two-thirds of the variable compensation), for which the objectives related to:
 - recurring operating income (ROI) (60% weighting): 0% achievement,
 - free cash flow (FCF) (30% weighting): 0% achievement,
 - working capital, comprising the following components:
 - operating assets (Inventories) (5% weighting): 110% achievement, and
 - unpaid receivables (5% weighting): 71% achievement;
- an overall achievement rate of 98% for the portion related to individual quantitative and qualitative performance objectives (accounting for one-third of the variable compensation). The table below summarizes the main rules applicable to the former Chief Executive Officer's variable compensation for 2020 as well as the underlying performance objectives and their respective weightings:

2020 annual variable compensation for the former Chief Executive Officer – Philippe Petitcolin – Results

(payment subject to shareholders' approval at the 2021 Annual General Meeting):

The compensation policy applicable to the former Chief Executive Officer provided that his "target" variable compensation – i.e., the amount payable if the achievement rate was 100% for all of the financial and individual performance objectives – would correspond to 100% of his annual fixed compensation (the "Target").

If the former Chief Executive Officer outperformed his objectives, his "maximum" variable compensation (the "Cap") – i.e., the amount payable if the achievement rate was 130% for all of the financial and individual performance objectives – would represent a maximum of 150% of his annual fixed compensation.

- Target amount: €800,000, i.e., 100% of his fixed compensation if the achievement rate for all of the objectives was 100%
- Maximum amount: €1,200,000, i.e., 150% of his fixed compensation if the achievement rate for all of the objectives was 130%

| Objectives | Weighting | Achievement rate* | Comments** |
|---|-----------|-------------------|--|
| FINANCIAL PERFORMANCE OBJECTIVES (QUANTITATIVE FINANCIAL OBJECTIVES) | | | |
| <u>Accounting for two-thirds</u> of the former CEO's annual variable compensation (67%) | | | |
| 1. Recurring operating income (ROI) | 60% | 0% | The recurring operating income and free cash flow objectives were not met because the reference budget used for measuring the achievement rates for the financial performance objectives was the budget approved before the sudden outbreak of the Covid-19 crisis and its impact on the aerospace sector. The metrics of the former Chief Executive Officer's annual variable compensation policy were not adjusted as this represented his contribution to the wage restraint efforts that the Group asked of its employees in view of the current crisis. |
| 2. Free cash flow (FCF) | 30% | 0% | |
| 3. Working capital, comprising the following components: | 10% | | |
| ■ Operating assets (Inventories) | 5% | 5.5% | |
| ■ Unpaid receivables (late customer payments) | 5% | 3.5% | |
| Sub-total (base: 100%) | 100% | 9% | (Potential range: 0% to 130%) |
| Amount (in €) | | €48,000 | Representing 9% of two-thirds of the former CEO's reference fixed compensation of €800,000 |
| INDIVIDUAL OBJECTIVES (QUALITATIVE AND QUANTITATIVE INDIVIDUAL PERFORMANCE OBJECTIVES)* | | | |
| <u>Accounting for one-third</u> of the former CEO's annual variable compensation (33%) | | | |
| 1. Overcome and manage the Covid-19 crisis (quantitative and qualitative) | 20% | 26% | Outperformed – Within an operating context of businesses being heavily affected by the crisis, pro-actively and swiftly put in place priority action plans and the necessary large-scale adaptation measures, demonstrating the Group's agility and resilience (protecting employees, meeting customer needs, managing cash and liquidity, streamlining the industrial footprint, reducing capex, purchases and operating expenses, and implementing workforce adjustment plans). |
| 2. Prepare a smooth management transition (qualitative) | 40% | 20% | Partial achievement of transition and integration measures to help and support his successor in accordance with the timeline set by the Board of Directors. |
| 3. Business activities & R&T: | 20% | 26% | Outperformed: |
| ■ Business: relations with aircraft manufacturers and capex levels (qualitative and quantitative) | | | ■ Steps taken to collaborate more closely with aircraft manufacturers |
| ■ R&T: Safran's climate program, core digital transformation projects and program support (qualitative and quantitative) | | | ■ Measures implemented for R&T financing |
| | | | ■ Digital transformation plans carried out despite the pandemic |
| | | | ■ Consolidation of assumptions and communication on the decarbonization strategy (including alternative fuels) |
| 4. CSR & human capital: | 20% | 26% | Outperformed: |
| ■ Environment (qualitative and quantitative): - Deployment of low-carbon project, related objectives and Scope 3 definition; - Alignment of CSR policy and organization with the Group's climate and environment strategy | | | ■ Low-carbon plan put in place (Scopes 1 & 2) and progress made on Scope 3; - CSR policy drawn up with input from employees |
| ■ Safety: further reduction in the frequency rate of occupational accidents (quantitative) | | | ■ Sharp reduction in the frequency rate of occupational accidents |
| ■ Human capital: hiring-related initiatives (schools, gender balance and internationalization) (quantitative) | | | ■ Due to Covid-19, the workforce adjustment plans and Group activity transformation agreement put in place were taken into account |
| Sub-total (base: 100%) | 100% | 98% | (Potential range: 0% to 130%) |
| Amount (in €) | | €261,333 | Representing 98% of one-third of the former CEO's reference fixed compensation of €800,000 |
| TOTAL (in €) | | €309,333 | Representing 38.7% of the former CEO's reference fixed compensation of €800,000 |

* Corresponding to the relevant weighting multiplied by the achievement rate of the objective. For example, where an objective with a 20% weighting is 130% achieved (therefore corresponding to outperformance), the overall achievement rate is 26% (i.e., 20 x 130%).

** The precise content of each of these individual objectives, as well as the expected achievement rates for the quantitative objectives had been precisely pre-determined and defined, but cannot be disclosed in further detail for confidentiality reasons in view of their strategic and competitive sensitivity.

Payment of Philippe Petitcolin's annual variable compensation for 2020 is subject to shareholders' approval at the Annual General Meeting to be held on May 26, 2021.

Directors' compensation (formerly "attendance fees") for 2020

The former Chief Executive Officer did not receive any Directors' compensation for 2020, in accordance with the compensation policy approved at the Annual General Meeting of May 28, 2020 (see section 6.6.1.4 of the 2019 Universal Registration Document).

2020 Long-Term Incentive Plan (no performance shares granted to the former Chief Executive Officer)

Acting on the recommendation of the Appointments and Compensation Committee, at its March 26, 2020 meeting, the Board of Directors granted performance shares to certain Group managers and senior executives under the 2020 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 (see section 6.6.4.2).

No performance shares were granted to Philippe Petitcolin under the 2020 Long-Term Incentive Plan, given that his term of office was due to expire at the end of 2020 (i.e., within less than a year of the grant date).

Personal risk insurance plan

As decided by the Board of Directors on April 23, 2015, Philippe Petitcolin was a beneficiary of Safran's personal risk insurance plan set up in France for all Group managerial-grade staff (see section 6.6.1.4), subject to the same terms and conditions as the other plan members. He was previously a beneficiary of this plan in his former capacity as a Company 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, pursuant to the legal provisions applicable at that date.

The corresponding expense recognized in the 2020 financial statements amounted to €5,752.20.

Supplementary pension system in 2020

No specific supplementary pension plan was in place for the former Chief Executive Officer.

"Article 83" defined contribution plans

By way of a decision taken by the Board of Directors on February 26, 2018, Philippe Petitcolin was a beneficiary of Safran's two defined contribution supplementary pension plans set up in France for all Group managerial-grade staff (see section 6.6.1.4) 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⁽¹⁾.

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 25, 2018, pursuant to the legal provisions applicable at that date.

The expenses recorded in the 2020 financial statements relating to the contributions paid for Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €28,589.52 and €14,191.92 respectively.

At December 31, 2020, the estimated theoretical amount⁽²⁾ of the annuities that could have been paid to Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €31,896.26 and €2,777.16 respectively.

"Article 82" defined contribution plan

In accordance with a decision taken by the Board of Directors on March 23, 2017, Philippe Petitcolin was 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 6.6.1.4).

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 June 15, 2017, pursuant to the legal provisions applicable at that date.

Under the Article 82 Plan, the Insurer Contribution and Additional Payment for Philippe Petitcolin for 2020 totaled €224,136 each (i.e., €448,272 altogether), corresponding in each case to 12.735% of his reference compensation (25.47% in total).

At December 31, 2020⁽²⁾ the estimated theoretical amount of the annuity that could have been paid to Philippe Petitcolin under the Article 82 Plan was €34,605.

"Article 39" defined benefit plan (closed to new entrants and entitlements frozen)

Philippe Petitcolin 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 6.6.1.4), 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 former 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.

At December 31, 2020, 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., €123,408 (corresponding to three times the annual social security ceiling [PASS], based on the 2021 value of the PASS, which is unchanged from 2020).

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 June 15, 2017, pursuant to the legal provisions applicable at that date.

(1) The contributions under the Article 83 Core Plan – including employer contributions equal to 1.5% of Tranche A and 4% of Tranches B and C of the salary defined in section 6.6.1.3 – as well as a contribution equal to 10% of Tranche C due under a plan closed in 2006, have been calculated based on the compensation received by Philippe Petitcolin that was subject to social security contributions. The Article 83 Additional Plan provides for contribution rates of 6.5% on salary Tranche A and 4% on Tranches B and C.

(2) Calculated based on the assumption that the annuity could be received as from January 1, 2021, irrespective of the eligibility conditions (in accordance with Article D.225-29-3 of the French Commercial Code).

(3) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions.

Indemnities or benefits payable for the termination of office or a change in duties - Non-compete indemnities

The former Chief Executive Officer was not eligible for any indemnities or benefits if his office was terminated or if there was a change in his duties. Similarly, he was not entitled to any non-compete indemnity.

6.6.2.3.2 Information regarding the conditions of departure of Philippe Petitcolin on expiration of his term of office as Chief Executive Officer

When he ceased to hold office as Chief Executive Officer, Philippe Petitcolin's employment contract - which had been suspended since April 23, 2015 (see section 6.4) - automatically came back into effect on January 1, 2021.

Philippe Petitcolin decided to retire, with effect from March 1, 2021. Accordingly, his employment contract was terminated on February 28, 2021.

Pursuant to the applicable national collective bargaining agreement for engineers and managerial-grade staff in the metallurgy industry and a Group-wide agreement, given his length of service with the Group of 33 years and 1 month, and based on his reference compensation at the date of the suspension of his employment contract in April 2015, as adjusted (i.e., excluding his compensation in his role as Chief Executive Officer), Philippe Petitcolin's retirement bonus amounted to €693,434.

He also received a paid leave indemnity representing an adjusted amount of €324,278, corresponding to the leave that had accrued to him but which he had not taken at the date his employment contract was terminated, including the accrued leave not taken prior to the suspension of his employment contract in April 2015.

Philippe Petitcolin was granted entitlements to performance shares under the 2018 and 2019 Long-Term Incentive Plans, which were presented to and approved by the shareholders at the two most recent Annual General Meetings during the votes on the compensation applicable to the Chief Executive Officer (see section 6.6.2.4).

As stated in the compensation policy for the Chief Executive Officer approved in the 13th resolution of the May 28, 2020 Annual General Meeting (see the compensation policy applicable to the Chief Executive Officer set out in section 6.6.1.4 of the 2019 Universal Registration Document), the plan rules provide that if the Chief Executive Officer retires before the plans reach the end of their vesting periods, the Chief Executive Officer can retain his entitlements proportionately to the amount of time served within the Group during the vesting period. The rules also allow the Board of Directors to grant exemptions from the continuing service condition and to decide to maintain all or part of the entitlements. Pursuant to these provisions and further to Philippe Petitcolin's decision to retire with effect from March 1, 2021, the Board of Directors decided to maintain his entitlements beyond those proportionate to his length of service during the vesting period. This decision was taken in light of (i) the impact of the decisions taken under his leadership on the remaining duration of the plan vesting periods, and (ii) the performance conditions to be met in respect of the plans, which are especially challenging in the current health crisis.

Accordingly, Philippe Petitcolin maintains his entitlements to:

- a maximum of 13,600 shares under the 2018 Long-Term Incentive Plan, for which the vesting period began on July 24, 2018 and ends on July 26, 2021 (11,767 shares in proportion to his length of service to retirement and 1,833 shares beyond that period);
- a maximum of 13,350 shares under the 2019 Long-Term Incentive Plan, for which the vesting period began on March 27, 2019 and ends on March 29, 2022 (8,560 shares in proportion to his length of service to retirement and 4,790 shares beyond that period).

These performance share entitlements remain subject to the performance conditions provided for in the plans. The number of shares that will effectively be delivered on expiration of the plan vesting periods (July 26, 2021 for the 2018 Long-Term Incentive Plan and March 29, 2022 for the 2019 Long-Term Incentive Plan, as vesting is not accelerated) will depend on the actual rate of achievement of the various conditions, as presented in section 6.6.4.2 of the 2019 Universal Registration Document. The number of shares delivered may be between zero and the above-mentioned maximum volumes.

Since his retirement, Philippe Petitcolin has claimed his pension rights. He is therefore currently receiving annuities under the above-mentioned supplementary pension plans set up by Safran for its managerial-grade staff in France (the Article 82 and Article 83 defined contribution plans and the Article 39 defined benefit plan), subject to the same terms and conditions as the other plan members who have retired.

6.6.2.4 Summary table showing the 2020 compensation and benefits of the Chairman and the former Chief Executive Officer

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 2020 TO THE CHAIRMAN OF THE BOARD OF DIRECTORS

| Summary of compensation, stock options and performance shares granted | 2019 | 2020 |
|---|----------------------------|----------------------------|
| Compensation allocated for the year | €565,346.27 ⁽¹⁾ | €499,917.74 ⁽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 | €565,346.27 | €499,917.74 |

(1) Including €43,762.56 corresponding to the Additional Payment under the Article 82 defined contribution plan, (see section 6.6.2.1) and €66,666.80 in compensation paid for accrued vacation days when his employment contract was terminated on May 23, 2019.

(2) Including €43,752.56 corresponding to the Additional Payment under the Article 82 defined contribution plan (see section 6.6.2.1).

SUMMARY TABLE OF COMPENSATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

| Summary of compensation (gross) | 2019 | | 2020 | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Amounts allocated for the year | Amounts paid during the year | Amounts allocated for the year | Amounts paid during the year |
| Fixed compensation | €450,000 | €450,000 | €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 |
| Directors' compensation | N/A | N/A | N/A | N/A |
| Benefits-in-kind ⁽¹⁾ | €4,916.91 | €4,916.91 | €6,155.18 | €6,155.18 |
| Additional Payment provided for under a defined contribution supplementary pension plan ⁽²⁾ | €43,762.56 | €43,762.56 | €43,752.56 | €43,752.56 |
| Other | N/A | €66,666.80 ⁽³⁾ | N/A | N/A |
| TOTAL | €498,679.47 | €565,346.27 | €499,917.74 | €499,917.74 |

(1) Company car.

(2) Corresponding to the Additional Payment under the Article 82 defined contribution plan, enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.1).

(3) When the Chairman's employment contract was terminated on May 23, 2019 (see sections 6.4 and 6.6.2.1 of the 2019 Universal Registration Document), the number of days' paid leave that he had accrued under his employment contract until April 21, 2011 (the date on which his employment contract was suspended) was placed on record. He was paid compensation for these accrued vacation days when his contract was terminated.

Summary table showing the individual compensation and benefits of Philippe Petitcolin, former Chief Executive Officer

SUMMARY TABLE OF COMPENSATION, STOCK OPTIONS AND PERFORMANCE SHARES GRANTED IN 2020 TO THE FORMER CHIEF EXECUTIVE OFFICER

| Summary of compensation, stock options and performance shares granted | 2019 | 2020 |
|---|------------------------------|------------------------------|
| Compensation allocated for the year | €1,971,214.76 ⁽¹⁾ | €1,339,665.53 ⁽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 | €959,989 | N/A |
| TOTAL | €2,931,203.76 | €1,339,665.53 |

(1) Including (i) €200,894.64 corresponding to the Additional Payment under the Article 82 defined contribution plan (see section 6.6.2.3) and (ii) €614,634.23 corresponding to the payment of the remaining amount due under the 2015 Long-Term Incentive Plan (see section 6.6.2.2 of the 2019 Universal Registration Document).

(2) Including €224,136 corresponding to the Additional Payment under the Article 82 defined contribution plan (see section 6.6.2.3).

SUMMARY TABLE OF COMPENSATION OF THE FORMER CHIEF EXECUTIVE OFFICER

| Summary of compensation (gross) | 2019 | | 2020 | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Amounts allocated for the year | Amounts paid during the year | Amounts allocated for the year | Amounts paid during the year |
| Fixed compensation | €800,000 | €800,000 | €800,000 | €800,000 |
| Annual variable compensation | €964,444 | €960,000 | €309,333 | €964,444 |
| Multi-year variable compensation | N/A | €614,634.23 ⁽¹⁾ | N/A | N/A |
| Exceptional compensation | N/A | N/A | N/A | N/A |
| Directors' compensation | N/A | N/A | N/A | N/A |
| Benefits-in-kind ⁽²⁾ | €5,876.12 | €5,876.12 | €6,196.53 | €6,196.53 |
| Additional Payment provided for under a defined contribution supplementary pension plan ⁽³⁾ | €200,894.64 | €200,894.64 | €224,136 | €224,136 |
| TOTAL | €1,971,214.76 | €2,581,404.99 | €1,339,665.53 | €1,994,776.53 |

(1) Payment in October 2019 of the second installment under the 2015 Long-Term Incentive Plan (see section 6.6.2.2 of the 2019 Universal Registration Document), corresponding to an aggregate €614,634.23, with two-thirds paid in cash, i.e., €409,793.87, and one-third paid in the form of the delivery of 1,446 Safran shares.

(2) Company car.

(3) Corresponding to the Additional Payment under the Article 82 defined contribution plan, enabling payment of the tax due under this plan, which is taxed upfront (see section 6.6.2.3).

SUMMARY TABLE OF PERFORMANCE SHARES GRANTED DURING 2020 TO THE FORMER CHIEF EXECUTIVE OFFICER

| Plan date | Number of shares granted | Value of shares | Vesting date | End of lock-up period | Performance conditions |
|---------------------|--------------------------|-----------------|--------------|-----------------------|------------------------|
| Philippe Petitcolin | | | | | None |

PERFORMANCE SHARES DELIVERED TO THE FORMER CHIEF EXECUTIVE OFFICER IN 2020

| Performance shares delivered to the Chief Executive Officer who held office until December 31, 2020 | Plan date | Total number of shares delivered |
|---|----------------------------|----------------------------------|
| Philippe Petitcolin | 2017 Plan – March 23, 2017 | 26,062 |

At its meeting on March 23, 2017, the Board of Directors decided to grant 27,165 performance shares to Philippe Petitcolin, under the 2017 Long-Term Incentive Plan. The number of performance shares to be delivered at the end of the three-year vesting period depended on the extent to which internal (recurring operating income and free cash flow) and external (total shareholder return [TSR]) performance conditions were met over the 2017-2019 period.

At its meeting on March 26, 2020, on the recommendation of the Appointments and Compensation Committee, the Board of Directors noted that the overall achievement rate for all of the Plan's performance conditions was 95.94%, corresponding to:

- recurring operating income (ROI) (35% weighting): 112.4% achievement, representing a vesting rate of 89.9% for the shares contingent on this condition;

- free cash flow (FCF) (35% weighting): 123.1% achievement, representing a vesting rate of 98.5% for the shares contingent on this condition;
- TSR (30% weighting): 63.39 points higher than that of the peer companies, representing a vesting rate of 100% for the shares contingent on this condition.

Consequently, 26,062 performance shares were delivered to Philippe Petitcolin at the end of the vesting period, on March 25, 2020 (number of rights initially granted multiplied by the overall performance condition achievement rate). For the Chief Executive Officer, the vesting period is followed by a one-year lock-up period. Accordingly, the delivered performance shares only became transferable as from March 26, 2021.

■ SUMMARY TABLE OF PERFORMANCE SHARES GRANTED TO THE FORMER CHIEF EXECUTIVE OFFICER (IN VESTING PERIOD AT DECEMBER 31, 2020)

| Grantee | Plan date | Total number of shares granted (currently in the vesting period) |
|---------------------|----------------------------|--|
| Philippe Petitcolin | 2018 Plan – July 24, 2018 | 13,600 |
| Philippe Petitcolin | 2019 Plan – March 27, 2019 | 13,350 |
| TOTAL | | 26,950 |

Philippe Petitcolin was granted entitlements to performance shares under the 2018 and 2019 Long-Term Incentive Plans, which were presented to and approved by the shareholders at the two most recent Annual General Meetings during the votes on the compensation applicable to the Chief Executive Officer.

As explained in section 6.6.2.3.2, as decided by the Board of Directors on December 16, 2020, Philippe Petitcolin has retained his entitlements to:

- a maximum of 13,600 shares under the 2018 Long-Term Incentive Plan;
- a maximum of 13,350 shares under the 2019 Long-Term Incentive Plan.

The vesting periods for these plans are still in progress and his entitlements to the share grants are still subject to the performance conditions provided for in the plans.

■ SUMMARY TABLE OF STOCK OPTIONS GRANTED IN 2020 TO THE FORMER CHIEF EXECUTIVE OFFICER

None.

■ SUMMARY TABLE OF STOCK OPTIONS EXERCISED IN 2020 BY THE FORMER CHIEF EXECUTIVE OFFICER

None.

■ SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS AND TERMINATION BENEFITS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, THE FORMER CHIEF EXECUTIVE OFFICER AND THE NEW CHIEF EXECUTIVE OFFICER

| Name | Position | Employment contract | Supplementary pension plan | Indemnities or benefits payable for termination of office, change in duties, or non-compete agreements |
|---------------------|---|--|----------------------------|--|
| Ross McInnes | Chairman of the Board of Directors | No ⁽¹⁾ | Yes ⁽⁴⁾ | No |
| Philippe Petitcolin | Chief Executive Officer until December 31, 2020 | Yes, suspended until the end of his term of office as Chief Executive Officer ⁽²⁾ | Yes ⁽⁴⁾ | No ⁽⁵⁾ |
| Olivier Andriès | Chief Executive Officer as from January 1, 2021 | Yes, suspended ⁽³⁾ | Yes ⁽⁴⁾ | No ⁽⁵⁾ |

(1) Employment contract suspended from April 21, 2011 until May 23, 2019 and terminated on May 23, 2019, when Ross McInnes' term of office as Chairman was renewed (see sections 6.4 and 6.6.2.1 of the 2019 Universal Registration Document). The Chairman did not receive any severance pay or other specific benefits on the termination of his employment contract. At that date, he lost the entitlements to severance pay and retirement bonuses associated with his employment contract (see section 6.6.2.1 of the 2018 Registration Document). Compensation was paid to him for paid leave that he had accrued and not taken prior to the suspension of his employment contract.

(2) Employment contract suspended from April 23, 2015 (the date on which he was appointed Chief Executive Officer) until December 31, 2020 (the date on which his term of office as Chief Executive Officer ended). When Philippe Petitcolin's term of office as Chief Executive Officer ended, his employment contract came back into effect (see sections 6.6.2.3 and 6.4).

(3) Employment contract suspended since January 1, 2021, the date on which he took up office as Chief Executive Officer (see sections 6.6.2.2 and 6.4).

(4) No specific pension plans have been set up for the Chairman of the Board of Directors or the Chief Executive Officer (neither for Philippe Petitcolin, the former Chief Executive Officer, nor for Olivier Andriès, the new Chief Executive Officer since January 1, 2021). The Chairman and the Chief Executive Officer are beneficiaries under the Article 82 and Article 83 defined contribution supplementary pension plans set up for the Group's managerial-grade staff, subject to the same terms and conditions as the other plan members. They remain potential beneficiaries of the defined benefit supplementary pension plan which has now been closed and whose benefit entitlements were frozen at December 31, 2016 (see sections 6.6.2.1, 6.6.2.2 and 6.6.2.3).

(5) See sections 6.6.2.2 and 6.6.2.3.

6.6.2.5 Pay ratios between the level of compensation of the Chairman and the Chief Executive Officer and the average and median compensation of Safran's employees

Compensation multiples (ratios between the compensation of the Chairman and the Chief Executive Officer and the average and median compensation of Safran's employees) and annual changes in compensation and the Group's performance as shown below:

1) Calculation method and scope:

The multiples shown have been calculated based on the following compensation and benefits paid or awarded: fixed compensation, annual variable compensation, the Additional Payment under the Article 82 defined contribution plan, Directors' compensation, employee share ownership and long-term incentive plans (in the form of performance share grants).

All of these compensation components refer to amounts paid during the year, apart from the long-term incentive compensation which is valued at the grant date (corresponding to the grant-date fair value), for the years 2016 to 2020. For 2020, the impact of furlough on compensation was taken into account.

The compensation components included in the calculations are based on gross amounts, i.e., excluding employer contributions.

For any given year Y, only those employees who were continuously present are taken into account for the calculation, i.e., those who were with the Group for the whole of years Y-1 and Y.

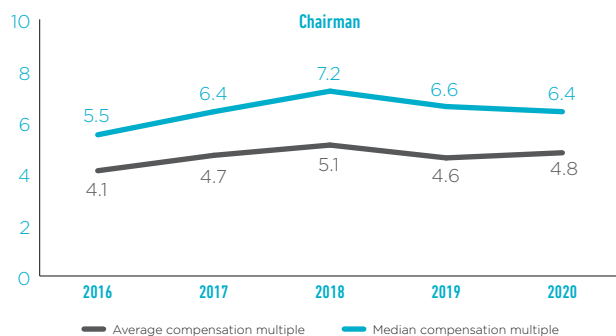
In accordance with the applicable regulations, the scope used for calculating these pay ratios corresponds to Safran SA (France), a listed company and head of the Safran Group (around 1,800 employees, representing 4% of the Group's headcount in France). However, on a voluntary basis, the ratios have also been calculated for all Safran Group companies in France (representing an average of 34,838 employees over the five-year period), as this scope is more representative, relevant and coherent, using comparable data for cost of living, compensation structure and the institutional framework.

2) Ratios for the Chairman of the Board of Directors:

Details of the compensation and benefits of the Chairman of the Board of Directors for 2020 are set out in section 6.6.2.1.

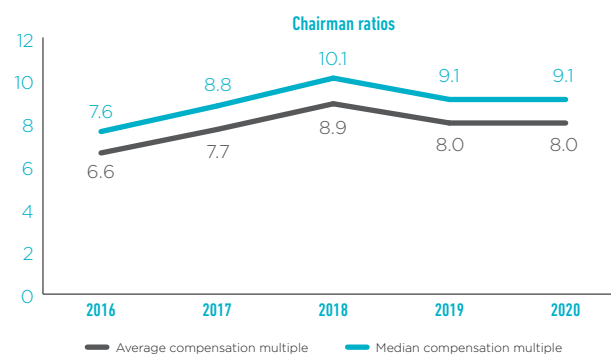
"Safran SA" scope:

■ COMPENSATION MULTIPLES FOR THE PAST FIVE YEARS (SAFRAN SA)



"Safran France" scope:

■ COMPENSATION MULTIPLES FOR THE PAST FIVE YEARS (FRANCE)



Observation:

The amounts used are those received by or awarded to Ross McInnes in his capacity as Chairman. The increase in the ratio between 2017 and 2018 was mainly due to an increase in the Chairman's annual fixed compensation, from €350,000 to €450,000.

3) Ratios for the Chief Executive Officer:

Details of the compensation and benefits of the former Chief Executive Officer for 2020 are set out in section 6.6.2.3.1.

"Safran SA" scope:

■ COMPENSATION MULTIPLES FOR THE PAST FIVE YEARS (SAFRAN SA)



“Safran France” scope:

■ COMPENSATION MULTIPLES FOR THE PAST FIVE YEARS (SAFRAN FRANCE)



Observation:

The amounts used are those received by or awarded to Philippe Petitcolin, the former Chief Executive Officer, except for the annual variable compensation paid in 2016 which corresponds to the aggregate of the annual variable compensation received by (i) Jean-Paul Herteman in his capacity as Chief Executive Officer until April 23, 2015 and (ii) Philippe Petitcolin in his capacity as Chief Executive Officer from April 24, 2015 until December 31, 2015.

For 2020, the Chief Executive Officer was in the last year of his term of office and was not therefore awarded any performance shares, which explains the difference in the multiples between 2019 and 2020 (for both average and median compensation).

Employees in the former Zodiac Aerospace scope have been taken into account from the date of acquisition of this group, in 2018.

4) Annual changes in compensation and the Group's performance

The following table presents year-on-year changes in the Group's performance and in paid and awarded compensation and benefits.

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|------|------|
| Year-on-year change (in %) in compensation | +13% | +19% | +13% | -8% | 0% |
| Information for the “Safran SA” scope | | | | | |
| Year-on-year change (in %) in employees' average compensation | -4% | +4% | +4% | +1% | -3% |
| Year-on-year change (in %) in employees' median compensation | -1% | +2% | 0% | +1% | +3% |
| Ratio in relation to employees' average compensation | 4.1 | 4.7 | 5.1 | 4.6 | 4.8 |
| Year-on-year change (in %) in the ratio based on average compensation | +17% | +15% | +9% | -9% | +3% |
| COMPENSATION RATIO TABLE FOR THE CHAIRMAN | | | | | |
| Ratio in relation to employees' median compensation | 5.5 | 6.4 | 7.2 | 6.6 | 6.4 |
| Year-on-year change (in %) in the ratio based on median compensation | +14% | +16% | +13% | -8% | -3% |
| Additional information for the “Safran France” scope | | | | | |
| Year-on-year change (in %) in employees' average compensation | +1% | +3% | -2% | +3% | 0% |
| Year-on-year change (in %) in employees' median compensation | +1% | +2% | -1% | +3% | 0% |
| Ratio in relation to employees' average compensation | 6.6 | 7.7 | 8.9 | 8.0 | 8.0 |
| Year-on-year change (in %) in the ratio based on average compensation | +12% | +16% | +15% | -10% | 0% |
| Ratio in relation to employees' median compensation | 7.6 | 8.8 | 10.1 | 9.1 | 9.1 |
| Year-on-year change (in %) in the ratio based on median compensation | +12% | +16% | +15% | -10% | +1% |
| Performance of the Company | | | | | |
| Financial criterion: Adjusted profit attributable to owners of the parent | | | | | |
| Year-on-year change (in %) ⁽¹⁾ | +22% | +33% | -17% | +35% | -68% |

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|------|------|
| COMPENSATION RATIO TABLE FOR THE CHIEF EXECUTIVE OFFICER | | | | | |
| Year-on-year change (in %) in compensation | -1% | +9% | +15% | +7% | -32% |
| Information for the “Safran SA” scope | | | | | |
| Year-on-year change (in %) in employees’ average compensation | -4% | +4% | +4% | +1% | -3% |
| Year-on-year change (in %) in employees’ median compensation | -1% | +2% | 0% | +1% | +3% |
| Ratio in relation to employees’ average compensation | 22.2 | 23.4 | 25.9 | 27.3 | 19.2 |
| Year-on-year change (in %) in the ratio based on average compensation | +3% | +5% | +11% | +5% | -30% |
| Ratio in relation to employees’ median compensation | 29.9 | 31.9 | 36.7 | 38.7 | 25.5 |
| Year-on-year change (in %) in the ratio based on median compensation | 0% | +7% | +15% | +6% | -34% |
| Additional information for the “Safran France” scope | | | | | |
| Year-on-year change (in %) in employees’ average compensation | +1% | +3% | -2% | +3% | 0% |
| Year-on-year change (in %) in employees’ median compensation | +1% | +2% | -1% | +3% | 0% |
| Ratio in relation to employees’ average compensation | 36.2 | 38.6 | 45.4 | 47.0 | 32.0 |
| Year-on-year change (in %) in the ratio based on average compensation | -2% | +7% | +17% | +4% | -32% |
| Ratio in relation to employees’ median compensation | 41.3 | 44.1 | 51.4 | 53.2 | 36.4 |
| Year-on-year change (in %) in the ratio based on median compensation | -1% | +7% | +17% | +4% | -32% |
| Performance of the Company | | | | | |
| Financial criterion: Adjusted profit attributable to owners of the parent | | | | | |
| Year-on-year change (in %) ⁽¹⁾ | +22% | +33% | -17% | +35% | -68% |

(1) Over the past five years, changes in the Group’s profit have reflected a series of non-recurring events that make each year-on-year comparison atypical. They include numerous changes in scope of consolidation (contribution of space activities to the ASL joint venture in 2016, divestment of the security activities in 2017 and acquisition of the former Zodiac Aerospace activities in 2018), changes in accounting standards (including the impact of the transition to IFRS 15, “Revenue from Contracts with Customers” in 2018) and the health and economic crisis linked to the Covid-19 pandemic in 2020. Recurring operating income rose steadily until 2019 before coming to a halt in 2020 due to the Covid-19 pandemic. The Covid-19 crisis severely disrupted all of the Group’s businesses, with both original equipment and services impacted by the stark decline in air traffic and airline companies’ financial difficulties. The Group’s profit for 2020 was also affected by non-recurring events that occurred in prior years. The 68% decrease between 2019 and 2020 reflects both the impact of the Covid-19 pandemic on 2020 performance and the fact that the 2019 basis of comparison was particularly high. The 17% decrease between 2017 and 2018 was attributable to the high basis of comparison for 2017 caused by the recognition of a significant one-off capital gain.

6.6.3 Directors’ compensation (formerly “attendance fees”)

Article 17 of Safran’s bylaws provides for the payment of remuneration to Directors for the duties they perform. The rules for allocating this remuneration are set by the Board of Directors.

The rules for allocating Directors’ compensation are included in the compensation policy for Directors which is put to an *ex-ante* shareholder vote each year at the Annual General Meeting. The specific compensation policy for Directors for 2020 was put to the vote in the 14th resolution of the May 28, 2020 Annual General Meeting.

The policy, which is described in section 6.6.1.5, will be put to the vote again at the 2021 Annual General Meeting. It is unchanged from the policy that was approved at the 2020

Annual General Meeting and which was used to allocate Directors’ compensation for 2020 (see section 6.6.3.1).

The policy also sets out the amounts associated with the allocation rules, which are unchanged from those applied for the 2020 allocation. In addition, in view of the current operating context (including Safran’s Activity Transformation Agreement, which comprises wage restraint measures), the Board has decided not to seek an increase in the aggregate amount of Directors’ compensation at the May 26, 2021 Annual General Meeting.

On February 24, 2021, the Board of Directors set the individual allocations of Directors’ compensation for 2020, as shown below.

6.6.3.1 Summary table of compensation paid to the members of the Board of Directors

| | Amount of compensation | | | |
|---|------------------------|--|-----------------------|--|
| | 2019 | | 2020 | |
| | Gross carrying amount | Net amount paid in 2020 ⁽¹⁾ | Gross carrying amount | Net amount paid in 2021 ⁽¹⁾ |
| NON-EXECUTIVE DIRECTORS (EXCLUDING THE REPRESENTATIVE OF THE FRENCH STATE AND DIRECTORS PUT FORWARD BY THE FRENCH STATE) | | | | |
| Anne Aubert (Director since May 28, 2020) ⁽²⁾ | - | - | 30,405.23 | 25,175.53 |
| Marc Aubry (Director since May 28, 2020) ⁽²⁾ | - | - | 44,646.56 | 36,967.35 |
| Hélène Auriol Potier | €76,734.00 | €53,714.02 | 82,599.69 | 57,819.78 |
| Patricia Bellinger (Director since May 28, 2020) | - | - | 41,086.22 | 35,827.19 |
| Hervé Chaillou ⁽²⁾ | €4,530.00 | €3,751.20 | 50,556.71 | 41,860.95 |
| Jean-Lou Chameau | €83,719.00 | €58,603.11 | 82,599.69 | 57,819.78 |
| Monique Cohen | €94,384.00 | €66,068.90 | 92,568.62 | 64,798.03 |
| Odile Desforges | €80,227.00 | €56,158.57 | 81,887.62 | 57,321.34 |
| Didier Domange | €76,734.00 | €53,714.02 | 64,798.03 | 45,358.62 |
| F&P, represented by Robert Peugeot | €52,289.00 | €52,288.82 | 61,237.70 | 61,237.70 |
| Laurent Guillot | €37,659.00 | €26,361.49 | 64,798.03 | 45,358.62 |
| Gérard Mardiné (Director until May 28, 2020) ⁽²⁾ | €52,289.00 | €43,295.14 | 20,934.75 | 17,333.97 |
| Daniel Mazaltarim ⁽²⁾ | €59,273.00 | €49,078.24 | 75,479.03 | 62,496.63 |
| Fernanda Saraiva (Director until May 28, 2020) ⁽²⁾ | €18,122.00 | €15,004.81 | 17,374.42 | 14,386.02 |
| Patrick Pélata | €87,211.00 | €61,047.66 | 88,296.22 | 61,807.35 |
| Sophie Zurquiyah | €59,273.00 | €41,491.27 | 64,798.03 | 45,358.62 |
| Total compensation paid to non-executive Directors excluding the representative of the French State and the Director put forward by the French State | €857,385 | €639,149.03 | 964,066.55 | 730,927.50 |
| Amount paid to the French Treasury ⁽³⁾ | €142,614.00 | €142,614.44 | 135,933.45 | 135,933.45 |
| Total compensation paid to non-executive Directors | €1,000,000 | €781,763.47 | 1,100,000.00 | 866,860.95 |
| THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER | | | | |
| Ross McInnes | - | - | - | - |
| Philippe Petitcolin (Chief Executive Officer until December 31, 2020) | - | - | - | - |
| Total compensation paid to the Chairman and the Chief Executive Officer | - | - | - | - |
| TOTAL COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS | €1,000,000.00 | €781,763.47 | 1,100,000.00 | 866,860.95 |

(1) After deducting (i) 17.2% for social security contributions and the 12.8% tax payment on account applicable for individuals domiciled in France for tax purposes, or (ii) the 12.8% tax payment on account for the Director domiciled in the United States for tax purposes.

(2) As the Directors representing employees and the Directors representing employee shareholders requested that their compensation be paid over to their trade union, these amounts were exempt from tax.

(3) Representative of the French State and Director put forward by the French State.

6.6.3.2 Compensation in 2020 of Directors representing employee shareholders and Directors representing employees

Anne Aubert, who has been a Director representing employees since May 28, 2020, received €52,969 in gross compensation for 2020 (between May 28 and December 31) under her employment contract with Safran Seats. 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. She was not a beneficiary of the Group's defined contribution supplementary pension plans (Article 83).

Marc Aubry, who has been a Director representing employees since May 28, 2020, received €54,175 in gross compensation for 2020 (between May 28 and December 31) 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, 2020, the estimated theoretical amount⁽¹⁾ of the annuity that could be paid to Marc Aubry under the defined contribution supplementary pension plan of which he is a beneficiary (Article 83 Core Plan) was €1,718.

Fernanda Saraiva, who was a Director representing employees until May 28, 2020, received €29,162 in gross compensation for 2020 (from January 1 until May 28) under her employment contract with Safran Helicopter Engines. 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, 2020, the estimated theoretical amount⁽¹⁾ of the annuity that could be paid to Fernanda Saraiva under the defined contribution supplementary pension plan of which she is a beneficiary (Article 83 Core Plan) was €1,814.

Hervé Chaillou, who is a Director representing employees, received €45,862 in gross compensation in 2020 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. He was not a beneficiary of the Group's defined contribution supplementary pension plans (Article 83).

Daniel Mazaltarim, a Director representing employees, received €98,247 in gross compensation in 2020 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, 2020, the estimated theoretical amount 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 €2,491.

Gérard Mardiné, who was a Director representing employee shareholders until May 28, 2020, received €58,464 in gross compensation for 2020 (from January 1 until May 28) 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, 2020, the estimated theoretical amount⁽²⁾ 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 €3,862.

6.6.4 Long-term incentive plan

6.6.4.1 Stock options

No stock options were granted during 2020.

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 effect are described in section 7.3.7.3. Neither the Chairman nor the Chief Executive Officer hold any of these stock options.

6.6.4.2 2020 performance share plan

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.

In the 30th resolution of the May 23, 2019 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) executive corporate officers of the Company and/or of other entities in the Group (excluding 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.

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions.

(2) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions (in accordance with Article D.225-29-3 of the French Commercial Code).

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 March 26, 2020 meeting, the Board of Directors decided to grant 759,360 performance shares to certain Group managers and senior executives under the 2020 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.

The grants decided by the Board of Directors have the following characteristics and conditions:

Conditions

The vesting of all of the free shares 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 2020 - the year when the performance shares were granted. Beneficiaries of the grants are also subject to a continuing service condition within the Group.

Standard internal conditions applying to all beneficiaries

These standard internal performance conditions count for at least 70% of the total for all beneficiaries.

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 based on comparisons with each reference target approved by the Board of Directors prior to the grant date (the "Reference Target") as described below. The following levels have been set:

- lowest achievement level: if 80% of the Reference Target is achieved, 40% of the shares contingent on that target will vest;
- target achievement level: if 100% of the Reference Target is achieved, 80% of the shares contingent on that target will vest;
- highest achievement level (cap): if 125% of the Reference 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.

Based on the Group's medium-term plan (MTP), the Reference Target set by the Board of Directors for this grant is the average of the ROI and FCF targets set in (i) the budget contained in the MTP for the fiscal year in which the grant took place (2020) and (ii) the MTP for the following two fiscal years (2021 and 2022).

The performance criteria will 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).

External performance condition

The external performance condition is based on Safran's total shareholder return (TSR) as measured relative to a composite index allowing 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 in linear fashion. 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.

As stipulated in 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).

No performance shares granted to the former Chief Executive Officer under the 2020 Long-Term Incentive Plan

No performance shares were granted to the former Chief Executive Officer, Philippe Petitcolin, under the 2020 Long-Term Incentive Plan, given that his term of office was due to expire at the end of 2020 (i.e., within less than a year of the grant date).

Grant of performance shares to Olivier Andriès prior to taking up office as Chief Executive Officer on January 1, 2021

A total 5,900 shares were granted to Olivier Andriès under the 2020 Long-Term Incentive Plan prior to his appointment as Chief Executive Officer. At the grant date, he was a salaried employee and a member of the Executive Committee.

6.6.4.3 Summary table of performance share plans at December 31, 2020

| | 2016 Plan – July 28, 2016 | 2017 Plan – March 23, 2017 | 2018 Plan – July 24, 2018 | 2019 Plan – March 27, 2019 | 2020 Plan – March 26, 2020 |
|---|--|--|--|--|--|
| Shareholder authorization | May 19, 2016 | May 19, 2016 | May 25, 2018 | May 25, 2018 | May 23, 2019 |
| Grant date | July 28, 2016 | March 23, 2017 | July 24, 2018 | March 27, 2019 | March 26, 2020 |
| Number of performance shares granted | 558,840 | 567,747 | 574,712 | 732,130 | 759,360 |
| ■ Of which to corporate officers | 27,390 | 27,165 | 13,600 | 13,350 | 0 |
| ■ Of which to Philippe Petitcolin, the former Chief Executive Officer | 27,390 | 27,165 | 13,600 | 13,350 | 0 |
| ■ Of which to the ten employees (non-corporate officers) who received the most shares | 57,300 | 58,980 | 61,713 | 57,200 | 59,000 ⁽⁵⁾ |
| Number of beneficiaries at the grant date | 506 | 430 | 440 | 589 | 797 |
| Vesting date | July 30, 2019 | March 25, 2020 | July 26, 2021 | March 29, 2022 | March 24, 2023 |
| ■ Availability date | July 30, 2019 | March 25, 2020 | July 26, 2021 | March 29, 2022 | March 27, 2023 |
| ■ Availability date for the Chief Executive Officer (end of lock-up period) | July 31, 2019 | March 26, 2021 | July 27, 2022 | March 30, 2023 | March 26, 2024 |
| Availability date for other Executive Committee members | July 31, 2019 | March 26, 2021 | July 27, 2022 | March 30, 2023 | March 26, 2024 ⁽⁶⁾ |
| Performance conditions | See section 6.6.4.2 of the 2016 Registration Document ⁽¹⁾ | See section 6.6.4.2 of the 2017 Registration Document ⁽²⁾ | See section 6.6.4.2 of the 2018 Registration Document ⁽³⁾ | See section 6.6.2.2 of this Universal Registration Document ⁽⁴⁾ | See section 6.6.4.2 of this Universal Registration Document ⁽⁷⁾ |
| Total number of shares canceled or forfeited | 209,367 | 58,231 | 33,290 | 88,070 | 19,200 |
| Number of performance shares vested at December 31, 2020 | 349,473 | 509,516 | 0 | 0 | 0 |
| Number of performance shares outstanding at December 31, 2020 | N/A | N/A | 541,422 | 644,060 | 740,160 |

(1) Two internal conditions (ROI and FCF, together counting for 70% of the total vested shares) and one external condition (counting for 30%) based on Safran's TSR performance compared with a panel of peer companies operating in the same business sectors as Safran. These peer companies are: Airbus, BAE Systems, Boeing, Leonardo SPA, MTU AeroEngines, Rolls Royce and Thales. Gemalto and Zodiac Aerospace have not formed part of the panel since January 1, 2017.

(2) Two internal conditions (ROI and FCF, together counting for 70% of the total vested shares) and one external condition (counting for 30%) based on Safran's TSR performance compared with a panel of peer companies operating in the same business sectors as Safran. These peer companies are: Airbus, BAE Systems, MTU AeroEngines, Rolls Royce, Thales, Boeing, Leonardo SPA, Meggitt, Spirit Aerospace and Esterline (until it was delisted).

(3) As well as the standard internal performance conditions (ROI and FCF, counting for 45%, 70% or 80% of the total vested shares depending on the beneficiary), additional performance conditions have been added, applicable to a certain category of beneficiaries involved in integrating Zodiac Aerospace (including the Chief Executive Officer). These additional conditions count for 25%, reducing the weighting of the standard conditions to 45%. The external condition (counting for 30% or 20% of the total vested shares depending on the beneficiary) is based on Safran's TSR compared with that of a composite index comprising three indices (each counting for one third): STOXX[®] Europe TMI Aerospace & Defense (Stoxx A&D Net Return), S&P Aerospace & Defense Industry Select (S&P A&D) and CAC 40 (CAC 40 Gross Return).

(4) Two internal conditions (ROI and FCF, together counting for 70% or 80% of the total vested shares depending on the beneficiary) and one external condition (counting for 30% or 20% depending on the beneficiary) based on Safran's TSR compared with a composite index comprising three indices (each counting for one third): STOXX[®] Europe TMI Aerospace & Defense (Stoxx A&D Net Return), S&P Aerospace & Defense Industry Select (S&P A&D) and CAC 40 (CAC 40 Gross Return).

(5) Including 5,900 shares granted to Olivier Andriès before he was appointed as Chief Executive Officer.

(6) Availability date for Olivier Andriès, the new Chief Executive Officer (end of lock-up period).

(7) Two internal conditions (ROI and FCF, together counting for at least 70% of the total vested shares) and one external condition (counting for between 10% and 30% depending on the beneficiary) based on Safran's TSR compared with a composite index comprising three indices (each counting for one third): STOXX[®] Europe TMI Aerospace & Defense (Stoxx A&D Net Return), S&P Aerospace & Defense Industry Select (S&P A&D) and CAC 40 (CAC 40 Gross Return).

2018 Long-Term Incentive Plan – Determination of the achievement rate at the end of the performance measurement period

At its meeting on March 24, 2021, on the recommendation of the Appointments and Compensation Committee, the Board of Directors placed on record the achievement rates for the performance conditions of the 2018 Long-Term Incentive Plan granted on July 24, 2018 for each category of beneficiary.

As a reminder, the number of performance shares to be delivered at the end of the three-year vesting period depended on the extent to which (i) “standard” internal performance conditions (ROI and FCF), (ii) “additional” performance conditions relating to the performance and integration of the new Zodiac Aerospace scope for a limited number of beneficiaries and (iii) external performance conditions (TSR) were met over the 2018-2020 period. A description of these conditions (achievement level, target performance, ceiling) and other key terms presented to shareholders at the May 25, 2018 Annual General Meeting, which had authorized the Board of Directors to carry out such grants, is provided in Safran’s Universal Registration Documents (see section 6.6.4.2 of the 2018 Registration Document).

The overall achievement rates are as follows:

- 85.63% for beneficiaries subject to additional performance conditions relating to the performance and integration of the new Zodiac scope, including the former Chief Executive Officer;

- 93.20% for members of the Executive Committee to which the additional conditions were not applicable, including the current Chief Executive Officer;

taking into account the respective weighting and achievement rates of the different performance conditions applicable⁽¹⁾.

As a result, the number of shares to be delivered at the end of the vesting period (July 26, 2021) comes out at:

- 5,498 shares for Olivier Andriès, a beneficiary of this plan under his employment contract and as a member of the Executive Committee, prior to his appointment as Chief Executive Officer;
- 11,645 shares for Philippe Petitcolin, former Chief Executive Officer (see section 6.6.2.3.2).

6.6.4.4 2021 performance share plan

At its March 24, 2021 meeting, using the authorization granted in the 30th resolution of the Annual General Meeting of May 23, 2019, the Board of Directors authorized grants of performance shares to certain managers and senior executives of the Group (2021 Long-Term Incentive Plan). 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 2021-2023 and described, are achieved. Under the 2021 Long-Term Incentive Plan, 14,466 performance shares were granted to the new Chief Executive Officer, Olivier Andriès (see section 6.6.2.2 of this Universal Registration Document).

(1) The achievement rates for the different performance conditions was as follows:

- ROI: 100.7% achievement, representing a vesting rate of 80.6% for the shares contingent on this condition;
 - FCF: 141.1% achievement, representing a vesting rate of 100% for the shares contingent on this condition;
 - Safran TSR: 20.1 points higher than that of the peer companies, representing a vesting rate of 100% for the shares contingent on this condition;
 - Zodiac ROI: 54.2% achievement, representing a vesting rate of 0% for the shares contingent on this condition;
- synergies from the Zodiac acquisition: 160% achievement, representing a vesting rate of 100% for the shares contingent on this condition.

6.7 CROSS-REFERENCE TABLE FOR THE CORPORATE GOVERNANCE REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE

This corporate governance 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 24, 2021.

Cross-reference tables

The table below lists the references to the sections of this Universal Registration Document in which information is provided on the topics required in the corporate governance report.

| Topics required in the corporate governance report | Section(s) of the 2020 Universal Registration Document |
|---|--|
| Framework Corporate Governance Code | 6.1 and 6.4 |
| Structure of Executive Management | 6.1.1 |
| Powers and responsibilities of the Chief Executive Officer and restrictions on these powers and responsibilities | 6.1.3 and 6.1.4.2 |
| Membership structure of the Board of Directors | 6.2 |
| Offices and positions held by Safran's Directors | 6.2.2 |
| Organization and operating procedures of the Board of Directors and the Board Committees | 6.3 |
| Self-assessment by the Board of its operating procedures | 6.3.5 |
| Diversity policy | 6.2.4.2 and 5.4.6 |
| Compensation policies for the corporate officers and related resolutions presented at the Annual General Meeting | 6.6.1 and 8.2.1.7 |
| Compensation and benefits of corporate officers | 6.6.2 to 6.6.4 |
| Related-party agreements | 7.1.4, 8.2.1.3 and 8.5.1 |
| Procedure for assessing related-party agreements concerning routine operations | 6.2.5 |
| Commitments given by the Company to its corporate officers | 6.6.2 |
| Terms and conditions of shareholders' participation in General Meetings and any restrictions on such participation | 7.1.2.2 |
| Ownership structure | 7.3 |
| Authorizations currently in force granted to the Board of Directors | 8.2.6 |
| Items with a potential impact in the event of a public offering | 7.1.2.2, 7.1.4.2 and 7.1.2.6 |

The table below sets out the references to the sections of this Universal Registration Document corresponding to the components of the compensation of corporate officers referred to in sub-section I of Article L.22-10-9 of the French Commercial Code, as presented in the corporate governance report, and which will be submitted for shareholder approval in the 12th resolution of the May 26, 2021 Annual General Meeting (see section 8.2.1.6).

| Sub-section I of Article L.225-37-3 of the French Commercial Code | Topics required in the corporate governance report | Section(s) of the 2020 Universal Registration Document |
|--|---|---|
| 1 | Annual compensation and benefits | 6.6.2 |
| 2 | Relative proportions of fixed compensation and annual variable compensation | 6.6.2.2 and 6.6.2.3 |
| 3 | Use of the possibility of requesting the restitution of variable compensation | N/A |
| 4 | Commitments given by the Company corresponding to compensation components, indemnities or benefits payable or potentially payable on account of the commencement, termination or change of duties or subsequent thereto | 6.6.2 |
| 5 | Total compensation paid or allocated by an entity included in the Company's scope of consolidation | N/A |
| 6 | For the Chairman and the Chief Executive Officer, the ratios between each of their levels of compensation and the average and median compensation of the Company's employees (on a full-time equivalent basis) other than the corporate officers | 6.6.2.5 |
| 7 | Year-on-year changes in compensation, the Company's performance, the average compensation of the Company's employees (on a full-time equivalent basis) other than its executives, and the ratios referred to in point 6, during at least the past five years, all presented aggregately and in a way that enables meaningful comparisons | 6.6.2.5 |
| 8 | Explanation of how compensation packages comply with the applicable compensation policy, including how they contribute to the Company's long-term performance, and how the performance criteria have been applied | 6.6.2 |
| 9 | Explanation of how the general vote on compensation taken at the last Annual General Meeting has been taken into account | N/A (resolutions approved at the May 28, 2020 Annual General Meeting) |
| 10 | Any differences compared with the procedure for implementing the compensation policy or any exemptions (applied in accordance with the second paragraph of sub-section III of Article L.22-10-8 of the French Commercial Code) | N/A |
| 11 | Suspension and restitution of Directors' compensation due to non-compliance with the legislation concerning gender balance on the Board of Directors (in application of Article L.225-45, paragraph 2, and Article L.22-10-14 of the French Commercial Code) | N/A |





INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

| | | | |
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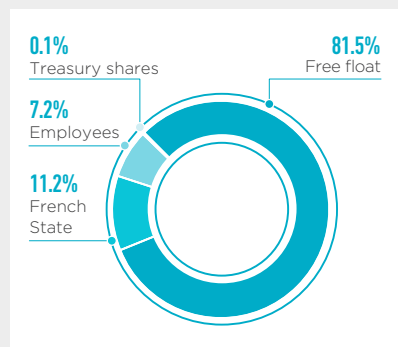
Foreword

At December 31, 2020, Safran's share capital amounted to €85,447,187.80, comprising 427,235,939 shares, made up of:

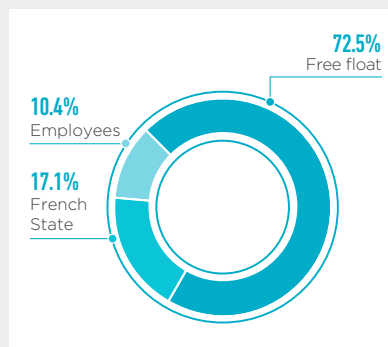
- 400,584,881 fully paid-up ordinary shares with a par value of €0.20 each; and
- 26,651,058 fully paid-up (unlisted) Class A Preferred Shares with a par value of €0.20 each.

At February 28, 2021, following the conversion into ordinary shares of the 26,651,058 Class A Preferred Shares issued for the purpose of the business combination with Zodiac Aerospace (see section 7.1.2.3), Safran's share capital amounted to €85,447,187.80, made up of 427,235,939 shares, all in the same class and listed on Euronext Paris.

■ BREAKDOWN OF SHARE CAPITAL AT DECEMBER 31, 2020



■ BREAKDOWN OF EXERCISABLE VOTING RIGHTS AT DECEMBER 31, 2020



■ Safran share price

| Main stock market data over three years | 2018 | 2019 | 2020 |
|--|--------------------|--------------------|--------------------|
| NUMBER OF SHARES AS OF DECEMBER 31 | 435,767,951 | 427,234,155 | 427,235,939 |
| SAFRAN SHARE PRICE (in €) | | | |
| High | 122.250 | 150.850 | 152.300 |
| Low | 81.040 | 101.100 | 51.100 |
| Closing | 105.400 | 137.650 | 115.950 |
| MARKET CAPITALIZATION AS OF DECEMBER 31 (in € millions) | 45,930 | 58,809 | 49,538 |

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.

Its legal entity identifier (LEI) is 969500UIC89GT3UL7L24.

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;
- all air, land and naval defense activities;
- 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.

The corporate purpose set out in Article 3 of the bylaws was simplified by way of a resolution adopted at the May 28, 2020 Annual General Meeting. The amendments resulting from said resolution included deleting the reference to security activities, which were no longer relevant as the Group sold its detection businesses and its identity and security businesses in 2017 (see section 8.2.2 of the 2019 Universal Registration Document).

Fiscal year

The fiscal year begins on January 1 and ends on December 31.

7.1.2 Principal provisions of the bylaws

The Company's bylaws were amended by the shareholders at the May 28, 2020 Annual General Meeting (see section 8.2.2 of the 2019 Universal Registration Document). The amendments were as follows:

- the Company's corporate purpose (Article 3) was simplified, as described in section 7.1.1 above;
- Article 14 was amended to increase the maximum number of Directors from 13 to 14 (excluding Directors representing employee shareholders and Directors representing employees);
- Articles 14.9.1, 15.1, 17.1, 17.2, 19.2 and 33.2 were updated in line with recent changes in the applicable laws and regulations.

Article 6 regarding the Company's share capital was also regularly updated in 2020 to reflect capital increases resulting from the exercise of stock options (see section 7.3.7.3) and the conversion of the Class A Preferred Shares into ordinary shares (see section 7.1.2.3).

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 14 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 14 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 one or several 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 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 aforementioned 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.

The Company's bylaws provide that the Board of Directors may make decisions by way of a written consultation where permitted by law (Article 18.12).

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 among its members the aggregate annual amount of compensation allocated to the Directors as consideration for their duties (formerly "attendance fees");
- 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, in accordance with conditions set by the Board.

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.

Aggregate Compensation awarded to the Directors as consideration for their duties

Under Article 17 of the bylaws, at the Annual General Meeting, the Company's shareholders shall set the aggregate annual amount of compensation allocated to the Directors as consideration for their duties, effective for the current year and, if appropriate, subsequent years until the shareholders decide otherwise.

The Board of Directors shall allocate the Aggregate Compensation among its members as it deems fit, in accordance with the compensation policy for Directors (see section 6.6.1.5).

Board Advisors

Under Article 20 of the bylaws, shareholders in an Ordinary Shareholders' Meeting may appoint up to two Board Advisors (*censeurs*) 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, preferences 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. These Preferred Shares were issued on February 13, 2018 in connection with the acquisition of Zodiac Aerospace (see section 2.5 of the 2017 Registration Document)⁽¹⁾. As the Class A Preferred Shares were converted into ordinary shares on February 13, 2021 (see above), at the May 26, 2021 Annual General Meeting, the shareholders will be asked to remove the reference to Class A Preferred Shares in Article 9 of the bylaws (see section 8.2.2.1 of this Universal Registration Document).

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.

(1) Zodiac Aerospace was acquired through a Cash Offer with a Subsidiary Exchange Offer. 26,651,058 Class A Preferred Shares were issued in consideration for the Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer.

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 11.2 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 (i.e., as of February 13, 2018);
- 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.

Conversion of the Class A Preferred Shares into ordinary shares after the 36-month non-transferability period

On February 13, 2021, the Chief Executive Officer placed on record the automatic conversion, without any legal formality, of all the Class A Preferred Shares into ordinary shares, following the end of the 36-month non-transferability period. The 26,651,058 Class A Preferred Shares were converted into freely transferable ordinary shares, ranking *pari passu* with the other ordinary shares making up the Company's share capital. The shares were admitted to trading on Euronext Paris on the first day of trading as of their conversion date, i.e., on February 15, 2021. The Chief Executive Officer therefore amended Article 6 of Chapter II "Share Capital - Shares" of the bylaws, as from February 13, 2021, as follows: "The Company's

share capital amounts to €85,447,187.80, divided into 427,235,939 shares with a par value of €0.20 each, all in the same class." The conversion has no impact on equity and there is no dilution for shareholders.

The reports of the Board of Directors and the Statutory Auditors on the conversion are provided in section 8.3 of this Universal Registration Document.

At the May 26, 2021 Annual General Meeting, the shareholders will be asked to remove all references in the Company's bylaws to Class A Preferred Shares, as these references are no longer relevant, and to (i) amend Articles 7, 9, 11 and 12 accordingly and (ii) remove Article 36 from the bylaws.

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. As stated above, given that it is no longer relevant following the conversion of the Class A Preferred Shares into ordinary shares, the shareholders will be invited to remove Article 36 from the bylaws.

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).

7.1.3 Information on investments

7.1.3.1 Direct and indirect investments as of December 31, 2020

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 2020 Safran acquired the following investments within the meaning of said Article:

acquisition by Safran Corporate Ventures of a 9.2% stake in ACE “Aéro Partenaires”, a support fund for businesses in the aerospace industry hard hit by the Covid-19 health crisis (see section 1.4.4).

7.1.4 Relations with related parties

Related parties (as defined by the Group in accordance with IAS 24) and quantitative information concerning related-party transactions are presented in section 3.1, Note 33.

7.1.4.1 Relations with the French State

In 2020, Safran generated adjusted revenue of €816 million with the French State and entities in which it has interests, primarily in military areas.

The Aerospace Propulsion business (see section 1.2.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects.

In the Aircraft Equipment (sections 1.2.2.1, 1.2.2.2 and 1.2.2.3)/Defense (section 1.2.2.5)/Aerosystems (section 1.2.2.4) segment:

- Safran participates in major French military aviation programs, in terms of landing gear and braking systems;
- Safran provides the following equipment and related services to the French Armed Forces:
 - independent positioning, navigation and guidance systems for all types of aircraft, vehicles and engines,
 - observation and surveillance cameras for planes, helicopters, drones and ships,
 - day and night vision observation binoculars,
 - mission preparation systems,

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 between Safran and the French State (see section 7.1.4.2).

- tactical drones,
- missile guidance seekers,
- space surveillance systems,
- flight command systems for helicopters,
- parachute systems (for troops and cargo),
- equipment for dismounted soldiers,
- high-performance mirrors for earth observation satellites;
- Safran supplies safety and protection systems (mainly lifejackets and rafts, as well as oxygen systems and masks) and fuel management 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.

The new Agreement was signed on March 26, 2018, canceling and replacing the 2004 Agreement as from that date. It was authorized by the Board of Directors on March 22, 2018 and approved by the Annual General Meeting on May 25, 2018.

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

Two related-party agreements were entered into in 2020 with BNP Paribas, of which Monique Cohen, a Director of Safran, is also a Director. Both agreements were authorized by the Board of Directors on March 26, 2020 and will be submitted to the shareholders for approval at the May 26, 2021 Annual General Meeting (see section 8.2.1.3 of this Universal Registration Document).

The agreements are as follows:

- a related-party agreement entered into on March 31, 2020 with BNP Paribas relating to the arrangement, underwriting and syndication of a €3 billion credit facility with a term of up to two years;
- a related-party agreement entered into on April 22, 2020 with BNP Paris and a pool of banks concerning a €3 billion syndicated credit facility with a term of up to two years.

The two agreements are presented in the Statutory Auditors' special report in section 8.5.1 of this Universal Registration Document, followed by an indication of the expenses recorded in Safran's 2020 financial statements in connection with the agreements, corresponding to the commission paid to BNP Paribas.

The related-party agreements authorized in previous years and which had continuing effect during 2020, are also presented in the Statutory Auditors' special report in section 8.5.1 of this Universal Registration Document.



7.2 INFORMATION ON SHARE CAPITAL

7.2.1 Share capital

As of December 31, 2020, Safran's share capital amounted to €85,447,187.80, comprising 427,235,939 fully paid-up shares with a par value of €0.20 each, made up of:

- 400,584,881 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.

New ordinary shares were issued at regular intervals during 2020 upon exercise of stock options (see section 7.3.7.3). The resulting capital increases were automatically considered as having been completed upon receipt by the Company of

notification that the options were being exercised, together with the corresponding share subscription form and the subscription price. The total amount by which the capital was increased in 2020 was €356.80, corresponding to the issuances of 1,784 new shares.

At February 28, 2021, following the automatic conversion of all of the Class A Preferred Shares into ordinary shares (see section 7.1.2.3), Safran's share capital amounted to €85,447,187.80, made up of 427,235,939 shares, all in the same class, with a par value of €0.20 each.

7.2.2 Authorizations granted 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 Universal 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 30th resolution of the May 23, 2019 Annual General Meeting was used in March 2020 and March 2021 (see section 7.3.7.1).

The authorizations granted in the 19th and 20th resolutions of the May 23, 2019 Annual General Meeting for the Board of

Directors to carry out issues to qualified investors (without pre-emptive subscription rights for existing shareholders) of bonds convertible and/or exchangeable for new and/or existing ordinary shares ("OCÉANE" bonds), with an overallotment option where applicable, were used in May and October 2020 (see section 7.2.3.2).

The other authorizations with respect to share capital increases granted to the Board of Directors by the May 23, 2019 Annual General Meeting were not used in 2020 nor as of the filing date of this Universal Registration Document.

7.2.3 The Company's securities

7.2.3.1 Securities not representing capital

Other securities issued by Safran not representing the Company's capital as of the date of this Universal Registration Document are set out in section 3.1, Note 27 and section 3.3, Note 3.9.

7.2.3.2 Securities carrying rights to shares of the Company

On May 15, 2020, Safran issued bonds convertible into and/or exchangeable for new and/or existing shares, due May 15, 2027 (OCÉANE 2027). The total nominal amount of the issue was €799,999,902.95, made up of 7,391,665 bonds with a par value of €108.23 (the "Initial Bonds")

On October 12, 2020, Safran launched a tap issue (the "Tap Issue") of bonds convertible and/or exchangeable for new and/or existing shares of the Company ("OCÉANE" bonds) (the "New Bonds"). The New Bonds carry the same terms and conditions as the Initial Bonds, with the exception of the issue price. They are fungible with the Initial Bonds, with which they form a single OCÉANE 2027 series. The total nominal amount of the Tap Issue was €199,999,948.68, made up of 1,847,916 New Bonds with a par value of €108.23.

The Initial Bonds and the New Bonds were issued through an offering exclusively for qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in France, the European Economic Area (EEA) and outside the EEA (excluding, in particular, the United States, Canada, South Africa, Australia, Japan and any other jurisdiction where registration or approval would be required by the applicable laws and regulations).

The background, terms and conditions and purpose of the issue of the Initial Bonds, as well as its impact on the holders of shares and securities granting access to shares, are set out in section 3.1, Note 27 and section 3.3, Note 3.9. The reports of the Board of Directors and the Statutory Auditors on the Initial Bonds issue are provided in section 8.4.1.

The terms and conditions of the Tap Issue are described in section 3.1, Note 27 and section 3.3, Note 3.9. The reports of the Board of Directors and the Statutory Auditors on the Tap Issue are provided in section 8.4.2.

In the event that Safran decided to provide only new shares upon the exercise of the conversion rights for all the OCÉANE 2027 bonds, the maximum dilution as estimated based on the Company's capital and the OCÉANE 2027 bond conversion ratio as of February 28, 2021, would be 2.16%.

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 (cumulative, in €) |
|--|---|------------------------------|-----------------------------------|----------------------------------|--|
| Situation as of December 31, 2020 | | 0.20 | 85,447,187.80 | 427,235,939⁽¹⁾ | 46,116,294.06 |
| June 30, 2020 | Cumulative increases in share capital and additional paid-in capital resulting from the exercise of stock options in the period to June 30, 2020, placed on record on July 7, 2020 | 0.20 | 85,447,187.80 | 427,235,939 | 46,116,294.06 |
| December 31, 2019 | Cumulative increases in share capital and additional paid-in capital resulting from the exercise of stock options in December 2019, placed on record on January 9, 2020 | 0.20 | 85,446,831 | 427,234,155 | 45,924,921.38 |
| December 19, 2019 | Capital reduction by canceling treasury shares | 0.20 | 85,446,697.20 | 427,233,486 | - |
| November 30, 2019 | Cumulative increases in share capital and additional paid-in capital resulting from the exercise of stock options in the period to November 30, 2019, placed on record on December 19, 2019 | 0.20 | 87,159,268.40 | 435,796,342 | 45,853,157.75 |
| 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 section 7.2.1).

7.2.5 Pledging of shares

To the best of the Company's knowledge, 2,496,550 shares representing 0.58% of the share capital were pledged as of December 31, 2020, compared with 1,166,152 shares representing 0.27% of the share capital as of December 31, 2019.

7.2.6 Treasury shares

■ Situation as of December 31, 2020

| | Number of shares | % share capital | Carrying amount as of Dec. 31, 2020 (in €) | Total nominal value (in €) |
|----------------------------------|------------------|-----------------|---|-------------------------------|
| Treasury shares, held directly | 319,284 | 0.07 | 35,487,421.00 | 63,856.80 |
| Treasury shares, held indirectly | - | - | - | - |
| TOTAL | 319,284 | 0.07 | 35,487,421.00 | 63,856.80 |



7.2.7 Share buyback programs

The Annual General Meeting of May 28, 2020, in its 15th resolution, 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:

- €165.

Total maximum amount that may be invested in the share buyback program:

- €7 billion.

As of May 28, 2020, this program had terminated the previous share buyback program authorized by the Annual General Meeting of May 23, 2019 (14th resolution), with the same objectives, a maximum purchase price of €155 per share and a total maximum amount of €6.7 billion to be invested in the buyback program.

7.2.7.1 Treasury share transactions in 2020

Liquidity agreement

The liquidity agreement, which has been managed by Oddo since February 1, 2012, was renewed in 2019.

Share buybacks

On May 18, 2020, Safran announced that it had mandated an investment services provider to purchase, subject to market conditions, up to 62,500 ordinary Safran shares representing 0.01% of the Company's share capital as of April 30, 2020, for allocation to employee free share plans. The buyback period under the mandate ran until May 22, 2020. A total of 62,500 ordinary shares were bought back by the investment services provider on the Company's behalf in 2020.

In 2020, Safran purchased 2,495,729 treasury shares under the liquidity agreement, of which:

- 1,133,533 shares were purchased between January 1 and May 28, 2020, at an average price of €112.91;

- 1,362,196 shares were purchased between May 29 and December 31, 2020, at an average price of €100.39.

Sales of shares

In 2020, Safran sold 2,418,296 treasury shares under the above-mentioned liquidity agreement, of which:

- 992,670 shares were sold between January 1 and May 28, 2020, at an average price of €112.94;
- 1,425,626 shares were sold between May 29 and December 31, 2020, at an average price of €100.52.

Cancellation of shares

No shares were canceled during 2020.

Delivery of free shares

At its meeting on March 23, 2017, the Board of Directors decided to award performance shares to 430 managers and senior executives of the Group (2017 Long-Term Incentive Plan). Subject to a continuing service condition, the number of performance shares that were ultimately delivered at the end of the three-year vesting period depended on the extent to which internal and external performance conditions were met over the 2017-2019 period (see section 6.6.4.2 of the 2017 Registration Document). At its March 26, 2020 meeting, the Board of Directors placed on record the achievement rates for the performance conditions of the 2017 Long-Term Incentive Plan. Based on the achievement rates, in March 2020 a total 509,516 ordinary shares were delivered to the plan beneficiaries (including 26,062 shares to the Chief Executive Officer in office at the delivery date (see section 6.6.2.2).

Following the merger of Zodiac Aerospace into Safran with effect from December 1, 2018, the unvested rights of participants in Zodiac Aerospace free share plans were replaced with rights to Safran ordinary shares, based on the exchange ratio used for the merger (see section 7.3.7.1 of the 2018 Registration Document). In 2020, 60,719 ordinary Safran shares were delivered to these participants.

Situation as of December 31, 2020

At December 31, 2020, Safran directly held 319,284 of its own shares, representing 0.07% of the Company's capital.

These treasury shares were held for the following purposes:

- for allocation or sale to employees: 40,084 shares, representing 0.009% 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: 266,000 shares, representing 0.06% of the Company's capital;
- for cancellation: 0.

Situation as of February 28, 2021

As of February 28, 2021, Safran directly held 324,276 of its own shares, representing 0.08% of its capital.

These treasury shares were held for the following purposes:

- for allocation or sale to employees: 40,076 shares, representing 0.009% 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: 271,000 shares, representing 0.063% of the Company's capital;
- for cancellation: 0.

7.2.7.2 Description of the share buyback program to be approved by the Annual General Meeting of May 26, 2021

Under the 16th resolution, the Annual General Meeting of May 26, 2021 is invited to authorize a new share buyback program (see section 8.2.18). 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.

Information about the number of shares and the percentage of share capital held directly and indirectly by the Company at February 28, 2021 is provided in section 7.2.7.1.

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 26, 2021 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, pursuant to the share capital reduction authorization in effect, granted by the Annual General Meeting.

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 December 31, 2020, the Company's capital comprised 427,235,939 shares. Given the 319,284 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 42,404,409 shares.

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. Shares may not be purchased at a price of more than €165 per share and the maximum amount that may be invested in the program is €7 billion. The maximum purchase price does not represent 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 26, 2021, i.e., until November 25, 2022 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, 2020:

| Shareholders | Shares | | Exercisable voting rights | | Theoretical voting rights ⁽¹⁾ | |
|---|---------------------------|---------------------|---------------------------|---------------------|--|---------------------|
| | Number | % capital | Number | % | Number | % |
| Free float | 347,973,999 | 81.45 | 406,760,265 | 72.47 | 406,760,265 | 72.42 |
| ■ o/w The Capital Group Companies, Inc. | 38,545,754 ⁽²⁾ | 9.02 ⁽²⁾ | 38,545,754 ⁽²⁾ | 6.90 ⁽²⁾ | 38,545,754 ⁽²⁾ | 6.90 ⁽²⁾ |
| ■ o/w BlackRock, Inc. | 27,422,108 ⁽³⁾ | 6.42 ⁽³⁾ | 27,422,108 ⁽³⁾ | 4.91 ⁽³⁾ | 27,422,108 ⁽³⁾ | 4.91 ⁽³⁾ |
| ■ TCI Fund Management Limited | 21,209,497 ⁽⁴⁾ | 4.98 ⁽⁴⁾ | 36,553,490 ⁽⁴⁾ | 6.55 ⁽⁴⁾ | 36,553,490 ⁽⁴⁾ | 6.55 ⁽⁴⁾ |
| French State | 47,983,131 | 11.23 | 95,966,262 | 17.10 | 95,966,262 | 17.09 |
| Employees ⁽⁵⁾ | 30,959,525 | 7.25 | 58,567,145 | 10.43 | 58,567,145 | 10.43 |
| ■ o/w FCPE Safran Investissement | 21,351,714 | 4.99 | 40,187,614 | 7.16 | 40,187,614 | 7.16 |
| Treasury shares, held directly | 319,284 | 0.07 | - | - | 319,284 | 0.06 |
| Treasury shares, held indirectly | - | - | - | - | - | - |
| TOTAL | 427,235,929 | 100.00 | 561,293,672 | 100.00 | 561,612,956 | 100.00 |

(1) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Article 223-11 of the AMF's General Regulations).

(2) As of December 1, 2020, based on the number of shares and voting rights disclosed by The Capital Group Companies, Inc. on behalf of Capital Research and Management Company and the clients and funds that it manages.

(3) As of November 27, 2020, based on the number of shares and voting rights disclosed by BlackRock, Inc. on behalf of the clients and funds that it manages (AMF notice 220C5210).

(4) As of November 23, 2020, based on the number of shares and voting rights disclosed by TCI Fund Management Limited on behalf of the clients and funds that it manages (AMF notice 220C5172).

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

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, 2020.

Double voting rights

As of December 31, 2020, 134,377,017 shares carried 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, 2020, Safran's free-float shareholders break down as approximately 81% institutional investors, around 7% other institutional holdings, 8% individual investors and 4% unidentified.

The breakdown of the institutional investors identified by geographic area is as follows: 49% are from North America, 24% are from the United Kingdom and Ireland, 16% are from France and 11% are from other countries.

Individual shareholders represent around 8% 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

| Shareholders | December 31, 2018 | | | December 31, 2019 | | | December 31, 2020 | | |
|---|---------------------------|---------------------|--------------------------------|---------------------------|---------------------|--------------------------------|---------------------------|---------------------|--------------------------------|
| | Number of shares | % capital | % voting rights ⁽¹⁾ | Number of shares | % capital | % voting rights ⁽¹⁾ | Number of shares | % capital | % voting rights ⁽¹⁾ |
| Free float | 356,388,863 | 81.79 | 71.05 | 347,840,451 | 81.42 | 71.07 | 347,973,999 | 81.45 | 72.47 |
| ■ o/w The Capital Group Companies, Inc. | 27,134,320 ⁽²⁾ | 6.12 ⁽²⁾ | 5.22 ⁽²⁾ | 34,920,730 ⁽³⁾ | 8.01 ⁽³⁾ | 6.44 ⁽³⁾ | 38,545,754 ⁽³⁾ | 9.02 ⁽³⁾ | 6.90 ⁽³⁾ |
| ■ o/w BlackRock, Inc. | 26,530,694 ⁽⁴⁾ | 5.98 ⁽⁴⁾ | 5.10 ⁽⁴⁾ | 25,908,335 ⁽⁵⁾ | 5.95 ⁽⁵⁾ | 4.89 ⁽⁵⁾ | 27,422,108 ⁽⁶⁾ | 6.42 ⁽⁶⁾ | 4.91 ⁽⁶⁾ |
| ■ o/w TCI Fund Management Limited | ⁽⁷⁾ | ⁽⁷⁾ | ⁽⁷⁾ | ⁽⁷⁾ | ⁽⁷⁾ | ⁽⁷⁾ | 21,209,497 ⁽⁸⁾ | 4.98 ⁽⁸⁾ | 6.55 ⁽⁸⁾ |
| French State | 47,983,131 | 11.23 | 18.36 | 47,983,131 | 11.23 | 18.11 | 47,983,131 | 11.23 | 17.10 |
| Employees ⁽⁹⁾ | 29,956,234 | 6.87 | 10.59 | 28,860,491 | 6.75 | 10.82 | 30,959,525 | 7.25 | 10.43 |
| ■ o/w FCPE Safran Investissement | 20,371,400 | 4.67 | 7.79 | 19,244,100 | 4.50 | 7.27 | 21,351,714 | 4.99 | 7.16 |
| Treasury shares, held directly | 1,439,723 | 0.33 | - | 2,550,082 | 0.60 | - | 319,284 | 0.07 | - |
| Treasury shares, held indirectly | - | - | - | - | - | - | - | - | - |
| TOTAL | 435,767,951 | 100.00 | 100.00 | 427,234,155 | 100.00 | 100.00 | 427,235,929 | 100.00 | 100.00 |

(1) Exercisable voting rights.

(2) As of December 13, 2018, based on the number of shares and voting rights disclosed by The Capital Group Companies, Inc. on behalf of Capital Research and Management Company and the clients and funds that it manages (AMF notice 218C2007).

(3) As of December 1, 2020, based on the number of shares and voting rights disclosed by The Capital Group Companies, Inc. on behalf of Capital Research and Management Company and the clients and funds that it manages.

(4) As of November 26, 2018, based on the number of shares and voting rights disclosed by BlackRock, Inc. on behalf of the clients and funds that it manages (AMF notice 218C1901).

(5) As of December 30, 2019, based on the number of shares and voting rights disclosed by BlackRock, Inc. on behalf of its the clients and funds that it manages.

(6) As of November 27, 2020, based on the number of shares and voting rights disclosed by BlackRock, Inc. on behalf of the clients and funds that it manages (AMF notice 220C5210).

(7) Less than 5%.

(8) As of November 23, 2020, based on the number of shares and voting rights disclosed by TCI Fund Management Limited on behalf of the clients and funds that it manages (AMF notice 220C5172).

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

7.3.4 Disclosure thresholds

7.3.4.1 Significant movements during 2020

Disclosure of the crossing of legal thresholds

The main legal thresholds that were crossed and disclosed in 2020 were as follows:

1. TCI Fund Management Limited made several disclosures that the shares and/or voting rights that it holds in the Company on behalf of the clients and funds that it manages had, on different occasions, either exceeded or fallen below the 5% legal disclosure threshold. Most recently, it disclosed that, on November 23, 2020, the interest that it holds on behalf of the clients and funds that it manages had fallen below the threshold of 5% of the Company's share capital, and, at that date, it held 21,209,497 Safran shares on behalf of those clients and funds, representing 4.98% of the Company's share capital and 6.55% of its voting rights (AMF notice no. 220C5172).

2. BlackRock, Inc. made several disclosures that the shares and/or voting rights that it holds on behalf of the clients and funds that it manages had, on different occasions, either exceeded or fallen below the 5% legal disclosure threshold. Most recently, it disclosed that, on November 27, 2020, the interest that it holds on behalf of the clients and funds that it manages had fallen below the threshold of 5% of the Company's voting rights, and, at that date, it held 27,422,108 Safran shares on behalf of those clients and funds, representing 6.42% of the Company's share capital and 4.91% of its voting rights (AMF notice no. 220C5210).

Disclosure of the crossing of thresholds set out in the bylaws

In addition to the legal threshold disclosures described above, the material crossings of the thresholds set out in the Company's bylaws were as follows in 2020, as disclosed to Safran:

| Shareholder | Date of crossing | Bylaws threshold crossed | Upward or downward | Number of shares disclosed post-crossing | % capital disclosed post-crossing | % voting rights disclosed ⁽¹⁾ post-crossing |
|---|--------------------|-----------------------------|-----------------------|--|-----------------------------------|--|
| French State ⁽²⁾ | January 7, 2020 | 18% of voting rights | Upward | 47,983,131 | 11.23 | 18.03 |
| French State ⁽²⁾ | March 12, 2020 | 18% of voting rights | Downward | 47,983,131 | 11.23 | 17.24 |
| Egerton Capital | November 10, 2020 | 1% of voting rights | Downward | 2,907,453 | 0.68 | 0.96 |
| The Capital Group Companies, Inc. | December 1, 2020 | 9% of the Company's capital | Upward | 38,545,754 | 9.02 | - |
| D1 Capital Partners ⁽³⁾ | October 2 | 2% of the Company's capital | Upward | 8,742,418 | 2.05 | 1.57 |
| Meritage ⁽³⁾ | March 18, 2020 | 1% of the Company's capital | -- | 4,795,156 | - | - |
| T. Rowe Price | May 14, 2020 | 1% of the Company's capital | Downward | 3,830,463 | 0.89 | 0.64 |
| Wellington Management | December 1, 2020 | 1% of voting rights | Downward | 5,570,763 | 1.30 | 0.99 |
| Caisse des Dépôts | December 18, 2020 | 2% of the Company's capital | Downward | 8,205,896 | 1.92 | 2.06 |
| Lone Pine Capital LLC | September 18, 2020 | 1% of the Company's capital | Downward | 4,256,278 | 0.99 | 0.76 |
| FSP (Fonds Stratégique de Participations) | March 1, 2020 | 1% of voting rights | Upward ⁽⁴⁾ | 3,223,000 | 0.75 | 1.04 |
| FFP Invest | February 14, 2020 | 1% of voting rights | Upward ⁽⁴⁾ | 3,207,261 | 0.75 | 1.08 |
| Concert group comprising FSP, FFP ⁽⁵⁾ , FFP Invest and F&P | February 14, 2020 | 2% of voting rights | Upward ⁽⁴⁾ | 6,431,229 | 1.51 | 2.02 |

(1) Theoretical voting rights.

(2) Passive crossing of threshold.

(3) Cash-settled equity swaps (transaction carried out for financial purposes with no transfer of title of shares or voting rights).

(4) Acquisition of double voting rights.

(5) At FFP's Annual General Meeting on March 31, 2021, its shareholders will be invited to change FFP's corporate name to "Peugeot Invest".

7.3.4.2 Significant movements since January 1, 2021

The main legal or bylaw thresholds that were crossed and declared between January 1, 2021 and March 24, 2021 were as follows:

- BlackRock, Inc. made several disclosures that the interest that it holds on behalf of the clients and funds that it manages had, on different occasions, either exceeded or fallen below the threshold of 6% of the Company's share capital set in Safran's bylaws. Most recently, it disclosed that, on March 15, 2021, the interest that it holds on behalf of the clients and funds that it manages had increased to above the threshold of 6% of the Company's share capital, and, at that date, it held 25,915,281 Safran shares on behalf of those clients and funds, representing 6.07% of the Company's share capital and 4.61% of its voting rights.
- The Capital Group Companies disclosed that, on February 1, 2021, it had increased its interest to above the threshold of 7% of the Company's voting rights set in Safran's bylaws and held, at that date, 39,339,024 Safran shares, representing 7.06% of the Company's voting rights.
- La Caisse des Dépôts et Consignations disclosed that, on January 25, 2021, indirectly through CNP Assurances, it had increased its interest to above the threshold of 2% of the Company's share capital and held, at that date, directly and indirectly through CNP Assurances, 8,582,853 Safran shares, representing 2% of the Company's share capital and 2.12% of its voting rights.
- Select Equity Group disclosed that, on January 21, 2021, the interest that it holds on behalf of the clients and funds that it manages, had increased to above the threshold of 1% of the Company's share capital, and, at that date, it held 4,322,766 Safran shares on behalf of those clients and funds (including a portion via equity swaps), representing 1.01% of the Company's share capital and 0.77% of its voting rights.
- D1 Capital Partners made several disclosures that the interest that it holds on behalf of the fund that it manages had, on several occasions, crossed the threshold of 2% of the Company's share capital set in Safran's bylaws. Most recently, it disclosed on January 28, 2021 that the interest that it holds on behalf of the fund that it manages had fallen below the threshold of 1% of the Company's voting rights, and, at that date, it held 5,163,768 Safran shares (via equity swaps), representing 1.21% of the Company's share capital and 0.92% of its voting rights.
- Fidelity International, on behalf of FMR LLC, disclosed that, on March 5, 2021, FMR LLC had increased its interest to above the threshold of 1% of the Company's share capital and held, at that date, 4,771,836 shares, representing 1.12% of the Company's share capital and 0.85% of its voting rights.
- Natixis Investment Managers, in its capacity as manager of the Safran Investissement corporate mutual fund (FCPE), disclosed that Safran Investissement had fallen below the threshold of 7% of the Company's voting rights set in Safran's bylaws and held, at January 31, 2021, 19,708,450 shares, representing 4.61% of the Company's share capital and 6.86% of its voting rights.

8. As a result of (i) the unwinding of the forward sale contracted by Peugeot Invest Assets (formerly FFP Invest) in November 2020 (see section 6.5.3) and concerning 1,100,000 Safran shares, and (ii) the sale by Peugeot Invest Assets of 1,066,624 Safran shares delivered between March 19 and March 23, 2021, on March 24, 2021, Fonds Stratégique de Participations, FFP, Peugeot Invest Assets and F&P disclosed that:

- Peugeot Invest Assets had exceeded the threshold of 1% of the Company's voting rights set in Safran's bylaws

and held, at that date, 1,040,637 shares, representing 0.24% of the Company's share capital and 0.37% of its voting rights;

- Fonds Stratégique de Participations, FFP, Peugeot Invest Assets and F&P, acting in concert, had fallen below the thresholds of 1% of the share capital and 2% of the voting rights set in Safran's bylaws and held, at that date, 4,264,605 shares, representing 0.99% of the Company's share capital and 1.35% 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 Universal 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 March 26, 2020 meeting, using the authorization granted in the 30th resolution of the Annual General Meeting of May 23, 2019, the Board of Directors authorized grants of performance shares to certain managers and senior executives of the Group (2020 Long-Term Incentive Plan). 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 2020-2022 and described in section 6.6.4.3 of the 2019 Universal Registration Document, are achieved. No performance shares were granted to the Chief Executive Officer, Philippe Petitcolin, under the 2020 Long-Term Incentive Plan, given that his term of office was due to expire at the end of 2020 (i.e., within less than a year of the grant date).

At its March 24, 2021 meeting, again using the authorization granted in the 30 resolution of the Annual General Meeting of May 23, 2019, the Board of Directors authorized grants of performance shares to certain managers and senior executives of the Group (2021 Long-Term Incentive Plan). 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 2021-2023 and described in section 6.6.4.2 of this Universal Registration Document, are achieved. Under the 2021 Long-Term Incentive Plan, 14,423 performance shares were granted to the new Chief Executive Officer, Olivier Andriès (see section 6.6.2.2 of this Universal Registration Document).

Safran affiliates did not grant free shares during the year.

7.3.7.2 Other transactions

Following the sale by the French State of 2.64% of the Company's share capital on December 1, 2015 (see section 7.3.4.1 of the 2015 Registration Document), 1.39% of the capital on November 23, 2016 (see section 7.3.4.1 of the 2016 Registration Document) and 2.35% of the capital on October 1, 2018 (see section 7.3.4.1 of the 2018 Registration Document), a total of 3,023,333 additional shares (1,222,222 shares sold by the French State on December 1, 2015, 644,444 shares sold by the French State on November 23, 2016 and 1,156,667 shares sold by the French State on October 1, 2018) will be offered to current and former employees of Safran and its subsidiaries at a later date, 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.

Safran Sharing 2020

At its meeting on December 19, 2019, the Board of Directors decided to use the authorization given in the 14th resolution of the Annual General Meeting of May 23, 2019 (or any other resolution to the same effect) by setting up a €160 million employee shareholding plan, “Safran Sharing 2020”. Under the terms of the plan, employees had the opportunity to acquire up to 1.8 million shares held in treasury at a price set by the method prescribed in Article L.3332-19 of the French Labor Code (*Code du travail*) (see section 5.7.2.3 of the 2019 Universal Registration Document).

On March 11, 2020, Safran announced that it had launched the “Safran Sharing 2020” employee shareholding plan, open to over 87,000 employees in 16 countries. The aim of the plan is to more closely involve employees in efforts to reach Safran’s targets and in its future performance and success (see section 5.4.4 of this Universal Registration Document). The plan also helps strengthen the integration of employees who joined the Group at the time of the acquisition of the former Zodiac Aerospace in 2018.

The plan was carried out through the sale to shareholders of existing Safran shares purchased under the share buyback program and held in treasury.

An aggregate 1,799,992 ordinary Safran shares were acquired in connection with the Safran Sharing 2020 plan under a “leveraged” subscription system, whereby employees’ personal contributions under the offer were guaranteed. The shares were acquired through corporate mutual funds (FCPE), apart from in the United States where the eligible employees hold their shares directly. The corresponding corporate mutual fund units or directly held shares are subject to a five-year lock-up period, except in specific early release events as provided for by law. The price of the shares purchased under the offer corresponded to the volume-weighted average price of Safran shares on the Euronext Paris market during the 20 trading days preceding the pricing date, less a 20% discount.

7.3.7.3 Stock options

No authorizations for the Board of Directors to give stock options granting entitlement to subscribe for new shares of the Company or to purchase existing shares were in force as of December 31, 2020 or the date of this Universal Registration Document.

No stock option plan granting entitlement to purchase existing shares is currently in progress.

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 plans in progress at December 31, 2020 were as follows:

| Zodiac Aerospace stock subscription options exercisable for Safran shares | Plan 12 Zodiac Aerospace | Plan 13 Zodiac Aerospace | Plan 14 Zodiac Aerospace |
|---|-----------------------------|-----------------------------|-----------------------------|
| Date of the (Zodiac Aerospace) Shareholders’ Meeting | 01/10/2011 | 01/10/2011 | 01/08/2014 |
| Date of the (Zodiac Aerospace) Supervisory Board or Management Board meeting | 05/13/2013 | 12/04/2013 | 02/12/2015 |
| Option exercise start date | 05/13/2014 | 12/04/2014 | 02/12/2016 |
| Option expiration date | 05/13/2021 | 12/04/2021 | 02/12/2023 |
| Corporate officers concerned | 0 | 0 | 0 |
| Option subscription price | €68.89 | €88.67 | €107.47 |
| Number of shares subscribed at December 31, 2020 | 114,642 | 64,419 | 17,620 |
| Total number of options canceled or forfeited | 19,404 | 40,156 | 53,538 |
| Options outstanding at December 31, 2020 | 14,452 | 43,636 | 125,667 |
| Maximum number of Safran shares to which the options outstanding at December 31, 2020 grant entitlement | 14,452 | 43,636 | 125,667 |

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.22-10-48 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 2020.

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;
- the Universal 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 and the site visit program (reserved for members of the Safran Shareholders' Club).

The information can be mailed upon request from the Financial Communications Department.

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 2020, Executive Management participated in conference calls during which it presented the customary financial data (quarterly revenue, first-half and annual results) 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.

7.4.3 Relations with individual shareholders

Due to the Covid-19 pandemic, the program of regional meetings with shareholders and the Shareholders' Club program had to be adapted in 2020. Two shareholders' meetings and Safran's participation in the "Investir Day" trade fair had to be postponed. Only three site visits were able to take place - in Covid-secure conditions - rather than the six originally planned.

The Group's regular publications including the "Shareholders' Club Program", the "Shareholders' Guide" and two shareholders' newsletters were published during the year and are available in the Finance section of the Group's website at www.safran-group.com/finance.

In addition, Safran's investor relations teams provide a permanent channel of communication with the Company's shareholders (see section 7.4.5, "Group investor relations contacts").

7.4.4 Provisional shareholders' calendar

First-quarter 2020 revenue: April 30, 2021

Ordinary and Extraordinary Shareholders' Meeting: May 26, 2021 at 2:00 p.m. at Campus Safran - 32, rue de Vilgénis - 91300 Massy

First-half 2020 results: July 29, 2021

Third-quarter 2021 revenue: October 29, 2021

Capital Markets Day: December 2, 2021

7.4.5 Group investor relations contacts

2, boulevard du Général-Martial-Valin

75724 Paris Cedex 15 - France

Tel.: +33 (0)1 40 60 80 80

Website: safrangroup.com

Investors and analysts

- E-mail: investor.relation@safran-group.com

Individual shareholders and Shareholders' Club

- Toll-free number (France only): 0 800 17 17 17
- E-mail: actionnaire.individuel@safran-group.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 | 2018 | 2019 | 2020 |
|---|--------------------|--------------------|--------------------|
| Number of shares as of December 31 | 435,767,951 | 427,234,155 | 427,235,939 |
| Safran share price (in €) | | | |
| High | 122.250 | 150.850 | 152.300 |
| Low | 81.040 | 101.100 | 51.100 |
| Closing | 105.400 | 137.650 | 115.950 |
| Market capitalization as of December 31 (in € millions) | 45,930 | 58,809 | 49,538 |

| Change in share price from January 1, 2020 to February 28, 2021 | | Average share price* (in €) | | | Average daily transactions (in number of shares) | Average market capitalization** (in € millions) |
|---|-------------|-----------------------------|-------------|------------|--|---|
| | | Average share price* | High (in €) | Low (in €) | | |
| January | 2020 | 141.282 | 150.700 | 135.450 | 788,983 | 60,361 |
| February | | 142.780 | 152.300 | 121.650 | 1,029,437 | 61,001 |
| March | | 89.576 | 129.100 | 51.100 | 2,733,768 | 38,270 |
| April | | 75.827 | 93.200 | 63.000 | 1,455,699 | 32,396 |
| May | | 79.741 | 91.240 | 70.380 | 1,092,526 | 34,068 |
| June | | 93.748 | 105.400 | 85.900 | 1,401,284 | 40,052 |
| July | | 91.138 | 96.880 | 84.960 | 943,734 | 38,938 |
| August | | 99.283 | 106.950 | 85.820 | 768,179 | 42,417 |
| September | | 93.470 | 103.850 | 80.640 | 1,005,784 | 39,934 |
| October | | 88.809 | 97.340 | 81.680 | 1,029,522 | 37,942 |
| November | | 114.580 | 126.850 | 88.840 | 1,396,701 | 48,952 |
| December | | 119.420 | 125.450 | 108.600 | 764,292 | 51,021 |
| January | 2021 | 112.743 | 121.000 | 103.200 | 793,233 | 48,168 |
| February | | 111.648 | 121.550 | 102.550 | 829,150 | 47,700 |

Source: Euronext.

* Average closing price.

** Based on the number of outstanding shares (published monthly on the Company's website, in the section Finance/Publications/Regulated Information).

7.6 CREDIT RATINGS

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





ANNUAL GENERAL MEETING

| | | | |
|--|------------|---|------------|
| 8.1 AGENDA | 429 | 8.3 CONVERSION OF CLASS A PREFERRED SHARES INTO ORDINARY SHARES AFTER THE 36-MONTH NON-TRANSFERABILITY PERIOD | 474 |
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Presentation of the resolutions

- Approval of the parent company and consolidated financial statements for the year ended December 31, 2020.
- Appropriation of profit for the year and approval of the recommended dividend.
- Related-party agreements.
- Ratification of the appointment of Olivier Andriès as a Director.
- Re-appointments of Directors.
- Appointment of a woman independent Director.
- Approval of the components of compensation and benefits paid or awarded to corporate officers.
- Compensation policy for corporate officers.
- Authorization for the Board of Directors to carry out a share buyback program.
- Amendments to the Company's bylaws following the conversion of Class A Preferred Shares into ordinary shares.
- Financial authorizations.
- Powers to carry out formalities.

| | |
|----|---|
| 16 | Ordinary resolutions |
| 14 | Extraordinary resolutions |
| 1 | Resolution concerning powers to carry out formalities |

The Annual General Meeting will be held behind closed doors on May 26, 2021 at 2:00 p.m. at the Safran Campus - 32, rue de Vilgénis, 91300 Massy (France).

IMPORTANT

In the context of the Covid-19 crisis and in accordance with the regulatory provisions aimed at preventing the spread of the epidemic, in particular French government *ordonnance* 2020-321 dated March 25, 2020 and Decree no. 2020-418 dated April 10, 2020, extended by Decree no. 2021-255 dated March 9, 2021, **the Board of Directors has decided to exceptionally hold the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2021 behind closed doors, without the physical presence of shareholders and other persons eligible to attend.** On the date of publication of this Universal Registration Document, administrative measures limiting or prohibiting collective gatherings for health reasons prevent their attendance at the Meeting.

Admittance cards will not be issued and shareholders will have to vote remotely in advance of the Meeting.

The Annual General Meeting will be broadcast live and the video replay will be available on the Company's website. In addition, a tool for asking questions during the Meeting will be made available to shareholders.

Information on how shareholders can exercise their rights in the above-described context will be provided in the notice of meeting and on the Company's website.

Shareholders are also invited to regularly check the 2021 Annual General Meeting section of the Company's website. This section will be updated on a regular basis, in the event of changes in the procedures for participation in the Annual General Meeting due to changes in the health situation and resulting health and/or legal requirements. The latest information can be found at: <https://www.safran-group.com/finance/general-meeting>

Dividend

At the Annual General Meeting on May 26, 2021, the Board of Directors will recommend the payment of a €0.43 per-share dividend for 2020, representing a total payout of approximately €183.7 million or a 22% payout ratio.

The dividends for the past three years were as follows:

| Year | 2017 | 2018 | 2019 |
|--------------------|-------|-------|------|
| Dividend per share | €1.60 | €1.82 | €0 |

8.1 AGENDA

Ordinary resolutions

| | |
|-------------------------------|---|
| First resolution: | Approval of the parent company financial statements for the year ended December 31, 2020 |
| Second resolution: | Approval of the consolidated financial statements for the year ended December 31, 2020 |
| Third resolution: | Appropriation of profit for the year and approval of the recommended dividend |
| Fourth resolution: | Approval of two related-party agreements governed by Article L.225-38 of the French Commercial Code entered into with BNP Paribas |
| Fifth resolution: | Ratification of the appointment of Olivier Andriès as a Director |
| Sixth resolution: | Re-appointment of Hélène Auriol Potier as a Director |
| Seventh resolution: | Re-appointment of Sophie Zurquiyah as a Director |
| Eighth resolution: | Re-appointment of Patrick Pélata as a Director |
| Ninth resolution: | Appointment of Fabienne Lecorvaisier as an independent Director to replace Odile Desforges |
| Tenth resolution: | Approval of the fixed, variable and exceptional components of the total compensation and benefits paid during or awarded for 2020 to the Chairman of the Board of Directors |
| Eleventh resolution: | Approval of the fixed, variable and exceptional components of the total compensation and benefits paid during or awarded for 2020 to the Chief Executive Officer |
| Twelfth resolution: | Approval of the disclosures required under Article L.225-37-3 I of the French Commercial Code concerning the compensation of corporate officers |
| Thirteenth resolution: | Approval of the compensation policy applicable to the Chairman of the Board of Directors |
| Fourteenth resolution: | Approval of the compensation policy applicable to the Chief Executive Officer |
| Fifteenth resolution: | Approval of the compensation policy applicable to the Directors |
| Sixteenth resolution: | Authorization for the Board of Directors to carry out a share buyback program |

Extraordinary resolutions

| | |
|----------------------------------|--|
| Seventeenth resolution: | Deletion of references to Class A Preferred Shares in the bylaws - Corresponding amendments to Articles 7, 9, 11 and 12 and deletion of Article 36 of the bylaws |
| Eighteenth 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 |
| 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, by way of a public offer other than offers governed by Article L.411-2, 1° 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 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 |
| Twenty-first 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 an offer governed by Article L.411-2, 1° 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 |
| Twenty-second 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 18 th , 19 th , 20 th or 21 st resolutions), which may not 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, 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-fourth 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 other than offers governed by Article L.411-2, 1° 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-fifth 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-sixth 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 an offer governed by Article L.411-2, 1° 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-seventh 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 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
- 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 26, 2021 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

8.2.1.1 Approval of the parent company and consolidated financial statements for the year ended December 31, 2020

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, 2020 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 2020 with profit of €1,647 million;
- the consolidated financial statements show attributable profit for the year amounting to €352 million.

Text of the first resolution

Approval of the parent company financial statements for the year ended December 31, 2020

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 parent company financial statements for the year ended December 31, 2020 as presented - showing profit for the year of €1,647,405,155.68 - 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 €341,065 and gave rise to a tax charge of €98,650.

Text of the second resolution

Approval of the consolidated financial statements for the year ended December 31, 2020

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, 2020 as presented, together with the transactions reflected in those financial statements and referred to in those reports.

8.2.1.2 Appropriation of profit for the year and approval of the recommended dividend

Presentation of the third resolution

The Company's distributable profit for 2020 totals €4,305 million, breaking down as €1,647 million in profit for the year plus €2,658 million in retained earnings brought forward from the previous year. As a reminder, it was decided at the Annual General Meeting of May 28, 2020, following a recommendation from the Board of Directors, to allocate the full amount of profit for 2019 to retained earnings.

The Board of Directors recommends paying a dividend of €0.43 per share, corresponding to a total payout of €183.7 million based on the 427,235,939 shares making up the Company's capital at December 31, 2020 (see section 7.2.1 of this Universal Registration Document), representing a 22% payout ratio.

The remaining €4,122 million of distributable profit would be allocated to retained earnings.

The total payout of €183.7 million (and, consequently, the amount allocated to retained earnings) will be adjusted to take into account new shares with dividend rights issued before the ex-dividend date (including shares issued upon exercise of stock options) and the number of shares held in treasury at that date for which the dividend is credited 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 31, 2021 and the dividend will be paid on June 2, 2021.

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, 2020 as follows:

| | |
|-----------------------------------|-------------------|
| Profit for 2020 | €1,647,405,155.68 |
| Retained earnings ⁽¹⁾ | €2,658,092,750.94 |
| Profit available for distribution | €4,305,497,906.62 |
| Appropriation: | |
| ■ Dividend | €183,711,453.77 |
| ■ Retained earnings | €4,121,786,452.85 |

(1) Including the full amount of profit for 2019 allocated to retained earnings.

Accordingly, the dividend paid will be €0.43 per share.

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 31, 2021 and the dividend will be paid on June 2, 2021.

The shareholders resolve that in the event of an increase or decrease in the number of shares carrying dividend rights at the ex-dividend date, the dividend payout and also the amount allocated to retained earnings will be adjusted accordingly.

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 |
|------|--|------------------------|--------------------------------|
| 2019 | 0 | 0 | 0 |
| 2018 | 431,474,040 | €1.82 | €785,282,752.80 ⁽²⁾ |
| 2017 | 434,570,199 | €1.60 | €695,312,318.40 ⁽²⁾ |

(1) Total number of shares carrying dividend rights less the number of Safran shares held in treasury at the dividend payment date.

(2) Subject to the flat-rate tax provided for in 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.

8.2.1.3 Related-party agreements

Presentation of the fourth resolution

Two related-party agreements were entered into in 2020 with BNP Paribas, of which Monique Cohen, a Director of Safran, is also a Director. Both agreements were authorized by the Board of Directors on March 26, 2020 and are submitted for the approval of the Annual General Meeting.

The two agreements are linked:

Related-party agreement of March 31, 2020 with BNP Paribas relating to the arrangement, underwriting and syndication of a credit facility

On March 31, 2020, Safran and BNP Paribas entered into an agreement relating to the arrangement, underwriting and syndication of a €3 billion credit facility with a term of up to two years. Under the agreement, the Group was able to rapidly set up a €3 billion syndicated credit facility with a term of up to two years, supplementing its liquidity reserves and helping to prudently maintain Safran's financial flexibility during the Covid-19 crisis (see agreement of April 22, 2020 below). Under the terms of the agreement, BNP Paribas committed to arranging the structure of the credit facility, underwriting the full amount (€3 billion) and syndicating the facility with other credit institutions. Safran appointed BNP Paribas because of the bank's leading position on the market and its commitment to underwrite the full amount and to syndicate the facility in a very short space of time, thereby making the additional liquidity reserve available to the Group as quickly as possible. The agreement was entered into under the market conditions prevailing at the date of signature for this type of transaction.

The agreement is presented in the Statutory Auditors' special report in section 8.5.1 of this Universal Registration Document, including an indication of the expense recorded in Safran's 2020 financial statements in respect of the commission paid to BNP Paribas.

Related-party agreement of April 22, 2020 with BNP Paribas and a pool of banks relating to a syndicated credit facility

On April 22, 2020, Safran, BNP Paribas and a pool of banks entered into an agreement relating to a syndicated credit facility for an amount of €3 billion and a term of up to two years. The €3 billion syndicated credit facility with a term of up to two years supplements the Group's liquidity reserves and has helped to prudently maintain the Group's financial flexibility during the Covid-19 crisis. Under the terms of the agreement, BNP Paribas acts as underwriter, bookrunner, mandated lead arranger, agent and initial lender for €285 million (highest amount equal to the amount allocated to other initial lenders that are also mandated lead arrangers). Safran appointed BNP Paribas because of the bank's leading position on the market, further to the abovementioned related-party agreement of March 31, 2020. The agreement was entered into under the market conditions prevailing at the date of signature for this type of transaction and the commission and interest will be shared between the banks that are party to the agreement, including BNP Paribas, pro rata to their involvement in the credit facility.

The agreement is presented in the Statutory Auditors' special report in section 8.5.1 of this Universal Registration Document, including an indication of the expense recorded in Safran's 2020 financial statements in respect of the commission paid to BNP Paribas.

Text of the fourth resolution

Approval of two related-party agreements governed by Article L.225-38 of the French Commercial Code entered into with BNP Paribas

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on the related-party agreements governed by Article L.225-38 of the French Commercial Code (*Code de commerce*), the shareholders approve the conclusions of the report and the agreements entered into with BNP Paribas in 2020, as described therein.

8.2.1.4 Ratification of the appointment of Olivier Andriès as a Director

Presentation of the fifth resolution

At its December 16, 2020 meeting, the Board of Directors appointed Olivier Andriès as a Director, in accordance with Article 19.2 of the Company's bylaws and the applicable law, replacing Philippe Petitcolin who stepped down from the Board. Olivier Andriès' term as a Director took effect on January 1, 2021, at the same date as he became Chief Executive Officer, for the remainder of his predecessor's term of office, i.e., until the close of the Annual General Meeting to be held in 2023 to approve the financial statements for the year ending December 31, 2022.

This appointment 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 Chief Executive Officer to be among his peers around the Board table, and also allows the Board to benefit from his contribution to its discussions.

In accordance with the compensation policy applicable to the Chief Executive Officer (see section 6.6.1.4) and the compensation policy applicable to the Directors (see section 6.6.1.5), Olivier Andriès will not receive any compensation in his capacity as a Director of the Company (formerly "attendance fees").

The shareholders are invited to ratify the temporary appointment of Olivier Andriès by the Board of Directors.

The profile of Olivier Andriès is presented in section 6.2.2.



Text of the fifth resolution

Ratification of the appointment of Olivier Andriès 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 December 16, 2020 to appoint Olivier Andriès as a Director, to replace Philippe Petitcolin for the remainder of his term of office, i.e., until the close of the Annual General Meeting to be held in 2023 to approve the financial statements for the year ending December 31, 2022.

8.2.1.5 Expiration of terms of office – Re-appointments and appointment

Presentation of the sixth to ninth resolutions

The terms of office of the following independent Directors are due to expire at the close of the Annual General Meeting to be held on May 26, 2021: Hélène Auriol Potier, Odile Desforges, Patrick Péлата and Sophie Zurquiyah. The shareholders are invited to vote on the proposals to fill these vacancies.

Re-appointment of H  l  ne Auriol Potier (6th resolution) and Sophie Zurquiyah (7th resolution) as Directors

Based on the recommendations of the Appointments and Compensation Committee, the Board of Directors has decided that it wishes to continue to benefit from the expertise of H  l  ne Auriol Potier and Sophie Zurquiyah and is therefore putting forward these two independent Directors for re-appointment for four-year terms expiring at the close of the Annual General Meeting to be held in 2025.

H  l  ne Auriol Potier brings to the Board her experience as a Director as well as her experience of leading international corporations, an international outlook, and expertise and vision in digital technologies and transformation. She is a member of the Appointments and Compensation Committee and the Innovation, Technology & Climate Committee.

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. She is a member of the Audit and Risk Committee.

The profiles of these Directors are presented in section 6.2.2.

Re-appointment of Patrick P  лата, Director responsible for monitoring climate issues, as a Director (8th resolution)

Based on the recommendations of the Appointments and Compensation Committee, the Board of Directors has decided that it wishes to continue to benefit from the expertise of Patrick P  лата and is therefore putting forward this independent Director for re-appointment for a four-year term expiring at the close of the Annual General Meeting to be held in 2025.

The Board of Directors is fully aware of the strategic importance of climate issues for the aerospace industry, an awareness that it shares with the Company's shareholders. Accordingly, on February 24, 2021, the Board of Directors decided to appoint a "Director responsible for monitoring climate issues" (see section 6.2.3 for a description of the Director's roles and responsibilities) and renamed the Innovation and Technology Committee the "Innovation,

Technology & Climate Committee" (see sections 6.3.2 and 6.3.4 for a description of the Committee's extended roles and responsibilities). The Board felt that the obvious choice for the role of Director responsible for monitoring climate issues would be the Chairman of the Innovation, Technology & Climate Committee, Patrick P  лата, who accepted the appointment. He will embody and represent the Board's commitment on climate issues. He will take the lead in ensuring follow-up of the climate action plan by the Innovation, Technology & Climate Committee. Within this scope, he and this Committee will be involved in monitoring and overseeing Executive Management's climate action plan and in preparing information intended for publication by the Company and for presentation to the Annual General Meeting. He will be informed of questions from the shareholders on matters falling within the scope of his role and, where necessary, will make himself available to discuss those matters with them, in conjunction with the Chairman of the Board of Directors.

If Patrick P  лата is re-appointed, the shareholders would also be expressing their support of the Board and Executive Management in their deployment of the Company's climate strategy.

Safran's climate strategy and action plan will be presented at the Annual General Meeting of May 26, 2021 (see the Integrated Report at the beginning of this Universal Registration Document).

Patrick P  лата also brings to the Board his experience of leading innovative, high-tech industrial groups on an international scale, as well as his expertise in strategy, consulting and industrialization in the digital age and his experience as a Director. He is also a member of the Appointments and Compensation Committee.

His profile is presented in section 6.2.2.

Appointment of Fabienne Lecorvaisier as an independent Director to replace Odile Desforges (9th resolution)

Odile Desforges – whose term of office as a Director is due to expire at the Annual General Meeting of May 26, 2021 – has informed the Board that she does not wish to be re-appointed. If she were re-appointed, she would lose her status as an independent Director before her renewed term of office expires, due to the fact that she would have served on the Board for more than 12 years.

At the Annual General Meeting of May 26, 2021, the shareholders are invited to appoint Fabienne Lecorvaisier as an independent Director to replace Odile Desforges, for a four-year term expiring at the close of the Annual General Meeting to be held in 2025.

She has all of the qualities that the Company was seeking during the selection process (see section 6.2.6.4). Fabienne Lecorvaisier would bring to the Board the experience that she has gained in various functions within international industrial groups in France and overseas, as well as her expertise as a Chief Financial Officer and her experience as a Director. She also has the skills, profile and ability to take on other tasks and responsibilities required of a Board member, notably in the areas of strategy, energy transition, risk and financial transaction management, and wide-reaching projects.

If appointed, Fabienne Lecorvaisier will join the Audit and Risk Committee.

The profile of Fabienne Lecorvaisier is presented in section 8.2.4.

If the shareholders follow the Board's recommendations and adopt the resolutions relating to the re-appointments and new appointment, this will enable the proportion of independent Directors to remain at 64.3% and the proportion of women at 42.86%, which complies with the law.

Text of the sixth resolution

Re-appointment of Hélène Auriol Potier as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Hélène Auriol Potier as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held in 2025 to approve the financial statements for the year ending December 31, 2024.

Text of the seventh resolution

Re-appointment of Sophie Zurquiyah as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Sophie Zurquiyah as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held in 2025 to approve the financial statements for the year ending December 31, 2024.

Text of the eighth resolution

Re-appointment of Patrick Péлата as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Patrick Péлата as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held in 2025 to approve the financial statements for the year ending December 31, 2024.

Text of the ninth resolution

Appointment of Fabienne Lecorvaisier as an independent Director to replace Odile Desforges

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders appoint Fabienne Lecorvaisier as a Director to replace Odile Desforges whose term of office is due to expire at the close of this Meeting.

Fabienne Lecorvaisier is appointed for a four-year term expiring at the close of the Annual General Meeting to be held in 2025 to approve the financial statements for the year ending December 31, 2024.

8.2.1.6 Approval of the components of compensation and benefits paid during or awarded for 2020 to the corporate officers

Presentation of the tenth and eleventh resolutions – Specific votes on the compensation of the Chairman of the Board of Directors, Ross McInnes, and the former Chief Executive Officer until December 31, 2020, Philippe Petitcolin

At the Annual General Meeting of May 28, 2020, 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 8th resolution, and (ii) the Chief Executive Officer, in the 9th resolution (*ex-ante* vote).

The Board set the respective compensation packages for the Chairman and the Chief Executive Officer for 2020 in accordance with these policies.

For several years now, shareholders have been asked to vote on the individual components of compensation and benefits paid during or awarded for the previous year to the Chairman of the Board of Directors and to the Chief Executive Officer (*ex-post* vote)

In accordance with the applicable regulations⁽¹⁾, the specific vote concerning each corporate officer covers the fixed, variable and exceptional components of the total compensation and benefits paid during the previous year (i.e., cash compensation paid to the officer in 2020, whatever the year to which it relates) or awarded for that year (i.e., share-based and/or cash compensation awarded in respect of the work performed in 2020, the quantity and/or amount of which does not vest on the grant date and is therefore measured at the grant-date accounting value, if applicable) in their capacity as corporate officers.

At the Annual General Meeting, the shareholders will be asked to approve the components of the compensation and benefits paid during or awarded for 2020 to the Chairman and the former Chief Executive Officer in their capacity as corporate officers (*ex-post* vote), as fixed by the Board. These components may comprise:

- fixed compensation;
- variable compensation;
- performance shares;
- supplementary pension plans;
- benefits-in-kind.

The following tables summarize the various components of the compensation and benefits of the Chairman and the Chief Executive Officer, which are presented in detail in sections 6.6.2.1 and 6.6.3.1 of this Universal Registration Document.

In accordance with the applicable law, payment of the corporate officers' variable compensation and any exceptional compensation for the previous year (year Y-1) is subject to the approval of the shareholders at the Annual General Meeting held the following year (year Y).

Payment of the annual variable compensation for 2020 of the former Chief Executive Officer, Philippe Petitcolin, whose term of office ended on December 31, 2020, is therefore subject to shareholders' approval at the Annual General Meeting of May 26, 2021.

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 during or awarded for 2020 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 during or awarded for 2020 to Philippe Petitcolin, the former Chief Executive Officer until December 31, 2020.

(1) French government ordonnance (order) 2019-1234 dated November 27, 2019 and Article L.225-100 III and Article L.22-10-34 II of the French Commercial Code.

COMPONENTS OF THE COMPENSATION PAID DURING OR AWARDED FOR 2020 TO ROSS MCINNES, CHAIRMAN OF THE BOARD OF DIRECTORS

| Compensation components put to the vote | Amounts paid during 2020 | Amounts awarded for 2020 or accounting value | Presentation |
|---|--|--|--|
| Fixed compensation (2020) | €450,000 Awarded for 2020 and paid in 2020 | See opposite | At its meeting on March 26, 2020, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to keep the Chairman's annual fixed compensation at €450,000 for 2020, i.e., unchanged from 2019 (see section 6.6.2.1 of this Universal Registration Document). |
| Annual variable compensation (2020) | N/A⁽¹⁾ | N/A | Ross McInnes does not receive any annual variable compensation. |
| Multi-year variable compensation | N/A | N/A | Ross McInnes does not receive any multi-year variable compensation. |
| Exceptional compensation | N/A | N/A | Ross McInnes did not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | N/A | N/A | Ross McInnes does not receive any stock options. |
| | N/A | N/A | Ross McInnes does not receive any performance shares or any other long-term compensation. |
| Directors' compensation | N/A | N/A | Ross McInnes did not receive any compensation for his duties as member of the Board of Directors for 2020. |
| Benefits-in-kind | N/A | €6,155.18 (accounting value) | Ross McInnes has the use of a company car. |
| Termination benefits | N/A | N/A | Ross McInnes is not entitled to any termination benefits in his capacity as Chairman of the Board of Directors. |
| Supplementary pension | | | No specific supplementary pension system was in place for the Chairman of the Board of Directors. |
| | €0 | N/A | <p>“Article 83” defined contribution plans</p> <p>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 6.6.1.3 of this Universal Registration Document), subject to the same terms and conditions as the other plan members.</p> <p>The 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 legal provisions applicable at that date, and most recently through the adoption of the 12th resolution of the May 28, 2020 Annual General Meeting relating to the compensation policy for the Chairman, which included said supplementary pension benefits.</p> <p>The expenses recorded in the 2020 financial statements relating to the contributions paid for Ross McInnes under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €12,135.12 and €14,191.92 respectively.</p> <p>At December 31, 2020, 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 €8,373.36 and €2,560.97 respectively.</p> |
| | Additional payment: €43,762.56 | N/A | <p>“Article 82” defined contribution plan</p> <p>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 6.6.1.3 of this Universal 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.</p> <p>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).</p> |

| Compensation components put to the vote | Amounts paid during 2020 | Amounts awarded for 2020 or accounting value | Presentation |
|---|--------------------------|---|--------------|
| €0 | N/A | <p>In order for entitlements to accrue under the plan, the Company is required to:</p> <ul style="list-style-type: none"> ■ 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). <p>Under the Article 82 Plan, the Insurer Contribution and Additional Payment for the Chairman for 2020 totaled €43,762.56 each (i.e., €87,525.12 altogether), corresponding in each case to 9.725% of his reference compensation (19.45% in total).</p> <p>The shareholders most recently authorized the Chairman to be included as a beneficiary under this supplementary pension system through the adoption of the 12th resolution of the May 28, 2020 Annual General Meeting relating to the compensation policy for the Chairman, which included said supplementary pension benefits.</p> <p>At December 31, 2020, the estimated theoretical amount⁽²⁾ of the annuity that could be paid to Ross McInnes under the Article 82 Plan was €6,861.</p> <p>“Article 39” defined benefit plan (closed to new entrants and entitlements frozen)</p> <p>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 6.6.1.3 of this Universal Registration Document).</p> <p>The shareholders most recently authorized the Chairman to be included as a beneficiary under this supplementary pension system through the adoption of the 12th resolution of the May 28, 2020 Annual General Meeting relating to the compensation policy for the Chairman, which included said supplementary pension benefits.</p> <p>At December 31, 2020, 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., €123,408 (corresponding to three times the annual social security ceiling [PASS], based on the 2021 value of the PASS).</p> | |

(1) Not applicable.

(2) Calculated based on the assumption that the annuity would be received as from January 1, 2021, irrespective of the eligibility conditions (in accordance with Article D.225-29-3 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 THE COMPENSATION PAID DURING OR AWARDED FOR 2020 TO THE FORMER CHIEF EXECUTIVE OFFICER, PHILIPPE PETITCOLIN, WHOSE TERM OF OFFICE ENDED ON DECEMBER 31, 2020

| Compensation components put to the vote | Amounts paid during 2020 | Amounts awarded for 2020 or accounting value | Presentation |
|---|---|---|--|
| Fixed compensation (2020) | €800,000 Awarded for 2020 and paid in 2020 | See opposite | At its meeting on March 26, 2020, acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to keep the Chief Executive Officer's annual fixed compensation at €800,000 for 2020, i.e., unchanged from 2019 (see section 6.6.2.3.1 of this Universal Registration Document). |
| Annual variable compensation (2020) | €964,444 (for information) Amount awarded for 2019 that was paid in 2020 (see section 6.6.2.2 of the 2019 Universal Registration Document) Payment of his annual variable compensation for 2019 was approved by the shareholders at the Annual General Meeting of May 28, 2020 | €309,333 Awarded for 2020 and payable in 2021 Payment of the former Chief Executive Officer's annual variable compensation for 2020 is subject to shareholders' approval at the Annual General Meeting of May 26, 2021 | Philippe Petitcolin's annual variable compensation for 2020 was determined by the Board of Directors in accordance with the compensation policy approved by the shareholders at the Annual General Meeting of May 28, 2020 (see section 6.6.1.4 of the 2019 Universal Registration Document) and described in section 6.6.2.3.1 of this Universal Registration Document. At its meeting on February 24, 2021, the Board of Directors reviewed the achievement of the objectives set for the variable compensation payable to the Chief Executive Officer for 2020, after consultation with the Appointments and Compensation Committee. Following this review, it set Philippe Petitcolin's variable compensation for 2020 at €309,333, i.e., 38.7% of his annual fixed compensation. This amount reflects: <ul style="list-style-type: none"> ■ an overall achievement rate of 9% for the portion related to the Group's financial performance (accounting for two-thirds of the variable compensation), for which the objectives related to: <ul style="list-style-type: none"> ● recurring operating income (ROI) (60% weighting): 0% achievement, ● free cash flow (FCF) (30% weighting): 0% achievement, ● working capital, comprising the following components: operating assets (Inventories) (5% weighting): 110% achievement; and unpaid receivables (5% weighting): 71% achievement; ■ an overall achievement rate of 98% for the portion related to individual quantitative and qualitative performance objectives (accounting for one-third of the variable compensation), as detailed in section 6.6.2.3.1 of this Universal Registration Document. |
| Multi-year variable compensation | N/A⁽¹⁾ | N/A | No multi-year variable compensation was awarded to Philippe Petitcolin for 2020. |
| Exceptional compensation | N/A | N/A | Philippe Petitcolin did not receive any exceptional compensation. |
| Stock options, performance shares and any other long-term compensation | Stock options: N/A Performance shares: N/A | Stock options: N/A Performance shares: N/A | Philippe Petitcolin did not receive any stock options. No performance shares were granted to the Chief Executive Officer for 2020, given that his term of office was due to expire at the end of 2020. For information: Philippe Petitcolin was granted entitlements to performance shares under the 2018 and 2019 Long-Term Incentive Plans, which were presented to and approved by the shareholders at the two most recent Annual General Meetings during the votes on the Chief Executive Officer's compensation (see section 6.6.2.4). As stated in the compensation policy for the Chief Executive Officer approved in the 13 th resolution of the May 28, 2020 Annual General Meeting (see the compensation policy applicable to the Chief Executive Officer set out in section 6.6.1.4 of the 2019 Universal Registration Document), the plan rules provide that if the Chief Executive Officer retires before the plans reach the end of their vesting periods, the Chief Executive Officer can retain his entitlements |



ANNUAL GENERAL MEETING

Report of the Board of Directors on the resolutions proposed to the Annual General Meeting and text of the proposed resolutions

| Compensation components put to the vote | Amounts paid during 2020 | Amounts awarded for 2020 or accounting value | Presentation |
|---|--|--|--|
| | | | <p>proportionately to the amount of time served within the Group during the vesting period. The rules also allow the Board of Directors to grant exemptions from the continuing service condition and to decide to maintain all or part of the entitlements. Pursuant to these provisions and further to Philippe Petitcolin's decision to retire with effect from March 1, 2021, the Board of Directors decided to maintain his entitlements beyond those proportionate to his length of service during the vesting period. This decision was taken in light of (i) the impact of the decisions taken under his leadership on the remaining duration of the plan vesting periods, and (ii) the performance conditions to be met in respect of the plans, which are especially challenging in the current health crisis.</p> <p>Accordingly, Philippe Petitcolin maintains his entitlements to:</p> <ul style="list-style-type: none"> ■ a maximum of 13,600 shares under the 2018 Long-Term Incentive Plan, for which the vesting period began on July 24, 2018 and ends on July 26, 2021 (11,767 shares in proportion to his length of service to retirement and 1,833 shares beyond that period); ■ a maximum of 13,350 shares under the 2019 Long-Term Incentive Plan, for which the vesting period began on March 27, 2019 and ends on March 29, 2022 (8,560 shares in proportion to his length of service to retirement and 4,790 shares beyond that period). <p>These performance share entitlements remain subject to the performance conditions provided for in the plans. The number of shares that will effectively be delivered on expiration of the plan vesting periods (July 26, 2021 for the 2018 Long-Term Incentive Plan and March 29, 2022 for the 2019 Long-Term Incentive Plan, as vesting is not accelerated) will depend on the actual rate of achievement of the various conditions, as presented in section 6.6.4.2 of the 2019 Universal Registration Document. The number of shares delivered may be between zero and the abovementioned maximum volumes (see section 6.6.4.3).</p> |
| | Other long-term compensation: N/A | Other long-term compensation: N/A | Philippe Petitcolin did not receive any other long-term compensation. |
| Directors' compensation | N/A | N/A | Philippe Petitcolin did not receive any compensation for his duties as member of the Board of Directors for 2020. |
| Value of benefits-in-kind | N/A | €6,196.53 (accounting value) | Philippe Petitcolin had the use of a company car. |
| Termination benefits | N/A | N/A | <p>Philippe Petitcolin was not entitled to any termination benefits in his capacity as Chief Executive Officer.</p> <p>As indicated in section 6.6.2.3.2 of this Universal Registration Document, Philippe Petitcolin's employment contract automatically came back into effect when his term of office as Chief Executive Officer ended on January 1, 2021, and Philippe Petitcolin decided to retire as from March 1, 2021.</p> |
| Supplementary pension | | | No specific supplementary pension plan was in place for the Chief Executive Officer. |
| | N/A | €0 | <p>"Article 83" defined contribution plans</p> <p>In accordance with a decision taken by the Board of Directors on February 26, 2018, Philippe Petitcolin was 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 sections 6.6.1.4 and 6.6.2.3.1 of this Universal Registration Document), subject to the same terms and conditions as the other plan members.</p> |

| Compensation components put to the vote | Amounts paid during 2020 | Amounts awarded for 2020 or accounting value | Presentation |
|---|--------------------------|---|--|
| Additional payment: €224,136 | N/A | <p>The commitment given by the Company to enable the Mr. Petitcolin to continue to be a beneficiary of these plans was approved at the Annual General Meeting of May 25, 2018, pursuant to the legal provisions applicable at that date.</p> <p>The expenses recorded in the 2020 financial statements relating to the contributions paid for Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €28,589.52 and €14,191.92 respectively.</p> <p>At December 31, 2020, the estimated theoretical amount⁽²⁾ of the annuities that could be paid to Philippe Petitcolin under the Article 83 Core Plan and the Article 83 Additional Plan amounted to €31,896.29 and €2,777.16 respectively.</p> | <p>“Article 82” defined contribution plan</p> <p>In accordance with a decision taken by the Board of Directors on March 23, 2017, Philippe Petitcolin was a beneficiary of Safran’s defined contribution supplementary pension plan set up in France (see sections 6.6.1.4 and 6.6.2.3.1 of this Universal 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.</p> <p>In order for entitlements to accrue under the plan, the Company is required to:</p> <ul style="list-style-type: none"> ■ 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). <p>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 legal provisions applicable at that time.</p> <p>Under the Article 82 Plan, the Insurer Contribution and Additional Payment for the Chief Executive Officer for 2020 totaled €224,136 each (i.e., €448,272 altogether), corresponding in each case to 12.735% of his reference compensation (25.47% in total).</p> <p>At December 31, 2020, the estimated theoretical amount⁽²⁾ of the annuity that could be paid to Philippe Petitcolin under the Article 82 Plan was €34,605.</p> |
| €0 | N/A | <p>“Article 39” defined benefit plan (closed to new entrants and entitlements frozen)</p> | <p>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⁽³⁾ of the French Tax Code (the “Article 39 Plan”, see sections 6.6.1.4 and 6.6.2.2 of this Universal Registration Document), subject to the same terms and conditions as the other plan members. Mr. Petitcolin was originally a beneficiary of this plan prior to his term of office as Chief Executive Officer, in his former capacity as a Company employee.</p> <p>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 6.6.1.3 of this Universal Registration Document).</p> |

| Compensation components put to the vote | Amounts paid during 2020 | Amounts awarded for 2020 or accounting value | Presentation |
|---|--------------------------|--|---|
| | N/A | N/A | <p>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 legal provisions applicable at that time.</p> <p>At December 31, 2020, the estimated theoretical amount⁽²⁾ of the annuity that could be paid to Philippe Petitcolin corresponded to the cap set in the plan, i.e., €123,408 (corresponding to three times the annual social security ceiling [PASS], based on the 2021 value of the PASS).</p> <p>See section 6.6.2.3.2 for information regarding the conditions of departure of Philippe Petitcolin following his decision to retire with effect from March 1, 2021.</p> |
| <p>(1) Not applicable.</p> <p>(2) Calculated based on the assumption that the annuity would be received as from January 1, 2020, irrespective of the eligibility conditions (in accordance with Article D.225-29-3 of the French Commercial Code).</p> <p>(3) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code.</p> | | | |

Text of the tenth resolution

Approval of the fixed, variable and exceptional components of the total compensation and benefits paid during or awarded for 2020 to the Chairman of the Board of Directors

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, in accordance with Article L.22-10-34 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during or awarded for 2020 to Ross McInnes, Chairman of the Board of Directors, as presented in the Board of Directors' corporate governance report prepared in application of Article L.225-37 of the French Commercial Code and set out in chapter 6 (section 6.6.2.1) of the 2020 Universal Registration Document.

Text of the eleventh resolution

Approval of the fixed, variable and exceptional components of the total compensation and benefits paid during or awarded for 2020 to the Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, in accordance with Article L.22-10-34 II of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid during or awarded for 2020 to Philippe Petitcolin, in his capacity as Chief Executive Officer until December 31, 2020, as presented in the Board of Directors' corporate governance report prepared in application of Article L.225-37 of the French Commercial Code and set out in chapter 6 (section 6.6.2.3.1) of the 2020 Universal Registration Document.

Presentation of the twelfth resolution – Vote on the total compensation paid to corporate officers in 2020

In accordance with French government *ordonnance* 2019-1234 dated November 27, 2019 concerning the compensation packages of corporate officers of listed companies, the shareholders are invited for the second time to vote on the aggregate compensation and benefits paid during the previous year or awarded for that year to all corporate officers, executive and non-executive.

The disclosures on which the shareholders are required to vote are presented in sections 6.6.2 and 6.6.3 of this Universal Registration Document.

In addition to the disclosures concerning the compensation and benefits of the Chairman of the Board, Ross McInnes, and the former Chief Executive Officer until December 31, 2020, Philippe Petitcolin, which will be put to the vote in the 10th and 11th resolutions presented above, they include disclosures on the compensation allocated to the Directors (see section 6.6.3), pay ratios between the level of compensation of the Chairman and the Chief Executive Officer and the average and median compensation of Safran's employees (see section 6.6.2.5), and a certain number of other disclosures required under the applicable regulations (specifically, Article L.22-10-9 I of the French Commercial Code).

A concordance table for all of these disclosures is provided in section 6.7 of this Universal Registration Document.

Text of the twelfth resolution

Approval of the disclosures required under Article L.22-10-9 I of the French Commercial Code concerning the compensation of corporate officers

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, in accordance

with Article L.22-10-34 of the French Commercial Code, having considered the Board of Directors' corporate governance report, including the disclosures about the compensation paid during or awarded for 2020 to the corporate officers as consideration for their duties, the shareholders approve the disclosures required under Article L.22-10-9 I of the French Commercial Code, as presented to the Annual General Meeting in the aforementioned corporate governance report.

8.2.1.7 Compensation policies

Presentation of the thirteenth to fifteenth resolutions

In compliance with Article L.22-10-8 of the French Commercial Code, the Board of Directors determines a compensation policy for the corporate officers, which sets out the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of their total compensation and benefits.

By nature and by construction, taking into account compensation-related governance rules, the components of the policies are specific and different, depending on whether they concern the Chairman of the Board, the Chief Executive Officer or the Directors, all of whom are corporate officers. These policies are submitted for shareholders' approval each year at the Annual General Meeting.

These specific policies are disclosed in section 6.6.1 of this Universal Registration Document. This section presents:

- the principles and rules for determining the compensation and any benefits for all corporate officers;
- the specific compensation policy for the Chairman of the Board of Directors. No changes have been made that alter the substance of this policy compared with the compensation policy approved at the last Annual General Meeting;

- the specific compensation policy for the Chief Executive Officer, which may be adapted and applied to any Deputy Chief Executive Officer(s). No changes have been made that alter the substance of this policy compared with the compensation policy approved at the last Annual General Meeting. Provided that this policy is approved at the May 26, 2021 Annual General Meeting, it will also apply for 2021 to Olivier Andriès, Safran's new Chief Executive Officer, who took up office on January 1, 2021;
- the specific compensation policy for Directors. The principles, terms and conditions and amounts of this policy are unchanged compared with those approved at the May 28, 2020 Annual General Meeting.

The 2021 policies have been approved by the Board of Directors and will be submitted to a shareholder vote at the Annual General Meeting on May 26, 2021.

At the May 26, 2021 Annual General Meeting, shareholders are invited to approve the compensation policies that will be applicable to the Chairman of the Board of Directors (13th resolution) and the Chief Executive Officer (14th resolution), as well as the compensation policy that will be applicable to the Directors (15th resolution).

Text of the thirteenth 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 prepared in accordance with Article L.22-10-8 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 6.6.1.3 of the 2020 Universal Registration Document.

Text of the fourteenth 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 prepared in accordance with Article L.22-10-8 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 6.6.1.4 of the 2020 Universal Registration Document.

Text of the fifteenth resolution

Approval of the compensation policy applicable to the 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 prepared in accordance with Article L.22-10-8 of the French Commercial Code, the shareholders approve the compensation policy applicable to the Directors, as presented in sections 6.6.1.1 and 6.6.1.5 of the 2020 Universal Registration Document.

8.2.1.8 Authorization for the Board of Directors to carry out a share buyback program

Presentation of the sixteenth resolution

Share buyback program

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, 42,723,593 shares based on the issued capital at December 31, 2020) 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.

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. Accordingly, the maximum purchase price would be set at €165 and the maximum amount that could be invested in the program would be €7 billion. The maximum purchase price does not represent 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 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, pursuant to the share capital reduction authorization in effect, granted by the 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. The Company will inform its shareholders in a press release prior to carrying out any such operations.

This authorization would be given for a period of 18 months and would supersede the previous authorization granted for the same purpose in the 15th resolution of the Annual General Meeting of May 28, 2020.

Report on the utilization in 2020 of previous shareholder-approved share buyback programs

On May 18, 2020, Safran announced that it had mandated an investment services provider to purchase, subject to market conditions, up to 62,500 ordinary Safran shares representing 0.01% of the Company's share capital as of April 30, 2020, for allocation to employee free share plans. The buyback period under the mandate ran until May 22, 2020. A total of 62,500 ordinary shares were bought back by the investment services provider on the Company's behalf in 2020.

In 2020, the aggregate number of shares purchased under the liquidity agreement entered into with Oddo BHF SCA amounted to 2,495,729.

The total number of shares sold under this liquidity agreement during the year amounted to 2,418,296.

At December 31, 2020, Safran held 319,284 of its own shares, representing 0.07% of its capital.

These treasury shares were held for the following purposes:

- for allocation or sale to employees: 40,084 shares, representing 0.009% 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: 266,000 shares, representing 0.06% of the Company's capital;
- for cancellation: 0.

Text of the sixteenth 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.22-10-62 *et seq.* of the French Commercial Code and EC Regulation No. 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 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. The Company will inform its shareholders in a press release prior to carrying out any such operations.

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, 42,723,593 shares based on the issued capital at December 31, 2020). 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 €165 per share and the maximum amount that may be invested in the program is €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 15th resolution of the Annual General Meeting of May 28, 2020.

8.2.2 Extraordinary resolutions

8.2.2.1 Amendments to the Company's bylaws following the conversion of Class A Preferred Shares

Presentation of the seventeenth resolution

As part of the tender offer on a principal basis, complemented on a subsidiary basis by a public exchange offer (the "Subsidiary Exchange Offer") initiated by Safran and targeting the shares of Zodiac Aerospace ("Zodiac"), 26,651,058 Class A Preferred Shares were issued as payment of the Subsidiary Exchange Offer, pursuant to the 32nd and 33rd resolutions adopted by the Extraordinary Shareholders' Meeting of June 15, 2017, which created this new class of preferred shares. These shares were allocated to Zodiac's shareholders who tendered their Zodiac shares to the Subsidiary Exchange Offer.

At said Extraordinary Shareholders' Meeting, Articles 7, 9, 11 and 12 of the bylaws were amended and a new Article 36 was inserted to establish the characteristics of the Class A Preferred Shares.

Since the Class A Preferred Shares were converted into ordinary shares on February 13, 2021 in accordance with Article 12.7 of the bylaws (see section 7.1.2.3 of this Universal Registration Document), the provisions of the bylaws relating to this share class can be deleted to simplify the bylaws.

The shareholders are therefore invited to amend Articles 7, 9, 11 and 12 of the bylaws and to delete Article 36 to remove any reference to the Class A Preferred Shares from the bylaws.

Text of the seventeenth resolution

Deletion of references to Class A Preferred Shares in the bylaws - Corresponding amendments to Articles 7, 9, 11 and 12 and deletion of Article 36 of the bylaws

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 delete references to Class A Preferred Shares from the bylaws.

The shareholders therefore resolve to amend Articles 7, 9, 11 and 12 and to delete Article 36 of the bylaws:

Article 7 of Chapter II "Share Capital - Shares" is amended as follows:

| Previous wording | New wording |
|---|---|
| 7.1. The Company's share capital may be increased or reduced by way of a decision taken in a General Shareholders' Meeting in accordance with the applicable laws and regulations and these bylaws. | 7.1. The Company's share capital may be increased or reduced by way of a decision taken in a General Shareholders' Meeting in accordance with the applicable laws and regulations and these bylaws. |
| 7.2. In the event of a capital increase by issue of Ordinary Shares with pre-emptive subscription rights, the shareholders 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, it being specified that holders of Class A Preferred Shares will exercise such right under the same conditions as holders of Ordinary Shares. | 7.2. The shareholders may grant the Board of Directors the necessary powers to carry out such a capital increase or reduction and may also authorize the Board to decide to carry out a capital increase at its own initiative. |
| 7.3. The shareholders may grant the Board of Directors the necessary powers to carry out such a capital increase or reduction and may also authorize the Board to decide to carry out a capital increase at its own initiative. | |

Article 9 of Chapter II "Share Capital - Shares" is amended as follows:

| Previous wording | New wording |
|---|--|
| 9.1. 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. | 9.1. Fully paid-up 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. |
| 9.2. The Class A Preferred Shares must be held in registered form. | 9.2. In accordance with the applicable laws and regulations, the Company shall be entitled to request details of the identity of the holders of securities carrying immediate or deferred rights to vote at General Shareholders' Meetings, as well as the number of securities held. |
| 9.3. In accordance with the applicable laws and regulations, the Company shall be entitled to request details of the identity of the holders of securities carrying immediate or deferred rights to vote at General Shareholders' Meetings, as well as the number of securities held. | |

Report of the Board of Directors on the resolutions proposed to the Annual General Meeting and text of the proposed resolutions

Article 11 of Chapter II “Share Capital – Shares” is amended as follows:

| Previous wording | New wording |
|---|--|
| Shares shall be recorded in securities accounts and ownership shall be transferred by way of inter-account transfers in accordance with the applicable laws and regulations. | |
| 11.1. Transfer of Ordinary Shares The Company’s Ordinary Shares shall be freely transferable, unless otherwise provided for under the applicable laws and regulations. | 11.1. The Company’s shares shall be freely transferable, unless otherwise provided for under the applicable laws and regulations. |
| 11.2. Transfer of Class A Preferred Shares Class A Preferred Shares may not be transferred for a period of thirty-six (36) months as from their date of issue (the “Non-transferability Period”). During the Non-transferability Period, Class A Preferred Shares 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 (<i>transmission universelle de patrimoine</i>), (iii) a contribution to a public offer on the Company’s entire share capital, or (iv) the enforcement of a pledge. | 11.2. Shares shall be recorded in securities accounts and ownership shall be transferred by way of inter-account transfers in accordance with the applicable laws and regulations. |

Article 12 of Chapter II “Share Capital – Shares” is amended as follows:

| Previous wording | New wording |
|--|--|
| I. Provisions common to all shares | |
| 12.1. 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. | 12.1. 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. |
| 12.2. Share ownership shall automatically entitle shareholders to participate in General Meetings and to vote on resolutions, in accordance with the applicable laws and regulations and these bylaws. In addition, all shareholders shall be entitled to be informed of the Company’s performance and to obtain copies of certain corporate documents at the times and under the conditions provided for by the applicable laws and regulations. | 12.2. Share ownership shall automatically entitle shareholders to participate in General Meetings and to vote on resolutions, in accordance with the applicable laws and regulations and these bylaws. In addition, all shareholders shall be entitled to be informed of the Company’s performance and to obtain copies of certain corporate documents at the times and under the conditions provided for by the applicable laws and regulations. |
| 12.3. Shareholders shall be liable for losses only up to the amount of their capital contributions. | 12.3. Shareholders shall be liable for losses only up to the amount of their capital contributions. |
| 12.4. 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. | 12.4. 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. |
| 12.5. Share ownership shall automatically require shareholders to comply with these bylaws and the decisions made at General Shareholders’ Meetings. | 12.5. Share ownership shall automatically require shareholders to comply with these bylaws and the decisions made at General Shareholders’ Meetings. |
| 12.6. The rights and duties attached to Ordinary Shares and to Class A Preferred Shares shall be transferred with title to the shares. | 12.6. The rights and duties attached to shares shall be transferred with title to the shares. |

| Previous wording | New wording |
|--|-------------|
| <p>II. Rights and restrictions specific to Class A Preferred Shares</p> <p>12.7. Each Class A Preferred Share automatically becomes transferable, ranks <i>pari passu</i> with the Company's Ordinary Shares and is converted into one Ordinary Share at the first of the following two dates:</p> <ul style="list-style-type: none"> (i) the end of the Non-transferability Period; (ii) 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. <p>12.8. The Board of Directors places on record the conversion of Class A Preferred Shares into Ordinary Shares and amends the bylaws accordingly. The shareholders will be informed of the conversions in the reports of the Board of Directors and of the Statutory Auditors in accordance with Article R.228-18 of the French Commercial Code. These complementary reports will be made available to shareholders at the Company's registered office no later than 60 days following the Board of Directors' meeting, and will be presented to the next General Shareholders' Meeting.</p> | |

Article 36 of Chapter IV "General Shareholders' Meetings" is amended as follows:

| Previous wording | New wording |
|---|-----------------|
| <p>36.1. 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.</p> <p>36.2. A Special Shareholders' Meeting of holders of Class A Preferred Shares held on first call shall only be validly constituted if the shareholders present or represented hold at least one-third of the voting rights and at least one-fifth of the voting rights on second call. Decisions shall be adopted by a two-thirds majority of the votes cast by shareholders present or represented.</p> | <p>Reserved</p> |

8.2.2.2 Financial authorizations

| | |
|---|---|
| <p>Safran needs to have the flexibility required to raise financing swiftly to support the ongoing operations and business development of the Company and of the Group, based on opportunities arising in financial markets and using the most suitable financial instruments.</p> <p>To this end, shareholders are invited to grant the Board of Directors the necessary authorizations to issue shares and/or securities carrying immediate or deferred rights to shares of the Company.</p> <p>These authorizations are of particular importance in the current health crisis, where the Board of Directors and Executive Management must demonstrate responsiveness and agility to preserve the Group's resources and liquidity and maintain the continuity of its operations.</p> <p>These authorizations will supersede the previous authorizations granted to the Board of Directors for the same purpose.</p> | <p>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:</p> <ul style="list-style-type: none"> ■ 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. <p>A summary table is provided in section 8.2.5 of this Universal Registration Document setting out the financial authorizations that the shareholders are being asked to approve.</p> <p>Ceilings</p> <p>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 18th resolution), corresponding to a maximum of 100 million shares and representing less than 24% of the Company's capital.</p> |
|---|---|

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 (18th 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 other than offers governed by Article L.411-2, 1° of the French Monetary and Financial Code (*Code monétaire et financier*) (19th 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 (20th resolution);
- €8 million ceiling applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, through an offer governed by Article L.411-2, 1° of the French Monetary and Financial Code (21st resolution);
- ceiling currently equal to 15% of any issues carried out pursuant to the 18th to 21st resolutions which are oversubscribed (22nd resolution), also subject to the ceiling applicable in the relevant 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 (23rd 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 other than offers governed by Article L.411-2, 1° of the French Monetary and Financial Code (24th 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 (25th resolution);
- €8 million ceiling applicable to capital increases carried out without pre-emptive subscription rights for existing shareholders, through an offer governed by Article L.411-2, 1° of the French Monetary and Financial Code (26th resolution);
- ceiling currently equal to 15% of any issues carried out pursuant to the 23rd to 26th resolutions which are oversubscribed (27th resolution), also subject to the ceiling applicable in the relevant resolution.

The blanket ceiling set in the 18th 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, see section 8.2.2.3 below).

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 18th to 27th resolutions are used to issue debt securities, the aggregate nominal amount of said debt securities may not exceed €2 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 19th to 27th resolutions) are subject to a cumulative sub-ceiling of €8 million for capital increases (less than 10% of the Company's capital) and €2 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 23rd 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 May 23, 2019 Annual General Meetings were used as follows:

- The authorizations granted to the Board of Directors in the 19th and 20th resolutions of the May 23, 2019 Annual General Meeting, in order to carry out one or several issues through an offering of financial securities to qualified investors, without pre-emptive subscription rights for existing shareholders, of bonds convertible and/or exchangeable for new and/or existing ordinary shares ("OCÉANE" bonds), with an overallotment option where applicable, were used in May and October 2020 (see section 7.2.3.2).
- 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 30th resolution of the May 23, 2019 Annual General Meeting was used in March 2020 and March 2021 (see section 7.3.7.1). (At the grant dates, the Board of Directors decided in principle that vested shares would be delivered through the allocation of existing shares held in treasury by the Company as part of a share buyback program, in order to avoid dilution from the issue of new shares. During the vesting period, however, the Board may revisit its decision regarding the most appropriate allocation method).

The other authorizations given to the Board of Directors by shareholders in order to increase the Company's capital were not used.

Authorizations which may not be used during, or in the run-up to, a public offer for the Company's shares

Presentation of the eighteenth resolution

Issue of various shares and/or other securities with pre-emptive subscription rights

The purpose of the 18th 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 23.4% 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 19th to 28th resolutions.

The maximum principal amount of any debt securities issued would be set at €2 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 18th resolution.

This €2 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 19th to 27th 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 16th resolution of the Annual General Meeting of May 23, 2019.

Text of the eighteenth 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 19th, 20th, 21st, 22nd, 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). 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 €2 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 €2 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 19th, 20th, 21st, 22nd, 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). 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.

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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 16th resolution of the Annual General Meeting of May 23, 2019.

Presentation of the nineteenth to twenty-first resolutions

Issue of shares and/or other securities without pre-emptive subscription rights

The purpose of the 19th to 21st 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 less than 10% of the Company's capital. The amounts used under these authorizations would be included in the blanket ceiling set in the 18th resolution.

The maximum principal amount of any debt securities issued using these three authorizations would be set (both per authorization and cumulatively) at €2 billion. The amounts used under these authorizations would be included in the €2 billion blanket ceiling set in the 18th 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 19th to 21st resolutions (and therefore in the blanket ceiling set in the 18th 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 17th, 18th and 19th resolutions of the Annual General Meeting of May 23, 2019.

- 19th resolution (public offers other than offers governed by Article L.411-2, 1° of the French Monetary and Financial Code). 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 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.
- 20th 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.
- 21st resolution (offers governed by Article L.411-2, 1° of the French Monetary and Financial Code). This resolution would authorize the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, by way of an offer carried out through an offer to qualified investors or a restricted group of investors. The simplified procedure for this type of public offer, as proposed in the 19th resolution, would enable the Company to react swiftly to market opportunities and rapidly raise the funds it requires.

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, by way of a public offer other than offers governed by Article L.411-2, 1° 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, L.22-10-51, L.225-136 and L.22-10-52 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 20th, 21st, 22nd, 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 blanket ceiling set in the 18th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 18th 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;

Report of the Board of Directors on the resolutions proposed to the Annual General Meeting and text of the proposed resolutions

- the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €2 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 €2 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 20th, 21st, 22nd, 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 blanket ceiling set in the 18th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 18th 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 Article L.22-10-51 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 10%).

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 17th resolution of the Annual General Meeting of May 23, 2019.

Text of the twentieth 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.22-10-49, L.22-10-54, L.225-132 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.22-10-54 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 19th resolution above and the blanket ceiling set in the 18th 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 €2 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 €2 billion overall ceiling set in the 19th resolution above and the blanket ceiling set in the 18th 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 18th resolution of the Annual General Meeting of May 23, 2019.

Text of the twenty-first 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 public offer governed by Article L.411-2, 1^o 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, L.225-136, L.22-10-49, L.22-10-51 and L.22-10-52 as well as Articles L.228-91 *et seq.* of said Code and Article L.411-2, 1^o 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 an offer governed by Article L.411-2, 1^o 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 19th resolution above and the blanket ceiling set in the 18th 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 €2 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 €2 billion overall ceiling set in the 19th resolution above and the blanket ceiling set in the 18th 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 10%).



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 19th resolution of the Annual General Meeting of May 23, 2019.

Presentation of the twenty-second resolution

In the 22nd 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 18th, 19th, 20th or 21st 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 18th, 19th, 20th and 21st resolutions would apply if the 22nd 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 20th resolution of the Annual General Meeting of May 23, 2019.

Text of the twenty-second 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 18th, 19th, 20th or 21st 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, L.22-10-51 and R.225-118 of the French Commercial Code, and subject to the adoption of the 18th, 19th, 20th or 21st 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 18th, 19th, 20th or 21st 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 20th resolution of the Annual General Meeting of May 23, 2019.

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-third 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 18th 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 less than 10% of the Company's capital). This amount would be included in the blanket ceiling set in the 18th resolution.

The maximum principal amount of any debt securities issued would be set at €2 billion, which would be included in the €2 billion blanket ceiling set in the 18th 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 18th 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 22nd resolution of the Annual General Meeting of May 23, 2019.

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, 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 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 18th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 18th 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 €2 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 €2 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, 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 €2 billion blanket ceiling set in the 18th resolution (or in any ceiling set in a resolution with the same purpose that could supersede the 18th 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 22nd resolution of the Annual General Meeting of May 23, 2019.

Presentation of the twenty-fourth, twenty-fifth, twenty-sixth and 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 19th to 22nd 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 24th to 27th 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 less than 10% of the Company's capital. The amounts used under these authorizations would be included in (i) the ceilings set in the 23rd and 19th resolutions and (ii) the blanket ceiling set in the

18th 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 23rd 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 24th to 27th resolutions would be set (both per authorization and cumulatively) at €2 billion. The amounts used under these authorizations would be included in (i) the €2 billion ceiling set in the 19th resolution, (ii) the €2 billion ceiling set in the 23rd resolution, and (iii) the €2 billion blanket ceiling set in the 18th 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 24th to 26th resolutions (and therefore in the ceilings on capital increases set in the 23rd and 18th resolutions).

Any issues carried out under the 27th resolution (increase in the number of securities to be issued in the event of an oversubscribed issue) would be subject to the same terms and conditions as in the 22nd resolution 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 23rd to 27th resolutions of the Annual General Meeting of May 23, 2019.

Text of the twenty-fourth 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 other than offers governed by Article L.411-2, 1° 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, L.22-10-51, L.225-136 and L.22-10-52 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 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 €8 million ceiling set in the 23rd resolution, in the €8 million ceiling set in the 19th resolution, and the blanket ceiling set in the 18th 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 €2 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 €2 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 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 €2 billion ceiling set in the 23rd resolution, the €2 billion ceiling set in the 19th resolution, and the blanket ceiling set in the 18th 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 Article L.22-10-51 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.



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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 10%).

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 23rd resolution of the Annual General Meeting of May 23, 2019.

Text of the twenty-fifth 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.22-10-49, L.22-10-54 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.22-10-54 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 24th, 23rd and 19th resolutions and the blanket ceiling set in the 18th 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;

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- the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €2 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 €2 billion ceilings set in the 24th, 23rd and 19th resolutions and the blanket ceiling set in the 18th 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.

- 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.

- 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 24th resolution of the Annual General Meeting of May 23, 2019.

Text of the twenty-sixth 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 an offer governed by Article L.411-2, 1° 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, L.225-136, L.22-10-49, L.22-10-51 and L.22-10-52 as well as Articles L.228-91 *et seq.* of said Code and Article L.411-2, 1° of the French Monetary and Financial Code, the shareholders:

- 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 an offer governed by Article L.411-2, 1° 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.

- 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 24th, 23rd and 19th resolutions and the blanket ceiling set in the 18th 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 €2 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 €2 billion ceilings set in the 24th, 23rd and 19th resolutions and the blanket ceiling set in the 18th 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 10%).

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 offer(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 25th resolution of the Annual General Meeting of May 23, 2019.

Text of the twenty-seventh 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 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

Having considered the Board of Directors' report, in accordance with French company law, notably Articles L.225-135-1, L.22-10-51 and R.225-118 of the French Commercial Code, and subject to the adoption of the 23rd, 24th, 25th or 26th 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 23rd, 24th, 25th or 26th 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.

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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.

- 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 26th resolution of the Annual General Meeting of May 23, 2019.

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 7.21% of the Company's capital at February 28, 2021.

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 18th 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 28th resolution of the Annual General Meeting of May 23, 2019.

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:

- 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.
- 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 18th resolution of this Meeting (or in any ceiling set in any resolution with the same purpose that could supersede the 18th resolution during the validity period of this authorization).
- 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.

- 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.
- 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 28th resolution of the Annual General Meeting of May 23, 2019.

8.2.2.3 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 16th 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 29th resolution of the Annual General Meeting of May 23, 2019, which was used in December 2019 (see sections 7.2.1 and 7.2.7.1 of the 2019 Universal 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.22-10-62 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 29th resolution of the Annual General Meeting of May 23, 2019.

8.2.2.4 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 30th resolution of the Annual General Meeting of May 23, 2019.

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 the beneficiaries and would be based on the Group's financial and economic performance as well as, by decision of the Board of Directors, on the Group's non-financial performance.

- Financial and economic performance:

Under this set of internal conditions, the two standard internal performance conditions relating to the Group's financial and economic performance would be based on:

- ROI (adjusted recurring operating income, as discussed in section 2.1.2 of this Universal Registration Document);

- FCF (free cash flow, as discussed in section 2.2.3 of this Universal Registration Document);
- each would count for half of the weighting assigned to these financial and economic conditions.

The achievement levels for these conditions would be measured by reference to the average of the ROI and FCF targets for the fiscal year in which the grant takes place and for the following two fiscal years, as set in the Group's most recent medium-term plan (MTP) or in the budget based on the MTP for the fiscal year in progress, as adjusted to factor in any exceptional circumstances or events and approved by the Board of Directors before the grant date (the "Reference Target"). The following achievement levels would be set for these conditions:

- lowest achievement level: if 80% of the Reference Target were achieved, 40% of the shares contingent on that target would vest;
- target achievement level: if 100% of the Reference Target were achieved, 80% of the shares contingent on that target would vest;
- highest achievement level (cap): if 125% of the Reference 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 would 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 would continue to be measured, whenever possible, based on the previous scope of consolidation (i.e., not including the newly-consolidated entity).

- Non-financial performance:

Under this set of internal conditions, the non-financial condition(s) would relate to CSR and sustainable development objectives. These conditions, which would be defined by the Board of Directors prior to the grant date, could take into account the Group's medium-term priorities or strategic challenges on these issues. They would be quantifiable or measurable, making it possible to objectively monitor them and identify the actual achievement rate at the end of the performance period. They would be disclosed and their weighting would reduce the weighting of the internal financial and economic performance conditions.

For the first performance share grant under this authorization, it has already been indicated that Executive Management would ask the Board of Directors to include such a non-financial performance condition - with a projected weighting of around 10% (up to 20%, where applicable) - within the minimum 70% weighting for the standard performance conditions.

■ Possible additional performance conditions:

As well as the portion attributed to the “standard” internal performance conditions, the Board of Directors may, at its discretion, apply additional demanding and quantifiable 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, as defined by the Board of Directors prior to the grant, would be disclosed and their weighting would reduce the weighting of the “standard” internal performance conditions.

■ External performance 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 performance condition would count for 30% for the Chief Executive Officer. 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 peer companies, 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 peer companies, 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 peer companies, 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 would 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 would be subject to a vesting period set by the Board of Directors, which may not be less than three years.

In addition, the shares granted to the Chief Executive Officer or other corporate officers of the Company would be subject to a lock-up period set by the Board of Directors, which may not be less than one year as from the vesting date. In principle, the minimum lock-up period of at least one year would also apply to members of the Company’s Executive Committee; exceptions, however, may apply to some of them (other than the Company’s Chief Executive Officer) in view of their nationality, tax residence or related personal situation. As an exception and for illustration purposes, the Board of Directors could set up an alternative arrangement allowing them to sell some of the shares delivered on the vesting date to cover the tax due on that date, and decide to waive the lock-up period if it would result in the double taxation of the beneficiary.

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 30th resolution of the May 23, 2019 Annual General Meeting, the Board of Directors authorized grants of performance shares to certain managers and senior executives of the Group, first on March 26, 2020 (2020 Long-Term Incentive Plan, as described in sections 6.6.4.2 and 7.3.7.1 of the 2019 Universal Registration Document), and then on March 24, 2021 (2021 Long-Term Incentive Plan, as described in section 7.3.7.1 of this Universal Registration Document) (see the press releases 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.* and L.22-10-59 *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 will be subject to a lock-up period that 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 30th resolution of the Annual General Meeting of May 23, 2019.

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

8.2.4.1 Appointment of Olivier Andriès

The shareholders are invited to approve the Board of Directors' temporary appointment on December 16, 2020 of Olivier Andriès, Chief Executive Officer since January 1, 2021, as a Director, to replace Philippe Petitcolin whose term of office ended on December 31, 2021. The appointment of Olivier Andriès as a Director took effect on January 1, 2021 for the remainder of his predecessor's term of office, i.e., until the Annual General Meeting to be held in 2023.

The profile of Olivier Andriès is presented in section 6.2.2.

8.2.4.2 Re-appointments of Directors

Based on the recommendations of the Appointments and Compensation Committee, the Board of Directors has decided that it wishes to continue to benefit from the expertise of Hélène Auriol Potier, Patrick Pélata and Sophie Zurquiyah and is therefore putting forward these three independent Directors for re-appointment for four-year terms expiring at the close of the Annual General Meeting to be held in 2025.

The profiles of Hélène Auriol Potier, Patrick Pélata and Sophie Zurquiyah, whose re-appointments are being proposed to the shareholders, are presented in section 6.2.2.

8.2.4.3 Appointment of Fabienne Lecorvaisier as an independent Director

The shareholders are invited to appoint Fabienne Lecorvaisier as an independent Director (see profile below).



Fabienne Lecorvaisier

L'Air Liquide SA - 75, quai d'Orsay - 75007 Paris, France

Number of shares held: 500

PROFILE - EXPERTISE AND EXPERIENCE

Born in 1962, Fabienne Lecorvaisier, a French national, is a civil engineer and a graduate of the École Nationale des Ponts et Chaussées engineering school.

She began her career at Société Générale in 1985, first in the Corporate Finance Department, and then in the Mergers and Acquisitions Department. She joined Barclays Bank in 1989 as a Senior Banking Executive in charge of the LBO Department (Paris)/Corporate Finance Department (Paris and London). In 1990, she joined Banque du Louvre (Taittinger group) as Assistant General Manager.

She joined the Essilor group in September 1993 as Development Director, before being appointed Finance and Information Systems Director for Essilor America in January 1996, then Chief Financial Officer for the Essilor group in January 2001 and Chief Strategy and Acquisitions Officer for the Essilor group in January 2007.

In 2008, Fabienne Lecorvaisier joined Air Liquide as Chief Financial Officer and Executive Committee member. Since July 2017, she has been an Executive Vice President of Air Liquide, in charge of Finance, Operations Control and General Secretariat.

She has been a Director of Sanofi since May 2013 and Chair of its Audit Committee since May 2018.

In December 2019, Fabienne Lecorvaisier was named an *Officier de la Légion d'Honneur* (Officer of the Legion of Honor).

Fabienne Lecorvaisier would bring to the Board the experience that she has gained in various functions within international industrial groups in France and overseas, as well as her expertise as a Chief Financial Officer and her experience as a Director. She also has the skills, profile and ability to take on other tasks and responsibilities required of a Board member, notably in the areas of strategy, energy transition, risk and financial transaction management, and wide-reaching projects.

Fabienne Lecorvaisier would be qualified as an independent Director and would also join the Audit and Risk Committee.

MAIN POSITION(S) HELD

- Executive Vice President, in charge of Finance, Operations Control and General Secretariat of Air Liquide

OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

SAFRAN GROUP

None

NON-GROUP

- Director and Chair of the Audit Committee of Sanofi (listed company)
- Chair and Chief Executive Officer of Air Liquide Finance
- Chair of Air Liquide US LLC (United States)
- Executive Vice President of Air Liquide International Corporation (United States) and Director of Air Liquide International, Air Liquide Eastern Europe, The Hydrogen Company American Air Liquide Holdings, Inc. (United States)
- Director of ANSA (the French National Association of Joint-Stock Companies)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

SAFRAN GROUP

None

NON-GROUP

- Director of Air Liquide France Industries, Aqualung International, Air Liquide Welding SA and SOAEO

8.2.5 Summary table of financial authorizations for the Board of Directors submitted to the Annual General Meeting of May 26, 2021 for approval

| 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 26, 2021 AGM (18 th resolution) 26 months, i.e., until July 25, 2023 | €20 million €2 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 other than offers governed by Article L.411-2, 1° 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 26, 2021 AGM (19 th resolution) 26 months, i.e., until July 25, 2023 | €8 million ⁽¹⁾ €2 billion (debt securities) ⁽²⁾ |
| 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 | May 26, 2021 (20 th resolution) 26 months, i.e., until July 25, 2023 | €8 million ⁽¹⁾⁽³⁾ €2 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 an offer governed by Article L.411-2, 1° 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 26, 2021 (21 st resolution) 26 months, i.e., until July 25, 2023 | €8 million ⁽¹⁾⁽³⁾ €2 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 18 th , 19 th , 20 th or 21 st resolutions), which may not be used during, or in the run-up to, a public offer for the Company's shares | May 26, 2021 (22 nd resolution) 26 months, i.e., until July 25, 2023 | 15% of the original issue ⁽⁵⁾ |
| 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 26, 2021 (23 rd resolution) 26 months, i.e., until July 25, 2023 | €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 other than offers governed by Article L.411-2, 1° 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 26, 2021 (24 th resolution) 26 months, i.e., until July 25, 2023 | €8 million ⁽¹⁾⁽³⁾⁽⁶⁾ €2 billion (debt securities) ⁽²⁾⁽⁴⁾⁽⁷⁾ |
| 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 | May 26, 2021 (25 th resolution) 26 months, i.e., until July 25, 2023 | €8 million ⁽¹⁾⁽³⁾⁽⁶⁾⁽⁸⁾ €2 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 an offer governed by Article L.411-2, 1° 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 26, 2021 (26 th resolution) 26 months, i.e., until July 25, 2023 | €8 million ⁽¹⁾⁽³⁾⁽⁶⁾⁽⁸⁾ €2 billion (debt securities) ⁽²⁾⁽⁴⁾⁽⁹⁾ |

Report of the Board of Directors on the resolutions proposed to the Annual General Meeting and text of the proposed resolutions

| 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 number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 23 rd , 24 th , 25 th or 26 th resolutions), which may only be used during, or in the run-up to, a public offer for the Company's shares | May 26, 2021 (27 th resolution) 26 months, i.e., until July 25, 2023 | 15% of the original issue ⁽¹⁰⁾ |
| 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 26, 2021 (28 th resolution) 26 months, i.e., until July 25, 2023 | 1% of the Company's capital ⁽⁹⁾ |
| 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 26, 2021 (30 th resolution) 26 months, i.e., until July 25, 2023 | 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 18th resolution submitted to the shareholders' vote at the May 26, 2021 AGM.

(2) This amount is included in the €2 billion ceiling for issues of debt securities set in the 18th resolution submitted to the shareholders' vote at the May 26, 2021 AGM.

(3) This amount is included in the €8 million ceiling for capital increases set in the 19th resolution submitted to the shareholders' vote at the May 26, 2021 AGM.

(4) This amount is included in the €2 billion ceiling for issues of debt securities set in the 19th resolution submitted to the shareholders' vote at the May 26, 2021 AGM.

(5) The ceilings applicable to the 18th, 19th, 20th and 21st resolutions submitted to the shareholders' vote at the May 26, 2021 AGM still apply if the option provided for in the 22nd resolution of that AGM is used.

(6) 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 26, 2021 AGM.

(7) This amount is included in the €2 billion ceiling for issues of debt securities set in the 23rd resolution submitted to the shareholders' vote at the May 26, 2021 AGM.

(8) This amount is included in the €8 million ceiling for capital increases set in the 24th resolution submitted to the shareholders' vote at the May 26, 2021 AGM.

(9) This amount is included in the €2 billion ceiling for issues of debt securities set in the 24th resolution submitted to the shareholders' vote at the May 26, 2021 AGM.

(10) The ceilings applicable to the 23rd, 24th, 25th and 26th resolutions submitted to the shareholders' vote at the May 26, 2021 AGM still apply if the option provided for in the 27th resolution of that AGM is used.

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, 2020 |
|--|--|---|--|
| 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 (16 th resolution) 26 months, i.e., until July 22, 2021 | €20 million €1.8 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 | May 23, 2019 AGM (17 th resolution) 26 months, i.e., until July 22, 2021 | €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 | May 23, 2019 AGM (18 th resolution) 26 months, i.e., until July 22, 2021 | €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, 1° 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 (19 th resolution) 26 months, i.e., until July 22, 2021 | €8 million ⁽¹⁾⁽³⁾ €1.8 billion (debt securities) ⁽²⁾⁽⁴⁾ | May 15, 2020 €799,999,902.95 Oct. 12, 2020: €199,999,948.68 Amount remaining at Dec. 31, 2020: €800,000,148.37 |
| 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 16 th , 17 th , 18 th or 19 th 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 (20 th resolution) 26 months, i.e., until July 22, 2021 | 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 | May 23, 2019 AGM (21 st resolution) 26 months, i.e., until July 22, 2021 | €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 | May 23, 2019 AGM (22 nd resolution) 26 months, i.e., until July 22, 2021 | €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 | May 23, 2019 AGM (23 rd resolution) 26 months, i.e., until July 22, 2021 | €8 million ⁽¹⁾⁽³⁾⁽⁶⁾ €1.8 billion (debt securities) ⁽²⁾⁽⁴⁾⁽⁷⁾ | None |

Report of the Board of Directors on the resolutions proposed to the Annual General Meeting and text of the proposed resolutions

| 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, 2020 |
|---|--|---|--|
| 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 | May 23, 2019 AGM (24 th resolution) 26 months, i.e., until July 22, 2021 | €8 million ⁽¹⁾⁽³⁾⁽⁶⁾⁽⁸⁾ €1.8 billion (debt securities) ⁽²⁾⁽⁴⁾⁽⁹⁾ | 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, 1° 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 (25 th resolution) 26 months, i.e., until July 22, 2021 | €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 22 nd , 23 rd , 24 th or 27 th 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 (26 th resolution) 26 months, i.e., until July 22, 2021 | 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 | May 23, 2019 AGM (27 th resolution) 26 months, i.e., until July 22, 2021 | €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 | May 23, 2019 AGM (28 th resolution) 26 months, i.e., until July 22, 2021 | 1% of the Company's capital ⁽¹⁾ | 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 23, 2019 AGM (30 th resolution) 26 months, i.e., until July 22, 2021 | 0.40% of the Company's capital at the grant date | Amount used in 2020: 0.18% Amount remaining at Dec. 31, 2020: 0.22% Amount used in 2021: 0.18% Amount remaining at Mar. 31, 2021: 0.04% |

(1) This amount is included in the €20 million ceiling for capital increases set in the 16th resolution of 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 of the May 23, 2019 AGM.

(3) This amount is included in the €8 million ceiling for capital increases set in the 17th resolution of 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 of the May 23, 2019 AGM.

(5) The ceilings applicable to the 16th, 17th, 18th and 19th resolutions of 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 of 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 of the May 23, 2019 AGM.

(8) This amount is included in the €8 million ceiling for capital increases set in the 23rd resolution of 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 of the May 23, 2019 AGM.

(10) The ceilings applicable to the 22nd, 23rd, 24th and 25th resolutions of the May 23, 2019 AGM still apply if the option provided for in the 26th resolution of that AGM is used.



8.3 CONVERSION OF CLASS A PREFERRED SHARES INTO ORDINARY SHARES AFTER THE 36-MONTH NON-TRANSFERABILITY PERIOD

As part of the tender offer on a principal basis, complemented on a subsidiary basis by a public exchange offer (the "Subsidiary Exchange Offer") initiated by Safran and targeting the shares of Zodiac Aerospace ("Zodiac"), 26,651,058 Class A Preferred Shares were issued on February 13, 2018 as payment of the Subsidiary Exchange Offer, pursuant to the 32nd and 33rd resolutions adopted by the Extraordinary Shareholders' Meeting of June 15, 2017, which created this new class of preferred shares. These shares were allocated to Zodiac's shareholders who tendered their Zodiac shares to the Subsidiary Exchange Offer.

The Class A Preferred Shares were converted into ordinary shares on February 13, 2021 in accordance with Article 12.7 of the bylaws (see section 7.1.2.3 of this Universal Registration

Document). On February 13, 2021, the Chief Executive Officer placed on record the automatic conversion, without any legal formality, of all the Class A Preferred Shares into Safran ordinary shares, following the end of the 36-month non-transferability period. The 26,651,058 Class A Preferred Shares were converted into freely transferable ordinary shares, ranking *pari passu* with the other ordinary shares making up the Company's share capital. The shares were admitted to trading on Euronext Paris on the first day of trading as of their conversion date, i.e., on February 15, 2021. The conversion has no impact on equity and there is no dilution for shareholders.

Reports drawn up by the Board of Directors and the Statutory Auditors on the conversion are presented below.

8.3.1 Board of Directors' report on the conversion of Class A Preferred Shares into ordinary shares

CONVERSION OF CLASS A PREFERRED SHARES INTO ORDINARY SHARES

ADDITIONAL REPORT OF THE BOARD OF DIRECTORS

(Article R.228-18 of the French Commercial Code)

To the Shareholders,

In accordance with Article R.228-18 of the French Commercial Code (*Code de commerce*), we hereby report to you on the automatic conversion of the Company's class A preferred shares into ordinary shares, on February 13, 2021.

1) Legal framework of the transaction

Annual General Meeting of June 15, 2017

In the 32nd resolution of the June 15, 2017 Extraordinary Shareholders' Meeting, in accordance with Articles L.228-11 *et seq.* of the French Commercial Code, the shareholders:

- resolved, subject to the use by the Board of Directors of the authorization granted by said Meeting under the 33rd resolution, to create a new class of preferred shares ("Class A Preferred Shares");
- resolved that the issue of Class A Preferred Shares could only be decided in the context of an issue, without pre-emptive subscription rights, in the event of a public exchange offer initiated by the Company, in accordance with the authorization to that effect in the 3rd resolution;
- established the characteristics of the Class A Preferred Shares as described in point 2 below;
- amended the bylaws to add the characteristics of the Class A Preferred Shares and the terms and conditions of their conversion, effective on the issue date of the Class A Preferred Shares, in the event of the use by the Board of Directors of the authorization granted by said Meeting under the 3rd resolution;
- gave full powers to the Board of Directors - or any representative duly empowered in accordance with the law - to:
 - place on record the issue of Class A Preferred Shares and the corresponding amendment of the Company's bylaws,

- place on record the conversion of Class A Preferred Shares into ordinary shares and the corresponding amendment of the Company's bylaws,
- more generally, take all appropriate measures, enter into any agreements, request any authorizations, carry out all formalities and do all that is necessary to implement the resolution.

In addition, under the 33rd resolution, in accordance with Articles L.225-129-2 to L.225-129-6, L.225-148 and L.228-15 of the French Commercial Code, the shareholders:

- granted the Board of Directors a twenty-six (26) month authorization to (i) issue Class A Preferred Shares as payment for securities of another company tendered to a public exchange offer initiated by the Company and (ii) cancel the pre-emptive rights of existing shareholders to subscribe for the Class A Preferred Shares issued under this authorization;
- noted that, in accordance with Article L.225-132 of the French Commercial Code, in the event of an issue of Class A Preferred Shares carried out under this authorization, existing shareholders would waive their pre-emptive rights to subscribe for the ordinary shares resulting from the conversion of said Class A Preferred Shares;
- resolved that the Board of Directors would have full powers to use this authorization, in particular to carry out issues of Class A Preferred Shares in connection with public offers falling within the scope of the 33rd resolution, and notably to:
 - determine the timing and other terms and conditions of the issue(s) and notably the price and cum-rights date (which could be retroactive) of the Class A Preferred Shares issued in accordance with this resolution,
 - take all appropriate measures and enter into any and all agreements to successfully carry out the issue(s), place on record the completion of the capital increase(s), and amend the Company's bylaws to reflect the new capital;
- authorized the Board of Directors, within the limits set in advance by the Board, to delegate to the Chief Executive Officer the authorization given under the 33rd resolution.

Decision taken by the Board of Directors on December 6, 2017 using the above-described authorizations

At its meeting of December 6, 2017, using the above-described authorizations granted by the Annual General Meeting, the Board of Directors decided that, as part of the tender offer on a principal basis, complemented on a subsidiary basis by a public exchange offer (the "Subsidiary Exchange Offer") initiated by Safran and targeting the shares of Zodiac Aerospace ("Zodiac"), Class A Preferred Shares to be used as payment of the Subsidiary Exchange Offer would be issued pursuant to the 32nd and 33rd resolutions.

The Board of Directors delegated to the Chief Executive Officer the power to carry out one or two increases of Safran's share capital, depending on whether or not the Subsidiary Exchange Offer was re-opened, by issuing the Class A Preferred Shares to be used as payment for the Zodiac shares in connection with the Subsidiary Exchange Offer, in accordance with the terms and conditions and ceilings set out in the Information Memorandum (section 2.3.2) filed with the French financial markets authority (*Autorité des marchés financiers* - AMF) under number 17-648 on December 21, 2017, and notably but not exclusively, to:

- place on record the number of Zodiac shares tendered to the Subsidiary Exchange Offer and the number of Class A Preferred Shares to be issued based on the Exchange Ratio as well as the amount of the capital increase(s) and, where applicable, the amount of any cash compensation payable for any rights to fractional shares;
- determine the dates and terms and conditions of the issue(s); and
- more generally,
 - take all appropriate measures and enter into any and all agreements to successfully carry out the issue(s), place on record the completion of the capital increase(s), and amend the bylaws accordingly,
 - place on record the conversion of the Class A Preferred Shares into ordinary shares, and amend the bylaws accordingly.

Decision taken by the Chief Executive Officer on February 7, 2018 using the above-described delegation of powers

On February 7, 2018, having considered:

- the Exchange Ratio for the Subsidiary Exchange Offer,
- the notice of the results of the Offer published by the AMF on February 6, 2018,
- the notice of the results of the Offer published by Euronext on February 6, 2018 and the "Funds Flow" document issued by Euronext on February 6, 2018 for the purpose of organizing the settlement of the shares concerned;

the Chief Executive Officer:

- placed on record the number of Zodiac shares tendered to the Subsidiary Exchange Offer and that said shares should be paid for in the form of 26,651,058 Class A Preferred Shares;
- placed on record that Safran's share capital was fully paid up.

Consequently, the Chief Executive Officer decided to use the delegation of powers granted to him by Safran's Board of Directors on December 6, 2017 and decided to:

- increase Safran's share capital by €5,330,211.60 by issuing, at the settlement date of the Offer, 26,651,058 Class A Preferred Shares (ISIN code: FRO013306479) as payment for the Zodiac shares tendered to the Subsidiary Exchange Offer. The Preferred Shares had a par value of €0.20, carried immediate dividend rights and had the same characteristics as Safran ordinary shares traded on Euronext Paris (compartment A) under ISIN code FRO000073272, but were not transferable for thirty-six (36) months as from their issue date;

- amend Articles 6, 7, 9, 11 and 12 of the Company's bylaws relating to the share capital, to insert an Article 36 relating to Special Meetings of holders of Class A Preferred Shares and to amend the numbering of the bylaws accordingly.

On February 13, 2018, the Chief Executive Officer placed on record that the capital increase resulting from the above-described decision of February 7, 2018 had been completed on February 13, 2018 and that all the aforementioned amendments to the Company's bylaws had taken effect on that date.

Reports relating to the use of the above-described authorizations and delegations of powers

The Chief Executive Officer reported to the Board of Directors on February 7, 2018 on the use of the powers delegated to him, as described in point 1.2 above, at the first Board meeting following such use.

On February 26, 2018, in accordance with Articles L.225-129-5 and R.225-116 of the French Commercial Code, the Board of Directors reported to the shareholders on the use of the authorization granted to it in the 32nd and 33rd resolutions of the June 15, 2017 Annual General Meeting. This report is presented in section 8.3.1 of Safran's 2017 Registration Document.

In accordance with Article R.228-17 of the French Commercial Code, the Company's Statutory Auditors prepared a report, dated March 5, 2018, to express an opinion on the capital increase and on certain other information, provided in the Board of Directors' report, relating to the issue of Class A Preferred Shares on February 13, 2018. The Statutory Auditors' report is presented in section 8.3.2 of Safran's 2017 Registration Document.

2) Characteristics of the Class A Preferred Shares

The characteristics of the Class A Preferred Shares, as set in the 32nd resolution of the Annual General Meeting of June 15, 2017 and described in Articles 9, 11 and 12 of the bylaws, were as follows:

- the Class A Preferred Shares benefited from the same rights as the Company's ordinary shares, subject to their cum-rights date, but were non-transferable for a period of thirty-six (36) months (the "Non-transferability Period") as from the date of their issue, i.e., as of February 13, 2018;
- during said period, they could 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;
- the par value of Class A Preferred Shares was equal to the par value of the Company's ordinary shares, i.e., €0.20 per share;
- the Class A Preferred Shares had to be held in registered form, and were not admitted to trading on Euronext Paris;
- each Class A Preferred Share automatically became transferable, ranked *pari passu* with the Company's ordinary shares and was converted into one ordinary share to be admitted to trading on Euronext Paris at the first 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;

- 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 had, 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.

3) Terms and conditions for the conversion of the Class A Preferred Shares on February 3, 2021

Decision of the Chief Executive Officer of February 10, 2021

On February 10, 2021, the Chief Executive Officer decided to use the delegation of powers granted to him by Safran's Board of Directors on December 6, 2017 to place on record the conversion of the Class A Preferred Shares into ordinary shares.

Having considered that:

- on February 13, 2021, the Non-transferability Period of the Class A Preferred Shares under Articles 11.2 and 12 of the Company's bylaws would end;
- on February 13, 2021, under Article 12.7 of Safran's bylaws, each Class A Preferred Share (ISIN code: FR0013306479):
 - would automatically, without any legal formality, become transferable,
 - as a result, would automatically, without any legal formality, be converted into one ordinary share (ISIN code: FR0000073272),
 - would automatically, without any legal formality, rank *pari passu* with the other ordinary shares of the Company;
- on February 13, 2021, Safran's share capital:
 - would remain unchanged and comprise the same total number of shares as previously, but
 - as a result of the above-described conversion, would be made up of 427,235,939 ordinary shares all in the same class;

the Chief Executive Officer noted that:

- the conversion of the 26,651,058 Class A Preferred Shares into ordinary shares would 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 as provided for in Article 31.8 of the bylaws, under the conditions provided for by law;
- he would report to the Board of Directors on the use of the powers delegated to him as indicated in point 1.2 above and the Board of Directors would prepare an additional report in accordance with the applicable regulations and within the time period provided for therein;

and decided to:

- make a request for the admission to trading on Euronext Paris of the 26,651,058 ordinary shares resulting from the conversion of the 26,651,058 Class A Preferred Shares on the first day of trading as from February 13, 2021;
- amend Article 6 of Chapter II "Share Capital - Shares" of the bylaws, as from February 13, 2021, as follows: "*The Company's share capital amounts to €85,447,187.80, divided into 427,235,939 shares with a par value of €0.20 each, all in the same class.*"

Conversion and admission

On Saturday February 13, 2021, each class A Preferred Share (ISIN code: FR0013306479) was converted automatically, without any legal formality, into one ordinary share (ISIN code: FR0000073272), ranking *pari passu* with the other ordinary shares of the Company.

The double voting rights to which the Class A Preferred Shares entitled their holders at the conversion date were not affected by the conversion.

There was no change in the form of the shares converted, i.e., they remained either pure registered or administered registered shares, as appropriate.

The 26,651,058 ordinary shares resulting from the conversion of 26,651,058 Class A Preferred Shares were admitted to trading on Euronext Paris on the first day of trading as from Saturday February 13, 2021, i.e., Monday February 15, 2021. They are freely transferable as from this date (for holders of administered registered ordinary shares resulting from the conversion of administered registered Class A Preferred Shares, subject to any procedures required by their financial intermediaries in line with their respective management and administration procedures).

Impact of the conversion on equity

Impact of the conversion on equity

Following the conversion of each Class A Preferred Share (ISIN code: FR0013306479) into one ordinary share (ISIN code: FR0000073272) on February 13, 2021, the total number of shares making up Safran's share capital as well as the amount of Safran's share capital remained unchanged. The conversion therefore has no impact on equity per share calculated at parent company and Group level.

Impact of the conversion on shareholders' interests in the Company's capital

Following the conversion of each Class A Preferred Share (ISIN code: FR0013306479) into one ordinary share (ISIN code: FR0000073272) on February 13, 2021, the total number of shares making up Safran's share capital as well as the amount of Safran's share capital remained unchanged. The conversion therefore has no impact on the ownership interest of a shareholder holding 1% of the Company's share capital prior to the conversion.

Theoretical impact of the conversion of the Class A Preferred Shares on the Company's share price and market capitalization

Following the conversion of each Class A Preferred Share (ISIN code: FR0013306479) into one ordinary share (ISIN code: FR0000073272) on February 13, 2021, as the total number of shares making up Safran's share capital as well as the amount of Safran's share capital remained unchanged and the Company did not receive or pay any amount as a result of the conversion, the conversion therefore has no impact on Safran's share price and market capitalization (including on a diluted or undiluted basis).

In accordance with the applicable laws and regulations, this report as well as the Statutory Auditors' report on the use of this authorization are available for consultation by shareholders at the Company's registered office and will be provided to them at the next Annual General Meeting.

French original signed in Paris, on February 24, 2021

For the Board of Directors
Ross McInnes (Chairman)

8.3.2 Statutory Auditors' report on the conversion of Class A Preferred Shares in accordance with the Company's bylaws

Board of Directors' meeting of February 24, 2021

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 users. 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 accordance with Article R.228-18 of the French Commercial Code (*Code de commerce*), we hereby report to you on the conversion carried out the Board of Directors in accordance with Article 12 of the Company's bylaws.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R.228-18 of the French Commercial Code. Our role is to express an opinion on the conversion and on certain other information concerning the transaction, given in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the

Courbevoie and Paris-La Défense, March 26, 2021

The Statutory Auditors

MAZARS

Gaël Lamant

Jérôme de Pastors

ERNST & YOUNG et Autres

Jean-Roch Varon

Philippe Berteaux

French national auditing body (*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 on the terms and conditions of the conversion, the methods for calculating the conversion ratio, the methods for carrying out the conversion and the compliance of the terms and conditions of the transaction with the provisions of the Company's bylaws.

We have no matters to report as to:

- the compliance of the terms and conditions of the transaction with the provisions of the Company's bylaws;
- the presentation of the impact of the transaction on the situation of the holders of shares and securities granting access to the share capital, as expressed in relation to shareholders' equity;
- the accuracy and fairness of the methods for calculating the conversion ratio;
- the conversion carried out.

8.4 ISSUE OF BONDS CONVERTIBLE AND/OR EXCHANGEABLE FOR NEW AND/OR EXISTING SHARES ("OCÉANE" BONDS)

Pursuant to the 19th and 20th resolutions approved by the Company's Extraordinary Shareholders' Meeting of May 23, 2019:

On May 15, 2020, Safran issued bonds convertible into and/or exchangeable for new and/or existing shares, due May 15, 2027 (OCÉANE 2027). The nominal amount of the issue was €799,999,902.95, represented by 7,391,665 bonds with a par value of €108.23 each (the "Initial Bonds").

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

On October 12, 2020, Safran carried out a tap issue (the "Tap Issue") of bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) (the "New Bonds"). The New Bonds carry the same terms and conditions as the Initial Bonds, with the exception of the issue price. They are fungible with the Initial Bonds, with which they form a single series of OCÉANE 2027 bonds. The nominal amount of the Tap Issue was €199,999,948.68, represented by 1,847,916 New Bonds with a par value of €108.23 each.

As part of the Tap Issue, the French State subscribed to 207,541 bonds, representing a nominal amount of approximately €22.5 million, corresponding to a subscription proportional to its share in the Company's share capital.

The Initial Bonds and the New Bonds were issued through an offering exclusively for qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in France, the European Economic Area (EEA) and outside the EEA (excluding, in particular, the United States, Canada, South Africa, Australia, Japan and any other jurisdiction where registration or approval would be required by the applicable laws and regulations).

In the event that Safran decided to provide only new shares upon the exercise of the conversion rights for all the OCÉANE 2027 bonds, the maximum dilution as estimated based on the Company's capital and the OCÉANE 2027 bond conversion ratio as of February 28, 2021, would be 2.16%.

The background, terms and conditions and purpose of the OCÉANE 2027 bond issues are presented in the reports of the Board of Directors and the Statutory Auditors set out below, as well as in section 3.1, Note 27 and section 3.3, Note 3.9 of this Universal Registration Document.

8.4.1 Reports on the issue of the Initial Bonds

8.4.1.1 Board of Directors’ report on the issue of the Initial Bonds

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

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

To the Shareholders,

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

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

1) Background

Annual General Meeting of May 23, 2019

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

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

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

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

Meeting of the Board of Directors of April 28, 2020

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

- to authorize in principle:
 - the issue – on one or more occasions – of OCÉANE bonds without pre-emptive subscription rights for existing shareholders, through an offering of financial securities to a restricted group of investors acting on their own account or to qualified investors, with a request for the admission to trading of the OCÉANE bonds on a regulated or organized market, subject to an overall ceiling of a maximum nominal amount of €1 billion after the exercise, where applicable, of the Overallotment Option in full, for a maturity or maturities not exceeding seven years after the date of issue of the OCÉANE bonds (the “**Issue**”), and
 - any increase in the Company’s share capital that may be necessary due to the issue, on one or more occasions, of new Company shares as a result of holders of the v bonds (the “Bondholders”) exercising their Conversion Rights subject to a ceiling representing a maximum nominal amount of €2,136,170.60 after the exercise, where applicable, of the Overallotment Option in full, not including the nominal amount of any shares that may be issued in accordance with the applicable laws and the terms and conditions of the Issue to protect the rights of the OCÉANE Bondholders in the event of any subsequent corporate actions;

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

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

- to grant the Chief Executive Officer the necessary powers to carry out the Issue, determine the terms and conditions thereof and decide on the final characteristics and timing of the Issue, within the limitations of the authorization granted by the shareholders and the delegation of authority granted by the Board of Directors;
- to authorize the Chief Executive Officer to delegate the implementation of the Issue to any person of his choosing.

Decision of the Chief Executive Officer of May 12, 2020

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

2) Terms and conditions of the issue**Characteristics of the issue**

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

Characteristics of the Bonds

| | |
|---|---|
| Ranking of the Bonds | The Bonds constitute unsecured, direct, general, unconditional and unsubordinated debt obligations, ranking equally among themselves and, subject to mandatory legal exceptions, <i>pari passu</i> with all other present or future unsecured debts and guarantees of the Company. |
| Negative pledge | Only applies in the event that the Company or one of its principal subsidiaries grants a guarantee, an indemnity or collateral to the holders of other bonds or other marketable instruments representing new or existing debt securities issued by the Company or one of its principal subsidiaries. |
| Nominal rate – Coupon | <p>0.875% per year, payable on May 15 of each year (the “Coupon Payment Date”) (or the following business day if this date is not a business day, without this giving rise to additional interest) and for the first time on May 15, 2021. The period between the Bond Issue Date or a Coupon Payment Date (inclusive) and the following Coupon Payment Date (exclusive) is referred to as the “Coupon Period”.</p> <p>The annual amount of interest per Bond is calculated (and rounded to the nearest lowest multiple of €0.00001) by applying the annual nominal rate of 0.875% (regardless of the number of days in the year) to the par value of each Bond.</p> <p>The amount of interest due per Bond for any period shorter than a Coupon Period is determined (and rounded to the nearest lowest multiple of €0.00001) based on the Actual/Actual ICMA method by applying to the par value of each Bond the sum of (a) the above-mentioned annual nominal rate multiplied by (b) the ratio between (x) the number of accrued days in the Coupon Period and (y) the number of days in said Coupon Period.</p> |
| Term of the Bonds | 7 years |
| Maturity date of the Bonds | May 15, 2027 (the “ Maturity Date of the Bonds ”) |
| Redemption at maturity | Redemption in full at par on the Maturity Date of the Bonds (or the following business day if this date is not a business day). |
| Early redemption, at the Company’s discretion | <ul style="list-style-type: none"> ■ (i) The Company may redeem all or some of the Bonds at any time before the Maturity Date of the Bonds, without any limitation on price or number, either by repurchasing them through on-market or off-market transactions, or through repurchase or exchange offers. ■ (ii) The Company may redeem all of the outstanding Bonds at par, plus interest accrued since the previous Coupon Payment Date (or, where applicable, since the Bond Issue Date), at any time from June 5, 2024 until the Maturity Date of the Bonds, subject to a minimum prior notice period of 30 calendar days (and a maximum notice period of 45 calendar days), if the arithmetic mean, calculated over a period of 20 consecutive trading days chosen by the Company out of the 40 consecutive trading days preceding the publication of the early redemption notice, of (a) the daily proceeds of the volume-weighted average daily price of Company shares traded on Euronext Paris, and (b) the Conversion Ratio (as defined below) applicable at each corresponding date exceeds 130% of the par value of the Bonds. ■ (iii) The Company may redeem all of the outstanding Bonds at par, plus interest accrued since the previous Coupon Payment Date (or, where applicable, since the Bond Issue Date), at any time, subject to a minimum prior notice period of 30 calendar days, if the total number of Bonds still outstanding represents less than 20% of the number of Bonds originally issued <p>In the event of (ii) or (iii) above, the Bondholders retain the possibility to request the exercise of their Conversion Right (defined below) until the seventh business day (exclusive) preceding the early redemption date.</p> |
| Obligatory early redemption of the Bonds | Possible at par, notably in the event of default by the Company. |
| Early redemption at the Bondholders’ discretion | Possible at par, plus interest accrued since the previous Coupon Payment Date (or, where applicable, since the Bond Issue Date), in the event of a change in control of the Company. |
| Rights attached to the Bonds/ Conversion Right | <p>Nature of the Conversion Right</p> <p>The Bonds carry a conversion right (the “Conversion Right”), whereby the Bondholders will be entitled to receive a number of new or existing ordinary shares (at the Company’s discretion) equal to the Conversion Ratio (as defined below) applicable at the Exercise Date (as defined below), multiplied by the number of Bonds for which the Conversion Right has been exercised.</p> <p>On the Bond Issue Date, the “Conversion Ratio” was 1 ordinary share to 1 Bond (subject to any subsequent adjustments carried out to protect the rights of Bondholders, particularly in the event of any distribution of dividends by the Company).</p> <p>Exercise Period of the Conversion Right</p> <p>The Bondholders may request to exercise their Conversion Right at any time from the Bond Issue Date (inclusive) until the seventh trading day (exclusive) preceding (i) the Maturity Date of the Bonds or, where applicable, (ii) the relevant early redemption date of the Bonds, it being specified that any Bonds for which the Bondholders have requested the exercise of their Conversion Right will not entitle their holders to any redemption at either the Maturity Date of the Bonds or, where applicable, at their early redemption date.</p> |

Ranking of the Bonds

The Bonds constitute unsecured, direct, general, unconditional and unsubordinated debt obligations, ranking equally among themselves and, subject to mandatory legal exceptions, *pari passu* with all other present or future unsecured debts and guarantees of the Company.

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

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

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

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

Suspension of the Conversion Right

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

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

Conditions of exercise of the Conversion Right

To exercise their Conversion Right, Bondholders must make a request to the financial intermediary that holds their Bonds in a securities account. Any such request is irrevocable once received by the relevant financial intermediary. The centralizing agent will ensure the centralization of the request.

The date of the request will correspond to either (i) the business day on which both of the conditions described below are satisfied, if they are satisfied by 5:00 p.m. (Paris time), or (ii) the following business day, if said conditions are satisfied after 5:00 p.m. (Paris time) (the "**Date of the Request**"):

- the centralizing agent has received the exercise request transmitted by the financial intermediary that holds the Bonds in a securities account;
- the Bonds have been transferred to the centralizing agent by the relevant financial intermediary.

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

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

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

| | |
|--|---|
| Ranking of the Bonds | The Bonds constitute unsecured, direct, general, unconditional and unsubordinated debt obligations, ranking equally among themselves and, subject to mandatory legal exceptions, <i>pari passu</i> with all other present or future unsecured debts and guarantees of the Company. |
| Dividend rights and listing of the underlying shares | <p>The new or existing ordinary shares issued or delivered on the exercise of the Conversion Right will carry dividend rights and entitle their holders to all the rights attached to the ordinary shares as from their delivery date, it being specified that in the event that a record date for a dividend (or interim dividend) occurs between the Exercise Date and the delivery date of the shares, the Bondholders will not be entitled to such dividend (or interim dividend) nor to any compensation therefor, subject to the right to an adjustment of the Conversion Ratio – a right to which the Bondholders are entitled until the delivery date of the ordinary shares (exclusive).</p> <p>Applications will be made for the admission to trading on Euronext Paris of the new ordinary shares issued upon the exercise of the Conversion Right. Accordingly, the new shares will immediately become fungible with the existing ordinary shares listed on Euronext Paris and will be tradable, as from the date on which they are admitted to trading, on the same listing line as said existing ordinary shares under the same ISIN code (FR0000073272).</p> <p>Any existing ordinary shares allocated upon the exercise of the Conversion Right will be immediately tradable on Euronext Paris.</p> |
| Currency of the issue | Euro |
| Governing law | French law |

3) Purpose of the issue

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

4) Impact of the issue of the bonds and the exercise of the conversion right on existing holders of Company shares and securities carrying rights to Company shares

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

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

This impact was calculated based on the following:

(i) equity as reported in the parent company and consolidated financial statements for the year ended December 31, 2019, adjusted to reflect the capital increases

since January 1, 2020 in an aggregate amount of €356.80 following the exercise of stock subscription options between January 1, 2020 and April 30, 2020, representing a total issue amount of €191,726.48 including the premium;

(ii) 425,068,660 undiluted shares at April 30, 2020, i.e., 427,235,939 shares making up the Company's share capital at that date, less 2,167,279 shares held in treasury at April 30, 2020; and

(iii) an assumption that the Conversion Ratio equals 1.

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

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

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

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

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

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

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

This impact was calculated based on the following:

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

| Shareholder's % ownership interest | Before issue | After issue |
|------------------------------------|--------------|-------------|
| Undiluted basis | 1% | 0.98% |
| Diluted basis ⁽¹⁾ | 0.99% | 0.97% |

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

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

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

This impact was calculated based on the following:

- a price of €79.25 per Safran share, corresponding to the average of the opening Safran share prices over the 20 trading days preceding the date on which the Issue was launched (May 12, 2020);
- the issue of 7,391,665 Bonds with a par value of €108.23 per Bond, which could potentially be converted into an aggregate 7,391,665 ordinary Safran shares (at a ratio of 1 ordinary share to 1 Bond); and
- net issue proceeds of €793,199,903.77.

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

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

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

French original signed in Paris, on May 28, 2020

For the Board of Directors

Ross McInnes (Chairman)



8.4.1.2 Statutory Auditors' report on the issue of the Initial Bonds

Board of Directors' meeting of May 28, 2020

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

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

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

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

- the nominal amount of the issue was €799,999,902.95, represented by 7,391,665 Bonds;
- the par value of the Bonds was €108.23, representing an issue premium of 40% over the reference price for ordinary shares of the Company, corresponding to the volume-weighted average price of the ordinary Company

shares listed on Euronext Paris between the start of trading on May 12, 2020 and the date on which the final terms and conditions of the Bonds were determined;

- on the bond issue date (May 15, 2020), the price of new ordinary shares of the Company issued at the Company's discretion on the exercise of the conversion right (the "Conversion Right") shall, based on the 1 to 1 conversion ratio (the "Conversion Ratio") applicable at the bond issue date, be equal to the par value of the Bonds;
- the Bonds carry a Conversion Right, whereby the bondholders will be entitled to receive a number of new or existing ordinary shares (at the Company's discretion) based on the Conversion Ratio applicable at the bond issue date, i.e., 1 to 1.

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

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

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

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

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

We have no matters to report as to:

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

Courbevoie and Paris-La Défense, June 12, 2020

The Statutory Auditors

MAZARS

Gaël Lamant

Jérôme De Pastors

ERNST & YOUNG et Autres

Jean-Roch Varon

Philippe Berteaux

8.4.2 Reports on the Tap Issue

8.4.2.1 Board of Directors' report on the Tap Issue

Additional report by the Board of Directors on the terms and conditions of the tap issue of bonds convertible and/or exchangeable for new and/or existing ordinary Safran shares ("OCÉANE" bonds), which are fungible with and form a single series with the approximately €800 million in OCÉANE bonds million issued on May 15, 2020 and due May 15, 2027

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

To the Shareholders,

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

At its April 28, 2020 meeting, the Board of Directors used said authorizations to unanimously decide to authorize an issue of OCÉANE bonds in principle, and granted the Chief Executive Officer all the necessary powers to carry out such an issue, on one or more occasions, determine the terms and conditions thereof and decide on the final characteristics and timing.

On May 12, 2020, the Chief Executive Officer decided to use the authorization granted by the Board of Directors for the first time.

On May 15, 2020 (the "**Initial Bond Issue Date**"), Safran carried out an issue of OCÉANE bonds due May 15, 2027 in a nominal amount of €799,999,902.95, represented by 7,391,665 bonds with a par value of €108.23 each (the "**Initial Bonds**").

The Initial Bonds were issued through an offering exclusively for qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in France, the European Economic Area (EEA) and outside the EEA (excluding, in particular, the United States, Canada, South Africa, Australia, Japan and any other jurisdiction where registration or approval would be required by the applicable laws and regulations).

The background, terms and conditions and purpose of the initial issue, as well as its impact on the situation of the holders of shares and securities granting access to shares, are set out in section 1.8 of Safran's 2020 Interim Financial Report (available on the Company's website, in the Finance section) in:

- the additional report by the Board of Directors on the terms and conditions of the issue of bonds convertible and/or exchangeable for new and/or existing ordinary shares ("OCÉANE" bonds) due May 15, 2027 (section 1.8.1 of the 2020 Interim Financial Report); and
- the Statutory Auditors' additional report on the issue (section 1.8.2 of the 2020 Interim Financial Report).

On October 6, 2020, again using the authorization granted by the Board of Directors on April 28, 2020, the Chief Executive Officer decided to carry out a tap issue (the "**Tap Issue**") of bonds convertible and/or exchangeable for new and/or existing shares ("OCÉANE" bonds) (the "**New Bonds**"). The New Bonds carry the same terms and conditions as the Initial Bonds, with the exception of the issue price. They are fungible with the Initial Bonds, with which they form a single series.

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

1) BACKGROUND OF THE ISSUE OF THE NEW BONDS

Annual General Meeting of May 23, 2019

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

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

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

In addition to these ceilings set by the shareholders, in accordance with paragraph 3 of Article L.225-136 of the French Commercial Code, the maximum nominal amount of any capital increases carried out pursuant to the 19th resolution may not represent more than 20% of the Company’s share capital per year.

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

Meeting of the Board of Directors of April 28, 2020

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

- to authorize in principle:
 - the issue - on one or more occasions - of OCÉANE bonds without pre-emptive subscription rights for existing shareholders, through an offering of financial securities to

a restricted group of investors acting on their own account or to qualified investors, with a request for the admission to trading of the OCÉANE bonds on a regulated or organized market, subject to an overall ceiling of a maximum nominal amount of €1 billion after the exercise, where applicable, of the Overallotment Option in full, for a maturity or maturities not exceeding seven years after the date of issue of the OCÉANE bonds (an “Issue”), and

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

Decision of the Chief Executive Officer of October 6, 2020

On October 6, 2020, again using the authorization granted by the Board of Directors on April 28, 2020, the Chief Executive Officer decided to issue the Bonds in accordance with the terms and conditions described in section 2 below.

2) TERMS AND CONDITIONS OF THE TAP ISSUE

Characteristics of the issue

| | |
|---|---|
| Nominal amount of and gross proceeds from the issue | €199,999,948.68 |
| Net proceeds from the issue | €217,399,925.74 |
| Number of New Bonds issued | 1,847,916 |
| Par value per New Bond | €108.23 |
| Public offering | Carried out on October 6, 2020 in France, the European Economic Area (EEA) and outside the EEA (excluding, in particular, the United States, Canada, South Africa, Australia, Japan and any other jurisdiction where registration or approval would be required by the applicable laws and regulations), for qualified investors within the meaning of Article 2(e) of the Prospectus Regulation only (falling within the scope of paragraph 1 of Article L.411-2 of the French Monetary and Financial Code). |
| Issue price of the New Bonds | €118, including accrued interest for the period between the Initial Bond Issue Date as defined below (inclusive) and the New Bond Issue Date (exclusive) in the amount of €0.38918 per New Bond. On the New Bond Issue Date (as defined below), the price of new ordinary shares of the Company issued at the Company’s discretion on the exercise of the Conversion Right (as defined below) shall, based on the Conversion Ratio (as defined below) applicable at the New Bond Issue Date, be equal to the unit price per New Bond defined above, in accordance with the provisions of Articles L.225-136 and R.225-119 of the French Commercial Code. |
| Issue and settlement-delivery date of the New Bonds | October 12, 2020 (the “New Bond Issue Date”) |

| | |
|---|--|
| Nominal amount of and gross proceeds from the issue | €199,999,948.68 |
| Listing of the New Bonds | As from the New Bond Issue Date, on Euronext Access™ (the unregulated Euronext Paris market), under ISIN code FR0013513041. |
| Clearing | Euroclear France, Euroclear Bank S.A./N.V., Clearstream Banking S.A. |
| Global Coordinators and Bookrunners | BNP Paribas and Crédit Agricole Corporate and Investment Bank – joint global coordinators and joint bookrunners. |
| Securities services and centralizing and calculation agents | BNP Paribas Securities Services – securities services and centralizing agent. Aether Financial Services – calculation agent. |
| Blackout period | Undertaking not to issue shares of the Company or securities carrying rights to Company shares for a period of 30 calendar days as from the Issue Date of the New Bonds, apart from certain standard exceptions or prior consent from the Global Coordinators and the Bookrunners. |

Characteristics of the New Bonds

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



| | |
|---|--|
| Type and class of the New Bonds | <p>As from the New Bond Issue Date, the New Bonds are fungible with the Initial Bonds, with which they form a single series.</p> <p>In the event of (ii) or (iii) above, the New Bondholders retain the possibility to request the exercise of their Conversion Right (defined below) until the seventh business day (exclusive) preceding the early redemption date.</p> |
| Obligatory early redemption of the New Bonds | Possible at par, notably in the event of default by the Company. |
| Early redemption at the New Bondholders’ discretion | Possible at par, plus interest accrued since the previous Coupon Payment Date (or, where applicable, since the Initial Bond Issue Date), in the event of a change in control of the Company. |
| Rights attached to the New Bonds/Conversion Right | <p>Nature of the Conversion Right</p> <p>The New Bonds carry a conversion right (the “Conversion Right”), whereby the New Bondholders will be entitled to receive a number of new or existing ordinary shares (at the Company’s discretion) equal to the Conversion Ratio (as defined below) applicable at the Exercise Date (as defined below), multiplied by the number of New Bonds for which the Conversion Right has been exercised.</p> <p>On the New Bond Issue Date, the “Conversion Ratio” was 1 ordinary share to 1 New Bond (subject to any subsequent adjustments carried out to protect the rights of New Bondholders, particularly in the event of any distribution of dividends by the Company).</p> <p>Exercise Period of the Conversion Right</p> <p>The New Bondholders may request to exercise their Conversion Right at any time from the New Bond Issue Date (inclusive) until the seventh trading day (exclusive) preceding (i) the Maturity Date of the New Bonds or, where applicable, (ii) the relevant early redemption date of the New Bonds, it being specified that any New Bonds for which the New Bondholders have requested the exercise of their Conversion Right will not entitle their holders to any redemption at either the Maturity Date of the New Bonds or, where applicable, at their early redemption date.</p> <p>Any New Bondholder who has not requested the exercise of their Conversion Right during the time period indicated above will be reimbursed in cash at the Maturity Date of the New Bonds or, where applicable, at their early redemption date.</p> <p>Terms of allocation of ordinary shares pursuant to the exercise of the Conversion Right</p> <p>On exercise of their Conversion Right, each New Bondholder will receive new and/or existing ordinary shares of the Company.</p> <p>The total number of new and/or existing ordinary Company shares (the allocation of which will be decided by the Company) will be determined by the calculation agent and will be equal, for each New Bondholder, to the Conversion Ratio applicable at the Exercise Date (as defined below) multiplied by the number of New Bonds transferred to the centralizing agent and for which the Conversion Right has been exercised.</p> <p>Suspension of the Conversion Right</p> <p>In the event of a capital increase or the issue of new Company shares or securities carrying rights to Company shares, or any other financial transactions conferring pre-emptive subscription rights or reserving a priority subscription period for the benefit of the Company’s shareholders, the Company will be entitled to suspend the exercise of the Conversion Right for a period which may not exceed three months or any other period provided for in the applicable regulations.</p> <p>However, in no circumstances may such suspension cause the New Bondholders to lose their Conversion Right. Any decision by the Company to suspend the New Bondholders’ Conversion Right will be published in a notice in the French legal gazette (<i>Bulletin des Annonces Légales Obligatoires</i> - BALO). This notice must be published at least seven calendar days before the suspension of the Conversion Right becomes effective and must specify the dates on which the suspension period begins and ends. This information will also be published by the Company on its website (www.safran-group.com).</p> |

| | |
|--|---|
| Type and class of the New Bonds | As from the New Bond Issue Date, the New Bonds are fungible with the Initial Bonds, with which they form a single series. |
| Dividend rights and listing of the underlying shares | <p>Conditions of exercise of the Conversion Right</p> <p>To exercise their Conversion Right, New Bondholders must make a request to the financial intermediary that holds their New Bonds in a securities account. Any such request is irrevocable once received by the relevant financial intermediary. The centralizing agent will ensure the centralization of the request.</p> <p>The date of the request will correspond to either (i) the business day on which both of the conditions described below are satisfied, if they are satisfied by 5:00 p.m. (Paris time), or (ii) the following business day, if said conditions are satisfied after 5:00 p.m. (Paris time) (the "Date of the Request"):</p> <ul style="list-style-type: none"> ■ the centralizing agent has received the exercise request transmitted by the financial intermediary that holds the New Bonds in a securities account; ■ the New Bonds have been transferred to the centralizing agent by the relevant financial intermediary. <p>Any request for the exercise of a Conversion Right sent to the centralizing agent will be effective as of the first trading day following the Date of the Request (the "Exercise Date"). All requests for the exercise of the Conversion Right must be received by the centralizing agent (and the New Bonds transferred to the centralizing agent) before the seventh trading day (exclusive) preceding the Maturity Date of the New Bonds or their early redemption date.</p> <p>All New Bondholders with New Bonds having the same Exercise Date will be treated equally and will each receive the same proportion of new and/or existing ordinary shares for their Bonds, subject to rounding.</p> <p>The New Bondholders will receive delivery of their new and/or existing ordinary shares no later than the seventh trading day following the Exercise Date.</p> <p>The new or existing ordinary shares issued or delivered on the exercise of the Conversion Right will carry dividend rights and entitle their holders to all the rights attached to the ordinary shares as from their delivery date, it being specified that in the event that a record date for a dividend (or interim dividend) occurs between the Exercise Date and the delivery date of the shares, the New Bondholders will not be entitled to such dividend (or interim dividend) nor to any compensation therefor, subject to the right to an adjustment of the Conversion Ratio - a right to which the New Bondholders are entitled until the delivery date of the ordinary shares (exclusive).</p> <p>Applications will be made for the admission to trading on Euronext Paris of the new ordinary shares issued upon the exercise of the Conversion Right. Accordingly, the new shares will immediately become fungible with the existing ordinary shares listed on Euronext Paris and will be tradable, as from the date on which they are admitted to trading, on the same listing line as said existing ordinary shares under the same ISIN code (FR0000073272).</p> <p>Any existing ordinary shares allocated upon the exercise of the Conversion Right will be immediately tradable on Euronext Paris.</p> |
| Currency of the Tap Issue | Euro |
| Governing law | French law |

3) PURPOSE OF THE TAP ISSUE

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

4) IMPACT OF THE ISSUE OF THE NEW BONDS AND THE EXERCISE OF THE CONVERSION RIGHT ON EXISTING HOLDERS OF COMPANY SHARES AND SECURITIES CARRYING RIGHTS TO COMPANY SHARES

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

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

This impact was calculated based on the following:

- equity as reported in the parent company and consolidated financial statements at June 30, 2020, no

capital increase or reduction having been carried out between July 1, 2020 and September 30, 2020;

- 426,876,384 undiluted shares at September 30, 2020, i.e., 427,235,939 shares making up the Company's share capital at that date, less 359,555 shares held in treasury at September 30, 2020; and
- an assumption that the Conversion Ratio equals 1.

| | Before the Tap Issue | After the Tap Issue |
|--|----------------------|--------------------------------|
| Parent company equity | €11,713,989,000 | €11,932,043,000 ⁽¹⁾ |
| Consolidated equity (attributable to owners of the parent) | €12,157,691,000 | €12,375,091,000 ⁽²⁾ |
| Number of shares – undiluted | 426,876,384 | 428,724,300 |
| Number of shares – diluted ⁽³⁾⁽⁴⁾ | 439,269,476 | 441,117,392 |
| Parent company equity per share – undiluted | €27.44 | €27.83 |
| Parent company equity per share – diluted ⁽³⁾⁽⁴⁾ | €30.08 | €30.45 |
| Attributable consolidated equity per share – undiluted | €28.48 | €28.86 |
| Attributable consolidated equity per share – diluted ⁽³⁾⁽⁴⁾ | €30.94 | €31.30 |

(1) Assuming the Conversion Right is exercised at the time of the Tap Issue (gross proceeds from the Tap Issue: €218,054,000).

(2) Assuming the Conversion Right is exercised at the time of the Tap Issue (net proceeds from the Tap Issue: €217,400,000).

(3) Assuming that all 4,996,431 OCÉANE bonds issued by the Company on June 21, 2018 are converted and that the same amount of new ordinary Company shares is issued based on a Conversion Ratio of 1.001 to 1 (nominal amount of the issue: €700 million; liability component at June 30, 2020: €671 million).

(4) Assuming that all 7,391,665 Initial Bonds issued by the Company on May 15, 2020 are converted and that the same amount of new ordinary Company shares is issued based on a Conversion Ratio of 1 to 1 (nominal amount of the issue: €800 million; liability component at June 30, 2020: €761 million).

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

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

This impact was calculated based on the following:

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

| Shareholder's % ownership interest | Before the Tap Issue | After the Tap Issue |
|------------------------------------|----------------------|---------------------|
| Undiluted basis | 1% | 0.996% |
| Diluted basis ⁽¹⁾⁽²⁾ | 0.972% | 0.968% |

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

(2) Assuming that all 7,391,665 Initial Bonds issued by the Company on May 15, 2020 are converted and that the same amount of new ordinary Company shares is issued based on a Conversion Ratio of 1 to 1.

5) IMPACT OF THE ISSUE OF THE NEW BONDS AND THE EXERCISE OF THE CONVERSION RIGHT ON SAFRAN'S SHARE PRICE AND MARKET CAPITALIZATION

The theoretical impact of the issue and conversion of the New Bonds on Safran's share price and market capitalization is a positive 0.13% on an undiluted basis and a positive 1.03% on a diluted basis.

This impact was calculated based on the following:

- a price of €90.81 per Safran share, corresponding to the average of the opening Safran share prices over the 20 trading days preceding the launch of the Tap Issue on October 6, 2020, after the close of trading;

- the issue of 1,847,916 New Bonds, which could potentially be converted into an aggregate 1,847,916 ordinary Safran shares (at a ratio of 1 ordinary share to 1 New Bond); and
- net issue proceeds of €217,399,925.74.

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

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

| Theoretical impact of the issue and conversion of the New Bonds on Safran's share price and market capitalization | |
|---|-----------------|
| ISSUE OF THE NEW BONDS | |
| Number of New Bonds issued | 1,847,916 |
| Conversion Ratio | 1 |
| Net proceeds from issue of the New Bonds | €217,399,925.74 |
| Total number of ordinary Safran shares that could potentially be issued on conversion of the New Bonds | 1,847,916 |
| SITUATION BEFORE THE ISSUE OF THE NEW BONDS (UNDILUTED BASIS) | |
| Number of Safran shares outstanding before the issue of the New Bonds | 427,235,939 |
| Safran share price before the issue of the New Bonds | €90.81 |
| Safran's market capitalization before the issue of the New Bonds | €38,797,295,621 |
| SITUATION AFTER THE ISSUE AND CONVERSION OF THE NEW BONDS (UNDILUTED BASIS) | |
| Total number of Safran shares after the issue and conversion of the New Bonds | 429,083,855 |
| Safran's theoretical market capitalization after the issue and conversion of the New Bonds | €39,014,695,546 |
| Theoretical value of one Safran share after the issue and conversion of the New Bonds | €90.93 |
| Theoretical impact of the issue and conversion of the New Bonds | +0.13% |
| SITUATION AFTER THE ISSUE AND CONVERSION OF THE NEW BONDS (DILUTED BASIS)⁽¹⁾⁽²⁾ | |
| Total number of Safran shares after the issue and conversion of the New Bonds | 441,476,947 |
| Safran's theoretical market capitalization after the issue and conversion of the New Bonds | €40,504,745,433 |
| Theoretical value of one Safran share after the issue and conversion of the New Bonds | €91.75 |
| Theoretical impact of the issue and conversion of the New Bonds | +1.03% |

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

(2) Assuming that all 7,391,665 Initial Bonds issued by the Company on May 15, 2020 are converted and that the same amount of new ordinary Company shares is issued based on a Conversion Ratio of 1 to 1 (net proceeds from the issue: €793,199,903.77).

French original signed in Paris, on October 29, 2020

For the Board of Directors

Ross McInnes (Chairman)

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

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

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



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

The Chief Executive Officer decided to use the authorization granted by the Board of Directors for the first time on May 12, 2020.

Using the same authorization for a second time, on October 6, 2020 the Chief Executive Officer decided to carry out a tap issue of bonds convertible and/or exchangeable for new and/or existing shares (“OCÉANE” bonds) (the “New Bonds”) under the following terms and conditions:

- the nominal amount of the issue was €199,999,948.68, represented by 1,847,916 Bonds;
- the par value of the Bonds was €108.23 and the issue price of the New Bonds was €118;
- on the issue date of the New Bonds (October 12, 2020), the price of new ordinary shares of the Company issued at the Company’s discretion on exercise of the conversion right (the “Conversion Right”) shall, based on the conversion ratio (the “Conversion Ratio”) as defined in the Board of Directors’ additional report and applicable at the issue date of the New Bonds, be equal to the unit price of the New Bonds as described above. The New Bonds carry a conversion right (the “**Conversion Right**”), whereby the New Bondholders will be entitled to receive a number of new or existing ordinary shares (at the Company’s discretion) equal to the Conversion Ratio applicable at the Exercise Date. On the issue date of the New Bonds, the Conversion Ratio was 1 ordinary share to 1 New Bond (subject to any subsequent adjustments carried out to protect the rights of New Bondholders, particularly in the event of any distribution of dividends by the Company).

The New Bonds carry the same terms and conditions as the Initial Bonds, with the exception of the issue price.

At its meeting of October 29, 2020, the Board of Directors placed on record the issue of 1,847,916 bonds with a par value of €108.23, corresponding to a total issue amount of €199,999,948.68.

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

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

- the fairness of the financial information taken from the parent company and consolidated interim financial statements prepared under the responsibility of the Board of Directors at June 30, 2020, using the same methods and based on the same presentation as the most recent annual and consolidated financial statements. Our work on the interim financial statements consisted of making inquiries of the persons responsible for financial and accounting matters, verifying that they were prepared using the same accounting principles and the same measurement and presentation methods as those used for the preparation of the most recent annual and consolidated financial statements, and applying analytical procedures;
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Extraordinary Shareholders’ Meeting;
- the information provided in the Board of Directors’ additional report on the choice of constituent elements used to determine the issue price and on its final amount.

We have no matters to report as to:

- the fairness of the financial information taken from the interim financial statements and included in the Board of Directors’ additional report;
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Extraordinary Shareholders’ Meeting of May 23, 2019 and with the information provided to the shareholders;
- the choice of constituent elements used to determine the issue price and its final amount;
- the presentation of the impact of the issue on the situation of the holders of shares and securities carrying rights to shares, as expressed in relation to shareholders’ equity, and on the Company’s share price;
- the proposed cancellation of pre-emptive subscription rights, upon which you have voted.

Courbevoie and Paris-La Défense, November 13, 2020

The Statutory Auditors

MAZARS

ERNST & YOUNG et Autres

8.5 STATUTORY AUDITORS' REPORTS

8.5.1 Statutory Auditors' special report on related-party agreements

Annual General Meeting for the approval of the financial statements for the year ended December 31, 2020

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional 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.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements 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. 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 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 already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements submitted for approval by the Annual General Meeting

In accordance with Article L.225-40 of the French Commercial Code, we were informed of the following agreements entered into during the year and authorized in advance by the Board of Directors.

1) With BNP Paribas

Person concerned

Monique Cohen, a Director of Safran and BNP Paribas.

Nature, purpose, terms and conditions

Agreement of March 31, 2020 entered into with BNP Paribas relating to the arrangement, underwriting and syndication of a credit facility.

On March 31, 2020, your Company and BNP Paribas entered into an agreement relating to the arrangement, underwriting and syndication of a €3 billion credit facility with a term of up to two years.

Under the terms of the agreement, BNP Paribas committed to arranging the structure of the credit facility, underwriting the full amount thereof and syndicating the facility with other credit institutions. The agreement was entered into under the market conditions prevailing at the date of signature for this type of transaction.

Safran appointed BNP Paribas because of the bank's leading position on the market and its commitment to underwrite the full amount and to syndicate the facility in a very short space of time, thereby making the additional liquidity reserve available to the Group as quickly as possible.

In respect of 2020, an expense of €5.25 million was recorded in Safran's financial statements corresponding to the commission paid to BNP Paribas in respect of the agreement.

The agreement was authorized by the Board of Directors on March 26, 2020.

Reasons given as to why the agreement is beneficial for the Company

The Board of Directors entered into the agreement for the following reason: to rapidly set up a €3 billion syndicated credit facility with a term of up to two years, supplementing the Group's liquidity reserves and helping to prudently maintain its financial flexibility during the Covid-19 crisis.

2) 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 of April 22, 2020 entered into with BNP Paribas and a pool of banks relating to a syndicated credit facility.

On April 22, 2020, your Company, BNP Paribas and a pool of banks entered into an agreement relating to a syndicated credit facility for an amount of €3 billion and a term of up to two years. The syndicated credit facility supplements the Group's liquidity reserves.

Under the terms of the agreement, BNP Paribas acts as underwriter, bookrunner, mandated lead arranger, agent and initial lender for €285 million (highest amount equal to the amount allocated to other initial lenders that are also mandated lead arrangers). The agreement was entered into under the market conditions prevailing at the date of signature for this type of transaction and the commission and interest will be shared between the banks that are party to the agreement, including BNP Paribas, pro rata to their involvement in the credit facility.

Safran appointed BNP Paribas because of the bank's leading position on the market, further to the abovementioned related-party agreement of March 31, 2020.

In respect of 2020, an expense of €1.079 million was recorded in Safran's financial statements corresponding to the agent's commission and to BNP Paribas' share of the initial commission and the no-use fee (split between lenders based on their respective commitments).

The agreement was authorized by the Board of Directors on March 26, 2020.

Reasons given as to why the agreement is beneficial for the Company

The Board of Directors entered into the agreement for the following reason: to enable the Group to prudently maintain its financial flexibility during the Covid-19 crisis.

Agreements already approved by the Annual General Meeting

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements, approved by the Annual General Meeting in prior years, remained in force during the year.

1) With the French State (shareholder holding more than 10% of the Company's voting rights)

Persons concerned

Suzanne Kucharekova Milko, representative of the French State to the Board of Directors of your Company, and Vincent Imbert, a Director put forward by the French State.

a) Nature, purpose, terms and conditions

ArianeGroup Holding (AGH) Agreement, Ariespace 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 required to establish the combination, were signed with the French State:

- AGH Agreement;
- Ariespace Agreement;
- Pre-emption Agreement;
- addendum no. 6 to the Agreement of December 21, 2004 (the "2004 Agreement", as described below in sections 1.4 and b);
- addendum to the Environmental Guarantee Agreement (EGA).

The AGH Agreement, the Ariespace Agreement and the Pre-emption Agreement as well as addendum no. 6 to the 2004 Agreement 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:

- **1.1 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 SE.
- **1.2 The Ariespace Agreement:** an agreement between the French State and AGH relating to Ariespace Participation and Ariespace SA shares, entered into in the presence of Safran and Airbus Group SE.

The following agreements were entered into at the same time:

- **1.3 The Pre-emption Agreement:** an agreement between Safran, Airbus Group and the French State, which sets out the conditions under which Airbus Group 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.
- **1.4 Addendum no. 6 to the 2004 Agreement between Safran and the French State:**

The 2004 Agreement 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 (see section b below).

- **1.5** 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).

b) 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 independence, the French State 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 was authorized by the Board of Directors at its meeting on March 22, 2018. It was signed by your Company on March 26, 2018.

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 AGH,
 - 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, AGH 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 AGH, 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 AGH at a price to be set by a panel of experts.

The Agreement was approved by shareholders at the May 25, 2018 Annual General Meeting.

2) Between 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).

Suzanne Kucharekova Milko, representative of the French State to the Board of Directors of your Company, and Vincent Imbert, a Director put forward by the French State.

Nature, purpose, terms and conditions

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.

3) With a pool of banks including BNP Paribas

Person concerned

Monique Cohen, a Director of Safran and BNP Paribas.

Nature, purpose, terms and conditions

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 that 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 2020, a €0.189 million 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).

Courbevoie and Paris-La Défense, March 26, 2021

The Statutory Auditors

| | | | |
|-------------|-------------------|-----------------|-------------------------|
| | MAZARS | | ERNST & YOUNG et Autres |
| Gaël Lamant | Jérôme de Pastors | Jean-Roch Varon | Philippe Berteaux |

8.5.2 Statutory Auditors' reports on the proposed authorizations presented to the Annual General Meeting of May 26, 2021

8.5.2.1 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

Annual General Meeting of May 26, 2021

Eighteenth, nineteenth, twentieth, twenty-first, twenty-third, twenty-fourth, twenty-fifth and twenty-sixth 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 users. 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*), as well as Article L.22-10-52, 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 the Company or securities carrying rights to existing or new ordinary shares of the Company, without cancellation of pre-emptive subscription rights (eighteenth resolution);
 - issuing by way of a public offer, other than offers governed by Article L.411-2, 1° of the French Monetary and Financial Code (*Code monétaire et financier*), ordinary shares of the Company or securities carrying rights to existing or new ordinary shares of the Company, with cancellation pre-emptive subscription rights (nineteenth resolution);
 - issuing shares or securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company (twentieth resolution);
 - issuing ordinary shares of the Company and/or securities carrying rights to existing or new ordinary shares of the

Company, with cancellation of pre-emptive subscription rights, by way of public offers governed by Article L.411-2, 1° of the French Monetary and Financial Code, not exceeding 20% of the Company's capital per year (twenty-first resolution).

- During, or in the run-up to, a public offer for the Company's shares:
 - issuing ordinary shares or securities carrying rights to existing or new ordinary shares of your Company, without cancellation of preferential subscription rights (twenty-third resolution);
 - issuing by way of a public offer, other than offers governed by Article L.411-2, 1° of the French Monetary and Financial Code, ordinary shares of the Company or securities carrying rights to new and/or existing ordinary shares of the Company, with cancellation of pre-emptive subscription rights (twenty-fourth resolution);
 - issuing shares or securities carrying rights to shares of the Company, in the event of a public exchange offer initiated by the Company (twenty-fifth resolution);
 - issuing ordinary shares of the Company and/or securities carrying rights to existing or new ordinary shares of the Company, with cancellation of pre-emptive subscription rights by way of public offers governed by Article L.411-2, 1° of the French Monetary and Financial Code, not exceeding 20% of the Company's capital per year (twenty-sixth resolution).

The maximum aggregate nominal amount of any capital increases likely to be carried out immediately or in the future may not, according to the eighteenth resolution, exceed €20 million under the eighteenth to twenty-seventh resolutions (or on the basis of the delegations granted by any similar resolution that may supersede such resolution during the period of validity of this 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 nineteenth to twenty-first resolutions;
- the maximum aggregate nominal amount of any capital increases likely to be carried out, individually by authorization and cumulatively, may not exceed €8 million according to the twenty-fourth to twenty-sixth resolutions; this amount will count towards the sub-ceiling of €8 million set by the nineteenth to twenty-third resolutions;

- the maximum aggregate nominal amount of any debt securities likely to be issued may not, according to the eighteenth resolution, exceed €2 billion under the eighteenth to twenty-seventh resolutions (or on the basis of the delegations granted by any similar resolutions that may supersede such resolutions during the period of validity of this delegation), it been specified that the nominal amount of any debt securities likely to be issued, individually by authorization and cumulatively, may not exceed €2 billion according to the nineteenth to twenty-first resolutions;
- the nominal amount of any debt securities likely to be issued, individually by authorization and cumulatively, may not exceed €2 billion according to the twenty-fourth to twenty-sixth resolutions; this amount will count towards the sub-ceiling of €2 billion set by the nineteenth and twenty-third 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 eighteenth to twenty-first resolutions, in accordance with the provisions of Article L.225-135-1 of the French Commercial Code, if you vote in favor of the twenty-second resolution, and within the scope of the implementation of the delegations referred to in the twenty-third to twenty-sixth resolutions, if you vote in favor of the twenty-seventh resolution.

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 performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures 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 for the capital securities to be issued as provided in the Board of Directors' report in respect of the nineteenth, twenty-first, twenty-fourth and twenty-sixth resolutions.

Furthermore, as this report does not specify the conditions for determining the issue price for the capital securities to be issued within the scope of the implementation of the eighteenth, twentieth, twenty-third and twenty-fifth resolutions, we cannot report on the choice of constituent elements used to determine the issue price.

As the final conditions of the issues have not yet been determined, we cannot report on the final conditions and, consequently, on the proposed cancellation of pre-emptive subscription rights proposed in the nineteenth, twenty-first, twenty-fourth and twenty-sixth resolutions.

In accordance with Article R.225-116 of the French Commercial Code, we will issue a supplementary report if and when your Board of Directors uses the delegations in the event of issues of securities that are capital securities that give access to other capital securities or carry rights to the allocation of debt securities, in the event of issues of securities that give access to capital securities to be issued, and in the event of issues of ordinary shares with cancellation of pre-emptive subscription rights.

Paris-La Défense, March 26, 2021

The Statutory Auditors

MAZARS

Gaël Lamant

Jérôme de Pastors

ERNST & YOUNG et Autres

Jean-Roch Varon

Philippe Berteaux

8.5.2.2 Statutory Auditors' report on the issue of ordinary shares and/or securities carrying rights to shares reserved for employees who are members of Group employee savings plans

Annual General Meeting of May 26, 2021

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 users. 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 of authority to the Board of Directors to decide on an issue of ordinary shares or securities carrying rights to shares without pre-emptive subscription rights reserved for employees who are members of your Group employee savings plans, for a maximum amount of 1% of the Company' share capital, an operation on which you are called to vote.

This operation is submitted for your approval in accordance with Articles L.225-129-6 of the French Commercial Code (*Code de commerce*) and L.3332-18 *et seq.* of the French Labor Code (*Code du travail*).

The Board of Directors proposes that, on the basis of its report, it be authorized, with the ability to sub-delegate, for a period of 26 months from the date of this Meeting, to decide to carry out an issue, and proposes to cancel your pre-emptive subscription rights to the securities 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 *et seq.* of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of pre-emptive subscription rights and on certain other disclosures relating to the issue, contained in this report.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures 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 of the capital securities to be issued.

Subject to a subsequent examination of the conditions for the proposed issue, we have no matters to report as to the methods used to determine the issue price for the capital securities to be issued as provided in the Board of Directors' report.

As the final conditions of the issue have not yet been determined, we cannot report on the final conditions and, consequently, on the proposed cancellation of pre-emptive subscription rights.

In accordance with Article R.225-116 of the French Commercial Code, we will issue a supplementary report if and when your Board of Directors uses the delegation in the event of issues of ordinary shares or securities that are capital securities that give access to other capital securities, and in the event of issues of securities that give access to capital securities to be issued.

Courbevoie and Paris-La Défense, March 26, 2021

The Statutory Auditors

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|-------------------|-------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Gaël Lamant | Jean-Roch Varon |
| Jérôme de Pastors | Philippe Berteaux |

8.5.2.3 Statutory Auditors' report on the share capital reduction

Annual General Meeting of May 26, 2021

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 users. 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.22-10-62 of the French Commercial Code (*Code de commerce*), in respect of the share capital reduction by the cancellation of repurchased shares, we hereby report on our assessment of the reasons for and the terms and conditions of 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 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 auditing body (*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 the terms and conditions of the proposed capital reduction.

Courbevoie and Paris-La Défense, March 26, 2021

The Statutory Auditors

| | |
|-------------------|-------------------------|
| MAZARS | ERNST & YOUNG et Autres |
| Gaël Lamant | Jean-Roch Varon |
| Jérôme de Pastors | Philippe Berteaux |

8.5.2.4 Statutory Auditors' report on the authorization to grant existing or new shares, free of consideration

Annual General Meeting of May 26, 2021

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 users. 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 existing or new shares of the Company, free of consideration, to employees and corporate officers of your Company and/or related Group entities, which is submitted for your approval. The total number of existing or new shares granted pursuant to this authorization may not exceed 0.4% of the Company's capital.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of 26 months to grant existing or new 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 performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures 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 existing or new shares, free of consideration.

Courbevoie and Paris-La Défense, March 26, 2021

The Statutory Auditors

MAZARS

Gaël Lamant

Jérôme de Pastors

ERNST & YOUNG et Autres

Jean-Roch Varon

Philippe Berteaux





ADDITIONAL INFORMATION

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FOREWORD

■ PERSONS RESPONSIBLE

Person responsible for the Universal Registration Document

Olivier Andriès

Chief Executive Officer

■ PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Bernard Delpit

Group Deputy Chief Executive Officer and 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

- Share Registration Document cross-reference table
- Annual Financial Report cross-reference table
- Board of Directors' management report cross-reference table
- Corporate social responsibility cross-reference table

9.1 PERSONS RESPONSIBLE

9.1.1 Person responsible for the Universal Registration Document

Olivier Andriès

Chief Executive Officer of Safran

9.1.2 Declaration by the person responsible for the Universal Registration Document

"I hereby declare that the information contained in this Universal 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 presented in chapter 3 of this Universal Registration Document 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."

Paris, March 31, 2021

Chief Executive Officer,

Olivier Andriès

9.1.3 Person responsible for the financial information

Bernard Delpit

Group Deputy Chief Executive Officer and Chief Financial Officer

Tel.: +33 (0)1 40 60 81 24

Email: bernard.delpit@safran-group.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: Gaël Lamant and Jérôme de Pastors 61, rue Henri-Regnault – 92400 Courbevoie Start date of first term of office: May 19, 2016 | Represented by: Jean-Roch Varon and Philippe Berteaux 1-2, place des Saisons – Paris-La Défense 1 – 92400 Courbevoie Start date of first term of office: May 19, 2016 |
| <ul style="list-style-type: none"> ■ 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 | <ul style="list-style-type: none"> ■ 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 |

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 Start date of first term of office: May 19, 2016 | 1-2, place des Saisons – Paris-La Défense 1 – 92400 Courbevoie Start date of first term of office: May 19, 2016 |
| <ul style="list-style-type: none"> ■ 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 | <ul style="list-style-type: none"> ■ 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 |

New terms of office and non-renewal

None.

9.3 HISTORICAL FINANCIAL INFORMATION

In accordance with Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, the following information is incorporated by reference in this Universal Registration Document:

For 2019

The information required in the management report is presented in section 9.5.3, 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 2019 Universal Registration Document, which was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 31, 2020 under number D.20-0224.

For 2018

The information required in the management report is presented in section 9.5.3, 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 2018 Registration Document, which was filed with the AMF on March 29, 2019 under number D.19-0227.

List of regulatory information published over the last 12 months

The list of regulatory information published by the Group from January 1, 2020 to the date of filing of this Universal Registration Document on March 31, 2021 is available on the Group's corporate website at <https://www.safran-group.com/finance/regulated-information>.

Date of latest financial information

December 31, 2020.

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 Universal Registration Document includes the information to be included in universal registration documents as set out in Annexes 1 and 2 of Delegated Regulation (EU) 2019/980.

The following table presents the cross-references between the two documents.

| | EU Regulation 2019/980 Annex 1 headings | Section(s) | Pages |
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| 1 | Persons responsible, third party information, experts' reports and competent authority approval | | |
| 1.1 | Name and positions of the persons responsible | 9.1.1 | 503 |
| 1.2 | Declaration by the persons responsible | 9.1.2 | 502 |
| 1.3 | Statement or report attributed to a person as an expert | N/A | |
| 1.4 | Information sourced from a third party | 3.2, 3.4, 5.7.5, 8.3.2, 8.4.1, 8.4.2 and 8.5 | 198/227/ 311/477/ 478/485/ 493 |
| 1.5 | Competent authority approval (AMF) | See AMF insert | |
| 2 | Statutory Auditors | | |
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| 3 | Risk factors | | |
| 3.1 | Description of the material risks specific to the issuer | 4.3 and 5.2 | 237/259 |
| 4 | Information about the issuer | | |
| 4.1 | Legal and commercial name of the issuer | 7.1.1 | 407 |
| 4.2 | Place of registration of the issuer, its registration number and legal entity identifier (LEI) | 7.1.1 | 407 |
| 4.3 | Date of incorporation and the length of life of the issuer | 7.1.1 | 407 |
| 4.4 | Domicile and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, address and telephone number of its registered office and website | 7.1.1 and 7.4.5 | 407/423 |
| 5 | Business overview | | |
| 5.1 | Principal activities | | |
| 5.1.1 | Nature of the issuer's operations and its principal activities | 1.1.2 and 1.1.4 | 55/57 |
| 5.1.2 | New products | Integrated Report-A comprehensive offering, 1.2, 1.4.1 and 2.1.3 | 6/58/80/ 100 |
| 5.2 | Principal markets | Integrated Report-Our markets, 1.2, 2.1.3 and 3.1 Note 5 | 16/58/100/ 145 |
| 5.3 | Important events in the development of the issuer's business | 2.1.3 | 100 |
| 5.4 | Strategy and objectives | Integrated Report-Strategy and business model | 18 |

| | EU Regulation 2019/980 Annex 1 headings | Section(s) | Pages |
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| 5.5 | Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes | 1.4.3 | 84 |
| 5.6 | Competitive position | 1.3 | 79 |
| 5.7 | Investments | | |
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| 5.7.3 | Information relating to the joint ventures and undertakings in which the issuer holds a proportion of the capital | 1.1.3 and 3.1 Note 37 | 56/193 |
| 5.7.4 | Environmental issues | Integrated Report-Safran's climate strategy, 4.3.2.5, 5.3 and 5.5.10 | 24/246/263/299 |
| 6 | Organizational structure | | |
| 6.1 | Brief description of the Group | 1.1.2, 1.1.3 and 1.1.4 | 55/156/157 |
| 6.2 | List of significant subsidiaries | 1.1.3, 1.1.4, 3.1 Note 37 and 3.3 Note 3.1 | 56/57/193/213 |
| 7 | Operating and financial review | | |
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| 7.1.1 | Development and performance of the issuer's business | 2.1 and 2.2 | 95/117 |
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| 7.2.2 | Explanation of material changes in net sales or revenue | 2.1 | 95 |
| 8 | Capital resources | | |
| 8.1 | Issuer's capital resources | 3.1 Note 23 and 3.3 Note 3.7 | 167/217 |
| 8.2 | Source and amounts of cash flows | 3.1 (including the statement of cash flows) | 124 |
| 8.3 | Borrowing requirements and the funding structure of the issuer | 3.1 Note 27 and 3.3 Note 3.9 | 176/220 |
| 8.4 | Restrictions on the use of capital resources | N/A | |
| 8.5 | Information regarding the anticipated sources of funds | 2.2.3, 2.1.4, 3.1 Note 21 and 3.1 Note 27 | 118/115/165/176 |
| 9 | Regulatory environment | | |
| 9.1 | Description of the regulatory environment | 4.3 | 237 |
| 10 | Trend information | | |
| 10.1 | The most significant trends in production, sales and inventory, and costs and selling prices since the end of the last financial year and any significant change in the financial performance of the Group since the end of the last financial period to the date of the Universal Registration Document | 2.1.4 | 115 |
| 10.2 | 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 financial year | 2.1.4 | 115 |
| 11 | Profit forecasts or estimates | 2.1.4 | 115 |
| 12 | Administrative, management and supervisory bodies and senior management | | |
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| 15.3 | Arrangements for involving the employees in the capital of the issuer | 5.4.4 and 7.3.7 | 276/421 |
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| 17 | Related-party transactions | | |
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| 18 | Financial information concerning the issuer's assets and liabilities, financial position and profits and losses | | |
| 18.1 | Historical financial information | | |
| 18.1.1 | Audited historical financial information covering the latest three financial years and the audit report in respect of each year | 3.1, 3.3 and 9.3 | 124/203/ 504 |
| 18.1.2 | Change of accounting reference date | N/A | |
| 18.1.3 | Accounting standards | 3.1 Note 1 | 130 |
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| 18.1.6 | Consolidated financial statements | 3.1 | 124 |
| 18.1.7 | Age of financial information | 9.3 | 504 |
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| 18.2.1 | Quarterly, half-yearly or interim financial information | N/A | |
| 18.3 | Auditing of historical annual financial information | 9.3 | 504 |
| 18.3.1 | Independent auditing of historical annual financial information | N/A | |
| 18.3.2 | Indication of other information in this Universal Registration Document that has been audited by the auditors | 3.2, 3.4, 5.7.5, 8.3.2, 8.4.1, 8.4.2 and 8.5 | 198/227/ 311/477/ 478/485/ 493 |
| 18.3.3 | Indication of the source of information appearing in the Universal Registration Document that is not extracted from the issuer's audited financial statements and statement that the information is not audited | N/A | |
| 18.4 | Pro forma financial information | | |
| 18.4.1 | Pro forma financial information and report | N/A | |
| 18.5 | Dividend policy | | |
| 18.5.1 | Description of the issuer's policy | 2.3.3 | 120 |
| 18.5.2 | Amount of dividend | 2.3.3 and 8.2.1.2 | 120/432 |
| 18.6 | Legal and arbitration proceedings | | |
| 18.6.1 | Information on any governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the issuer and/or the Group's financial position or profitability | 3.1 Note 35 and 3.3 Note 5.2 | 192/226 |
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| 19 | Additional information | | |
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| 19.1.2 | Securities not representing capital | 3.1 Note 23, 3.3 Note 3.9 and 7.2.3.1 | 167/220/ 414 |
| 19.1.3 | Shares held by the issuer | 3.1 Note 23, 3.3 Note 3.7 and 7.2.6 | 167/217/415 |
| 19.1.4 | Amount of any convertible securities, exchangeable securities or securities with warrants | 3.1 Note 23, 3.3 Note 3.7 and 7.2.3.2 | 167/217/ 414 |

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| 19.1.5 | Information about the terms of any acquisition rights and/or obligations over authorized but unissued capital or any undertaking to increase the capital | N/A | |
| 19.1.6 | 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 | |
| 19.1.7 | History of share capital | 7.2.4 | 415 |
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| 21 | Documents available | | |
| 21.1 | Documents made available to the public | 7.4 and 9.4 | 423/505 |

9.5.2 Annual Financial Report cross-reference table

This Universal Registration Document includes the information contained in the Annual Financial Report mentioned in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) 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 |
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| Board of Directors' management report | See cross-reference tables, 9.5.3 and 9.5.4 | 508/510 |
| Financial statements and reports | 3 | 123 |
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| Consolidated financial statements | 3.1 | 124 |
| Board of Directors' corporate governance report | See cross-reference table, 6.7 | 402 |
| Statutory Auditors' report on the Board of Directors' corporate governance report | 3.4 | 227 |
| Legal and arbitration proceedings | 3.1 Note 35 | 192 |
| Significant change in the issuer's financial or trading position | 3.1 | 124 |
| Statutory Auditors' reports | 3.2, 3.4 and 8.3 | 198/227/474 |
| Audit fees | 3.1 Note 38 | 197 |

9.5.3 Board of Directors' management report cross-reference table

This Universal Registration Document includes the information contained in the Board of Directors' management report provided for by Articles L.225-100, L.225-100-1, L.225-102 and L.225-102-1 of the French Commercial Code (*Code de commerce*).

The table below lists the references to excerpts of the Universal 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 |
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| 1 | Group activities in 2019 | Integrated Report-Safran at a glance and 2.1 | 1/95 |
| 1.1 | Summary of key figures by business (adjusted data) | Integrated Report-Safran at a glance and 2.1.3 | 1/100 |
| 2 | Human resources | | |
| 2.1 | Headcount | 5.4.1 | 271 |
| 2.2 | Human resources policy | 5.4.1 | 271 |
| 2.3 | Labor relations | 5.4.5 | 278 |
| 2.4 | Statutory and optional profit-sharing schemes | 5.4.4 | 276 |
| 2.5 | Group employee savings plan and international Group employee savings plan | 5.4.4 | 276 |
| 2.6 | Importance of sub-contracting | 5.5.9 | 295 |
| 2.7 | Group ethics and values | 5.5.1 and 5.5.2 | 287/288 |

| | Board of Directors' management report headings | Section(s) | Pages |
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| 3.1 | Non-financial information statement | See cross-reference table, 5.8 | 315 |
| 3.2 | Duty of care plan | 5.1.3.3 | 257 |
| 4 | Research and development | | |
| 4.1 | Major technological focuses | 1.4.1 | 80 |
| 4.2 | Technical and scientific partnerships | 1.4.2 and 5.6.2.1 | 83/304 |
| 4.3 | Innovation and intellectual property | 1.4.3 | 84 |
| 5 | Operating and financial position | | |
| 5.1 | Consolidated income statement | 2.2 and 3.1 | 117/124 |
| 5.2 | Consolidated balance sheet | 2.2 and 3.1 | 117/124 |
| 5.3 | Research and development expenditure | 3.1 Note 12 | 156 |
| 5.4 | Information concerning supplier payment periods | 2.3.3 | 120 |
| 5.5 | Parent company financial statements | 2.3, 3.1 and 3.3 | 119/124/203 |
| 5.6 | Non-deductible expenses | 2.3.3 | 120 |
| 5.7 | Proposed appropriation of profit | 2.3.3 and 8.2.1 | 120/431 |
| 6 | Risk factors | | |
| 6.1 | Identified risk factors | 4.3 and 5.2 | 237/259 |
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| 8 | Share capital and share ownership | | |
| 8.1 | Breakdown of share capital and voting rights | 7.3.1, 3.1 Note 23 and 3.3 Note 3.7 | 167/217/418 |
| 8.2 | Shareholder agreements | 7.3.5 | 421 |
| 8.3 | Agreement with the French State | 7.1.4.2 | 412 |
| 8.4 | Undertaking to hold securities | 7.3.5 and 7.3.6 | 421 |
| 8.5 | Stock options | 6.6.4 and 7.3.7.3 | 398/422 |
| 8.6 | Free share grants | 3.1 Note 23, 6.6.2, 6.6.4 and 7.3.7.1 | 167/382/ 398/421 |
| 8.7 | Share buyback programs | 7.2.7 and 8.2.1.9 | 416/444 |
| 8.8 | Safran share | 7.5 | 424 |
| 9 | Corporate officers | | |
| 9.1 | Terms of office and duties | 6.2.2 | 326 |
| 9.2 | Compensation and benefits | 6.6.2 | 326 |
| 9.3 | Transactions in the Company's shares | 6.5.3 | 370 |
| 10 | Outlook for 2020 and significant subsequent events | 2.1.4 | 115 |
| 11 | Principal provisions of the bylaws | 7.1.2 | 408 |
| Appendix 1 | List of subsidiaries and investments | 3.1 Note 37 | 193 |
| Appendix 2 | Five-year financial summary of the Company | 2.3.3 | 120 |
| Appendix 3 | Authorizations granted by the AGM to the Board of Directors with respect to share capital increases | 8.2.5 | 470 |
| Appendix 4 | Dividends paid over the past three years | 2.3.3 and 8.2.1.2 | 120/432 |

9.5.4 Corporate social responsibility cross-reference table

This Universal Registration Document includes the human resources, 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 |
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| 1 | Human resources information | | |
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| 1.1.1 | Total headcount and breakdown of employees by gender, age and region | 5.4.1, 5.4.3 and 5.4.6.5 | 271/275/ 293 |
| 1.1.2 | New hires and departures | 5.4.3 | 275 |
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| 1.2 | Working hours | | |
| 1.2.1 | Organization of working hours | 5.4.1 | 271 |
| 1.2.2 | Absenteeism | 5.4.3 | 275 |
| 1.3 | Labor relations | | |
| 1.3.1 | Employer/employee relations, in particular procedures for informing, consulting and negotiating with employees | 5.4.5 | 278 |
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| 1.4.1 | Occupational health and safety conditions | 5.4.7 | 284 |
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| 1.5 | Training | | |
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| 1.6.2 | Measures taken to integrate and maintain employees with disabilities | 5.4.6.3 | 282 |
| 1.6.3 | Policy concerning the fight against discrimination | 5.4.6.1 | 281 |
| 1.7 | Promotion of and compliance with the core conventions of the International Labour Organization as regards: | | |
| 1.7.1 | The respect for the freedom of association and the right to collective bargaining | 5.1.3 | 257 |
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| 2.1.1 | Organization of steps taken by the Company to address environmental issues and, where applicable, environmental assessment and certification procedures | 5.3.2, 5.3.3, 5.3.5 and 5.5.10 | 205/264/ 269/299 |
| 2.1.2 | Initiatives taken to train and raise awareness among employees on environmental protection | 5.4.7.1 and 5.5.10 | 284/299 |
| 2.1.3 | Resources assigned to the prevention of environmental risks and pollution | 5.3.3, 5.3.5 and 5.5.10 | 265/269/ 299 |
| 2.1.4 | Amount of provisions set aside for environmental risks, provided that this information is not likely to cause serious prejudice to the Company in the context of ongoing proceedings | N/A | |
| 2.2 | Pollution | | |
| 2.2.1 | Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant environmental impact | 5.5.3, 5.3.5 and 5.5.10 | 269/291/ 299 |
| 2.2.2 | Steps taken to address noise pollution and any other form of pollution relating to a specific activity | 5.5.10 | 299 |
| 2.3 | Circular economy | | |
| | Waste reduction and management | | |
| 2.3.1 | Measures taken to reduce, recycle and eliminate waste | 5.5.10 | 299 |
| 2.3.2 | Initiatives to fight against food waste | N/A | |

| Headings from Article R.225-105 of the French Commercial Code | | Section(s) | Pages |
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| Sustainable use of resources | | | |
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| 2.3.4 | Consumption of natural resources and measures taken to promote more efficient use | 5.5.10 | 299 |
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| 2.3.6 | Land use | 5.5.10 | 299 |
| 2.4 Climate change | | | |
| 2.4.1 | The major sources of greenhouse gas generated by the Company's business, primarily through the use of products and services that it produces | 5.3.3 and 5.3.5 | 265/269 |
| 2.4.2 | Adapting to climate change | 5.3.3 and 5.3.5 | 265/269 |
| 2.5 Protection of biodiversity | | | |
| 2.5.1 | Measures taken to protect and develop biodiversity | 5.5.10 | 299 |
| 3 Information on social commitments to promote sustainable development | | | |
| 3.1 Community, economic and social impact of the Company's activities on: | | | |
| 3.1.1 | Employment and regional development | 5.6.3 | 306 |
| 3.1.2 | Local community | 5.6 | 302 |
| 3.2 Relationships with people and organizations who benefit from the Company's activities, in particular integration associations, educational institutions, environmental protection associations, consumer and local residents' associations | | | |
| 3.2.1 | Status of dialogue with these people and organizations | 5.4.5, 5.6.2 and 5.6.3 | 278/304/ 306 |
| 3.2.2 | Partnership and corporate sponsorship programs | 5.6.2.1 and 5.6.3 | 304/306 |
| 3.3 Sub-contractors and suppliers | | | |
| 3.3.1 | Integration of social and environmental issues in purchasing policies | 5.1.3.3 | 258 |
| 3.3.2 | Scale of outsourcing and measures taken to raise awareness among suppliers and sub-contractors with respect to corporate social responsibility | 5.1.3.3 and 5.5.9 | 258/295 |
| 3.4 Fair practices | | | |
| 3.4.1 | Measures taken to fight against corruption | 5.5.2 | 288 |
| 3.4.2 | Measures taken to promote consumer health and safety | N/A | |
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| 3.5.1 | Report by the independent third party on the consolidated human resources, environmental and social information included in the management report | 5.1.3 | 257 |
| | | 5.7.5 | 311 |

9.6 GLOSSARY

The glossary definitions have been drawn from the following sources:

- Verminen;
- Safran.

9.6.1 Financial terms

2-degree scenario

The 2-degree scenario, set by the International Energy Agency, refers to a limit on global warming, to avoid significant climate change having a potentially catastrophic impact on the planet. The Paris Agreement adopted at the COP 21 in Le Bourget seeks to ensure that global temperatures increase by no more than 2° Celsius by the end of the 21st century.

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).

Embezzlement

The act of a person holding public authority or discharging a public service mission receiving, requesting or ordering the collection of a sum which he or she knows is not due or which exceeds the amount that is due in respect of duties, contributions, taxes or public levies.

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.

Facilitating payments

These payments are used to facilitate or expedite routine procedures or administrative formalities normally carried out by public officers (customs officers, agents responsible for issuing licenses, police officers, etc.). They include all payments unduly made in exchange for a standard task (for example, the issuing of authorizations, licenses or visas, or the processing of administrative or customs applications). Although such practices are tolerated in some countries, facilitating payments are considered a type of corruption in most countries and are as such strictly prohibited.

Favoritism

The act of a person holding public authority or discharging a public service mission or holding a publicly elected office or acting as a representative, administrator or agent of the State, a local authority, a public institution, a mixed-economy company of national interest discharging a public service mission or a local mixed-economy company, or any person acting on behalf of any of the above, obtaining or attempting to obtain from others an unjustified advantage through an act that breaches legal or regulatory provisions designed to guarantee freedom of access and equality for candidates in respect of tenders for public services and delegated public services.

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.

Greenhouse Gas Protocol

The GHG protocol sets standards and procedures for greenhouse gas emissions accounting. It was issued in 2001 by the WBCSD (World Business Council for Sustainable Development) and the WRI (World Resources Institute), with the aim of harmonizing efforts on countering climate change at worldwide scale. The protocol is used for quantifying greenhouse gas emissions resulting from product manufacture and consumption. It specifies three greenhouse gas emission scopes: Scope 1, Scope 2 and Scope 3.

Scope 1 corresponds to direct emissions from the combustion of fossil fuels such as gas, oil and coal.

Scope 2 corresponds to indirect emissions arising from the electricity, heat or steam consumption involved in product manufacture.

Scope 3 corresponds to other indirect emissions, such as those generated by the extraction of purchased materials used in product manufacture, or by the means of transportation used by employees for commuting and by customers coming to buy a product. Scope 3 accounts for the largest proportion of a company's overall emissions.

Illegal taking of interest

(Article 432-12 of the French Criminal Code): The act of a person holding public authority or discharging a public service mission or holding a publicly elected office taking, receiving or keeping any interest whatsoever in a company or operation, either directly or indirectly, for which, at the time in question, he or she is responsible, in whole or in part, for the supervision, management, liquidation or payment. The applicable legislation also provides that any person who was previously responsible for managing or auditing a company must wait three years between the end of his or her public role and joining that company.

Influence peddling

The act of person holding public authority or discharging a public service mission or holding a publicly elected office seeking or providing directly or indirectly requesting or accepting, without right and at any time, offers, promises, donations, gifts or advantages, in order (i) carry out or abstain from carrying out an act relating to his or her duties, mission or office, or facilitated by his or her duties, mission or office, or (ii) to take advantage of his or her real or perceived influence with a view to obtaining from any public body or authority any distinction, employment, contract or any other favorable decision.

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 (in the billions of euros).

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).

Misappropriation of public funds

(Article 432-15 of the French Criminal Code [*Code pénal*]): The misappropriation of public funds refers to the act of a person holding public authority or discharging a public service mission "destroying, misappropriating or purloining a document or security, or public funds, or papers, documents or securities representing such funds, or any other object entrusted to such person by virtue of his or her duties or mission."

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 anytime.

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.

Science-Based Targets initiative

The Science-Based Targets initiative, or SBTi, is an international initiative from public and private partners on “ambitious climate action” in the business world. Specifically, it seeks to align companies' greenhouse gas reduction targets with actual climate science data.

Sectoral Decarbonization Approach

The Sectoral Decarbonization Approach, or SDA, is an SBTi methodological approach that allocates the 2°C global carbon budget to different sectors, allowing for inherent differences between them, such as mitigation potential and how fast each sector can grow relative to economic and population growth. Under the SDA, different companies are assigned different emission reduction targets, depending on their sector of activity.

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 Act no. 2016-1691 of December 9, 2016 (“Sapin II”) 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.

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.

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.

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

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.

useful during take-off on short runways such as those on aircraft carriers, and in combat situations.

Air Transport Action Group

Coalition of aerospace industry experts working to examine sustainability issues and develop solutions for overcoming the industry’s capacity problems. Its mission is to determine an industry-wide stance on current topics and provide constructive expert insight at the industry-government interface.

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.

Biofuels

Liquid fuels of agricultural origin, obtained from vegetable or animal organic matter. They are developed for powering certain vehicles, either as a direct replacement for traditional fuel or mixed with traditional fuel, depending on the engine.

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).

Eco-design

Eco-design involves allowing for environmental considerations in product design, to quantitatively and/or qualitatively reduce the negative impacts of a product or service on the environment, without compromising its qualities or performance. Eco-design might typically mean using robust, recyclable materials, and applying a far-reaching waste recovery approach.

Environmental, Social and Governance

ESG is an international acronym used by the financial community to refer to Environmental, Social and Governance criteria, for purposes such as conducting an ESG analysis. Investment decisions will take account of an ESG analysis to assess fulfillment of a company's responsibility with regard to its stakeholders and the environment.

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 electricals 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 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. The Future Combat Air System combines New Generation Fighter (NGF) aircraft, drones, future cruise missiles and drone swarms. It will connect with aircraft, satellites, NATO systems and land and sea combat systems.

Greenhouse gas emissions

Greenhouse gases, or GHGs, are natural gases present in the earth's atmosphere. They trap the heat from the sun's rays, thereby stabilizing the temperature on the surface of the planet at a reasonable level. Examples of greenhouse gases include carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O). The concentration of greenhouse gases in the atmosphere has been on the rise since the 19th century.

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

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 2.g and 3.a of this Universal Registration Document.

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.

In-Flight Entertainment (IFE) system

In-flight entertainment refers to the entertainment available to aircraft passengers during a flight.

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 (60 km 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.

Retrofit

Retrofit operations involve replacing old or obsolete components by more recent components, without modifying the function thereof. At Safran, the term is used for Aircraft Interiors. Retrofit includes replacing cabin parts, such as seats or galleys, whose life cycle has come to an end or which are worn out and need to be replaced.

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.

Supply chain

Supply chain refers to the management of all resources, means, methods, tools and techniques aimed at managing, in the most efficient way possible, the overall supply and delivery chain of a product or service to the end-customer. At Safran, the supply chain is structured around a unique approach entitled "One Safran", which is aimed at developing Group-wide take-up of a common corporate management system and performance indicators and deploying operational excellence, in order to ensure product quality and reliability. The initiative involves building on best practices and extending them throughout the Group.

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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All financial information pertaining to Safran is available on the Group's website at www.safran-group.com, in the Finance section.

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