

POWERED  
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**CONSOLIDATED  
BALANCE SHEET  
AND INCOME STATEMENT**

December 31, 2019

The Board of Directors' meeting of February 26, 2020 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the year ended December 31, 2019.

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## Foreword

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

Readers are reminded that Safran:

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

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

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

Safran has also applied these restatements to the acquisition of Zodiac Aerospace with effect from 2018.

- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
  - all mark-to-market changes on instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

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

The impact of these adjustments on 2019 income statement items 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>						
<b>Revenue</b>	<b>25,098</b>	<b>(458)</b>	-	-	-	<b>24,640</b>
Other recurring operating income and expenses	(21,438)	9	(1)	51	354	(21,025)
Share in profit from joint ventures	164	-	-	-	41	205
<b>Recurring operating income</b>	<b>3,824</b>	<b>(449)</b>	<b>(1)</b>	<b>51</b>	<b>395</b>	<b>3,820</b>
Other non-recurring operating income and expenses	13	-	-	-	-	13
<b>Profit from operations</b>	<b>3,837</b>	<b>(449)</b>	<b>(1)</b>	<b>51</b>	<b>395</b>	<b>3,833</b>
Cost of net debt	(33)	-	-	-	-	(33)
Foreign exchange gain (loss)	(283)	449	(175)	-	-	(9)
Other financial income and expense	(47)	-	-	-	-	(47)
<b>Financial income (loss)</b>	<b>(363)</b>	<b>449</b>	<b>(175)</b>	<b>-</b>	<b>-</b>	<b>(89)</b>
Income tax expense	(962)	-	60	(13)	(97)	(1,012)
<b>Profit for the period</b>	<b>2,512</b>	<b>-</b>	<b>(116)</b>	<b>38</b>	<b>298</b>	<b>2,732</b>
<b>Profit for the period attributable to non-controlling interests</b>	<b>(65)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(67)</b>
<b>Profit for the period attributable to owners of the parent</b>	<b>2,447</b>	<b>-</b>	<b>(116)</b>	<b>36</b>	<b>298</b>	<b>2,665</b>

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

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a negative €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.

The impact of these adjustments in 2018 was as follows:

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

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows recognized in profit or loss for the period. However, the use of the outstanding portfolio of currency derivatives held by Zodiac Aerospace at the acquisition date gave rise to the partial reclassification of changes in the fair value of currency hedges to financial income (loss) for a six-month transition period.

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a positive €232 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a negative €2 million at December 31, 2018).

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

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

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

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

The audit procedures on the consolidated financial statements have been completed. The Statutory Auditors' report will be issued at the end of the Board of Directors' meeting of March 27, 2020, after the specific verifications have been completed and any subsequent events at February 26, 2020 have been reviewed.

**Comparative adjusted  
consolidated income  
statement and segment  
information**

## Adjusted income statement

	2018*	2019
	Adjusted data	Adjusted data
<i>(in € millions)</i>		
<b>Revenue</b>	<b>21,050</b>	<b>24,640</b>
Other income	321	297
<b>Income from operations</b>	<b>21,371</b>	<b>24,937</b>
Change in inventories of finished goods and work-in-progress	343	453
Capitalized production	447	438
Raw materials and consumables used	(12,448)	(14,439)
Personnel costs	(5,671)	(6,349)
Taxes	(295)	(388)
Depreciation, amortization and increase in provisions, net of use	(822)	(1,194)
Asset impairment	62	55
Other recurring operating income and expenses	(191)	102
Share in profit from joint ventures	227	205
<b>Recurring operating income</b>	<b>3,023</b>	<b>3,820</b>
Other non-recurring operating income and expenses	(115)	13
<b>Profit from operations</b>	<b>2,908</b>	<b>3,833</b>
Cost of net debt	(67)	(33)
Foreign exchange gain (loss)	(86)	(9)
Other financial income and expense	(58)	(47)
<b>Financial income (loss)</b>	<b>(211)</b>	<b>(89)</b>
<b>Profit before tax</b>	<b>2,697</b>	<b>3,744</b>
Income tax expense	(638)	(1,012)
<b>Profit for the period</b>	<b>2,059</b>	<b>2,732</b>
<b>Attributable to:</b>		
owners of the parent	1,981	2,665
non-controlling interests	78	67
<b>Earnings per share attributable to owners of the parent (in €)</b>		
Basic earnings per share	4.60	6.20
Diluted earnings per share	4.54	6.13

\* The data published for 2018 have not been restated for the impact of the change in accounting policy resulting from the modified retrospective application of IFRS 16, "Leases" (see Note 3.a, "Application of IFRS 16").



## Segment information

The Group modified its operating segments with effect from January 1, 2019. The new segments are defined in Note 5, along with segment information.

### At December 31, 2019

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
<b>Revenue</b>	12,045	9,256	3,321	24,622	18	24,640	458	-	25,098
<b>Recurring operating income (loss)<sup>(1)</sup></b>	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
<b>Profit (loss) from operations</b>	2,478	1,188	182	3,848	(15)	3,833	450	(446)	3,837
<b>Free cash flow</b>	1,125	706	(1)	1,830	153	1,983	-	-	1,983
<b>Gross operating working capital</b>	(1,786)	1,644	720	578	(135)	443	-	-	443
<b>Segment assets</b>	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

### At December 31, 2018\*

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
<b>Revenue</b>	10,579	7,942	2,511	21,032	18	21,050	(25)	-	21,025
<b>Recurring operating income (loss)<sup>(1)</sup></b>	2,030	992	81	3,103	(80)	3,023	(9)	(734)	2,280
Other non-recurring operating income and expenses	(31)	(9)	(39)	(79)	(36)	(115)	-	-	(115)
<b>Profit (loss) from operations</b>	1,999	983	42	3,024	(116)	2,908	(9)	(734)	2,165
<b>Free cash flow</b>	1,418	406	(67)	1,757	24	1,781	-	-	1,781
<b>Gross operating working capital</b>	(2,632)	1,521	813	(298)	(164)	(462)	-	-	(462)
<b>Segment assets</b>	16,373	13,544	4,703	34,620	2,092	36,712	-	-	36,712
(1)									
o/w depreciation, amortization and increase in provisions, net of use	(454)	(316)	1	(769)	(53)	(822)	2	(356)	(1,176)
o/w asset impairment	10	8	44	62	-	62	-	-	62

\* The data published for 2018 have not been restated for the impact of the change in accounting policy resulting from the modified retrospective application of IFRS 16, "Leases" (see Note 3.a, "Application of IFRS 16"). The data published for 2018 have been restated to reflect the changes in the Group's operating segments (see Note 5, "Segment information").

## Revenue (adjusted data)

<i>(in € millions)</i>	<b>2018*</b>	<b>2019</b>
<b><i>Aerospace Propulsion</i></b>		
Original equipment and related products and services	4,473	5,081
Services	5,999	6,848
Sales of studies	67	65
Other	40	51
Sub-total	10,579	12,045
<b><i>Aircraft Equipment, Defense and Aerosystems</i></b>		
Original equipment and related products and services	5,070	5,857
Services	2,582	3,002
Sales of studies	167	262
Other	123	135
Sub-total	7,942	9,256
<b><i>Aircraft Interiors</i></b>		
Original equipment and related products and services	1,813	2,352
Services	656	895
Sales of studies	3	63
Other	39	11
Sub-total	2,511	3,321
<b><i>Holding company and other</i></b>		
Sales of studies and other	18	18
Sub-total	18	18
<b>Total</b>	<b>21,050</b>	<b>24,640</b>

\* The data published for 2018 have been restated to reflect the change in operating segments (see Note 5, "Segment information").

## Information by geographic area

### At December 31, 2019

<i>(in € millions)</i>	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	<b>24,640</b>	458	<b>25,098</b>
	% 20%	21%	35%	15%	9%			
Non-current assets by location <sup>(1)</sup>	15,305	1,926	4,322	349	117			<b>22,019</b>
	% 70%	9%	19%	1%	1%			

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

Further to changes in the presentation of segment information, technologies and commercial relationships were reallocated among the CGUs.

### At December 31, 2018

<i>(in € millions)</i>	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	3,314	5,018	7,729	3,472	1,517	<b>21,050</b>	(25)	<b>21,025</b>
	% 16%	24%	37%	16%	7%			
Non-current assets by location <sup>(1)</sup>	16,218	1,717	3,268	327	107			<b>21,637</b>
	% 75%	8%	15%	2%	0%			

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

As in the previous year, Safran carried out sales with three major customers during 2019:

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

# **Group consolidated financial statements**

## Consolidated income statement

<i>(in € millions)</i>	<i>Note</i>	<b>2018*</b>	<b>2019</b>
<b>Revenue</b>	6	<b>21,025</b>	<b>25,098</b>
Other income	7	321	297
<b>Income from operations</b>		<b>21,346</b>	<b>25,395</b>
Change in inventories of finished goods and work-in-progress		3	453
Capitalized production		447	438
Raw materials and consumables used	7	(12,440)	(14,448)
Personnel costs	7	(5,665)	(6,349)
Taxes		(295)	(388)
Depreciation, amortization and increase in provisions, net of use	7	(1,176)	(1,600)
Asset impairment	7	62	57
Other recurring operating income and expenses	7	(191)	102
Share in profit from joint ventures	16	189	164
<b>Recurring operating income</b>		<b>2,280</b>	<b>3,824</b>
Other non-recurring operating income and expenses	7	(115)	13
<b>Profit from operations</b>		<b>2,165</b>	<b>3,837</b>
Cost of net debt		(67)	(33)
Foreign exchange gain (loss)		(351)	(283)
Other financial income and expense		(58)	(47)
<b>Financial income (loss)</b>	8	<b>(476)</b>	<b>(363)</b>
<b>Profit before tax</b>		<b>1,689</b>	<b>3,474</b>
Income tax expense	9	(348)	(962)
<b>Profit for the period</b>		<b>1,341</b>	<b>2,512</b>
<b>Attributable to:</b>			
owners of the parent		1,283	2,447
non-controlling interests		58	65
<b>Earnings per share attributable to owners of the parent (in €)</b>	10		
Basic earnings per share		2.98	5.69
Diluted earnings per share		2.94	5.63

\* The data published for 2018 have not been restated for the impact of the change in accounting policy resulting from the modified retrospective application of IFRS 16, "Leases" (see Note 3.a, "Application of IFRS 16").

## Consolidated statement of comprehensive income

<i>(in € millions)</i>	Note	2018	2019
<b>Profit for the period</b>		<b>1,341</b>	<b>2,512</b>
<b>Other comprehensive income</b>			
<b>Items to be reclassified to profit</b>		<b>213</b>	<b>131</b>
Translation adjustments		230	144
Remeasurement of hedging instruments		(47)	(22)
Income tax related to components of other comprehensive income to be reclassified to profit		15	7
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	16	15	2
<b>Items not to be reclassified to profit</b>		<b>35</b>	<b>(119)</b>
Actuarial gains and losses on post-employment benefits	25.c	46	(119)
Income tax related to components of other comprehensive income not to be reclassified to profit		(7)	32
Share in other comprehensive income (expense) of equity-accounted companies not to be reclassified to profit (net of tax)		(4)	(32)
<b>Other comprehensive income for the period</b>		<b>248</b>	<b>12</b>
<b>Total comprehensive income for the period</b>		<b>1,589</b>	<b>2,524</b>
Attributable to:			
- owners of the parent		1,524	2,461
- non-controlling interests		65	63

In 2019, other comprehensive income relating to translation adjustments includes:

- €3 million in translation gains (€2 million in translation gains in 2018) 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;
- €141 million in translation gains (€228 million in translation gains in 2018) arising in the period on foreign operations.

In 2019, other comprehensive income resulting from the remeasurement of hedging instruments includes:

- €17 million in translation losses (€47 million in translation losses in 2018) arising in the period on the February 2012 issue by Safran of USD 1.0 billion in senior unsecured notes on the US private placement market, classified as a hedge of the net investment in some of the Group's US operations up to the end of first-quarter 2019. The outstanding balance of the reserve for the discontinued net investment hedge is €5 million (see the consolidated statement of changes in shareholders' equity);
- €5 million in negative fair value adjustments relating to cash flow hedges of interest payments on senior unsecured notes as of the end of first-quarter 2019. The outstanding balance of the ongoing cash flow hedging reserve is a negative €5 million (see the consolidated statement of changes in shareholders' equity).

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

- €9 million in foreign exchange gains arising in the period on foreign joint ventures (€20 million in foreign exchange gains in 2018);
- a negative amount of €7 million relating to cash flow hedges of joint ventures (a negative amount of €5 million in 2018); and
- €32 million in actuarial losses on pension and similar obligations of joint ventures (actuarial losses of €4 million in 2018).

## Consolidated balance sheet

<b>ASSETS</b>			<b>Dec. 31, 2018*</b>	<b>Dec. 31, 2019</b>
<i>(in € millions)</i>	<i>Note</i>			
Goodwill	11		5,173	5,199
Intangible assets	12		9,757	9,479
Property, plant and equipment	13		4,454	4,398
Right-of-use assets	14		-	732
Non-current financial assets	15		416	429
Investments in equity-accounted companies	16		2,253	2,211
Non-current derivatives (positive fair value)	31		13	33
Deferred tax assets	9		391	251
Other non-current financial assets			4	4
<b>Non-current assets</b>			<b>22,461</b>	<b>22,736</b>
Current financial assets	15		185	143
Current derivatives (positive fair value)	31		740	674
Inventories and work-in-progress	17		5,558	6,312
Contract costs	18		470	471
Trade and other receivables	19		6,580	7,639
Contract assets	20		1,544	1,743
Tax assets	9		752	458
Cash and cash equivalents	21		2,330	2,632
<b>Current assets</b>			<b>18,159</b>	<b>20,072</b>
<b>Total assets</b>			<b>40,620</b>	<b>42,808</b>
<b>EQUITY AND LIABILITIES</b>				
<i>(in € millions)</i>	<i>Note</i>		<b>Dec. 31, 2018*</b>	<b>Dec. 31, 2019</b>
Share capital	23		87	85
Consolidated reserves and retained earnings	23		10,585	9,839
Profit for the period			1,283	2,447
<b>Equity attributable to owners of the parent</b>			<b>11,955</b>	<b>12,371</b>
<b>Non-controlling interests</b>			<b>346</b>	<b>377</b>
<b>Total equity</b>			<b>12,301</b>	<b>12,748</b>
Provisions	24		1,588	2,093
Borrowings subject to specific conditions	26		585	505
Non-current interest-bearing financial liabilities	27		3,384	3,239
Non-current derivatives (negative fair value)	31		7	5
Deferred tax liabilities	9		1,662	1,340
Other non-current financial liabilities	29		2	2
<b>Non-current liabilities</b>			<b>7,228</b>	<b>7,184</b>
Provisions	24		1,189	990
Current interest-bearing financial liabilities	27		2,221	3,540
Trade and other payables	28		5,650	6,164
Contract liabilities	20		10,453	10,923
Tax liabilities	9		210	111
Current derivatives (negative fair value)	31		1,255	1,033
Other current financial liabilities	29		113	115
<b>Current liabilities</b>			<b>21,091</b>	<b>22,876</b>
<b>Total equity and liabilities</b>			<b>40,620</b>	<b>42,808</b>

\* The data published for 2018 have not been restated for the impact of the change in accounting policy resulting from the modified retrospective application of IFRS 16, "Leases" (see Note 3.a, "Application of IFRS 16").



## Consolidated statement of changes in shareholders' equity

	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
<i>(in € millions)</i>												
<b>At January 1, 2018</b>	<b>83</b>	<b>3,360</b>	<b>(509)</b>	<b>69</b>	<b>9</b>	<b>2,073</b>	<b>(433)</b>	<b>4,550</b>	<b>143</b>	<b>9,345</b>	<b>301</b>	<b>9,646</b>
Comprehensive income (expense) for the period	-	-	-	(47)	243	(5)	42	1,283	8 (a)	1,524	65	1,589
Acquisitions/disposals of treasury shares	-	-	(14)	-	-	-	-	-	-	(14)	-	(14)
Dividends	-	-	-	-	-	(695)	-	-	-	(695)	(26)	(721)
OCÉANE 2018-2023 bonds	-	-	-	-	-	31	-	-	-	31	-	31
OCÉANE 2016-2020 bond redemption	-	-	15	-	-	(113)	-	-	-	(98)	-	(98)
Share buyback programs	(2)	(950)	428	-	-	-	-	-	-	(524)	-	(524)
Acquisition of Zodiac Aerospace <sup>(b)</sup>	6	2,238	-	-	-	162	-	-	-	2,406	-	2,406
Acquisition of non-controlling interests	-	38	-	-	-	(44)	-	-	-	(6)	6	-
Other movements, including appropriation of profit	-	-	-	-	-	4,550	-	(4,550)	(14)	(14)	-	(14)
<b>At December 31, 2018</b>	<b>87</b>	<b>4,686</b>	<b>(80)</b>	<b>22</b>	<b>252</b>	<b>5,959</b>	<b>(391)</b>	<b>1,283</b>	<b>137</b>	<b>11,955</b>	<b>346</b>	<b>12,301</b>
Change in accounting policy (IFRS 16)	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
<b>At January 1, 2019</b>	<b>87</b>	<b>4,686</b>	<b>(80)</b>	<b>22</b>	<b>252</b>	<b>5,954</b>	<b>(391)</b>	<b>1,283</b>	<b>137</b>	<b>11,950</b>	<b>346</b>	<b>12,296</b>
Comprehensive income (expense) for the period	-	-	-	(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)
Increase/decrease in share capital	(2)	2	1,076	-	-	(1,074)	-	-	-	2	-	2
Other movements, including appropriation of profit	-	-	-	-	-	1,283	-	(1,283)	42	42	-	42
<b>At December 31, 2019</b>	<b>85</b>	<b>4,688</b>	<b>(303)</b>	<b>-</b>	<b>405</b>	<b>5,371</b>	<b>(552)</b>	<b>2,447</b>	<b>230</b>	<b>12,371</b>	<b>377</b>	<b>12,748</b>

(a) See table below:

(in € millions)

	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for 2018 (attributable to owners of the parent)	(7)	15	8
Comprehensive income (expense) for 2019 (attributable to owners of the parent)	44	7	51

(b) Including €2,244 million relating to the public exchange offer (see Note 4, "Scope of consolidation").

## Consolidated statement of cash flows

<i>(in € millions)</i>	<i>Note</i>	<b>2018*</b>	<b>2019</b>
<b>I. Cash flow from operating activities</b>			
Profit attributable to owners of the parent		1,283	2,447
Depreciation, amortization, impairment and provisions <sup>(1)</sup>		1,235	1,589
Share in profit/loss from equity-accounted companies (net of dividends received)	16	(124)	(87)
Change in fair value of currency and interest rate derivatives <sup>(2)</sup>	31	316	(152)
Capital gains and losses on asset disposals		12	(41)
Profit attributable to non-controlling interests		58	65
Other <sup>(3)</sup>		318	221
<b>Cash flow from operations, before change in working capital</b>		<b>3,098</b>	<b>4,042</b>
Change in inventories and work-in-progress	17	(393)	(590)
Change in operating receivables and payables <sup>(4)</sup>	19,28,31	(280)	(563)
Change in contract costs	18	2	11
Change in contract assets and liabilities	20	746	218
Change in other receivables and payables	19,28	(102)	27
<b>Change in working capital</b>		<b>(27)</b>	<b>(897)</b>
<b>TOTAL I</b>		<b>3,071</b>	<b>3,145</b>
<b>II. Cash flow used in investing activities</b>			
Capitalization of R&D expenditure <sup>(5)</sup>	12	(327)	(333)
Payments for the purchase of intangible assets, net <sup>(6)</sup>		(183)	(134)
Payments for the purchase of property, plant and equipment, net <sup>(7)</sup>		(780)	(695)
Payments for the acquisition of investments or businesses, net <sup>(8)</sup>		(4,172)	(29)
Proceeds arising from the sale of investments or businesses, net		18	47
Proceeds (payments) arising from the sale (acquisition) of investments and loans, net <sup>(9)</sup>		1,950	39
<b>TOTAL II</b>		<b>(3,494)</b>	<b>(1,105)</b>
<b>III. Cash flow used in financing activities</b>			
Change in share capital – owners of the parent		-	2
Change in share capital – non-controlling interests		(1)	(9)
Acquisitions and disposals of treasury shares	23.b	(539)	(1,299)
Repayment of borrowings and long-term debt <sup>(10)</sup>	27	(1,895)	(875)
Increase in borrowings	27	1,480	24
Change in repayable advances	26	(10)	(27)
Change in short-term borrowings	27	(472)	1,261
Dividends and interim dividends paid to owners of the parent	23.e	(695)	(785)
Dividends paid to non-controlling interests		(26)	(32)
<b>TOTAL III</b>		<b>(2,158)</b>	<b>(1,740)</b>
<b>Effect of changes in foreign exchange rates</b>	<b>TOTAL IV</b>	<b>(3)</b>	<b>2</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>I+II+III+IV</b>	<b>(2,584)</b>	<b>302</b>
Cash and cash equivalents at beginning of period		4,914	2,330
Cash and cash equivalents at end of period	21	2,330	2,632
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(2,584)</b>	<b>302</b>

\* The data published for 2018 have not been restated for the impact of the change in accounting policy resulting from the modified retrospective application of IFRS 16, "Leases" (see Note 3.a, "Application of IFRS 16").

(1) Including in 2019: depreciation and amortization for €1,463 million (€1,209 million in 2018), impairment for €42 million (€19 million in 2018) and additions to provisions for €168 million (€45 million in 2018).

(2) Including in 2019: a negative €155 million arising on currency derivatives (a positive €274 million in 2018) (see Note 31, "Management of market risks and derivatives").

(3) Including in 2019: cancellation of deferred tax expense arising on changes in the fair value of currency derivatives for a positive €60 million (a negative €80 million in 2018); cancellation of tax expense for €902 million (€428 million in 2018); €887 million in taxes paid (€531 million in 2018), €93 million in interest paid (€87 million in 2018) and €49 million in interest received (€26 million in 2018). Including in 2018: €340 million relating to the remeasurement of inventories.

(4) Including in 2019: no net premiums on currency options (see Note 31, "Management of market risks and derivatives"), shown on the balance sheet under current derivatives with a negative fair value (net premiums for €1 million in 2018).

(5) Including in 2019: capitalized interest of €8 million (€7 million in 2018).

(6) Including in 2019: €133 million in disbursements for acquisitions of intangible assets (€169 million in 2018), no proceeds from disposals (€10 million in 2018), and changes in amounts payable on acquisitions of non-current assets representing a negative €1 million (a negative €24 million in 2018).

(7) Including in 2019: €777 million in disbursements for acquisitions of property, plant and equipment (€797 million in 2018), changes in amounts payable on acquisitions of non-current assets representing a positive €9 million (a negative €5 million in 2018), €73 million in proceeds from disposals (€26 million in 2018), and zero changes in amounts receivable on disposals of non-current assets (changes representing a negative €4 million in 2018).

(8) Including in 2018: the acquisition of Zodiac Aerospace for €4,092 million (amount paid as part of the tender offer net of cash and cash equivalents acquired).

(9) Including in 2018: the transfer to cash and cash equivalents of €2,000 million in money market funds pledged during the tender offer for Zodiac Aerospace and previously classified under other financial assets (see Note 15, "Current and non-current financial assets").

(10) Including in 2018: repayment of the €250 million Zodiac Aerospace hybrid loan (see Note 27, "Interest-bearing financial liabilities").

**Notes to the Group  
consolidated financial  
statements**

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

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

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

The Board of Directors’ meeting of February 26, 2020 adopted and authorized for issue the 2019 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders’ Meeting.

## **Note 1 - Accounting policies**

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union (available from [http://ec.europa.eu/finance/accounting/ias/index\\_en.htm](http://ec.europa.eu/finance/accounting/ias/index_en.htm)) at the date the consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

### **Changes in accounting policies**

#### ***New IFRS standards, amendments and interpretations effective as of January 1, 2019***

- IFRS 16, “Leases”.
- Amendments to IFRS 9, “Financial Instruments” – Prepayment Features with Negative Compensation.
- Amendments to IAS 19, “Employee Benefits” – Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 28, “Investments in Associates and Joint Ventures” – Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRSs published in December 2017 (2015-2017 cycle).
- IFRIC 23, “Uncertainty over Income Tax Treatments”.

The impacts resulting from the application of IFRS 16 are set out in Note 3, “Change in accounting policy”.

The other standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2019 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, 2019***

- Amendments to IFRS 9, “Financial Instruments” and IFRS 7, “Financial Instruments: Disclosures” – Interest Rate Benchmark Reform.

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

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

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

In addition, the Group is currently analyzing the impacts of future changes to benchmark indices.

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

- IFRS 17, "Insurance Contracts".
- Amendments to IAS 1, "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material.
- Amendments to IAS 28, "Investments in Associates and Joint Ventures" and IFRS 10, "Consolidated Financial Statements" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IFRS 3, "Business Combinations" – Definition of a Business.

Except for the amendments to IAS 1 and IAS 8 – Definition of Material, these new standards, amendments and interpretations have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even where early adoption is permitted by the texts concerned.

## 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 1.c.

### Intragroup transactions

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

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

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

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

### **c) Business combinations**

The Group applies the revised IFRS 3.

#### **Acquisition method**

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

- identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value;
- where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments). This option is available for all business combinations based on a case-by-case analysis of each transaction;
- acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred;
- any contingent consideration relating to business combinations (earn-out clauses) is measured at fair value at the acquisition date. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. The cost of the combination, including where appropriate the estimated fair value of any contingent consideration, is finalized within the 12 months following the acquisition (measurement

period). Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss. Only items that should have been taken into account at the date of the combination but for which the acquirer did not hold all of the relevant information at that date can give rise to an adjustment in the purchase price consideration.

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

### **Goodwill**

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

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

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

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

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs), as described in Note 1.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 1.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 1.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 1.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 1.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 1.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 Safran's right to consideration in exchange for goods or services that it has transferred, when that right is conditioned on something other than the passage of time. Contract assets mainly include amounts relating to revenue recognized on a percentage-of-completion basis where Safran does not have the right to immediately bill the customer. A contract asset is written down, where appropriate, using the simplified impairment model set out in IFRS 9 (see Note 1.n);
- a contract liability denotes Safran's obligation to transfer goods or services to a customer for which it has received consideration in cash or in kind. Contract liabilities include advances and downpayments received, deferred income and concession liabilities;
- contract costs include costs to fulfill contracts that do not fall within the scope of other standards (IAS 16, IAS 38 and IAS 2 in particular) and costs to obtain contracts paid to third parties (commission, etc.).

## **h) Current and deferred tax**

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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

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

Research tax credits in France, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development 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.

Up to the end of 2018, the CICE tax credit introduced to boost competitiveness and employment in France was also recognized in "Other income" as it was treated as an operating subsidy.

## **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.

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 1.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 1.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. Generally speaking, a nine-year term is initially adopted for “3/6/9”-type commercial leases in France.

Subsequent measurement:

- 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)<sup>1</sup>. Two types of CGUs are defined within the Group:

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

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

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<sup>1</sup> 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.



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 plan, profitability analyses, market share, backlog, regulations, disputes and litigation, etc.).

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

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

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

- (i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group's operating cycles (aircraft and defense), where assets tend to have a long useful life and slow product development;
- (ii) goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years five to ten (or beyond year ten for certain activities with a longer development and production cycle), and are discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years five to ten (or beyond year ten for certain activities), taking into account a perpetual growth rate.

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

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

## **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
- Safran did not opt to classify these assets at fair value through equity (OCI) not to be reclassified to profit.

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

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

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

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

On a collective assessment basis, the allowance for expected credit losses is calculated for amounts owed by all customers except those rated A3 or A- (depending on the rating agency) or higher, for which no allowance is recognized on a collective basis. This collective assessment is made based on changes in an indicator reflecting airline company profits, since airline companies represent the Group's main risk exposure among customers ranked A3 or A- or below.

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

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

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

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

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

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

#### Provisions for standard and operating warranties

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

#### **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 1.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 1.f.

A net investment hedge set up by the Group for some of its US operations using USD debt was unwound at the end of the first quarter of 2019. 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.);
- capital gains and losses on disposals of operations;
- gains on remeasuring any previously held equity interests in the event of step acquisitions or transfers made to joint ventures;
- other unusual and/or material items not directly related to the Group's ordinary operations.



## **Note 2 - Main sources of estimates**

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

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

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

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

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

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

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

- **impairment of non-current assets:** goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.m. The recoverable amount of these assets is generally determined using cash flow forecasts based on the key assumptions described above;

- **capitalization of development expenditures:** the conditions for capitalizing development expenditures are set out in Note 1.j. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts drawing on the key assumptions described above. The Group also uses estimates when determining the useful life of its projects;

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

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

- **timing of revenue recognition:** the recognition of revenue under certain contracts is based on delivery volume assumptions. These assumptions therefore influence the timing of revenue recognition;

- **variable consideration:** the transaction price may be comprised of both a fixed amount and a variable amount. This variable amount may 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 using the main assumptions discussed above.

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

## **b) Provisions**

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

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

specifications during the development phase. Contractually defined liability limits are also taken into account.

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

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

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

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

### **c) Post-employment benefits**

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

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

### **d) Trade and other receivables**

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

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

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

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

One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied. The fair value of certain items acquired in a business combination can be measured reliably, for example

property, plant and equipment using market prices. However, the fair value of other items such as intangible assets or contingent liabilities may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

**f) Disputes and litigation**

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 35, "Disputes and litigation").

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

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

## **Note 3 - Change in accounting policy**

### **APPLICATION OF IFRS 16**

The Group has applied IFRS 16, "Leases" with effect from January 1, 2019.

#### **3.a.1 Impact at January 1, 2019**

The Group applied the modified retrospective approach to IFRS 16 with effect from January 1, 2019. Accordingly, the impact of IFRS 16 is reflected in equity at that date and the 2018 financial statements are not restated.

The Group has noted the IFRIC decision of December 2019 regarding IFRS 16, specifically concerning the terms of leases with automatic renewal clauses. In light of the decision, the Group will review the terms of the leases concerned in the first half of 2020, to ensure their compliance with the IFRIC clarifications.

At the transition date, the impacts of IFRS 16 essentially relate to property leases.

#### Restatement of leases previously classified as operating leases (IAS 17)

At the transition date:

- the lease liability is equal to the present value of the residual lease payments due, discounted at an average interest rate of 1.50% at January 1, 2019;
- the gross carrying amount of the right-of-use asset is equal to the lease liability at that date, plus any lease payments made at or before the commencement date.

To the extent permitted by IFRS 16, the Group adopted the following practical expedients in its transition to the standard:

- leases with a residual term of less than 12 months or leases of low-value assets were not restated;
- initial direct costs were not included in measuring the right-of-use asset;
- if a lease includes an extension or early termination option, the term of that lease was determined taking into account the information obtained at the transition date;
- IFRS 16 was applied solely to leases classified as leases under IAS 17 and IFRIC 4.

#### Restatement of leases previously classified as finance leases (IAS 17)

At the transition date:

- the net carrying amount of the underlying leased assets at December 31, 2018 was reclassified as part of the gross value of right-of-use assets;
- the carrying amount of finance lease liabilities at December 31, 2018 was reclassified within lease liabilities.

The impacts of this change in accounting policy on the balance sheet at January 1, 2019 are shown below.

Consolidated opening balance sheet at January 1, 2019 (excerpt):

<b>ASSETS</b> <i>(in € millions)</i>	<b>Dec. 31, 2018 (published)</b>	<b>IFRS 16 impact</b>	<b>Jan. 1, 2019</b>
Property, plant and equipment, net	4,454	(208)	4,246
Right-of-use assets		716	716
Non-current and current financial assets	601	19	620
Investments in equity-accounted companies	2,253	(1)	2,252
Deferred tax assets	391	1	392
Trade and other receivables	6,580	(3)	6,577
<b>Total assets</b>		<b>524</b>	
<b>EQUITY AND LIABILITIES</b> <i>(in € millions)</i>	<b>Dec. 31, 2018 (published)</b>	<b>IFRS 16 impact</b>	<b>Jan. 1, 2019</b>
<b>Equity</b>	<b>12,301</b>	<b>(5)</b>	<b>12,296</b>
Interest-bearing financial liabilities	5,605	529	6,134
Deferred tax liabilities	1,662	-	1,662
<b>Total equity and liabilities</b>		<b>524</b>	

At January 1, 2019:

- right-of-use assets totaled €716 million, including €508 million relating to leases previously classified as operating leases and €208 million relating to leases previously classified as finance leases;
- lease liabilities amounted to €677 million, of which €529 million relating to leases previously classified as operating leases and €148 million relating to leases previously classified as finance leases;
- lease payments receivable under sub-letting arrangements amounted to €19 million;
- the change in accounting policy had a negative equity impact of €5 million after tax (negative impact of €6 million before tax).

### 3.a.2 Reconciliation with off-balance sheet commitments at December 31, 2018

The table below reconciles operating lease commitments at December 31, 2018 with liabilities under leases previously classified as operating leases at January 1, 2019:

<i>(in € millions)</i>	
<b>Off-balance sheet commitments under operating leases at December 31, 2018</b>	<b>641</b>
Leases signed but not started	(66)
Impact of discounting	(34)
Leases qualifying for IFRS 16 practical expedients (short-term and low-value leases) and other	(12)
<b>Liabilities under leases previously classified as operating leases at January 1, 2019</b>	<b>529</b>

## **Note 4 - Scope of consolidation**

### **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.

### **MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2018**

#### **Acquisition of Zodiac Aerospace**

Safran filed a Tender Offer for Zodiac Aerospace's shares on December 7, 2017, which was declared compliant by the AMF on December 21, 2017.

The settlement of the initial Offer took place on February 13, 2018 and accordingly:

- an amount of €3,620 million was paid to Zodiac Aerospace shareholders in consideration for the 144,816,396 Zodiac Aerospace shares tendered or carried over to the Principal Tender Offer;
- a total of 26,651,058 Safran preferred shares were issued at a price of €84.18 in consideration for the 88,847,828 Zodiac Aerospace shares effectively tendered to the Subsidiary Exchange Offer.
- Accordingly, Safran's share capital increased by €6 million from €83 million to €89 million, with an issue premium of €2,238 million.

The Offer was reopened from February 19, 2018 to March 2, 2018 to enable Zodiac Aerospace shareholders who had not yet done so to tender their shares to the Offer. In the United States, the Tender Offer was open only to qualified investors. Outside of France, it was not open in any jurisdiction where authorization for the Offer would have been required.

Following the settlement of the subsequent offer, Safran acquired 27,310,744 Zodiac Aerospace shares for €683 million.

The required conditions being fulfilled, Safran made a request to the AMF for a mandatory squeeze-out of Zodiac Aerospace shares, following which it acquired a further 6,809,584 shares.

The mandatory squeeze-out was executed at the same price as that of the Offer, i.e., €25 per Zodiac Aerospace share (net of all expenses), representing a total amount of €171 million.

Upon completion of these operations, Safran held 267,784,552 Zodiac Aerospace shares (i.e., 95.58% of the share capital), while non-controlling shareholders held 4.42% of the remaining share capital.

The date on which Safran acquired Zodiac Aerospace (February 13, 2018) was the date on which Safran took control of Zodiac Aerospace and the date of the first-time consolidation of Zodiac Aerospace in Safran's financial statements. To simplify matters, Zodiac Aerospace's activities were consolidated in Safran's financial statements as of March 1, 2018, except for certain major transactions that were carried out between these two dates to adjust Zodiac's financing structure.

The acquisition balance sheet used to calculate consolidation goodwill was based on Zodiac Aerospace's consolidated balance sheet at March 1, 2018.

### Purchase price accounting

Zodiac Aerospace's identifiable assets and liabilities were measured at their fair value on the date on which Safran acquired control of the company.

The allocation of the Zodiac Aerospace purchase price to the assets acquired and liabilities assumed was as follows:

<i>(in € millions)</i>	<u>Fair value at acquisition date</u>
Intangible assets	4,308
Property, plant and equipment	696
Inventories	1,419
Other current and non-current assets and liabilities	(604)
Net debt	(1,289)
Deferred tax liabilities	(924)
<b>Net assets</b>	<b>3,606</b>
<b>Purchase price for 95.58% of shares (A)</b>	<b>6,727</b>
<b>Share of identifiable assets acquired and liabilities assumed (95.58%) (B)</b>	<b>3,447</b>
<b>Goodwill (A)-(B)</b>	<b>3,280</b>

Goodwill was allocated to cash-generating units (CGUs) as follows:

<i>(in € millions)</i>	
Aerosystems	1,690
Cabin	825
Seats	765

The changes in the presentation of segment information implemented by the Group as of February 1, 2019 led to changes at the level of its operating segments (see Note 5, "Segment information") and CGUs. Goodwill was reallocated among the new CGUs in the second half of 2019 (see Note 11, "Goodwill").



## Merger of Zodiac Aerospace into Safran

On October 19, 2018, Safran and Zodiac Aerospace signed a merger agreement regarding the planned merger of Zodiac Aerospace into Safran. This operation represented a further step in the strategy to streamline the new group's structure.

The planned transaction was submitted to and approved by Safran's Extraordinary Shareholders' Meeting on November 27, 2018.

The effective date of the merger was December 1, 2018.

As consideration for the non-controlling shareholders of Zodiac Aerospace, Safran created 3,490,192 ordinary shares with a par value of €0.20. This represented a capital increase of €0.7 million and a merger premium of €38 million, recorded against consolidated other reserves.

## Zodiac Aerospace's contribution to the Group's consolidated performance in 2018

Zodiac Aerospace's contribution to the Group's consolidated performance based on its activity in the ten months following the acquisition was as follows:

<i>(in € millions)</i>	2018
Revenue	3,775
Recurring operating loss*	(335)
Recurring operating income excluding the impact of the purchase price allocation	266

\* Including the negative impact of remeasuring assets at fair value as part of the Zodiac Aerospace purchase price accounting for €601 million.

If the Group had purchased Zodiac Aerospace on January 1, 2018, Zodiac's contribution to the Group's consolidated performance based on its activity in the 12 months following the acquisition would have been:

- revenue of €4,506 million;
- a consolidated recurring operating loss of €310 million, including a negative purchase price accounting impact of €601 million, i.e., consolidated recurring operating income of €291 million excluding the impact of purchase price accounting.

## **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"), which are based on the type of products and services they sell.

In 2019, Safran changed the presentation of its segment information to accelerate the implementation of the Group's strategy, particularly as regards more electric aircraft and connected cabins. The new operational organization will promote knowledge-sharing by bringing together teams working in similar areas, the development of new customer offerings and the optimization of costs.

As of June 30, 2019 and following the combination of the businesses resulting from the Zodiac Aerospace acquisition in respect of which strategic and commercial synergies were identified, the Group's businesses are classified within three operating segments:

- Aerospace Propulsion, which now includes Safran Transmission Systems given its close relationship with engine activities;
- Aircraft Equipment, Defense and Aerosystems, which combines the former Safran Aircraft Equipment activities with part of the former Zodiac Aerospace Aerosystems and Safran Defense businesses;
- Aircraft Interiors, which includes the former Safran Cabin and Safran Seats activities and which now includes Safran Passenger Solutions, a new consolidation sub-group focused on complex cabin equipment and passenger comfort solutions (water and waste management and in-flight entertainment). These activities complement the Cabin and Seats businesses.

These three operating segments 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, primarily acquired as a result of the acquisition of the former Zodiac Aerospace, includes all operations related to the buyer-furnished equipment (BFE) market, whose direct customers are mostly airline companies. The Group designs, develops, manufactures and markets, for example, aircraft seats for passengers (First, Business and Economy Class) and crew, as well as cabin equipment, overhead bins, class dividers, passenger service units, cabin interior solutions, chilling systems, galleys, electrical inserts and trolleys and cargo equipment.

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

### Holding company and other

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

## **Business segment performance indicators**

Segment information presented in the tables on page 8 is included within the information presented to the Chief Executive Officer who – in accordance with the Group's governance structure – has been designated as the "Chief Operating Decision Maker" for the assessment of the performance of business segments and the allocation of resources between the different businesses.

The assessment of each business segment's performance by the Chief Executive Officer is based on adjusted contribution figures as explained in the Foreword (see page 3).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, "Accounting policies"), except for the restatements made in respect of adjusted data (see Foreword).

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

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

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

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

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

Quantified segment information for 2018 and 2019 is presented on pages 8 to 10.

## Note 6 - Revenue

### BREAKDOWN OF REVENUE BY BUSINESS

#### 2019

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

#### 2018

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
<b>Description of products/services</b>					
Sales of original equipment and other equipment	4,478	5,051	1,810	-	11,339
Services	6,004	2,572	655	-	9,231
Sales of studies	67	166	3	7	243
Other	40	122	39	11	212
<b>Total revenue</b>	<b>10,589</b>	<b>7,911</b>	<b>2,507</b>	<b>18</b>	<b>21,025</b>
<b>Timing of revenue recognition</b>					
At a point in time	9,126	7,034	2,403	18	18,581
Over time	1,463	877	104	-	2,444
<b>Total revenue</b>	<b>10,589</b>	<b>7,911</b>	<b>2,507</b>	<b>18</b>	<b>21,025</b>

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

- Sales of original equipment and other equipment

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

- Services, which include deliveries of spare parts and maintenance contracts

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

- Sales of studies, research and development

Contracts are drawn up for all such development work, which represents separate performance obligations. This category relates to specific work carried out for a given project or program.

- Other

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

Most revenue within the Group is recognized “at a point in time”.

Revenue recognized on a percentage-of-completion basis (“over time”) mainly concerns service and after-sales support contracts in the Propulsion segment and aerospace activities in the Aircraft Equipment, Defense and Aerosystems segment.

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

## REMAINING PERFORMANCE OBLIGATIONS

<i>(in € millions)</i>	One year or less	More than one year	Total
Remaining performance obligations at December 31, 2018	12,200	28,362	40,562
Remaining performance obligations at December 31, 2019	13,531	31,937	45,468

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 increase in remaining performance obligations in 2019 versus 2018 chiefly reflects the growing proportion of rate-per-flight-hours (RPFH) contracts.

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

### OTHER INCOME

<i>(in € millions)</i>	2018	2019
Research tax credit <sup>(1)</sup>	151	166
Competitiveness and employment tax credit (CICE) <sup>(2)</sup>	45	-
Other operating subsidies	96	100
Other operating income	29	31
<b>Total</b>	<b>321</b>	<b>297</b>

(1) Including €5 million in connection with additional research tax credits in respect of 2018, included in 2019 income (€5 million in respect of 2017 included in 2018 income).

(2) The competitiveness and employment tax credit (CICE) was replaced by a reduction in social security contributions as of January 1, 2019.

### RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

<i>(in € millions)</i>	2018	2019
Raw materials, supplies and other	(4,915)	(6,100)
Bought-in goods	(35)	(46)
Changes in inventories	50	137
Contract costs	(2)	(12)
Sub-contracting	(4,582)	(5,153)
Purchases not held in inventory	(424)	(595)
External service expenses	(2,532)	(2,679)
<b>Total</b>	<b>(12,440)</b>	<b>(14,448)</b>

## PERSONNEL COSTS

<i>(in € millions)</i>	2018	2019
Wages and salaries	(3,551)	(4,045)
Social security contributions	(1,460)	(1,551)
Statutory employee profit-sharing	(170)	(218)
Optional employee profit-sharing	(172)	(178)
Additional contributions	(78)	(87)
Corporate social contribution	(84)	(86)
Other employee costs	(150)	(184)
<b>Total</b>	<b>(5,665)</b>	<b>(6,349)</b>

Consolidated companies (excluding jointly controlled companies) had an average of 91,610 full-time equivalent employees in 2019 versus an average of 83,769 in 2018 (average employee numbers in 2018 include employees of the former Zodiac Aerospace over a ten-month period).

## DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

<i>(in € millions)</i>	2018	2019
<b>Net depreciation and amortization expense</b>		
- intangible assets	(654)	(736)
- property, plant and equipment	(555)	(615)
- right-of-use assets	-	(112)
<b>Total net depreciation and amortization expense<sup>(1)</sup></b>	<b>(1,209)</b>	<b>(1,463)</b>
<b>Net increase in provisions</b>	<b>33</b>	<b>(137)</b>
<b>Depreciation, amortization and increase in provisions, net of use</b>	<b>(1,176)</b>	<b>(1,600)</b>

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €51 million in 2019 and €56 million in 2018; during other acquisitions: €39 million in 2019 and €39 million in 2018; and during the acquisition of the former Zodiac Aerospace: €315 million in 2019 and €261 million in 2018.

## ASSET IMPAIRMENT

<i>(in € millions)</i>	Impairment expense		Reversals	
	2018	2019	2018	2019
Intangible assets, property, plant and equipment, and right-of-use assets	(19)	(40)	5	9
Financial assets	(8)	(10)	3	5
Contract costs	(1)	(1)	12	10
Inventories and work-in-progress	(605)	(584)	684	664
Receivables	(42)	(49)	40	53
Contract assets	(8)	-	1	-
<b>Total</b>	<b>(683)</b>	<b>(684)</b>	<b>745</b>	<b>741</b>

## OTHER RECURRING OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	2018	2019
Capital gains and losses on asset disposals	(8)	(15)
Royalties, patents and licenses	(10)	(24)
Cost of financial guarantees	(2)	(7)
Losses on irrecoverable receivables	(13)	(22)
Other operating income and expenses <sup>(1)</sup>	(158)	170
<b>Total</b>	<b>(191)</b>	<b>102</b>

(1) Of which income of €25 million in 2018 and €74 million in 2019 relating to the revised repayment probability for borrowings subject to specific conditions (see Note 26, "Borrowings subject to specific conditions"). In 2018, this caption notably included an accrued expense in respect of the compensation payable to Dassault Aviation for the termination of the Silvercrest engine program. This expense was offset by the reversal of a provision.

## OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	2018	2019
Capital gains on asset disposals	-	12
Impairment net of reversals on intangible assets	(38)	(11)
Other non-recurring items	(77)	12
<b>Total</b>	<b>(115)</b>	<b>13</b>

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 include transaction, integration and restructuring costs totaling €25 million and capital gains on the disposal of property for €37 million.

At December 31, 2018, the Group analyzed the situation of assets assigned to the X6 program following the termination of the contract with Airbus Helicopter by mutual agreement. As a result of its analysis, the Group wrote down the full amount of intangible assets specifically assigned to the development of this engine, representing €34 million. Other impairment losses taken against intangible assets chiefly related to a program in the Aircraft Equipment sector.

Other non-recurring items mainly reflected transaction, integration and restructuring costs for €77 million, relating essentially to the Zodiac Aerospace acquisition.



## Note 8 - Financial income (loss)

<i>(in € millions)</i>	2018	2019
Financial expense on interest-bearing financial liabilities	(95)	(81)
Financial income on cash and cash equivalents	28	48
<b>Cost of net debt</b>	<b>(67)</b>	<b>(33)</b>
Gain (loss) on foreign currency hedging instruments	(232)	175
Foreign exchange gain (loss)	(89)	(445)
Net foreign exchange gain (loss) on provisions	(30)	(13)
<b>Foreign exchange gain (loss)</b>	<b>(351)</b>	<b>(283)</b>
Gain (loss) on interest rate hedging instruments	-	2
Capital gain (loss) on financial asset disposals	-	6
Change in the fair value of assets at fair value through profit or loss	4	(1)
Impairment of loans and other financial receivables	1	(5)
Dividends received	1	3
Other financial provisions	(1)	1
Interest component of IAS 19 expense	(14)	(13)
Impact of unwinding the discount	(26)	(39)
Other	(23)	(1)
<b>Other financial income and expense</b>	<b>(58)</b>	<b>(47)</b>
<b>Financial income (loss)</b>	<b>(476)</b>	<b>(363)</b>
<b>of which financial expense</b>	<b>(510)</b>	<b>(598)</b>
<b>of which financial income</b>	<b>34</b>	<b>235</b>

In 2019, the €175 million gain 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 €445 million foreign exchange loss includes:

- a €449 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 1.18 for €1) and the actual EUR/USD exchange rate observed during the period;
- a net foreign exchange gain of €4 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

## Note 9 - Income tax

### INCOME TAX EXPENSE

Income tax expense breaks down as follows:

<i>(in € millions)</i>	2018	2019
Current income tax benefit (expense)	(425)	(1,095)
Deferred tax benefit (expense)	77	133
<b>Total tax benefit (expense)</b>	<b>(348)</b>	<b>(962)</b>

## EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

<i>(in € millions)</i>		2018	2019
Profit before tax	(a)	1,689	3,474
Standard tax rate applicable to the parent company		34.43%	34.43%
<b>Tax expense at standard rate</b>		<b>(582)</b>	<b>(1,196)</b>
Impact of permanent differences		9	34
Impact of research and CICE tax credits		64	58
Impact of different tax rates (France/international)		42	94
Impact of unrecognized tax		-	8
Impact of changes in tax rates on deferred taxes		12	(29)
Impact of joint ventures		67	57
Impact of other items		40	12
<b>Current income tax expense recognized in profit or loss</b>	<b>(b)</b>	<b>(348)</b>	<b>(962)</b>
<b>Effective tax rate</b>	<b>(b)/(a) in %</b>	<b>20.60%</b>	<b>27.69%</b>

The “Public Finance Policy Debate in View of the 2020 French Finance Act” ratified on July 11, 2019 adopted a corporate income tax rate of 33.33% (34.43% including the additional contribution) for groups with over €250 million in revenue for reporting periods ending in 2019.

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.

Tax credits represent €69 million (of which €58 million in research tax credits) and reduce the effective tax rate.

Foreign entities taxed at a different rate than the 34.43% rate applicable to the parent company had a positive €94 million impact on current income tax expense.

Changes in deferred tax rates in 2019 (negative €29 million impact) primarily reflect revised income tax rate assumptions for France.

## DEFERRED TAX ASSETS AND LIABILITIES

### Deferred tax assets (liabilities) in the balance sheet

<i>(in € millions)</i>	Assets	Liabilities	Net
<b>Net deferred tax assets (liabilities) at December 31, 2018</b>	<b>391</b>	<b>1,662</b>	<b>(1,271)</b>
Deferred taxes recognized in profit or loss	16	(117)	133
Deferred taxes recognized directly in equity	41	(11)	52
Reclassifications	(205)	(201)	(4)
First-time application of IFRS 16 at January 1, 2019	1	-	1
Foreign exchange differences	6	5	1
Changes in scope of consolidation	1	2	(1)
<b>Net deferred tax assets (liabilities) at December 31, 2019</b>	<b>251</b>	<b>1,340</b>	<b>(1,089)</b>

## Deferred tax asset bases

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
<b>Deferred tax asset bases</b>		
Property, plant and equipment and intangible assets	(8,933)	(8,949)
Inventories	657	606
Current assets/liabilities	1,796	2,241
Financial assets/liabilities	400	163
Provisions	1,264	1,588
Tax adjustments	(615)	(705)
Losses carried forward and tax credits	785	882
<b>Total deferred tax asset bases</b>	<b>(4,646)</b>	<b>(4,174)</b>
<b>Total gross deferred tax balance</b>	<b>(a)</b>	<b>(1,223)</b>
<b>Total unrecognized deferred tax assets</b>	<b>(b)</b>	<b>48</b>
<b>Total net deferred taxes recognized</b>	<b>(a)-(b)</b>	<b>(1,271)</b>

## CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities break down as follows:

<i>(in € millions)</i>	Assets	Liabilities	Net
<b>Net tax assets (liabilities) at December 31, 2018</b>	<b>752</b>	<b>210</b>	<b>542</b>
Movements during the period	(199)	12	(211)
Current taxes recognized directly in equity	-	(5)	5
Foreign exchange differences	5	3	2
Other movements	(100)	(109)	9
<b>Net tax assets (liabilities) at December 31, 2019</b>	<b>458</b>	<b>111</b>	<b>347</b>

## Note 10 - Earnings per share

	Index	2018	2019
<b>Numerator (in € millions)</b>			
Profit for the period attributable to owners of the parent	(a)	1,283	2,447
<b>Denominator (in shares)</b>			
Total number of shares	(b)	435,767,951	427,234,155
Number of treasury shares held	(c)	1,439,723	2,550,082
Number of shares excluding treasury shares	(d)=(b-c)	434,328,228	424,684,073
Weighted average number of shares (excluding treasury shares)	(d')	430,911,810	429,723,372
Potentially dilutive ordinary shares	(e)	5,423,821	5,253,361
Weighted average number of shares after dilution	(f)=(d'+e)	436,335,631	434,976,733
<b>Ratio: earnings per share (in €)</b>			
Basic earnings per share	(g)=(a*1million)/(d')	2.98	5.69
Diluted earnings per share	(h)=(a*1million)/(f)	2.94	5.63

At December 31, 2019, 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 bonds: see Note 23.d, "Convertible bond issues") are converted.

## Note 11 - Goodwill

Goodwill breaks down as follows:

	Dec. 31, 2018					Dec. 31, 2019
	Net	Changes in scope of consolidation	Reallocation	Impairment	Effect of changes in foreign exchange rates and other	Net
<i>(in € millions)</i>						
Safran Aircraft Engines	392	-	-	-	-	392
Safran Helicopter Engines	307	-	-	-	-	307
Safran Aero Boosters	47	-	-	-	-	47
Safran Transmission Systems	-	-	-	-	-	-
Other Propulsion	1	-	-	-	-	1
Safran Electronics & Defense	132	-	214	-	2	348
Safran Nacelles	213	-	-	-	-	213
Safran Engineering Services	76	-	-	-	-	76
Safran Electrical & Power	471	-	221	-	9	701
Safran Landing Systems	190	-	-	-	-	190
Safran Aerosystems	1,690	-	(892)	-	-	798
Safran Seats	765	-	-	-	-	765
Safran Cabin	879	-	(90)	-	16	805
Safran Passenger Solutions	-	(12)	557	-	11	556
Safran Ventilation Systems	10	-	(10)	-	-	-
<b>Total</b>	<b>5,173</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>5,199</b>

The changes in the presentation of segment information implemented by the Group as of February 1, 2019 led to changes at the level of its operating segments (see Note 5, "Segment information") and CGUs. Goodwill was reallocated among the new CGUs in the second half of 2019, based on the value in use calculated in accordance with the applicable accounting standards.

### Annual impairment tests

The Group performed annual impairment tests on all cash-generating units (CGUs) presented above, by comparing their value in use with their net carrying amount.

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

- expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at ten years but may be extended for businesses with longer development and production cycles;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions. These projections and assumptions are based on the Group's medium-term plan for the next four years, while projections and assumptions beyond this period are based on management's best estimate of the long-term scenario;
- the value in use of CGUs is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year in the long-term plan;
- the growth rate used to calculate terminal value was set at 2% for all CGUs;
- the average USD exchange rate adopted is 1.17 for years 2020 to 2022 and 1.30 thereafter. These exchange rate assumptions were used for forecasting during the second half of the

year, and take into account the 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 2018) and is applied to post-tax cash flows.

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized as a result of the annual impairment tests in 2018.

A sensitivity analysis was carried out in respect of the Group’s main goodwill balances, by introducing the following changes to the main assumptions:

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

In 2019 as in 2018, the above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances.

## Note 12 - Intangible assets

Intangible assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2018			Dec. 31, 2019		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,351	(1,550)	801	2,334	(1,633)	701
Development expenditures	5,981	(2,000)	3,981	6,292	(2,215)	4,077
Commercial agreements	735	(121)	614	784	(151)	633
Software	646	(545)	101	684	(599)	85
Trademarks <sup>(1)</sup>	703	-	703	703	-	703
Commercial relationships	1,933	(213)	1,720	1,953	(362)	1,591
Technology	1,375	(157)	1,218	1,387	(318)	1,069
Other	806	(187)	619	836	(216)	620
<b>Total</b>	<b>14,530</b>	<b>(4,773)</b>	<b>9,757</b>	<b>14,973</b>	<b>(5,494)</b>	<b>9,479</b>

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

Movements in intangible assets break down as follows:

<i>(in € millions)</i>	<b>Gross</b>	<b>Amortization/ impairment</b>	<b>Net</b>
<b>At December 31, 2018</b>	<b>14,530</b>	<b>(4,773)</b>	<b>9,757</b>
Capitalization of R&D expenditure <sup>(1)</sup>	333	-	333
Capitalization of other intangible assets	46	-	46
Acquisitions of other intangible assets	87	-	87
Disposals and retirements	(4)	3	(1)
Amortization	-	(736)	(736)
Impairment losses recognized in profit or loss	-	(41)	(41)
Reclassifications	(72)	69	(3)
Changes in scope of consolidation	(5)	1	(4)
Foreign exchange differences	58	(17)	41
<b>At December 31, 2019</b>	<b>14,973</b>	<b>(5,494)</b>	<b>9,479</b>

(1) Including €8 million in capitalized interest on R&D expenditure at December 31, 2019 (€7 million at December 31, 2018).

Research and development expenditures recognized in recurring operating income for the period totaled €1,282 million including amortization (€1,124 million in 2018). 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 €287 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €51 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €39 million relating to assets identified as part of other business combinations.

As a result of the impairment tests carried out at December 31, 2019, intangible assets relating to two programs in the Aircraft Equipment and Aerosystems segment were written down by €41 million.

As a result of the impairment tests carried out at December 31, 2018, the Group wrote down intangible assets assigned to the X6 program in an amount of €34 million, as well as intangible assets relating mainly to an Aircraft Equipment program in an amount of €4 million (see Note 7, “Breakdown of the other main components of profit from operations”).

## Note 13 - Property, plant and equipment

Property, plant and equipment break down as follows:

<i>(in € millions)</i>	Dec. 31, 2018			Dec. 31, 2019		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	247	-	247	231	-	231
Buildings	2,080	(935)	1,145	2,028	(936)	1,092
Technical facilities, equipment and tooling	5,743	(3,647)	2,096	6,231	(4,003)	2,228
Assets in progress, advances	784	(68)	716	656	(57)	599
Site development and preparation costs	60	(33)	27	63	(34)	29
Buildings on land owned by third parties	85	(36)	49	70	(37)	33
Computer hardware and other equipment	637	(463)	174	655	(469)	186
<b>Total</b>	<b>9,636</b>	<b>(5,182)</b>	<b>4,454</b>	<b>9,934</b>	<b>(5,536)</b>	<b>4,398</b>

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

<i>(in € millions)</i>	Gross	Depreciation/ impairment	Net
<b>At December 31, 2018</b>	<b>9,636</b>	<b>(5,182)</b>	<b>4,454</b>
First-time application of IFRS 16 at January 1, 2019	(327)	119	(208)
Internally produced assets	68	-	68
Additions	709	-	709
Disposals and retirements	(180)	150	(30)
Depreciation <sup>(1)</sup>	-	(615)	(615)
Impairment losses recognized in profit or loss	-	-	-
Reclassifications	(59)	37	(22)
Changes in scope of consolidation	(1)	1	-
Foreign exchange differences	88	(46)	42
<b>At December 31, 2019</b>	<b>9,934</b>	<b>(5,536)</b>	<b>4,398</b>

(1) Including €28 million relating to the remeasurement of property, plant and equipment as part of the acquisition of the former Zodiac Aerospace.

## Note 14 - Leases

### 14.a. RIGHT-OF-USE ASSETS

Right-of-use assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2019		
	Gross	Depreciation/ impairment	Net
Right-of-use assets relating to property	817	(105)	712
Right-of-use assets relating to transport equipment	6	(2)	4
Right-of-use assets relating to other assets	18	(2)	16
<b>Total</b>	<b>841</b>	<b>(109)</b>	<b>732</b>

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

<i>(in € millions)</i>	<b>Gross</b>	<b>Depreciation/ impairment</b>	<b>Net</b>
<b>At December 31, 2018</b>	-	-	-
First-time application of IFRS 16 at January 1, 2019	716	-	716
Increases	131	-	131
Disposals and retirements	(13)	3	(10)
Depreciation	-	(112)	(112)
Impairment losses recognized in profit or loss	-	(1)	(1)
Reclassifications	(3)	1	(2)
Changes in scope of consolidation	(1)	-	(1)
Foreign exchange differences	11	-	11
<b>At December 31, 2019</b>	<b>841</b>	<b>(109)</b>	<b>732</b>

#### **14.b. LEASE LIABILITIES**

The maturity of lease liabilities can be analyzed as follows at December 31, 2019:

<i>(in € millions)</i>	<b>Dec. 31, 2019</b>
Maturing in:	
1 year or less	121
More than 1 year and less than 5 years	390
Beyond 5 years	218
<b>Total</b>	<b>729</b>

#### **14.c. LEASE ITEMS PRESENTED IN THE INCOME STATEMENT**

In 2019, rental expenses recognized in profit from operations (see Note 7, “Breakdown of the other main components of profit from operations”) under “External services” totaled €74 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 €10 million in 2019 (see Note 8, “Financial income (loss)”).

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

In 2019, disbursements under leases recognized in the cash flow statement and relating to the repayment of lease liabilities represented €125 million and are shown within “Cash flow used in financing activities”. These are increased by payments of interest on lease liabilities, which are included within “Cash flow from operating activities”.



## Note 15 - Current and non-current financial assets

Financial assets include:

<i>(in € millions)</i>	Dec. 31, 2018			Dec. 31, 2019		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments			300			284
Other financial assets	385	(84)	301	374	(86)	288
<b>Total</b>			<b>601</b>			<b>572</b>

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

Other financial assets are measured at amortized cost.

The Group reviewed the value of its other financial assets in order to determine whether any items needed to be written down based on available information. No material write-downs were recognized in 2019.

### OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Loans to non-consolidated companies	122	150
Loans to employees	33	35
Deposits and guarantees	12	16
Other	134	87
<b>Total</b>	<b>301</b>	<b>288</b>
<b>Non-current</b>	<b>116</b>	<b>145</b>
<b>Current</b>	<b>185</b>	<b>143</b>

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

The table below shows movements in other financial assets:

<i>(in € millions)</i>	
<b>At December 31, 2018</b>	<b>301</b>
First-time application of IFRS 16 at January 1, 2019	19
Increase	87
Decrease	(125)
Effect of changes in foreign exchange rates	1
Reclassifications	5
<b>At December 31, 2019</b>	<b>288</b>

## 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, 2018	Dec. 31, 2019
ArianeGroup	1,605	1,559
Other joint ventures	648	652
<b>Total</b>	<b>2,253</b>	<b>2,211</b>

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

<i>(in € millions)</i>	
<b>At December 31, 2018</b>	<b>2,253</b>
Share in profit from ArianeGroup	29
Share in profit from other joint ventures	135
Dividends received from joint ventures	(77)
Changes in scope of consolidation	17
First-time application of IFRS 16 at January 1, 2019	(1)
Foreign exchange differences	13
Other movements	(158)
<b>At December 31, 2019</b>	<b>2,211</b>

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;
- SOFRADIR (now Lynred following the change in corporate name on May 31, 2019): manufacture of cooled infrared detectors;
- ULIS: manufacture of uncooled infrared detectors (merged with SOFRADIR as of January 1, 2019);
- 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, 2018	Dec. 31, 2019
Non-current assets	1,303	1,763
Current assets	6,626	6,610
<i>of which: cash and cash equivalents</i>	507	828
Non-current liabilities	(688)	(1,067)
<i>of which: non-current financial liabilities</i>	(137)	(517)
Current liabilities	(7,513)	(7,601)
<i>of which: current financial liabilities</i>	(28)	(57)
Non-controlling interests	(14)	(4)
<b>Net assets of ArianeGroup (excl. goodwill and PPA) – Attributable to owners of the parent (based on a 100% interest)</b>	<b>(286)</b>	<b>(299)</b>
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(143)	(150)
Purchase price allocation, net of deferred taxes	572	532
<b>Safran equity share – Net assets of ArianeGroup</b>	<b>429</b>	<b>383</b>
<b>Goodwill</b>	<b>1,176</b>	<b>1,176</b>
<b>Carrying amount of investment in ArianeGroup</b>	<b>1,605</b>	<b>1,559</b>

<i>(in € millions)</i>	2018	2019
<b>Profit for the period attributable to owners of the parent</b>	<b>241</b>	<b>138</b>
Other comprehensive income (expense)	(10)	(74)
<b>Total comprehensive income attributable to owners of the parent</b>	<b>231</b>	<b>64</b>
Safran equity share – Profit for the period	120	69
Amortization of purchase price allocation, net of deferred taxes	(37)	(40)
<b>Safran equity share – Profit of ArianeGroup</b>	<b>83</b>	<b>29</b>
Safran equity share – Other comprehensive income (expense)	(9)	(37)
<b>Safran equity share – Comprehensive income (expense) of ArianeGroup</b>	<b>74</b>	<b>(8)</b>

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

<i>(in € millions)</i>	2018	2019
Profit for the period	106	135
Other comprehensive income	20	7
<b>Total comprehensive income</b>	<b>126</b>	<b>142</b>

## Note 17 - Inventories and work-in-progress

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

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
	Net	Net
Raw materials and supplies	1,221	1,432
Finished goods	2,662	2,970
Work-in-progress	1,608	1,839
Bought-in goods	67	71
<b>Total</b>	<b>5,558</b>	<b>6,312</b>

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

<i>(in € millions)</i>	Gross	Impairment	Net
<b>At December 31, 2018</b>	<b>6,610</b>	<b>(1,052)</b>	<b>5,558</b>
Movements during the period	590	-	590
Net impairment expense	-	80	80
Reclassifications	(51)	48	(3)
Changes in scope of consolidation	47	(6)	41
Foreign exchange differences	56	(10)	46
<b>At December 31, 2019</b>	<b>7,252</b>	<b>(940)</b>	<b>6,312</b>

## 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, 2018			Dec. 31, 2019		
	Gross value	Amort. / impairment	Net	Gross value	Amort. / impairment	Net
Costs to obtain contracts	-	-	-	-	-	-
Costs to fulfill contracts	532	(62)	470	525	(54)	471
<b>Contract costs</b>	<b>532</b>	<b>(62)</b>	<b>470</b>	<b>525</b>	<b>(54)</b>	<b>471</b>

## Note 19 - Trade and other receivables

<i>(in € millions)</i>	Dec. 31, 2018 Net	Movements during the period	Impairment/ reversal	Changes in scope of consolidation	Reclassification s*	Effect of changes in foreign exchange rates	Dec. 31, 2019 Net
<b>Operating receivables</b>	<b>5,849</b>	<b>944</b>	<b>(2)</b>	<b>26</b>	<b>39</b>	<b>21</b>	<b>6,877</b>
Debit balances on trade payables/advance payments to suppliers	472	192	-	-	1	-	665
Trade receivables <sup>(1)</sup>	5,368	752	(2)	26	38	21	6,203
Operating current accounts	2	-	-	-	-	-	2
Employee-related receivables	7	-	-	-	-	-	7
<b>Other receivables</b>	<b>731</b>	<b>42</b>	<b>-</b>	<b>1</b>	<b>(16)</b>	<b>4</b>	<b>762</b>
Prepayments	89	33	-	-	(14)	1	109
VAT receivables	555	(3)	-	-	-	2	554
Other State receivables	32	(11)	-	-	-	-	21
Other receivables	55	23	-	1	(2)	1	78
<b>Total</b>	<b>6,580</b>	<b>977</b>	<b>(2)</b>	<b>27</b>	<b>32</b>	<b>25</b>	<b>7,639</b>

\* Including a negative amount of €3 million in connection with the first-time application of IFRS 16 at January 1, 2019.

(1) The year-on-year increase in this caption primarily reflects the grounding of the 737 MAX.

The table below shows changes in trade and other receivables:

<i>(in € millions)</i>	Gross	Impairment	Net
<b>At December 31, 2018</b>	<b>5,621</b>	<b>(253)</b>	<b>5,368</b>
Short-term changes	752	-	752
Net impairment expense	-	(2)	(2)
Reclassifications	37	4	41
First-time application of IFRS 16 at January 1, 2019	(3)	-	(3)
Changes in scope of consolidation	27	(1)	26
Foreign exchange differences	22	(1)	21
<b>At December 31, 2019</b>	<b>6,456</b>	<b>(253)</b>	<b>6,203</b>

Trade and other receivables fall due as shown below:

<i>(in € millions)</i>	Carrying amount at Dec. 31	Not past due	Past due at year-end (in days)					Total past due
			< 30	31 - 90	90 - 180	181 - 360	> 360	
<b>At December 31, 2018</b>								
Trade receivables	5,368	4,415	539	198	100	33	83	953
<b>At December 31, 2019</b>								
Trade receivables	6,203	5,525	289	146	86	51	106	678

In both 2019 and 2018, 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, 2018	Dec. 31, 2019
Contract assets, gross	1,555	1,754
Impairment	(11)	(11)
<b>Contract assets, net</b>	<b>1,544</b>	<b>1,743</b>

Changes in contract assets can be analyzed as follows:

<i>(in € millions)</i>	
<b>At December 31, 2018</b>	<b>1,544</b>
Reclassification of contract assets in trade and other receivables	(492)
Changes relating to revenue recognized over time	597
Other changes	93
Impairment	-
Foreign exchange differences	1
<b>At December 31, 2019</b>	<b>1,743</b>

Contract liabilities can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Advances and downpayments received	5,080	4,970
Deferred income	3,905	4,313
Other contract liabilities	1,468	1,640
<b>Total</b>	<b>10,453</b>	<b>10,923</b>

Changes in contract liabilities can be analyzed as follows:

<i>(in € millions)</i>	
<b>At December 31, 2018</b>	<b>10,453</b>
Increase in amounts received net of revenue recognized in the period	2,698
Revenue recognized in the period and included in the opening balance	(2,288)
Other changes	38
Foreign exchange differences	22
<b>At December 31, 2019</b>	<b>10,923</b>

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 2019, funding received for development work and under service contracts based on flight hours or landings was €321 million more than the revenue recognized.

## Note 21 - Cash and cash equivalents

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Money-market funds	5	22
Short-term investments	1,250	1,475
Sight deposits	1,075	1,135
<b>Total</b>	<b>2,330</b>	<b>2,632</b>

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

The table below presents changes in cash and cash equivalents:

<i>(in € millions)</i>	
<b>At December 31, 2018</b>	<b>2,330</b>
Movements during the period	300
Foreign exchange differences	2
<b>At December 31, 2019</b>	<b>2,632</b>

## Note 22 - Summary of financial assets

The following table presents the carrying amount of the Group's financial assets at December 31, 2018 and December 31, 2019:

	Carrying amount				Total
	At amortized cost	At fair value		= a+b+c+d	
	Amortized cost (a)	Fair value through profit or loss (b)	Fair value through equity (OCI) to be reclassified (c)		
<b>At December 31, 2018</b>					
<i>(in € millions)</i>					
<b>Non-current financial assets</b>					
Non-consolidated investments		300			300
Non-current derivatives (positive fair value)		13			13
Other non-current financial assets	116				116
<b>Sub-total non-current financial assets</b>	<b>116</b>	<b>313</b>	<b>-</b>	<b>-</b>	<b>429</b>
Other current financial assets	185				185
Current derivatives (positive fair value)		740			740
Trade receivables	5,368				5,368
Operating current accounts and other receivables	57				57
Cash and cash equivalents	2,325	5			2,330
<b>Sub-total current financial assets</b>	<b>7,935</b>	<b>745</b>	<b>-</b>	<b>-</b>	<b>8,680</b>
<b>Total financial assets</b>	<b>8,051</b>	<b>1,058</b>	<b>-</b>	<b>-</b>	<b>9,109</b>

At December 31, 2019	Carrying amount				Total
	At amortized cost	At fair value		= a+b+c+d	
	Amortized cost (a)	Fair value through profit or loss (b)	Fair value through equity (OCI) to be reclassified (c)		
<i>(in € millions)</i>					
<b>Non-current financial assets</b>					
Non-consolidated investments		284			284
Non-current derivatives (positive fair value)		33			33
Other non-current financial assets	145				145
<b>Sub-total non-current financial assets</b>	<b>145</b>	<b>317</b>	-	-	<b>462</b>
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
<b>Sub-total current financial assets</b>	<b>9,036</b>	<b>696</b>	-	-	<b>9,732</b>
<b>Total financial assets</b>	<b>9,181</b>	<b>1,013</b>	-	-	<b>10,194</b>

## 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 2019 or 2018.

## FAIR VALUE OF FINANCIAL ASSETS

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

Safran uses the fair value hierarchy set out in IFRS 13 to determine the classification of financial assets at fair value:

- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets;
- Level 3: unobservable inputs.

At December 31, 2018, the Group carried the following financial assets at fair value:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Non-consolidated investments	-	-	300	300
Derivatives (positive fair value)	-	753	-	753
Cash and cash equivalents	5	-	-	5
<b>Total</b>	<b>5</b>	<b>753</b>	<b>300</b>	<b>1,058</b>



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

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

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2019 or 2018.

#### OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

<b>At December 31, 2018</b>	Gross carrying amount	Amount offset	Net amount on the balance sheet <sup>(1)</sup>	Amount subject to offset agreement but not offset	<b>Net</b>
<i>(in € millions)</i>	(a)	(b)	(c)	(d)	<b>(c) - (d)</b>
<b>Derivatives (positive fair value)</b>	<b>753</b>	-	<b>753</b>	<b>725</b>	<b>28</b>

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

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

(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, 2019 or December 31, 2018, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offset agreement but not offset comprise a portion of the Group's derivatives with a negative fair value, since amounts can only be offset if they relate to the same counterparty.

## Note 23 - Consolidated shareholders' equity

### 23.a. SHARE CAPITAL

At December 31, 2019, Safran's share capital was fully paid up and comprised 427,234,155 shares, each with a par value of €0.20.

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

### 23.b. BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

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

#### December 31, 2018

Shareholders	Number of shares	% share capital	Number of voting rights <sup>(1)</sup>	% voting rights <sup>(1)</sup>
Private investors	356,388,863	81.78%	371,363,962	71.05%
French State	47,983,131	11.01%	95,966,262	18.36%
Employees <sup>(2)</sup>	29,956,234	6.88%	55,338,194	10.59%
Treasury shares	1,439,723	0.33%	-	-
<b>Total</b>	<b>435,767,951</b>	<b>100.00%</b>	<b>522,668,418</b>	<b>100.00%</b>

(1) Exercisable voting rights.

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

#### December 31, 2019

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

(1) Exercisable voting rights.

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

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

The 2,550,082 treasury shares have no voting rights.

At December 31, 2019, the total number of shares includes 29,060 shares issued throughout the year further to the exercise of stock subscription options resulting from employee commitments undertaken by Zodiac Aerospace, transferred to Safran at the time of the Zodiac Aerospace merger on December 1, 2018 based on the exchange ratio used for the merger. It also reflects the capital decrease carried out on December 20, 2019 by canceling 8,562,856 treasury shares.

#### Treasury shares

The number of treasury shares has increased since December 31, 2018 following:

- the sale of 84,903 shares under the Group's liquidity agreement, net of shares purchased;
- the purchase of 10,185,797 shares in connection with the implementation of the share buyback programs;
- the delivery of a total of 427,679 shares under employee share ownership plans and a multi-year variable compensation plan;
- the cancellation of 8,562,856 treasury shares.

On May 25, 2018, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations, at a maximum purchase price of €118 per share. A new authorization to purchase shares was granted by the Shareholders' Meeting of November 27, 2018, providing for a maximum purchase price of €140 per share, in order to reflect changes in the Safran share price since the last authorization was granted. This authorization was renewed by the Shareholders' Meeting of May 23, 2019, which set the maximum purchase price at €155 per share.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, the Company purchased 2,487,628 shares for €321 million, and sold 2,572,531 shares for €321 million. At December 31, 2019, 229,097 shares were held in connection with the liquidity agreement.

On May 24, 2017, Safran announced that it intended to buy back up to €2,300 million in shares over a two-year period, starting as soon as its tender offer for Zodiac Aerospace had been completed. The offer was completed on March 23, 2018 following the mandatory squeeze-out of Zodiac Aerospace shares.

After having launched two buyback tranches in 2018, in 2019 Safran signed:

- a share purchase agreement with an investment services firm on January 10, 2019 for a third buyback tranche of up to €600 million, expiring on May 10, 2019 at the latest;
- a share purchase agreement with a different investment services firm on May 27, 2019 for a fourth buyback tranche of up to €150 million, expiring on June 28, 2019 at the latest;
- a share purchase agreement with an investment services firm on July 1, 2019 for a fifth buyback tranche of up to €400 million, expiring on September 4, 2019 at the latest;
- a share purchase agreement with an investment services firm on September 17, 2019 for a sixth buyback tranche of up to €220 million, expiring on December 13, 2019 at the latest.

At December 31, 2019, the four tranches had been completed, involving the purchase of 8,562,856 shares for €1,076 million.

The entire €2,300 million share buyback program had therefore been completed at December 31, 2019.

As in 2018, the shares purchased in 2019 were subsequently canceled within the scope of the capital decrease of December 20, 2019.

An amendment to the September 17, 2019 share purchase agreement for the sixth buyback tranche was signed on September 20, 2019, setting the expiration date at December 31, 2019. The maximum amount of shares available for purchase was increased to €450 million and a second buyback purpose therefore added, consisting of the allocation or sale of the shares to employees and/or certain corporate officers.

This second purpose was fulfilled, enabling the purchase of 1,622,941 shares for €232 million.

### **23.c. SHARE-BASED PAYMENT**

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 2018 Registration Document).

Key details of outstanding performance share plans at December 31, 2019 are shown below:

	2017 performance shares	2018 performance shares	2019 performance shares
Shareholder authorization	May 19, 2016	May 25, 2018	May 25, 2018
Grant date by the Board of Directors	March 23, 2017	July 24, 2018	March 27, 2019
Vesting date	March 25, 2020	July 26, 2021	March 29, 2022
Share price at the grant date	€69.86	€107.05	€116.90
Number of beneficiaries at the grant date	430	440	589
Number of performance shares granted	567,747	574,712	732,130
Number of shares canceled or forfeited	(35,135)	(19,109)	(55,200)
<b>Number of performance shares outstanding at December 31, 2019</b>	<b>532,612</b>	<b>555,603</b>	<b>676,930</b>

The share-based payment expense for these performance share plans, recognized within personnel expenses under “Other employee costs” (see Note 7, “Breakdown of the other main components of profit from operations”) totals €49 million in 2019 compared to €29 million in 2018, excluding the employer contribution.

### 23.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 (see Note 23.e, “Dividend distribution”) 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 (see the consolidated statement of changes in shareholders' equity).

### 23.e. DIVIDEND DISTRIBUTION

A dividend payout of €1.82 per share in respect of 2018 was approved and paid in 2019, representing a total amount of €785 million.

At the Shareholders' Meeting to be held on May 28, 2020 to approve the financial statements for the year ended December 31, 2019, the Board of Directors will recommend a dividend payment of €2.38 per share in respect of 2019, representing a total payout of €1,017 million.

## Note 24 - Provisions

Provisions break down as follows:

<i>(in € millions)</i>	Dec. 31, 2018	Additions	Reversals				Changes in scope of consolidation	Other	Dec. 31, 2019
			Utilizations <sup>(1)</sup>	Reclassifications <sup>(1)</sup>	Surplus				
Performance warranties	1,037	593	(203)	-	(221)	2	6	1,214	
Financial guarantees	3	3	(4)	-	-	-	-	2	
Post-employment benefits	876	81	(91)	-	(3)	-	127	990	
Sales agreements and long-term receivables	266	102	(44)	-	(67)	-	1	258	
Provisions for losses on completion and losses arising on delivery commitments	201	137	(71)	(1)	(26)	-	5	245	
Disputes and litigation	51	12	(13)	-	(12)	-	1	39	
Other	343	164	(130)	(2)	(36)	-	(4)	335	
<b>Total</b>	<b>2,777</b>	<b>1,092</b>	<b>(556)</b>	<b>(3)</b>	<b>(365)</b>	<b>2</b>	<b>136</b>	<b>3,083</b>	
<b>Non-current</b>	<b>1,588</b>							<b>2,093</b>	
<b>Current</b>	<b>1,189</b>							<b>990</b>	

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

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

<i>(in € millions)</i>	Dec. 31, 2019
Net additions recognized in profit from operations	(122)
Net additions recognized in financial income (loss)	(46)
<b>Total</b>	<b>(168)</b>

## **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 1.t.

### **25.a. PRESENTATION OF POST-EMPLOYMENT BENEFITS**

#### a) France

##### - Defined benefit pension plans

The Group closed a defined benefit supplementary pension plan at December 31, 2017 and froze all conditional entitlements at December 31, 2016.

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

The closure of this plan was part of a change in supplementary pension arrangements for Group executive managers, with the introduction of an "Article 83" defined contribution supplementary plan (mandatory collective plan) and an "Article 82" defined contribution plan (voluntary collective plan) as from January 1, 2017.

##### - Retirement termination benefits

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

##### - Other long-term benefits

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

#### b) United Kingdom

##### - Defined benefit pension plans

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

#### c) Rest of the world

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

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

## 25.b. FINANCIAL POSITION

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019	France	United Kingdom	Rest of the world
Gross obligation	1,554	1,782	794	618	370
Plan assets	691	809	12	598	199
<b>Provision recognized in the accounts</b>	<b>876</b>	<b>990</b>	<b>782</b>	<b>37</b>	<b>171</b>
- Defined benefit pension plans	180	198	20	37	141
- Retirement termination benefits	644	735	710	-	25
- Long-service bonuses and other employee benefits	52	57	52	-	5
<b>Recognized net plan assets</b>	<b>(13)</b>	<b>(17)</b>	<b>-</b>	<b>(17)</b>	<b>-</b>

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,554	1,782	990	735	57
Plan assets	691	809	809	-	-
<b>Provision recognized in the accounts</b>	<b>876</b>	<b>990</b>	<b>198</b>	<b>735</b>	<b>57</b>
<b>Recognized net plan assets</b>	<b>(13)</b>	<b>(17)</b>	<b>(17)</b>	<b>-</b>	<b>-</b>

The increase in the gross obligation chiefly results from:

- revised financial assumptions (discount and inflation rates) used to determine the benefit obligation in the United Kingdom and the eurozone;
- the appreciation in the pound sterling, generating exchange differences.

The value of plan assets rose during the period due to the return on pension fund assets in the United Kingdom and the appreciation in the pound sterling.

The cost of the Group's pension obligations in 2018 and 2019 can be analyzed as follows:

<i>(in € millions)</i>	2018	2019
Current service cost	(57)	(60)
Actuarial gains and losses recognized (on other long-term benefits)	2	(4)
Plan implementation, amendment and settlement	(4)	-
Plan administration costs	-	(1)
<b>Total operating component of the pension expense</b>	<b>(59)</b>	<b>(65)</b>
Interest cost on the net benefit obligation	(14)	(13)
<b>Total financing component of the pension expense</b>	<b>(14)</b>	<b>(13)</b>
<b>Total</b>	<b>(73)</b>	<b>(78)</b>

The Group expects to pay a total of €20 million into its defined benefit pension plans in 2020.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
<b>Discount rate</b>	2018	1.50%	2.90%
	<b>2019</b>	<b>0.60%</b>	<b>1.95%</b>
<b>Inflation rate</b>	2018	1.75%	3.25%
	<b>2019</b>	<b>1.75%</b>	<b>2.90%</b>
<b>Rate of annuity increases</b>	2018	1.00%	3.25%
	<b>2019</b>	<b>1.00%</b>	<b>2.90%</b>
<b>Rate of future salary increases</b>	2018	1.12%-5.00%	N/A
	<b>2019</b>	<b>1.12%-5.00%</b>	<b>N/A</b>
<b>Retirement age</b>	2018	Managerial: 64/65 years Non-managerial: 62/65 years	65 years
	<b>2019</b>	<b>Managerial: 64/65 years Non-managerial: 62/65 years</b>	<b>65 years</b>

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, 2019:

(in € millions)

<b>Sensitivity (basis points)</b>	<b>-0.50%</b>	<b>+0.50%</b>
Discount rate	147	(129)
Inflation rate	(62)	66
Rate of future salary increases	(56)	64

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

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



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

Change in the gross benefit obligation:

	2018	2019	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other employee benefits
<i>(in € millions)</i>					
<b>Gross benefit obligation at beginning of period</b>	<b>1,467</b>	<b>1,554</b>	<b>858</b>	<b>644</b>	<b>52</b>
<b>A. Pension expense</b>					
Current service cost	57	60	13	43	4
Actuarial gains and losses recognized (on other long-term benefits)	(2)	4	-	-	4
Plan implementation, amendment and settlement	4	-	-	-	-
Interest cost	30	32	21	10	1
<b>Total expense recognized in the income statement</b>	<b>89</b>	<b>96</b>	<b>34</b>	<b>53</b>	<b>9</b>
<b>B. Actuarial gains and losses arising in the period on post-employment plans</b>					
Actuarial gains and losses resulting from changes in demographic assumptions	(3)	(17)	(17)	-	-
Actuarial gains and losses resulting from changes in financial assumptions	(63)	190	117	73	-
Experience adjustments	6	(1)	(5)	4	-
<b>Total revaluation recognized in other comprehensive income for the period</b>	<b>(60)</b>	<b>172</b>	<b>95</b>	<b>77</b>	<b>-</b>
<b>C. Other items</b>					
Employee contributions	2	3	3	-	-
Benefits paid	(96)	(83)	(40)	(39)	(4)
Changes in scope of consolidation	154	5	5	-	-
Other movements	-	(2)	(2)	-	-
Foreign exchange differences	(2)	37	37	-	-
<b>Total other items</b>	<b>58</b>	<b>(40)</b>	<b>3</b>	<b>(39)</b>	<b>(4)</b>
<b>Gross benefit obligation at end of period</b>	<b>1,554</b>	<b>1,782</b>	<b>990</b>	<b>735</b>	<b>57</b>
<b>Average weighted term of pension plans</b>	<b>15</b>	<b>15</b>	<b>18</b>	<b>12</b>	<b>10</b>

Change in the fair value of plan assets:

	2018	2019	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other employee benefits
<i>(in € millions)</i>					
<b>Fair value of plan assets at beginning of period</b>	<b>665</b>	<b>691</b>	<b>691</b>	<b>-</b>	<b>-</b>
<b>A. Income</b>					
Interest income on plan assets	16	19	19	-	-
Plan administration costs	-	(1)	(1)	-	-
<b>Total income recognized in the income statement</b>	<b>16</b>	<b>18</b>	<b>18</b>	<b>-</b>	<b>-</b>
<b>B. Actuarial gains and losses arising in the period on post-employment plans</b>					
Return on plan assets (excluding interest income component)	(12)	53	53	-	-
<b>Total revaluation recognized in other comprehensive income for the period</b>	<b>(12)</b>	<b>53</b>	<b>53</b>	<b>-</b>	<b>-</b>
<b>C. Other items</b>					
Employee contributions	2	2	2	-	-
Employer contributions	43	49	49	-	-
Benefits paid	(43)	(40)	(40)	-	-
Changes in scope of consolidation	23	-	-	-	-
Other movements	-	3	3	-	-
Foreign exchange differences	(3)	33	33	-	-
<b>Total other items</b>	<b>22</b>	<b>47</b>	<b>47</b>	<b>-</b>	<b>-</b>
<b>Fair value of plan assets at end of period</b>	<b>691</b>	<b>809</b>	<b>809</b>	<b>-</b>	<b>-</b>

25.d. ASSET ALLOCATION

	United Kingdom % allocation at		Other European countries % allocation at	
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019
<b>Shares</b>	14.47%	14.18%	27.65%	27.55%
<b>Bonds and debt instruments</b>	41.88%	50.77%	58.65%	56.45%
<b>Property</b>	7.56%	6.53%	7.50%	9.78%
<b>Mutual funds and other diversified funds</b>	35.13%	24.78%	0.65%	0.47%
<b>Cash and cash equivalents</b>	0.96%	3.74%	2.15%	4.93%
<b>Other</b>	0.00%	0.00%	3.40%	0.82%

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.

#### 25.e. CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

The expense for 2019 in respect of defined contribution plans amounts to €319 million (€296 million in 2018, including the expense for the former Zodiac Aerospace scope as from March 1, 2018).

These contributions relate to statutory pension plans and defined contribution supplementary pension plans.

### Note 26 - Borrowings subject to specific conditions

This caption mainly includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

<i>(in € millions)</i>	
<b>At December 31, 2018</b>	<b>585</b>
New advances received	7
Advances repaid	(34)
<b>Sub-total: changes with a cash impact</b>	<b>(27)</b>
Cost of borrowings and discounting	20
Foreign exchange differences	1
Adjustments to the probability of repayment of advances <sup>(1)</sup>	(74)
<b>Sub-total: changes with no cash impact</b>	<b>(53)</b>
<b>At December 31, 2019</b>	<b>505</b>

(1) See Note 7, "Breakdown of the other main components of profit from operations".

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

## Note 27 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities:

<i>(in € millions)</i>	Dec. 31, 2018*	Dec. 31, 2019
Bond issue	1,315	712
OCÉANE convertible bond	657	667
Senior unsecured notes in USD	906	950
Finance lease liabilities	121	-
Lease liabilities	-	608
Long-term borrowings	385	302
<b>Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)</b>	<b>3,384</b>	<b>3,239</b>
Bond issue	499	601
Senior unsecured notes in USD	135	-
Finance lease liabilities	27	-
Lease liabilities	-	121
Long-term borrowings	322	362
Accrued interest not yet due	19	9
<b>Current interest-bearing financial liabilities, long-term at inception</b>	<b>1,002</b>	<b>1,093</b>
Negotiable European Commercial Paper (NEU CP)	973	1,772
Short-term bank facilities and equivalent	246	675
<b>Current interest-bearing financial liabilities, short-term at inception</b>	<b>1,219</b>	<b>2,447</b>
<b>Total current interest-bearing financial liabilities (less than 1 year)</b>	<b>2,221</b>	<b>3,540</b>
<b>Total interest-bearing financial liabilities<sup>(1)</sup></b>	<b>5,605</b>	<b>6,779</b>

\* The data published for 2018 have been restated for the impact of the change in accounting policy resulting from the modified retrospective application of IFRS 16, "Leases" (see Note 14, "Leases").

(1) The fair value of interest-bearing financial liabilities amounts to €6,851 million (€5,698 million at December 31, 2018).

Movements in this caption break down as follows:

<i>(in € millions)</i>	
<b>At December 31, 2018</b>	<b>5,605</b>
Increase in long-term borrowings at inception (excluding lease liabilities)	24
Decrease in long-term borrowings at inception	(875)
Change in short-term borrowings	1,261
<b>Sub-total: changes with a cash impact</b>	<b>410</b>
First-time application of IFRS 16 at January 1, 2019	529
Net increase in lease liabilities	144
Accrued interest	(10)
Changes in scope of consolidation	22
Foreign exchange differences	30
Change in the fair value of borrowings hedged with interest rate instruments <sup>(1)</sup>	27
Reclassifications and other	22
<b>Sub-total: changes with no cash impact</b>	<b>764</b>
<b>At December 31, 2019</b>	<b>6,779</b>

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

## Analysis by maturity:

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Maturing in:		
1 year or less	2,221	3,540
More than 1 year and less than 5 years	2,688	3,016
Beyond 5 years	696	223
<b>Total</b>	<b>5,605</b>	<b>6,779</b>

## Analysis by currency before hedging:

<i>(in millions of currency units)</i>	Dec. 31, 2018		Dec. 31, 2019	
	Currency	EUR	Currency	EUR
EUR	4,502	4,502	5,335	5,335
USD	1,249	1,091	1,431	1,294
CAD	1	1	8	6
GBP	-	-	26	30
Other	N/A	11	N/A	114
<b>Total</b>		<b>5,605</b>		<b>6,779</b>

## Analysis by currency after hedging:

<i>(in millions of currency units)</i>	Dec. 31, 2018		Dec. 31, 2019	
	Currency	EUR	Currency	EUR
EUR	4,502	4,502	6,283	6,283
USD	1,249	1,091	386	346
CAD	1	1	8	6
GBP	-	-	26	30
Other	N/A	11	N/A	114
<b>Total</b>		<b>5,605</b>		<b>6,779</b>

## Analysis by type of interest rate:

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018		Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2019	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	3,320	5,073	2,131	2.75%	2,648	2.77%	1,189	0.30%	2,425	0.04%
Floating rate	2,285	1,706	1,254	0.32%	591	0.37%	1,031	0.20%	1,115	0.45%
<b>Total</b>	<b>5,605</b>	<b>6,779</b>	<b>3,385</b>	<b>1.85%</b>	<b>3,239</b>	<b>2.33%</b>	<b>2,220</b>	<b>0.25%</b>	<b>3,540</b>	<b>0.17%</b>

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018		Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2019	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	2,203	4,860	1,014	1.29%	2,435	1.70%	1,189	0.30%	2,425	0.04%
Floating rate	3,402	1,919	2,371	2.09%	804	0.57%	1,031	0.20%	1,115	0.45%
<b>Total</b>	<b>5,605</b>	<b>6,779</b>	<b>3,385</b>	<b>1.85%</b>	<b>3,239</b>	<b>1.42%</b>	<b>2,220</b>	<b>0.25%</b>	<b>3,540</b>	<b>0.17%</b>

The Group's net debt position is as follows:

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Cash and cash equivalents (A)	2,330	2,632
Interest-bearing financial liabilities (B)	5,605	6,779
Fair value of interest rate derivatives used as fair value hedges of borrowings (C)	6	33
<b>Total (A) - (B) + (C)</b>	<b>(3,269)</b>	<b>(4,114)</b>

The Group's gearing ratio is shown below:

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Net debt	(3,269)	(4,114)
Total equity	12,301	12,748
<b>Gearing ratio</b>	<b>26.58%</b>	<b>32.27%</b>

#### MAIN LONG-TERM BORROWINGS AT INCEPTION

- US private placement (USPP) set up on February 9, 2012 for a total amount of USD 1.045 billion, including:
  - USD 540 million of 10-year notes due February 2022 at a 4.28% fixed-rate coupon (tranche B);
  - USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon (tranche C).

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

The issue's interest came out at 1.64% in 2019 after taking into account the impact of interest rate derivatives.

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

- 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 2019 is 1.11% after taking into account the impact of interest rate derivatives.
- Issuance on June 28, 2017 of four-year floating-rate bonds at 3-month Euribor +57 basis points (coupon floored at 0%) for €500 million (maturing in June 2021). The bonds were issued at 100% of par.

Issuance on June 28, 2017 of two-year floating-rate bonds at 3-month Euribor +30 basis points (coupon floored at 0%) for €500 million (maturing in June 2019). The bonds were issued at 100.059% of par. They were repaid at maturity on June 28, 2019.

- Issuance on July 13, 2018 of two-year floating-rate bonds at 3-month Euribor +33 basis points (coupon floored at 0%) for €500 million (maturing in July 2020). The bonds were issued at 100% of par.
- Bonds convertible and/or exchangeable for new and/or existing shares ("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 0.00%. Unless converted, redeemed or bought back and canceled prior to maturity, the OCÉANE bonds are redeemable at par on June 21, 2023. The effective annual interest rate on the liability component

of the Océane bonds is 1.40% including issuance fees (see Note 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, 2019 at an adjustable rate of 2.902%.
- Seven-year, 3.605% fixed-rate *Schuldschein* loan for €99 million set up by the former Zodiac Aerospace group on July 25, 2013 (maturing in July 2020) and restructured on July 25, 2018: €95 million was repaid ahead of maturity by the former Zodiac Aerospace group and simultaneously replaced by a liability in the form of Negotiable European Medium Term Notes taken out by Safran with the same lenders for the same amount, under the same financial conditions and with the same maturity. Following this transaction, only €4 million of the original *Schuldschein* loan remains outstanding.
- European Investment Bank (EIB) floating-rate loan, bearing interest at 3-month Euribor +73.4 basis points and maturing in December 2020. At December 31, 2019, €37.5 million was outstanding.
- Negotiation European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €407 million at December 31, 2019. The average interest rate payable by Safran on this commercial paper was 1.55% at December 31, 2019. 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, 2019, 78% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 78% of the €407 million in NEU CP is classified within the current portion of long-term borrowings.
- Lease liabilities (including former finance lease liabilities) totaling €729 million at December 31, 2019 as a result of the first-time application of IFRS 16.

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

#### MAIN SHORT-TERM BORROWINGS

- Negotiable European Commercial Paper (NEU CP): €1,772 million (€973 million at December 31, 2018).  
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: €263 million (€201 million at December 31, 2018). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

#### SALE OF RECEIVABLES WITHOUT RECOURSE

Financial liabilities at December 31, 2019 and December 31, 2018 do not include trade receivables sold without recourse, relating mainly to CFM Inc. (consolidated as a joint operation).

This confirmed USD 2,370 million facility renewed in December 2019 and maturing in December 2021, contracted with a syndicate of six banks led by Crédit Agricole CIB and set to be reduced to USD 1,500 million in mid-January 2020 and subsequently to USD 800 million in December 2020, had been drawn in an amount of USD 1,423 million at December 31, 2019 (USD 712 million based on a 50% interest) versus USD 2,147 million (USD 1,074 million based on a 50% interest) at December 31, 2018.

## Note 28 - Trade and other payables

	Dec. 31, 2018	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2019
<i>(in € millions)</i>						
<b>Operating payables</b>	<b>5,099</b>	<b>441</b>	<b>21</b>	<b>19</b>	<b>7</b>	<b>5,587</b>
Credit balances on trade receivables	723	110	-	1	1	835
Trade payables	2,920	234	24	14	6	3,198
Operating current account	1	(1)	-	-	-	-
Employee-related liabilities	1,455	98	(3)	4	-	1,554
<b>Other liabilities</b>	<b>551</b>	<b>13</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>577</b>
State aid, accrued payables	24	(7)	-	-	-	17
State, other taxes and duties	198	81	-	1	-	280
Deferred income	105	5	-	-	-	110
Other	224	(66)	2	2	8	170
<b>Total</b>	<b>5,650</b>	<b>454</b>	<b>23</b>	<b>22</b>	<b>15</b>	<b>6,164</b>

Trade and other payables fall due as shown below:

<i>(in € millions)</i>	Total	Less than 12 months	More than 12 months
Operating payables	5,587	5,569	18
Other liabilities	577	532	45
<b>Total</b>	<b>6,164</b>	<b>6,101</b>	<b>63</b>

## Note 29 - Other current and non-current financial liabilities

	Dec. 31, 2018	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2019
<i>(in € millions)</i>						
Payables on purchases of property, plant and equipment and intangible assets	117	8	-	1	(18)	<b>108</b>
Payables on purchases of investments	(2)	-	6	-	5	<b>9</b>
<b>Total</b>	<b>115</b>	<b>8</b>	<b>6</b>	<b>1</b>	<b>(13)</b>	<b>117</b>
<b>Non-current</b>	<b>2</b>					<b>2</b>
<b>Current</b>	<b>113</b>					<b>115</b>

These liabilities are not included in the Group's net financial position at December 31, 2019.



## Note 30 - Summary of financial liabilities

The following table presents the carrying amount of the Group's financial liabilities at December 31, 2018 and December 31, 2019:

At December 31, 2018	Carrying amount		
	Financial liabilities at amortized cost <sup>(1)</sup>	Financial liabilities at fair value	Total
<i>(in € millions)</i>			
Borrowings subject to specific conditions	585		585
Non-current interest-bearing financial liabilities	3,384		3,384
Current interest-bearing financial liabilities	2,221		2,221
Trade payables	2,920		2,920
Payables on purchases of investments	(2)	-	(2)
Payables on purchases of property, plant and equipment and intangible assets	117		117
Operating current accounts	1		1
Non-current derivatives (negative fair value)		7	7
Current derivatives (negative fair value)		1,255	1,255
<b>Total financial liabilities</b>	<b>9,226</b>	<b>1,262</b>	<b>10,488</b>

(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 €6 million at December 31, 2018.

At December 31, 2019	Carrying amount		
	Financial liabilities at amortized cost <sup>(1)</sup>	Financial liabilities at fair value	Total
<i>(in € millions)</i>			
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
Operating current accounts	-		-
Non-current derivatives (negative fair value)		5	5
Current derivatives (negative fair value)		1,033	1,033
<b>Total financial liabilities</b>	<b>10,599</b>	<b>1,038</b>	<b>11,637</b>

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

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 2019 and 2018, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

<i>(in € millions)</i>	Dec. 31, 2018		Dec. 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	585	N/A	505	N/A
Interest-bearing financial liabilities <sup>(1)</sup>	5,605	5,698	6,779	6,851

(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, 2018:

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	1,262	-	1,262
<b>Total</b>	<b>-</b>	<b>1,262</b>	<b>-</b>	<b>1,262</b>

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

<i>(in € millions)</i>	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	1,038	-	1,038
<b>Total</b>	<b>-</b>	<b>1,038</b>	<b>-</b>	<b>1,038</b>

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2019 or 2018.

## OFFSETTING OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

At December 31, 2018					Net <b>(c) - (d)</b>
<i>(in € millions)</i>	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet <sup>(1)</sup> (c)	Amount subject to offset agreement but not offset (d)	
<b>Derivatives (negative fair value)</b>	<b>1,262</b>	<b>-</b>	<b>1,262</b>	<b>725</b>	<b>537</b>

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

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

(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, 2019 or December 31, 2018, 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:

<i>(in € millions)</i>	Dec. 31, 2018		Dec. 31, 2019	
	Assets	Liabilities	Assets	Liabilities
<b>Interest rate risk management</b>	<b>13</b>	<b>(8)</b>	<b>33</b>	<b>(5)</b>
Floating-for-fixed interest rate swaps	-	-	-	(5)
Fixed-for-floating interest rate swaps	13	(8)	33	-
<b>Foreign currency risk management</b>	<b>740</b>	<b>(1,254)</b>	<b>674</b>	<b>(1,033)</b>
Currency swaps	-	-	2	-
Purchase and sale of forward currency contracts	87	(361)	200	(241)
Currency option contracts	653	(893)	472	(792)
<b>Total</b>	<b>753</b>	<b>(1,262)</b>	<b>707</b>	<b>(1,038)</b>

#### **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 USD 10.9 billion for 2019.

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

#### HEDGING POLICY

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

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

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

## MANAGEMENT POLICY

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

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and the combination of optional instruments with or without barriers.

Optimization measures are also used with a view to improving the minimum exchange rate parity, and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators and the combination of optional instruments with or without barriers.

## FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2018				Dec. 31, 2019			
	Fair value <sup>(1)</sup>	Notional amount <sup>(1)</sup>	Less than 1 year	1 to 5 years	Fair value <sup>(1)</sup>	Notional amount <sup>(1)</sup>	Less than 1 year	1 to 5 years
<i>(in millions of currency units)</i>								
<b>Forward exchange contracts</b>	<b>(273)</b>				<b>(40)</b>			
Short USD position	(338)	3,911	3,911	-	(238)	2,661	2,661	-
<i>Of which against EUR</i>	<i>(333)</i>	<i>3,861</i>	<i>3,861</i>	<i>-</i>	<i>(238)</i>	<i>2,661</i>	<i>2,661</i>	<i>-</i>
Long USD position	47	(1,201)	(301)	(900)	75	(957)	(957)	-
<i>Of which against EUR</i>	<i>42</i>	<i>(1,151)</i>	<i>(251)</i>	<i>(900)</i>	<i>75</i>	<i>(957)</i>	<i>(957)</i>	<i>-</i>
Short EUR position against GBP	-	(17)	(17)	-	9	107	100	7
Short EUR position against CAD	3	47	(2)	49	7	49	49	-
Long MXN position against EUR	31	(12,176)	(1,872)	(10,304)	107	(13,304)	(4,086)	(9,217)
Long MXN position against USD	(16)	(1,150)	(1,150)	-	-	-	-	-
<b>Currency swaps</b>	<b>-</b>				<b>2</b>			
Cross currency swaps	-	-	-	-	2	1,045	-	1,045
<b>Currency option contracts</b>	<b>(241)</b>				<b>(321)</b>			
USD put purchased	482	22,454	17,454	5,000	275	26,555	26,055	500
USD call purchased	95	(1,700)	(1,700)	-	83	(2,300)	(1,300)	(1,000)
USD call sold	(870)	47,084	37,384	9,700	(718)	45,471	44,471	1,000
USD put sold	(14)	(4,238)	(4,238)	-	(41)	(4,600)	(2,600)	(2,000)
EUR put purchased	18	420	420	-	89	1,690	1,540	150
EUR call sold	(4)	840	840	-	(19)	3,200	2,900	300
Accumulators – sell USD <sup>(2)</sup>	58	1,014	126	888	6	2,539	686	1,853
Accumulators – buy GBP <sup>(2)</sup>	(1)	(400)	(400)	-	2	(520)	(520)	-
Accumulators – buy CAD <sup>(2)</sup>	(5)	(400)	(400)	-	-	-	-	-
Accumulators – buy MXN <sup>(2)</sup>	-	-	-	-	2	(500)	(500)	-
<b>Total</b>	<b>(514)</b>				<b>(359)</b>			

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

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

In the balance sheet, changes in the fair value of unwound currency hedging instruments between December 31, 2018 and December 31, 2019 represent €155 million.

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

### EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

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

<i>(in USD millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Total assets excluding derivatives	2,982	4,158
Total liabilities excluding derivatives	(3,059)	(3,067)
Derivatives hedging balance sheet positions <sup>(1)</sup>	(1,114)	(1,148)
<b>Net exposure after the impact of derivatives hedging balance sheet positions</b>	<b>(1,191)</b>	<b>(57)</b>

(1) Notional amount.

Assets and liabilities excluding derivatives primarily consist of operating receivables and payables denominated in USD in the balance sheets of Group subsidiaries whose functional currency is the euro, and unsecured notes issued by Safran on the US private placement market for USD 1 billion. After setting up the cross currency swap to hedge the foreign currency risk on USD unsecured notes (see "Exposure to USD interest rate risk"), virtually all of these assets and liabilities are hedged by foreign currency hedging derivatives.

In addition to this net exposure, the Group has EUR/USD currency derivatives hedging revenue net of future purchases. These instruments had a negative fair value of USD 558 million, compared to a total negative fair value of USD 627 million for EUR/USD currency derivatives at December 31, 2019 (negative fair value of USD 590 million and USD 617 million, respectively, at December 31, 2018).

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

<i>Impact on balance sheet positions (in € millions)</i>	Dec. 31, 2018		Dec. 31, 2019	
	USD		USD	
Closing rate	1.15		1.12	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.09	1.20	1.07	1.18
Impact recognized through profit or loss (before tax)	(1,653)	633	(2,195)	623
Impact recognized through equity (before tax)	(56)	50	-	-

### **INTEREST RATE RISK MANAGEMENT**

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

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

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

## EXPOSURE TO EUR INTEREST RATE RISK

Interest rate swaps were taken out to convert the fixed rate payable on the €200 million bond issue carried out in first-half 2014 and maturing in April 2024 to a floating rate. These swaps are eligible for fair value hedge accounting.

<i>(in € millions)</i>	Dec. 31, 2018					Dec. 31, 2019				
	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years
<b>Interest rate swaps</b>										
Fixed-for-floating	13	200	-	-	200	14	200	-	200	-
<b>Total</b>	<b>13</b>					<b>14</b>				

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

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Change in fair value of hedging instrument	-	1
Change in fair value of hedged item	-	(1)
<b>Impact of fair value EUR interest rate hedges on financial income (loss)</b>	<b>-</b>	<b>-</b>

Exposure to EUR interest rate risk before and after hedging:

<i>(in € millions)</i>	Dec. 31, 2018		Current		Non-current		Total	
			Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities			1,029	1,003	1,222	1,248	<b>2,251</b>	<b>2,251</b>
Other financial assets			173	7	48	31	<b>221</b>	<b>38</b>
Cash and cash equivalents			125	1,657	-	-	<b>125</b>	<b>1,657</b>
<b>Net exposure before hedging</b>			<b>731</b>	<b>(661)</b>	<b>1,174</b>	<b>1,217</b>	<b>1,905</b>	<b>556</b>
Derivatives <sup>(1)</sup>			-	-	(200)	200	<b>(200)</b>	<b>200</b>
<b>Net exposure after hedging</b>			<b>731</b>	<b>(661)</b>	<b>974</b>	<b>1,417</b>	<b>1,705</b>	<b>756</b>

(1) Notional amount.

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

(1) Notional amount.

## EXPOSURE TO USD INTEREST RATE RISK

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

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

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

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.

<i>(in € millions)</i>	Dec. 31, 2018					Dec. 31, 2019				
	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
<b>USD interest rate swaps</b>										
Fixed-for-floating	(6)	2,133	1,088	540	505	19	1,670	625	1,045	-
Floating-for-fixed	(2)	2,335	2,335	-	-	(5)	2,295	1,250	1,045	-
<b>Total</b>	<b>(8)</b>					<b>14</b>				

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:

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Change in fair value of hedging instrument	(11)	26
Change in fair value of hedged item	11	(26)
<b>Impact of fair value USD interest rate hedges on financial income (loss)</b>	<b>-</b>	<b>-</b>

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2018	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
<i>(in USD millions)</i>						
Interest-bearing financial liabilities	180	28	1,041	-	1,221	28
Other financial assets	-	1	44	-	44	1
Cash and cash equivalents	79	362	-	-	79	362
<b>Net exposure before hedging</b>	<b>101</b>	<b>(335)</b>	<b>997</b>	<b>-</b>	<b>1,098</b>	<b>(335)</b>
Derivatives <sup>(1)</sup>	1,247	(1,247)	(1,045)	1,045	202	(202)
<b>Net exposure after hedging</b>	<b>1,348</b>	<b>(1,582)</b>	<b>(48)</b>	<b>1,045</b>	<b>1,300</b>	<b>(537)</b>

(1) Notional amount.

Dec. 31, 2019	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
<i>(in USD millions)</i>						
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
<b>Net exposure before hedging</b>	<b>(151)</b>	<b>(705)</b>	<b>1,220</b>	<b>-</b>	<b>1,069</b>	<b>(705)</b>
Derivatives <sup>(1)</sup>	625	(625)	(1,045)	-	(420)	(625)
<b>Net exposure after hedging</b>	<b>474</b>	<b>(1,330)</b>	<b>175</b>	<b>-</b>	<b>649</b>	<b>(1,330)</b>

(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:

	Dec. 31, 2018	Dec. 31, 2019
<i>Impact of changes in interest rates (in € millions)</i>		
Interest rate change assumptions	+1%	+1%
Impact on profit or loss (before tax)	(3)	(6)
Impact on equity (before tax)	-	-

## [COUNTERPARTY RISK MANAGEMENT](#)

The Group is exposed to counterparty risk on the following:

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

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

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

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.



Within the scope of its civil and military aviation businesses, the Group may be exposed to late payments from its customers, particularly sovereign customers, and this could affect its ability to meet its free cash flow targets.

Note 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.

Since the Group has an undrawn, confirmed liquidity line at December 31, 2019, it is relatively insensitive to liquidity risk. This €2,520 million line was set up in December 2015 and expires in December 2020. It includes two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

A number of financial covenants apply to the EIB borrowings set up in 2010 (see Note 27, "Interest-bearing financial liabilities").

The following two ratios apply:

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

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market (USPP) (see Note 27, "Interest-bearing financial liabilities").

The following covenant applies to the euro private placement ("Euro PP") in the form of a syndicated loan, set up by 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/EBITDA <3.5.

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

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

## **Note 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>	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2019</b>
Current assets	109	126
Non-current assets	171	182
Current liabilities	165	180
Non-current liabilities	22	18
Operating income	102	91
Operating expenses	(70)	(68)
Financial income (loss)	(13)	(1)
Income tax expense	(1)	(5)
Profit for the period	18	17
Other comprehensive income	3	2
Comprehensive income	21	19
Cash flow from operating activities <sup>(1)</sup>	17	41
Cash flow used in investing activities	(10)	(13)
Cash flow used in financing activities <sup>(1)</sup>	(1)	(7)

(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>	<b>2018</b>	<b>2019</b>
Sales to related parties other than joint ventures	4,246	5,413
Purchases from related parties other than joint ventures	(82)	(135)

  

<i>(in € millions)</i>	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2019</b>
Amounts receivable from related parties other than joint ventures	2,153	1,930
Amounts payable to related parties other than joint ventures	3,082	2,639

  

<i>(in € millions)</i>	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2019</b>
Commitments given to related parties other than joint ventures <sup>(1)</sup>	2,073	2,110

(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:

<i>(in € millions)</i>	2018	2019
Sales to joint ventures <sup>(1)</sup>	269	380
Purchases from joint ventures	(82)	(101)

(1) Mainly with Shannon Engine Support Limited.

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Amounts receivable from joint ventures	173	180
Amounts payable to joint ventures	42	57

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Commitments given to joint ventures <sup>(2)</sup>	152	367

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

## MANAGEMENT COMPENSATION

Management executives comprise members of the Board of Directors and Executive Management, as well as any persons with the power to take management decisions with regard to Safran's strategy and future development, or with regular access to inside information directly or indirectly concerning the Group.

Management executives comprise the 17 members of the Board of Directors, including the Chairman of the Board and the Chief Executive Officer, as well as the officers considered as having the power to take management decisions with regard to Safran's strategy and future development, or with regular access to inside information concerning Safran (five directors meeting these criteria between January 1, 2018 and October 31, 2018, and four directors between November 1, 2018 and December 31, 2019).

All compensation and benefits awarded to members of the Board of Directors and to members of Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Short-term benefits <sup>(1)</sup>	11.1	10.9
Post-employment benefits	1.2	0.8
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	3.5	4.3

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

The Company's total post-employment benefit commitments and other long-term benefit commitments in respect of management executives as recorded in the balance sheet amounted to €12.0 million at December 31, 2019 and €12.5 million at December 31, 2018.

## Note 34 - Off-balance sheet commitments and contingent liabilities

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

#### (i) Commitments given and contingent liabilities

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

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Purchase commitments on intangible assets	55	38
Purchase commitments on property, plant and equipment	346	250
Guarantees given in connection with the performance of operating agreements	5,364	5,476
Lease commitments	641	98
Financial guarantees granted on the sale of Group products	30	23
Other commitments given	421	636
<b>Total</b>	<b>6,857</b>	<b>6,521</b>

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

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

Guarantees granted to Airbus are shown within "Guarantees granted to related parties" in Note 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 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 26 million at December 31, 2019 (USD 35 million at December 31, 2018), or €23 million (€29 million at December 31, 2018). 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 4 million at December 31, 2019 (USD 12 million at December 31, 2018), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 24, "Provisions").

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

#### Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs (see Note 2.b, “Provisions”, and Note 24, “Provisions”). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized beyond contractual liability limits, if any.

In the absence of an agreement between the parties, some of these claims may give rise to litigation, the most significant of which are indicated in Note 35, “Disputes and litigation”.

#### (ii) Commitments received

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

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Commitments received from banks on behalf of suppliers	13	9
Completion warranties	17	10
Endorsements and guarantees received	21	1
Other commitments received	157	85
<b>Total</b>	<b>208</b>	<b>105</b>

### **34.b. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES RELATING TO THE GROUP'S SCOPE OF CONSOLIDATION**

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

#### (i) Vendor warranties given

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
Vendor warranties given <sup>(1)</sup>	331	331

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

#### (ii) Vendor warranties received

<i>(in € millions)</i>	Dec. 31, 2018	Dec. 31, 2019
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, 2019, as well as a specific indemnity capped at BRL 200 million (€44 million at December 31, 2019) 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 (€65 million at December 31, 2019).

In connection with the sale of Structil on October 2, 2017, Safran Ceramics granted the Hexcel group a vendor warranty valued at €37 million at December 31, 2019.

### **34.c. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES RELATING TO THE GROUP'S FINANCING**

Commitments received in respect of financing relate to:

- the unused portion of the trade receivables factoring facility requiring deconsolidation of the receivables concerned (see Note 27, "Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit line (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. General Cable, which was also fined, filed a claim against Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings claiming damages against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. The lawsuits are still in progress. Upon the Court's authorization, the claimant notified the joint defendants at the end of 2018 of its intention to broaden the scope of its action. The joint defendants submitted a response in 2019. The procedural timetable provides for the exchange of the independent expert reports in the first half of 2020, followed by preliminary hearings. Final hearings should begin in late 2020.

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

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

### **Note 36 - Subsequent events**

None.

## Note 37 - List of consolidated companies

Safran SA	Country	2018		2019	
		Consolidation method	% interest	Consolidation method	% interest
	<b>France</b>	<b>Parent company</b>			
<b>Aerospace Propulsion</b>					
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	90.00	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 <sup>(1)</sup>	United States	-	-	FC	100.00
Initium Aerospace, LLC <sup>(1)</sup>	United States	-	-	EQ	50.00
Safran Helicopter Engines Asia Pte. Ltd	Singapore	FC	100.00	FC	100.00
Safran Helicopter Engines Australia Pty Ltd	Australia	FC	100.00	FC	100.00
Safran Moteurs d'Hélicoptères Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Helicopter Engines Brasil Industria e Comercio do Brasil Ltda	Brazil	FC	100.00	FC	100.00
Safran Helicopter Engines Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Helicopter Engines Tianjin Co. Ltd	China	FC	100.00	FC	100.00
Safran Helicopter Engines UK Limited	United Kingdom	FC	100.00	FC	100.00
Safran Helicopter Engines USA, Inc.	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Helicopter Engines South Africa	South Africa	FC	100.00	FC	100.00
Roxel France	France	EQ	50.00	EQ	50.00
Roxel Limited	United Kingdom	EQ	50.00	EQ	50.00
Roxel	France	EQ	50.00	EQ	50.00
Safran Transmission Systems	France	FC	100.00	FC	100.00
Safran Transmission Systems Poland S.p. Z.o.o.	Poland	FC	100.00	FC	100.00
ArianeGroup Holding	France	EQ	50.00	EQ	50.00

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

(1) Consolidated in 2019.



	Country	2018		2019	
		Consolidation method	% interest	Consolidation method	% interest
<b>Aircraft Equipment, Defense and Aerosystems</b>					
Safran Nacelles	France	FC	100.00	FC	100.00
Safran Nacelles Limited	United Kingdom	FC	100.00	FC	100.00
Safran Nacelles Morocco	Morocco	FC	100.00	FC	100.00
Safran System Aerostructures <sup>(1)</sup>	France	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.	United States	FC	100.00	FC	100.00
Safran Electrical & Power Chihuahua SA de CV	Mexico	FC	100.00	FC	100.00
Safran Engineering Services GmbH	Germany	FC	100.00	FC	100.00
Labinal Investments, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power USA, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power Morocco SA	Morocco	FC	100.00	FC	100.00
Safran Electrical & Power Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Safran Electrical & Power India Private Limited	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
Cantwell Cullen & Company, Inc.	Canada	FC	100.00	FC	100.00
Innovative Power Solutions LLC	United States	FC	100.00	FC	100.00
Zodiac Interconnect UK Limited	United Kingdom	FC	100.00	FC	100.00
Icore International, Inc.	United States	FC	100.00	FC	100.00
Zodiac Aerospace Maroc	Morocco	FC	100.00	FC	100.00
Zodiac Aero Electric	France	FC	100.00	FC	100.00
Safran Martin-Baker France	France	EQ	50.00	EQ	50.00

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

(1) Merged into Safran Nacelles on August 31, 2019.

	Country	2018		2019	
		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 (formerly Sofradir)	France	EQ	50.00	EQ	50.00
ULIS <sup>(1)</sup>	France	EQ	50.00	-	-
Safran Vectronix AG	Switzerland	FC	100.00	FC	100.00
Sagem USA, Inc.	United States	FC	100.00	FC	100.00
Fadec International, LLC	United States	EQ	50.00	EQ	50.00
Safran Reosc	France	FC	100.00	FC	100.00
Safran Colibris SA	Switzerland	FC	100.00	FC	100.00
Zodiac Actuation Systems	France	FC	100.00	FC	100.00
Pioneer Aerospace Corporation	United States	FC	100.00	FC	100.00
Zodiac Data Systems Investment	France	FC	100.00	FC	100.00
Zodiac Data Systems Inc.	United States	FC	100.00	FC	100.00
Zodiac Data Systems GmbH	Germany	FC	100.00	FC	100.00
Zodiac Data Systems	France	FC	100.00	FC	100.00
IDD Aerospace Corp.	United States	FC	100.00	FC	100.00
Zodiac 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
Zodiac Equipments Tunisie	Tunisia	FC	100.00	FC	100.00
Pacific Precision Products Mfg.	United States	FC	100.00	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 Ducts	France	FC	100.00	FC	100.00
Zodiac Services Americas LLC	United States	FC	100.00	FC	100.00
Zodiac Aerospace Services Asia	Singapore	FC	100.00	FC	100.00
Zodiac Aerospace Services UK Limited	United Kingdom	FC	100.00	FC	100.00
Zodiac Aerospace Services Europe	France	FC	100.00	FC	100.00
Zodiac Aerospace Services Middle East - DWC - LLC	United Arab Emirates	FC	100.00	FC	100.00
IN-Services Asia Limited	Hong Kong	FC	100.00	FC	100.00

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

(1) Merged into Sofradir (now Lynred) on January 1, 2019.

	Country	2018		2019	
		Consolidation method	% interest	Consolidation method	% interest
<b>Aircraft Interiors</b>					
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
Safran Seats GB Investment Limited	United Kingdom	FC	100.00	FC	100.00
Seats California LLC	United States	FC	100.00	FC	100.00
Zodiac Aerospace Equipo de Mexico	Mexico	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
Enviro Systems, Inc.	United States	FC	100.00	FC	100.00
TriaGnoSys GmbH	Germany	FC	100.00	FC	100.00
Systems And Software Enterprises, LLC	United States	FC	100.00	FC	100.00
Mag Aerospace Industries, LLC	United States	FC	100.00	FC	100.00
JBR Technologies, LLC <sup>(1)</sup>	United States	FC	100.00	-	-
<b>Holding company and other</b>					
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
Zodiac Aerospace Information Systems <sup>(2)</sup>	France	FC	100.00	-	-
Zodiac Engineering <sup>(3)</sup>	France	FC	100.00	-	-
Galli Participations	France	FC	100.00	FC	100.00

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

(1) Sold in December 2019.

(2) Dissolved in January 2019.

(3) Merged into Safran on August 3, 2019.

## 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)		%	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>A) Statutory audit services</b>												
A.1) Safran (issuer)	2.22	0.92	29%	15%	0.89	0.74	18%	13%	3.11	1.66	25%	14%
A.2) Subsidiaries	5.26	4.49	67%	75%	3.39	4.41	70%	79%	8.65	8.90	68%	77%
Sub-total	7.48	5.41	96%	90%	4.28	5.15	88%	92%	11.76	10.56	93%	91%
<b>B) Other services</b>												
B.1) Safran (issuer)	0.10	0.18	1%	3%	0.31	0.26	7%	5%	0.41	0.44	3%	4%
B.2) Subsidiaries	0.22	0.39	3%	7%	0.25	0.17	5%	3%	0.47	0.56	4%	5%
Sub-total	0.32	0.57	4%	10%	0.56	0.43	12%	8%	0.88	1.00	7%	9%
<b>TOTAL</b>	<b>7.80</b>	<b>5.98</b>	<b>100%</b>	<b>100%</b>	<b>4.84</b>	<b>5.58</b>	<b>100%</b>	<b>100%</b>	<b>12.64</b>	<b>11.56</b>	<b>100%</b>	<b>100%</b>

### Statutory audit fees

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

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

### Fees for other services

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



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