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CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

December 31, 2018

SAFRAN

The Board of Directors' meeting of February 26, 2019 adopted and authorized for issue Safran's consolidated financial statements and adjusted income statement for the year ended December 31, 2018.

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

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

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

The resulting changes in deferred tax have also been adjusted.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

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

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

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the 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 (€232 million excluding tax), and the negative impact of taking into account hedges when measuring provisions for losses on completion (€2 million) at December 31, 2018.

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

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

The impact of these adjustments in 2017 was as follows:

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

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

Readers are reminded that the consolidated financial statements are audited by the Group's Statutory Auditors. This includes 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 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, 2019, after the specific verifications have been completed and any subsequent events at February 26, 2019 have been reviewed.

Comparative adjusted consolidated income statement and segment information

Adjusted income statement

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

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

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

Segment information

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

Following the acquisition of Zodiac Aerospace on February 13, 2018 (consolidated with effect from March 1, 2018), the Group now reports on two additional segments: Aerosystems and Aircraft Interiors.

At December 31, 2018

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**10,452**	**5,395**	**1,386**	**1,785**	**2,014**	**21,032**	**18**	**21,050**	**(25)**	**-**	**21,025**
Recurring operating income (loss)[1]	**1,929**	**770**	**118**	**266**	**20**	**3,103**	**(80)**	**3,023**	**(9)**	**(734)**	**2,280**
Other non-recurring operating income and expenses	(31)	(11)	3	(4)	(36)	**(79)**	(36)	**(115)**	-	-	**(115)**
Profit (loss) from operations	**1,898**	**759**	**121**	**262**	**(16)**	**3,024**	**(116)**	**2,908**	**(9)**	**(734)**	**2,165**
Free cash flow	**1,331**	**343**	**7**	**183**	**(107)**	**1,757**	**24**	**1,781**	**-**	**-**	**1,781**
Gross operating working capital	**(2,607)**	**754**	**287**	**546**	**722**	**(298)**	**(164)**	**(462)**	**-**	**-**	**(462)**
Segment assets	**15,926**	**6,683**	**2,383**	**5,351**	**4,277**	**34,620**	**2,092**	**36,712**	**-**	**-**	**36,712**
(1) o/w depreciation, amortization and increase in provisions, net of use	(413)	(225)	(71)	(87)	27	**(769)**	(53)	**(822)**	2	(356)	**(1,176)**
o/w asset impairment	15	(30)	12	27	38	**62**	-	**62**	-	-	**62**

In 2018, Zodiac Aerospace's contribution to recurring operating income was €290 million, while its contribution to free cash flow was €92 million, taking into account amounts relating to the acquired scope included within "Holding company and other".

At December 31, 2017*

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**9,357**	**5,260**	**1,316**	**-**	**-**	**15,933**	**20**	**15,953**	**423**	**-**	**16,376**
Recurring operating income (loss)	**1,516**	**619**	**93**	**-**	**-**	**2,228**	**(36)**	**2,192**	**456**	**(130)**	**2,518**
Other non-recurring operating income and expenses	(40)	(14)	(14)	-	-	**(68)**	(22)	**(90)**	-	-	**(90)**
Profit (loss) from operations(1)	**1,476**	**605**	**79**	**-**	**-**	**2,160**	**(58)**	**2,102**	**456**	**(130)**	**2,428**
Free cash flow	**1,158**	**328**	**105**	**-**	**-**	**1,591**	**(153)**	**1,438**	**-**	**-**	**1,438**
Gross operating working capital	**(2,397)**	**546**	**237**	**-**	**-**	**(1,614)**	**(176)**	**(1,790)**	**-**	**-**	**(1,790)**
Segment assets(2)	**14,755**	**6,200**	**2,222**	**-**	**-**	**23,177**	**3,107**	**26,284**	**-**	**-**	**26,284**
(1) o/w depreciation, amortization and increase in provisions, net of use	(583)	(220)	(78)	-	**-**	**(881)**	(19)	**(900)**	(7)	(105)	**(1,012)**
o/w asset impairment	(42)	(27)	9	-	**-**	**(60)**	-	**(60)**	-	-	**(60)**

(2) The increase in Holding company and other segment assets in 2017 is mainly due to the reclassification of €2,000 million in money market funds (*SICAV de trésorerie*) which were pledged during the tender offer for Zodiac Aerospace. These money market funds could not be classified under cash and cash equivalents during the offer period due to their usage restriction (see Note 20, "Cash and cash equivalents").

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

Revenue (adjusted data)

(in € millions)		2017*	2018
Aerospace Propulsion			
Original equipment and related products and services		3,810	4,371
Services		5,453	5,985
Sales of studies		55	61
Other		39	35
	Sub-total	9,357	10,452
Aircraft Equipment			
Original equipment and related products and services		3,375	3,467
Services		1,670	1,788
Sales of studies		77	58
Other		138	82
	Sub-total	5,260	5,395
Defense			
Sales of equipment		863	921
Services		330	346
Sales of studies		122	117
Other		1	2
	Sub-total	1,316	1,386
Aerosystems			
Sales of equipment		N/A	1,112
Services		N/A	627
Other		N/A	46
	Sub-total	N/A	1,785
Aircraft Interiors			
Sales of equipment		N/A	1,486
Services		N/A	491
Other		N/A	37
	Sub-total	N/A	2,014
Holding company and other			
Sales of studies and other		20	18
	Sub-total	20	18
Total		**15,953**	**21,050**

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

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

Information by geographic area

At December 31, 2018

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

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

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

At December 31, 2017*

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers	2,744	4,374	5,220	2,463	1,152	**15,953**	423	**16,376**
%	17%	27%	33%	16%	7%			
Non-current assets by location(1)	10,190	1,565	995	259	63			**13,072**
%	78%	12%	8%	2%	0%			

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

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

As in the previous year, the Safran Group carried out sales with three major customers during 2018:

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

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

- General Electric group: sales of fleet maintenance spare parts for the Aerospace Propulsion operating segment, and mainly seats for the Aircraft Interiors operating segment.

Safran Group consolidated financial statements

Consolidated income statement

(in € millions)	Note	2017*	2018
Revenue	6	**16,376**	**21,025**
Other income	7	280	321
Income from operations		**16,656**	**21,346**
Change in inventories of finished goods and work-in-progress		195	3
Capitalized production		522	447
Raw materials and consumables used	7	(9,449)	(12,440)
Personnel costs	7	(4,353)	(5,665)
Taxes		(284)	(295)
Depreciation, amortization and increase in provisions, net of use	7	(1,012)	(1,176)
Asset impairment	7	(60)	62
Other recurring operating income and expenses	7	159	(191)
Share in profit from joint ventures	15	144	189
Recurring operating income		**2,518**	**2,280**
Other non-recurring operating income and expenses	7	(90)	(115)
Profit from operations		**2,428**	**2,165**
Cost of net debt		(57)	(67)
Foreign exchange gain (loss)		3,071	(351)
Other financial income and expense		(2)	(58)
Financial income (loss)	8	**3,012**	**(476)**
Profit before tax		**5,440**	**1,689**
Income tax expense	9	(1,660)	(348)
Profit from continuing operations		**3,780**	**1,341**
Profit from discontinued operations and disposal gain	31	831	-
Profit for the period		**4,611**	**1,341**
Attributable to:			
owners of the parent		4,550	1,283
continuing operations		3,720	1,283
discontinued operations		830	-
non-controlling interests		61	58
continuing operations		60	58
discontinued operations		1	-
Earnings per share from continuing operations attributable to owners of the parent (in €)	10		
Basic earnings per share		9.07	2.98
Diluted earnings per share		8.91	2.94
Earnings per share from discontinued operations attributable to owners of the parent (in €)	10		
Basic earnings per share		2.02	-
Diluted earnings per share		1.99	-

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

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

Consolidated statement of comprehensive income

(in € millions)	Note	2017*	2018
Profit for the period		**4,611**	**1,341**
Other comprehensive income			
Items to be reclassified to profit		**(495)**	**213**
Available-for-sale financial assets	14	(7)	-
Translation adjustments		(327)	230
Remeasurement of hedging instruments		138	(47)
Income tax related to components of other comprehensive income to be reclassified to profit		(40)	15
Share in other comprehensive income (expense) of equity-accounted companies to be reclassified to profit (net of tax)	15	(33)	15
Items related to discontinued operations to be reclassified to profit		(220)	-
Income tax on items related to discontinued operations to be reclassified to profit		(6)	-
Items not to be reclassified to profit		**34**	**35**
Actuarial gains and losses on post-employment benefits	24.c	43	46
Income tax related to components of other comprehensive income to be reclassified to profit		(7)	(7)
Share in other comprehensive income of equity-accounted companies not to be reclassified to profit (net of tax)		(2)	(4)
Items related to discontinued operations not to be reclassified to profit (net of tax)		-	-
Other comprehensive income (expense) for the period		**(461)**	**248**
Total comprehensive income for the period		**4,150**	**1,589**
Attributable to:			
- owners of the parent		4,094	1,524
continuing operations		3,498	1,524
discontinued operations		596	-
- non-controlling interests		56	65
continuing operations		55	65
discontinued operations		1	-

* The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

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

In 2018, other comprehensive income relating to translation adjustments includes:

- €2 million in translation gains (€13 million in translation losses in 2017) arising in the period on long-term financing granted to foreign subsidiaries. This financing meets the criteria for classification as a net investment in a foreign operation and is treated in accordance with the applicable provisions of IAS 21;
- €228 million in translation gains (€314 million in translation losses in 2017) arising in the period on foreign operations.

In 2018, other comprehensive income resulting from the remeasurement of hedging instruments includes €47 million in translation losses (€138 million in translation gains in 2017) arising in the period on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market, classified as a hedge of the net investment in some of the Group's US operations (wholly effective hedge in both 2018 and 2017).

Other comprehensive income relating to equity-accounted companies (net of tax) includes (see Note 15, "Investments in equity-accounted companies"):

- €20 million in foreign exchange gains on foreign joint ventures (foreign exchange losses of €49 million in 2017) arising during the period;
- a negative amount of €5 million relating to cash flow hedges of joint ventures (positive amount of €16 million in 2017); and
- €4 million in actuarial losses on pension and similar obligations of joint ventures (actuarial losses of €2 million in 2017).

In 2017, items of comprehensive income related to discontinued operations to be reclassified to profit comprised pre-tax income of €220 million in unrealized translation gains reclassified to profit further to the disposal of the Security businesses and mainly relate to the US entities sold as part of this divestment. The related tax reclassified to profit represents income of €6 million.

Consolidated balance sheet

ASSETS *(in € millions)*	*Note*	Jan. 1, 2017*	Dec. 31, 2017*	Dec. 31, 2018
Goodwill	*11*	1,864	1,831	5,173
Intangible assets	*12*	5,483	5,596	9,757
Property, plant and equipment	*13*	3,169	3,518	4,454
Non-current financial assets	*14*	382	324	416
Investments in equity-accounted companies	*15*	2,193	2,127	2,253
Non-current derivatives (positive fair value)	*30*	28	16	13
Deferred tax assets	*9*	1,478	251	391
Other non-current financial assets		-	-	4
Non-current assets		**14,597**	**13,663**	**22,461**
Current financial assets	*14*	147	2,113	185
Current derivatives (positive fair value)	*30*	582	566	740
Inventories and work-in-progress	*16*	3,754	3,954	5,558
Contract costs	*17*	258	261	470
Trade and other receivables	*18*	5,279	4,952	6,580
Contract assets	*19*	1,109	1,366	1,544
Tax assets	*9*	513	596	752
Cash and cash equivalents	*20*	1,926	4,914	2,330
Current assets		**13,568**	**18,722**	**18,159**
Assets related to discontinued operations	*31*	3,250	-	-
Total assets		**31,415**	**32,385**	**40,620**

EQUITY AND LIABILITIES *(in € millions)*	*Note*	Jan. 1, 2017*	Dec. 31, 2017*	Dec. 31, 2018
Share capital	*22*	83	83	87
Consolidated retained earnings	*22*	3,742	4,686	10,585
Net unrealized gains on available-for-sale financial assets	*22*	35	28	-
Profit for the period		1,908	4,550	1,283
Equity attributable to owners of the parent		**5,768**	**9,347**	**11,955**
Non-controlling interests		**287**	**301**	**346**
Total equity		**6,055**	**9,648**	**12,301**
Provisions	*23*	1,357	1,263	1,588
Borrowings subject to specific conditions	*25*	699	569	585
Non-current interest-bearing financial liabilities	*26*	2,392	3,246	3,384
Non-current derivatives (negative fair value)	*30*	-	-	7
Deferred tax liabilities	*9*	699	674	1,662
Other non-current financial liabilities	*28*	5	8	2
Non-current liabilities		**5,152**	**5,760**	**7,228**
Provisions	*23*	708	925	1,189
Current interest-bearing financial liabilities	*26*	945	1,390	2,221
Trade and other payables	*27*	3,951	4,409	5,650
Contract liabilities	*19*	8,874	9,090	10,453
Tax liabilities	*9*	179	214	210
Current derivatives (negative fair value)	*30*	4,375	805	1,255
Other current financial liabilities	*28*	357	144	113
Current liabilities		**19,389**	**16,977**	**21,091**
Liabilities related to discontinued operations	*31*	819	-	-
Total equity and liabilities		**31,415**	**32,385**	**40,620**

* The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.1, "Opening impact at January 1, 2017" and Note 3.a.2, "Impact at December 31, 2017"). They do not include data for Zodiac Aerospace, which was acquired after December 31, 2017.

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Remeasurement of hedging instruments	Translation adjustments	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit for the period	Other		**Equity attributable to owners of the parent**	Non-controlling interests	**Total**
At December 31, 2016	**83**	**3,360**	**(99)**	**35**	**(235)**	**765**	**1,014**	**(479)**	**1,908**	**169**		**6,521**	**288**	**6,809**
Change in accounting policy (IFRS 15)	-	-	-	-	-	-	(753)	-	-	-		**(753)**	(1)	**(754)**
At January 1, 2017	**83**	**3,360**	**(99)**	**35**	**(235)**	**765**	**261**	**(479)**	**1,908**	**169**		**5,768**	**287**	**6,055**
Comprehensive income (expense) for the period	-	-	-	(7)	304	(756)	16	40	4,550	(53)	(a)	**4,094**	56	**4,150**
Acquisitions/disposals of treasury shares	-	-	(8)	-	-	-	-	-	-	-		**(8)**	-	**(8)**
Dividends	-	-	-	-	-	-	(340)	-	-	-		**(340)**	(32)	**(372)**
Share buyback programs	-	-	(402)	-	-	-	208	-	-	-		**(194)**	-	**(194)**
Other movements, including appropriation of profit	-	-	-	-	-	-	1,902	6	(1,908)	27		**27**	(10)	**17**
At December 31, 2017*	**83**	**3,360**	**(509)**	**28**	**69**	**9**	**2,047**	**(433)**	**4,550**	**143**		**9,347**	**301**	**9,648**
Change in accounting policy (IFRS 9)	-	-	-	(28)	-	-	26	-	-	-		**(2)**	-	**(2)**
At January 1, 2018	**83**	**3,360**	**(509)**	**-**	**69**	**9**	**2,073**	**(433)**	**4,550**	**143**		**9,345**	**301**	**9,646**
Comprehensive income (expense) for the period	-	-	-	-	(47)	243	(5)	42	1,283	8	(a)	**1,524**	65	**1,589**
Acquisitions/disposals of treasury shares	-	-	(14)	-	-	-	-	-	-	-		**(14)**	-	**(14)**
Dividends	-	-	-	-	-	-	(695)	-	-	-		**(695)**	(26)	**(721)**
OCEANE bond 2018-2023	-	-	-	-	-	-	31	-	-	-		**31**	-	**31**
OCEANE 2016-2020 bond redemption	-	-	15	-	-	-	(113)	-	-	-		**(98)**	-	**(98)**
Share buyback programs	(2)	(950)	428	-	-	-	-	-	-	-		**(524)**	-	**(524)**
Acquisition of Zodiac Aerospace[(b)]	6	2,238	-	-	-	-	162	-	-	-		**2,406**	-	**2,406**
Acquisition of non-controlling interests	-	38	-	-	-	-	(44)	-	-	-		**(6)**	6	**-**
Other movements, including appropriation of profit	-	-	-	-	-	-	4,550	-	(4,550)	(14)		**(14)**	-	**(14)**
At December 31, 2018	**87**	**4,686**	**(80)**	**-**	**22**	**252**	**5,959**	**(391)**	**1,283**	**137**		**11,955**	**346**	**12,301**

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

(a) See table below: (in € millions)	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for 2017 (attributable to owners of the parent)	(7)	(46)	(53)
Comprehensive income (expense) for 2018 (attributable to owners of the parent)	(7)	15	8

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

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Consolidated statement of cash flows

(in € millions)	Note	2017*	2018
I. Cash flow from operating activities			
Profit attributable to owners of the parent		**4,550**	**1,283**
Depreciation, amortization, impairment and provisions(1)		1,026	1,235
Share in profit (loss) from equity-accounted companies (net of dividends received)	15	(100)	(124)
Change in fair value of currency derivatives(2)	30	(3,608)	316
Capital gains and losses on asset disposals		(20)	12
Profit (loss) from discontinued operations and disposal gain (before tax)		(997)	-
Profit attributable to non-controlling interests		60	58
Other(3)		1,150	318
Cash flow from operations, before change in working capital		**2,061**	**3,098**
Change in inventories and work-in-progress	16	(280)	(393)
Change in operating receivables and payables(4)	18,27,30	890	(280)
Change in contract costs	17	10	2
Change in contract assets and liabilities	19	86	746
Change in other receivables and payables	18,27	(15)	(102)
Change in working capital		**691**	**(27)**
TOTAL I(5)		**2,752**	**3,071**
II. Cash flow used in investing activities			
Capitalization of R&D expenditure(6)	12	(349)	(327)
Payments for the purchase of intangible assets, net of proceeds(7)		(225)	(183)
Payments for the purchase of property, plant and equipment, net of proceeds(8)		(740)	(780)
Payments arising from the acquisition of investments or businesses, net(9)		(54)	(4,172)
Proceeds arising from the sale of investments or businesses, net		3,060	18
Proceeds (payments) arising from the sale (acquisition) of investments and loans(10)		(1,974)	1,950
TOTAL II		**(282)**	**(3,494)**
III. Cash flow from (used in) financing activities			
Change in share capital – owners of the parent		-	-
Change in share capital – non-controlling interests		(4)	(1)
Acquisitions and disposals of treasury shares	22.b	(449)	(539)
Repayment of borrowings and long-term debt(11)	26	(66)	(1,895)
Increase in borrowings	26	1,058	1,480
Change in repayable advances	25	(25)	(10)
Change in short-term borrowings	26	449	(472)
Dividends and interim dividends paid to owners of the parent	22.e	(340)	(695)
Dividends paid to non-controlling interests		(32)	(26)
TOTAL III		**591**	**(2,158)**
Cash flow from operating activities of discontinued operations	**TOTAL IV**	**14**	**-**
Cash flow used in investing activities of discontinued operations	**TOTAL V**	**(52)**	**-**
Cash flow used in financing activities of discontinued operations	**TOTAL VI**	**(198)**	**-**
Effect of changes in foreign exchange rates	**TOTAL VII**	**(17)**	**(3)**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV+V+VI+VII**	**2,808**	**(2,584)**
Cash and cash equivalents at beginning of period		1,926	4,914
Cash and cash equivalents of discontinued operations at beginning of period		180	-
Cash and cash equivalents at end of period	20	4,914	2,330
Cash and cash equivalents of discontinued operations at end of period		-	-
Net increase (decrease) in cash and cash equivalents		**2,808**	**(2,584)**

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

(1) Including in 2018: depreciation and amortization for €1,209 million (€788 million in 2017), impairment for €19 million (€60 million in 2017) and additions to provisions for €45 million (reversals of provisions for €178 million in 2017).

(2) Including in 2018: a positive €274 million arising on currency derivatives (negative €3,604 million in 2017) (see Note 30, "Management of market risks and derivatives").

(3) Including in 2018: deferred tax expense of €80 million arising on changes in the fair value of currency derivatives (deferred tax income of €1,216 million in 2017), and €340 million relating to the remeasurement of inventories (see Note 16, “Inventories and work-in-progress”).

(4) Including in 2018: net premiums on currency options for €1 million (see Note 30, "Management of market risks and derivatives"), shown on the balance sheet under current derivatives with a negative fair value (net premiums paid for €50 million in 2017).

(5) Including in 2018: €531 million in taxes paid (€582 million in 2017), of which €87 million in interest paid (€72 million in 2017) and €26 million in interest received (€24 million in 2017).

(6) Including in 2018: capitalized interest of €7 million (€11 million in 2017).

(7) Including in 2018: €169 million in disbursements for acquisitions of intangible assets (€241 million in 2017), €10 million in proceeds from disposals (€31 million in 2017) and changes in amounts payable on acquisitions of non-current assets representing a negative €24 million (a positive €13 million in 2017).

(8) Including in 2018: €797 million in disbursements for acquisitions of property, plant and equipment (€786 million in 2017), changes in amounts payable on acquisitions of non-current assets representing a negative €5 million (positive €22 million in 2017), €26 million in proceeds from disposals (€24 million in 2017), and changes in amounts receivable on disposals of non-current assets representing a negative amount of €4 million.

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

(10) Including in 2018: the transfer to cash and cash equivalents of €2,000 million in money market funds pledged during the tender offer for Zodiac Aerospace and previously classified under other financial assets (see Note 14, "Current and non-current financial assets").

(11) Including in 2018: repayment of the €250 million Zodiac Aerospace hybrid loan (see Note 26, “Interest-bearing financial liabilities”).

Notes to the Group consolidated financial statements

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

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

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

The Board of Directors' meeting of February 26, 2019 adopted and authorized for issue the 2018 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders' Meeting.

Note 1 - Accounting policies

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

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 2018

- IFRS 9, "Financial Instruments".
- IFRS 15, "Revenue from Contracts with Customers".
- Amendments to IFRS 2, "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions.
- Amendments to IAS 40, "Investment Property" – Transfers of Investment Property.
- Annual Improvements to IFRSs published in December 2016 (2014-2016 cycle).
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration".

The impacts resulting from the application of IFRS 9 and IFRS 15 are detailed in Note 3, "Change in accounting policy".

Other standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2018 do not have a material impact on the Group's consolidated financial statements.

New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2018:

None.

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

- IFRS 16, "Leases".
- IFRS 17, "Insurance Contracts".
- Amendments to IAS 1, “Presentation of Financial Statements” and to IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material.
- Amendments to IAS 19, “Employee Benefits” – Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 28, "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures.
- Amendments to IAS 28, "Investments in Associates and Joint Ventures", and IFRS 10, "Consolidated Financial Statements" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IFRS 3, “Business Combinations” – Definition of a Business.
- Amendments to IFRS 9, "Financial Instruments" – Prepayment Features with Negative Compensation.
- Annual Improvements to IFRSs published in December 2017 (2015-2017 cycle).
- IFRIC 23, "Uncertainty over Income Tax Treatments".

Except for IFRS 16, the amendment to IFRS 9 and interpretation IFRIC 23, these new standards, amendments and interpretations have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even if early adoption were permitted by the texts concerned.

Regarding IFRS 16, “Leases”, the Group’s leases have been identified and will now be managed in a dedicated software program which will determine the restatements to be made in light of the new standard. IFRS 16 will be applied using the "modified retrospective" approach at January 1, 2019, whereby the impact of first-time application of the new standard will be recorded against equity at that date. Accordingly, the comparative 2018 data included in the 2019 financial statements will not be restated.

To date, the simulations performed indicate that the first-time application of IFRS 16 should lead to an increase of around €0.5 billion in lease liabilities against a corresponding right-of-use asset to be recorded for a virtually equivalent amount. Accordingly, the impact of the new standard on equity is not expected to be material.

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

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

b) Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

Acquisitions of shares that give the Group sole control over an entity will be recognized in accordance with the policies governing business combinations described in Note 1.c.

Intragroup transactions

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

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

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

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

c) Business combinations

The Group applies the revised IFRS 3.

Acquisition method

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

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

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

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

Goodwill

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

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

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

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

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs), as described in Note 1.l. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 1.l. Impairment is taken to profit or loss and may not be reversed.

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

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

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

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

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

e) Translation methods

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

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

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

Note 1.v. discusses the net investment hedge set up by the Group for some of its foreign operations.

f) Translation of foreign currency transactions and foreign currency derivatives

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

At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any resulting foreign exchange gains and losses are recognized in "Financial income (loss)" for the period, except for translation differences relating to a financial instrument designated as a net investment hedge, which are reported in other comprehensive income (see Note 1.v). Advances and downpayments paid or received, prepaid expenses and deferred income continue to be recorded on the balance sheet at the initial amount for which they were recognized.

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

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency-denominated purchases. The Group's forex hedging policy along with the forward currency contracts and options it uses are described in Note 30, "Management of market risks and derivatives".

Pursuant to IFRS 9, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem-Snecma business combination and the fact that most derivative instruments used by Safran do not quality 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.

<u>Sales of original equipment engines and spare engines, serial production equipment and spare parts</u>

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

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

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

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

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

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

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

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

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

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

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

When a contract is onerous, the Group recognizes a loss on delivery commitments (Note 1.r).

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

Sales of installed base maintenance and support contracts

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

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

Revenue is recognized if:

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

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

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

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable (Note 1.r).

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

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

Sales of time and materials service contracts

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

They represent a single performance obligation.

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

Sales of contracts with multiple elements

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

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

In general, for these contracts:

- the specific development work or customization assignments for a given contract and customer do not represent a separate performance obligation since the development and customization are inseparable from serial production. Costs associated with the development and installation are initially recognized in assets within contract costs if they are recoverable, and subsequently expensed over the contract term;
- financing received from the customer for the development work or customization assignment is recognized as revenue as and when the various performance obligations under the contract are satisfied;
- revenue generated on the serial production and service portion of the contract is recognized either on delivery of the goods, or on a percentage-of-completion basis (cost-to-cost method), depending on the nature of the performance obligation.

Sales of studies

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

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

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

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

h) Current and deferred tax

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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

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

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

The CICE tax credit introduced to boost competitiveness and employment in France is also recognized in “Other income” as it is treated as an operating subsidy.

i) Earnings per share

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

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

j) Intangible assets

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

Intangible assets acquired in a business combination

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

- intangible assets recognized at the time of the 2005 Sagem-Snecma merger and on the acquisition of Rolls Royce's stake in the RTM322 program and classified under "Aircraft programs" are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;
- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangible assets acquired), notably Zodiac Aerospace, are amortized over the estimated useful life of each identified intangible asset (1 to 23 years).

Separately acquired intangible assets

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

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

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

Research and development costs

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

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

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

Capitalization of development expenditures ceases as soon as the product to which the expenditures relate is brought into service.

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

Intangible assets are tested for impairment in accordance with the methods set out in Note 1.l.

k) Property, plant and equipment

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

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

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

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the reduction of the debt in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

The gross amount of items of property, plant and equipment is depreciated over the expected useful life of their main components, mainly using the straight-line method.

If the transfer of ownership at the end of a finance lease term is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the item of property, plant and equipment is depreciated over the shorter of its useful life and the term of the lease.

The main useful lives applied are as follows:

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

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.l.

l) Impairment of non-current assets

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

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

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

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

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

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

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

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

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

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

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

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

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

m) Equity investments, loans and receivables

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

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

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

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

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

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

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

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

n) Inventories and work-in-progress

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

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

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

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

o) Cash and cash equivalents

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

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

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

p) Treasury shares

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

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

q) Share-based payment

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

In accordance with IFRS 2, Share-based Payment, these arrangements are measured at fair value taking into account any lock-up period for shares granted. The fair value of equity-settled instruments is determined at the grant date. The fair value of cash-settled instruments is revised up to the date of payment. These employee benefits represent personnel costs and are recognized on a straight-line basis over the period during which the rights vest, with an offsetting entry to consolidated retained earnings for equity-settled plans and to liabilities for cash-settled plans.

r) Provisions

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

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

Provisions for losses on completion and losses arising on delivery commitments

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

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

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

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

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

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

Provisions for financial guarantees on sales

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

- financial guarantees, under which it provides a guarantee to the lending institutions that finance its customer;

- guarantees covering the value of assets, under which Safran grants the customer an option to return the aircraft at a given date for an agreed price.

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

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

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

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

Provisions for standard and operating warranties

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

s) Post-employment benefits

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

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

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

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

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

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

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

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

t) Borrowings subject to specific conditions

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

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

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

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

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

u) Interest-bearing financial liabilities

On initial recognition, interest-bearing financial liabilities are measured at the fair value of the amount received, less any directly attributable transaction costs. Besides the specific conditions applicable to hedge accounting (Note 1.v), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

v) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates. The derivatives used can include forward currency contracts and currency options or interest rate swaps. The Group's market risk management policy is described in Note 30, "Management of market risks and derivatives".

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

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

The accounting principles applicable to foreign currency derivatives used to hedge foreign exchange risk are set out in Note 1.f.

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

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

w) Sale of receivables

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

x) Structure of the consolidated balance sheet

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

y) Recurring operating income

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

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

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

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

Note 2 - Main sources of estimates

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

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

a) Estimates relating to programs and contracts

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

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

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

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

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

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

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

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

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

- **variable consideration**: the transaction price may be comprised of both a fixed amount and a variable amount. This variable amount may depend on volume assumptions which therefore require the use of estimates;

- **losses arising on delivery commitments**: sales contracts (or combinations of contracts) may be onerous. For all sales contracts or combinations of contracts, the Group estimates the volume of goods to be delivered as well as spare parts and services directly related to the delivery commitment, which may be contractual or highly probable. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when the combination of contracts is onerous and a loss is likely to be incurred. It uses estimates, notably as regards the volume of goods to be produced and delivered under the sales contracts or combinations of contracts, as well as the volume of directly-related spare parts and services, projected production costs and the expected economic benefits;

- **repayable advances**: the forecast repayment of advances received from public bodies is based on revenue from future sales of engines, equipment and spare parts, as appropriate. As a result, the forecasts are closely related to the business plans prepared by the operating divisions using the main assumptions discussed above.

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

b) Provisions

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

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

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

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

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

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

c) Post-employment benefits

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

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

d) Trade and other receivables

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

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

e) Allocation of the cost of business combinations

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

One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied. The fair value of certain items acquired in a business combination can be measured reliably, for example property, plant and equipment using market prices. However, the fair value of other items such as intangible assets or contingent liabilities may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

Acquisition of Zodiac Aerospace:

The following methods were used to measure the intangible assets acquired:

- customer relationships: the multi-period excess earnings method, which takes into account cash flows less a return attributable to the other assets;
- technology: royalties-based method;
- trademarks: royalties-based method assuming an indefinite useful life.

Property, plant and equipment and software were measured based on their replacement cost.

Operating items were measured at market value.

f) Disputes and litigation

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

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

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

Note 3 - Change in accounting policy

3.a. APPLICATION OF IFRS 15

The Group has applied IFRS 15, “Revenue from Contracts with Customers” with effect from January 1, 2018.

Contract assets and liabilities are new balance sheet captions resulting from the application of IFRS 15.

- A contract asset denotes Safran’s right to consideration in exchange for goods or services that it has transferred, when that right is conditioned on something other than the passage of time. Contract assets mainly include amounts relating to revenue recognized on a percentage-of-completion basis where Safran does not have the right to immediately bill the customer. These sums were previously recognized within trade receivables.
- A contract liability denotes Safran’s obligation to transfer goods or services to a customer for which it has received consideration from the customer.
  Contract liabilities include advances and downpayments received, deferred income and concession liabilities previously classified within trade and other payables.

In accordance with IAS 8, since this represents a change in accounting policy, comparative information for the prior period is presented in the 2018 consolidated financial statements showing the impact of the “full retrospective” application of IFRS 15.

The impacts of this change in accounting policy on the 2017 consolidated financial statements are the following:

3.a.1. Impact at January 1, 2017

Opening balance sheet at January 1, 2017:

ASSETS *(in € millions)*	Jan. 1, 2017 (published)	IFRS 15 impact	Jan. 1, 2017 (restated)
Goodwill	1,864	-	1,864
Intangible assets	5,178	305	5,483
Property, plant and equipment	3,169	-	3,169
Non-current financial assets	382	-	382
Investments in equity-accounted companies	2,175	18	2,193
Non-current derivatives (positive fair value)	28	-	28
Deferred tax assets	1,351	127	1,478
Non-current assets	**14,147**	**450**	**14,597**
Current financial assets	147	-	147
Current derivatives (positive fair value)	592	(10)	582
Inventories and work-in-progress	4,247	(493)	3,754
Contract costs	-	258	258
Trade and other receivables	6,252	(973)	5,279
Contract assets	-	1,109	1,109
Tax assets	513	-	513
Cash and cash equivalents	1,926	-	1,926
Current assets	**13,677**	**(109)**	**13,568**
Assets held for sale	3,234	16	3,250
Total assets	**31,058**	**357**	**31,415**

EQUITY AND LIABILITIES *(in € millions)*	Jan. 1, 2017 (published)	IFRS 15 impact	Jan. 1, 2017 (restated)
Share capital	83	-	83
Consolidated retained earnings	4,495	(753)	3,742
Net unrealized gains on available-for-sale financial assets	35	-	35
Profit for the period	1,908	-	1,908
Equity attributable to owners of the parent	**6,521**	**(753)**	**5,768**
Non-controlling interests	**288**	**(1)**	**287**
Total equity	**6,809**	**(754)**	**6,055**
Provisions	1,706	(349)	1,357
Borrowings subject to specific conditions	699	-	699
Non-current interest-bearing financial liabilities	2,392	-	2,392
Non-current derivatives (negative fair value)		-	-
Deferred tax liabilities	987	(288)	699
Other non-current financial liabilities	5	-	5
Non-current liabilities	**5,789**	**(637)**	**5,152**
Provisions	1,558	(850)	708
Current interest-bearing financial liabilities	945	-	945
Trade and other payables	10,242	(6,291)	3,951
Contract liabilities		8,874	8,874
Tax liabilities	179	-	179
Current derivatives (negative fair value)	4,385	(10)	4,375
Other current financial liabilities	357	-	357
Current liabilities	**17,666**	**1,723**	**19,389**
Liabilities held for sale	794	25	819
Total equity and liabilities	**31,058**	**357**	**31,415**

3.a.2. Impact at December 31, 2017

Consolidated income statement for 2017

(in € millions)	2017 (published)	IFRS 15 impact	2017 (restated)
Revenue	**16,940**	**(564)**	**16,376**
Other income	278	2	280
Income from operations	**17,218**	**(562)**	**16,656**
Change in inventories of finished goods and work-in-progress	227	(32)	195
Capitalized production	501	21	522
Raw materials and consumables used	(9,709)	260	(9,449)
Personnel costs	(4,353)	-	(4,353)
Taxes	(284)	-	(284)
Depreciation, amortization and increase in provisions, net of use	(1,078)	66	(1,012)
Asset impairment	(72)	12	(60)
Other recurring operating income and expenses	167	(8)	159
Share in profit from joint ventures	154	(10)	144
Recurring operating income	**2,771**	**(253)**	**2,518**
Other non-recurring operating income and expenses	(90)	-	(90)
Profit from operations	**2,681**	**(253)**	**2,428**
Cost of net debt	(57)	-	(57)
Foreign exchange gain	3,143	(72)	3,071
Other financial income and expense	(22)	20	(2)
Financial income	**3,064**	**(52)**	**3,012**
Profit before tax	**5,745**	**(305)**	**5,440**
Income tax expense	(1,716)	56	(1,660)
Profit from continuing operations	**4,029**	**(249)**	**3,780**
Profit from discontinued activities and disposal gain	823	8	831
Profit for the period	**4,852**	**(241)**	**4,611**
Attributable to:			
owners of the parent	4,790	(240)	4,550
continuing operations	3,968	(248)	3,720
discontinued operations	822	8	830
non-controlling interests	62	(1)	61
continuing operations	61	(1)	60
discontinued operations	1	-	1
Earnings per share from continuing operations attributable to owners of the parent (in €)			
Basic earnings per share	9.67	(0.60)	9.07
Diluted earnings per share	9.50	(0.59)	8.91
Earnings per share from assets held for sale attributable to owners of the parent (in €)			
Basic earnings per share	2.00	0.02	2.02
Diluted earnings per share	1.97	0.02	1.99

Consolidated statement of comprehensive income for 2017

(in € millions)	2017 (published)	IFRS 15 impact	2017 (restated)
Profit for the period	**4,852**	**(241)**	**4,611**
Other comprehensive income			
Items to be reclassified to profit	**(517)**	**22**	**(495)**
Available-for-sale financial assets	(7)		(7)
Translation adjustments	(211)	(116)	(327)
Remeasurement of hedging instruments		138	138
Income tax related to components of other comprehensive income to be reclassified to profit	(40)		(40)
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	(33)		(33)
Items related to discontinued operations to be reclassified to profit (net of tax)	(220)		(220)
Income tax on items related to discontinued operations to be reclassified to profit	(6)		(6)
Items not to be reclassified to profit	**34**	**-**	**34**
Actuarial gains and losses on post-employment benefits	43		43
Income tax related to components of other comprehensive income not to be reclassified to profit	(7)		(7)
Share in other comprehensive income of equity-accounted companies not to be reclassified to profit (net of tax)	(2)		(2)
Other comprehensive income (expense) for the period	**(483)**	**22**	**(461)**
Total comprehensive income for the period	**4,369**	**(219)**	**4,150**
Attributable to:			
- owners of the parent	4,312	(218)	4,094
continuing operations	3,716	(218)	3,498
discontinued operations	596		596
- non-controlling interests	57	(1)	56
continuing operations	56	(1)	55
discontinued operations	1	-	1

Consolidated balance sheet at December 31, 2017:

ASSETS *(in € millions)*	**Dec. 31, 2017 (published)**	**IFRS 15 impact**	**Dec. 31, 2017 (restated)**
Goodwill	1,831	-	1,831
Intangible assets	5,241	355	5,596
Property, plant and equipment	3,518	-	3,518
Non-current financial assets	324	-	324
Investments in equity-accounted companies	2,119	8	2,127
Non-current derivatives (positive fair value)	16	-	16
Deferred tax assets	142	109	251
Non-current assets	**13,191**	**472**	**13,663**
Current financial assets	2,113	-	2,113
Current derivatives (positive fair value)	566	-	566
Inventories and work-in-progress	4,496	(542)	3,954
Contract costs		261	261
Trade and other receivables	6,371	(1,419)	4,952
Contract assets		1,366	1,366
Tax assets	596	-	596
Cash and cash equivalents	4,914	-	4,914
Current assets	**19,056**	**(334)**	**18,722**
Total assets	**32,247**	**138**	**32,385**

EQUITY AND LIABILITIES *(in € millions)*	**Dec. 31, 2017 (published)**	**IFRS 15 impact**	**Dec. 31, 2017 (restated)**
Share capital	83	-	83
Consolidated retained earnings	5,420	(734)	4,686
Net unrealized gains on available-for-sale financial assets	28	-	28
Profit for the period	4,790	(240)	4,550
Equity attributable to owners of the parent	**10,321**	**(974)**	**9,347**
Non-controlling interests	**303**	**(2)**	**301**
Total equity	**10,624**	**(976)**	**9,648**
Provisions	1,497	(234)	1,263
Borrowings subject to specific conditions	569	-	569
Non-current interest-bearing financial liabilities	3,246	-	3,246
Non-current derivatives (negative fair value)	-	-	-
Deferred tax liabilities	1,022	(348)	674
Other non-current financial liabilities	8	-	8
Non-current liabilities	**6,342**	**(582)**	**5,760**
Provisions	1,906	(981)	925
Current interest-bearing financial liabilities	1,390	-	1,390
Trade and other payables	10,822	(6,413)	4,409
Contract liabilities	-	9,090	9,090
Tax liabilities	214	-	214
Current derivatives (negative fair value)	805	-	805
Other current financial liabilities	144	-	144
Current liabilities	**15,281**	**1,696**	**16,977**
Total equity and liabilities	**32,247**	**138**	**32,385**

Consolidated statement of cash flows for 2017

(in € millions)		2017 (published)	IFRS 15 impact	2017 (restated)
I. Cash flow from operating activities				
Profit attributable to owners of the parent		**4,790**	**(240)**	**4,550**
Depreciation, amortization, impairment and provisions		1,080	(54)	1,026
Share in profit (loss) from equity-accounted companies (net of dividends received)		(110)	10	(100)
Change in fair value of currency derivatives		(3,608)	-	(3,608)
Capital gains and losses on asset disposals		(20)	-	(20)
Profit (loss) from discontinued operations (before tax)		(990)	(7)	(997)
Profit attributable to non-controlling interests		62	(2)	60
Other		1,206	(56)	1,150
Cash flow from operations, before change in working capital		**2,410**	**(349)**	**2,061**
Change in inventories and work-in-progress		(308)	28	(280)
Change in operating receivables and payables		561	329	890
Change in contract costs			10	10
Change in contract assets and liabilities			86	86
Change in other receivables and payables		63	(78)	(15)
Change in working capital		**316**	**375**	**691**
	TOTAL I	**2,726**	**26**	**2,752**
II. Cash flow used in investing activities				
Capitalization of R&D expenditure		(286)	(63)	(349)
Payments for the purchase of intangible assets, net of proceeds		(262)	37	(225)
Payments for the purchase of property, plant and equipment, net of		(740)	-	(740)
Payments arising from the acquisition of investments or businesses, net		(54)	-	(54)
Proceeds arising from the sale of investments or businesses, net		3,060	-	3,060
Proceeds (payments) arising from the sale (acquisition) of investments and loans		(1,974)	-	(1,974)
	TOTAL II	**(256)**	**(26)**	**(282)**
III. Cash flow from financing activities				
Change in share capital – owners of the parent		-		-
Change in share capital – non-controlling interests		(4)	-	(4)
Acquisitions and disposals of treasury shares		(449)	-	(449)
Repayment of borrowings and long-term debt		(66)	-	(66)
Increase in borrowings		1,058	-	1,058
Change in repayable advances		(25)	-	(25)
Change in short-term borrowings		449	-	449
Dividends and interim dividends paid to owners of the parent		(340)	-	(340)
Dividends paid to non-controlling interests		(32)	-	(32)
	TOTAL III	**591**	**-**	**591**
Cash flow from operating activities of discontinued operations	**TOTAL IV**	**14**	**-**	**14**
Cash flow used in investing activities of discontinued operations	**TOTAL V**	**(52)**	**-**	**(52)**
Cash flow used in financing activities of discontinued operations	**TOTAL VI**	**(198)**	**-**	**(198)**
Effect of changes in foreign exchange rates	**TOTAL VII**	**(17)**	**-**	**(17)**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV+ V+VI+VII**	**2,808**	**-**	**2,808**
Cash and cash equivalents at beginning of period		1,926		1,926
Cash and cash equivalents of discontinued operations at beginning of period		180		180
Cash and cash equivalents at end of period		4,914		4,914
Cash and cash equivalents of discontinued operations at end of period		-		-
Net increase in cash and cash equivalents		**2,808**		**2,808**

2017 segment information

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue (published)	9,741	5,415	1,345	**16,501**	20	**16,521**	419	-	**16,940**
IFRS 15 impact	(384)	(155)	(29)	**(568)**	-	**(568)**	4	-	**(564)**
Revenue (restated)	**9,357**	**5,260**	**1,316**	**15,933**	**20**	**15,953**	**423**	**-**	**16,376**
Recurring operating income (published)	1,729	682	95	**2,506**	(36)	**2,470**	431	(130)	**2,771**
IFRS 15 impact	(212)	(64)	(2)	**(278)**	-	**(278)**	25		**(253)**
Recurring operating income (restated)	**1,517**	**618**	**93**	**2,228**	**(36)**	**2,192**	**456**	**(130)**	**2,518**
Gross operating working capital (published)	(215)	1,284	317	**1,386**	(178)	**1,208**			**1,208**
IFRS 15 impact	(2,182)	(738)	(80)	**(3,000)**	2	**(2,998)**			**(2,998)**
Gross operating working capital (restated)	**(2,397)**	**546**	**237**	**(1,614)**	**(176)**	**(1,790)**	**-**	**-**	**(1,790)**
Segment assets (published)	15,003	5,993	2,151	**23,147**	3,107	**26,254**			**26,254**
IFRS 15 impact	(248)	207	71	**30**	-	**30**			**30**
Segment assets (restated)	**14,755**	**6,200**	**2,222**	**23,177**	**3,107**	**26,284**	**-**	**-**	**26,284**

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers (published)	3,214	4,366	5,259	2,468	1,214	**16,521**	419	**16,940**
IFRS 15 impact	(470)	8	(39)	(5)	(62)	**(568)**	4	**(564)**
Revenue by location of customers (restated)	**2,744**	**4,374**	**5,220**	**2,463**	**1,152**	**15,953**	**423**	**16,376**
Non-current assets by location (published)	9,885	1,509	993	259	63			**12,709**
IFRS 15 impact	305	56	2	-	-			**363**
Non-current assets by location (restated)	10,190	1,565	995	259	63			**13,072**

3.b. Application of IFRS 9

The Group has applied IFRS 9 with effect from January 1, 2018 using the “limited retrospective” approach. At this date, the first-time application of IFRS 9 financial asset impairment requirements had a negative impact of €4 million on consolidated equity before tax (negative impact of €2 million after tax).

The other requirements of IFRS 9 had no impact on the amount of consolidated equity at January 1, 2018.

3.b.1. Reconciliation of IAS 39 and IFRS 9 financial asset categories

Financial assets

(in € millions)

IAS 39 categories	**Loans and receivables**	**Financial assets at fair value (through profit or loss)**	**Financial assets available for sale (through equity)**	**Assets held to maturity**	**Total**
Carrying amount at Dec. 31, 2017	11,200	1,875	226	-	**13,301**
Reclassifications		226	(226)		**-**
Carrying amount at Jan. 1, 2018*	11,200	2,101	-	-	**13,301**
IFRS 9 categories	**Amortized cost**	**Fair value through profit or loss**	**Fair value through equity (OCI) to be reclassified****	**Fair value through equity (OCI) not to be reclassified****	**Total**

* Before the first-time application of IFRS 9 financial asset impairment requirements.

** OCI: other comprehensive income.

Non-consolidated investments (€226 million at December 31, 2017) previously classified in the IAS 39 “available-for-sale” category are now classified in the IFRS 9 “fair value through profit or loss” category. This is because:

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

The transition from IAS 39 to IFRS 9 categories had no impact on the carrying amount of the financial assets in the balance sheet and therefore on the amount of consolidated equity.

Due to non-consolidated investments now being classified within the “fair value through profit or loss” category, the available-for-sale financial assets reserve (€28 million at December 31, 2017) was reclassified to “Other reserves” at January 1, 2018.

3.b.2. Impairment of financial assets and contract assets

The table below shows the pre-tax impact of IFRS 9 on the impairment of trade and other receivables and contract assets at January 1, 2018:

(in € millions)	Trade and other receivables	Contract assets
Carrying amount at Dec. 31, 2017* (before applying IFRS 9)	4,952	1,366
IFRS 9 impact – Impairment	(3)	(1)
Carrying amount at Jan. 1, 2018 (after applying IFRS 9)	**4,949**	**1,365**

* The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers".

Trade receivables and contract assets are written down using the IFRS 9 simplified impairment approach, as they generally fall due in the short term.

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

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

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

IFRS 9 had no impact on impairment for other financial assets at January 1, 2018.

3.b.3. Hedging

Safran is not affected by the new IFRS 9 requirements on hedge accounting.

Note 4 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2018

Acquisition of Zodiac Aerospace

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

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

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

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

Following the settlement of the subsequent offer, Safran acquired 27,310,744 Zodiac Aerospace shares (95.58% of the capital) for €683 million.

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

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

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

The date on which Safran acquired Zodiac Aerospace (February 13, 2018) is the date on which Safran 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 are consolidated in Safran's financial statements as from March 1, 2018, except for certain major transactions that were carried out between these two dates to adjust Zodiac's financing structure.

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

Purchase price accounting

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

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

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

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

Aerosystems	1,690
Cabin	825
Seats	765

Merger of Zodiac Aerospace into Safran

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

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

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

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

Zodiac Aerospace's contribution to the Group's consolidated performance

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

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

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

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

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

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2017

Sale of the Security businesses

Safran announced on April 7, 2017, that it had finalized the sale of Morpho Detection LLC, Morpho Detection International LLC and other detection assets to Smiths Group PLC for an enterprise value of USD 710 million. The divested companies were deconsolidated as from that date.

On May 31, 2017, Safran finalized the disposal of its identity and security businesses to Advent International for an enterprise value of €2.4 billion. The divested companies were deconsolidated as from that date.

These transactions generated a disposal gain of €824 million after tax in 2017, recognized in "Profit from discontinued operations" (€832 million restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers").

Safran granted vendor warranties as part of these disposals (see Note 34.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation").

Structil

On October 2, 2017, Safran Ceramics and Mitsubishi Chemical Corporation finalized the sale of all shares and voting rights attached to the share capital of Structil, which they held at 80.05% and 19.95% respectively, to the Hexcel group. Structil specializes in high-performance carbon-fiber composite materials for the aerospace industry and other high-tech industries.

In Safran's consolidated financial statements, the sale of shares and land for €38 million generated a capital gain of €25 million, net of selling costs. This is recognized in "Non-recurring operating income" (see Note 7, "Breakdown of the main components of profit from operations").

Safran granted a vendor warranty as part of this disposal (See Note 34.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation").

Note 5 - Segment information

Segments presented

In accordance with IFRS 8, "Operating Segments", segment information reflects Safran's different businesses.

The Group’s operating segments reflect the organization of subsidiaries around tier-one entities (“consolidation sub-groups”). Since the acquisition of a controlling interest in Zodiac Aerospace in February 2018, Safran has had five operating segments, 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 systems for commercial aircraft, military transport, training and combat aircraft, rocket engines, civil and military helicopters, tactical missiles and drones. This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

Aircraft Equipment

Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters. The Group is involved in landing gear and brakes, engine systems and associated equipment such as thrust reversers and nacelles, and mechanical power transmission systems. The Group is also present at the different stages of the electrical power generation cycle, associated engineering services, and ventilation systems. Aircraft Equipment also includes maintenance, repair and related services and the sale of spare parts.

Defense

Defense includes all businesses serving naval, land and aviation defense industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defense applications.

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, and air surveillance systems), as well as defense equipment and systems.

Aerosystems

The Aerosystems business, acquired as a result of the Zodiac Aerospace acquisition, primarily includes civil and military operations for the supplier-furnished equipment (SFE) market, whose direct customers are mainly manufacturers of aircraft, helicopters and spacecraft. The Group designs, develops, manufactures and markets evacuation systems, emergency arresting systems, protective parachutes and oxygen systems, electrical power management systems and actuators, elastomer systems and technologies, onboard control and fuel systems, fluid and water & waste management systems, as well as in-flight entertainment and connectivity (IFEC).

Aircraft Interiors

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

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, investments in joint ventures and all current assets except cash and cash equivalents and tax assets.

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

Quantified segment information for 2017 and 2018 is presented on pages 8 to 11.

Note 6 - Revenue

The data shown for 2017 do not include data for Zodiac Aerospace, which was acquired after December 31, 2017.

BREAKDOWN OF REVENUE BY BUSINESS

2018

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services							
Sales of original equipment and other equipment	4,376	3,460	920	1,100	1,483	-	**11,339**
After-sales support	5,991	1,785	345	620	490	-	**9,231**
Studies, research and development (RTDI)	61	58	117	-	-	7	**243**
Other	35	82	2	45	37	11	**212**
Total revenue	**10,463**	**5,385**	**1,384**	**1,765**	**2,010**	**18**	**21,025**
Timing of revenue recognition							
At a point in time	9,000	4,951	1,034	1,671	1,907	18	**18,581**
Over time	1,463	434	350	94	103	-	**2,444**
Total revenue	**10,463**	**5,385**	**1,384**	**1,765**	**2,010**	**18**	**21,025**

At December 31, 2017*

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services							
Sales of original equipment and other equipment	3,936	3,443	868	-	-	-	8,247
After-sales support	5,633	1,704	332	-	-	-	7,669
Studies, research and development (RTDI)	57	78	123	-	-	8	266
Other	40	141	1	-	-	12	194
Total revenue	**9,666**	**5,366**	**1,324**	**-**	**-**	**20**	**16,376**
Timing of revenue recognition							
At a point in time	8,222	4,973	955	-	-	18	14,168
Over time	1,444	393	369	-	-	2	2,208
Total revenue	**9,666**	**5,366**	**1,324**	**-**	**-**	**20**	**16,376**

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

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

- Sales of original equipment and other equipment

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

- After-sales support, which includes deliveries of spare parts and maintenance contracts

As these sales are contingent on repairs and maintenance requested by airline companies, they are included within services and volumes that are less predictable since they depend on the condition of fleets.

- Sales of studies, research and development

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

- Other

In terms of revenue recognition, it should be noted for each of these business sectors that:

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

Revenue recognized on a percentage-of-completion basis ("over time") mainly concerns service and after-sales support contracts in the Propulsion and Aircraft Equipment segments.

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

PERFORMANCE OBLIGATIONS STILL TO BE SATISFIED

(in € millions)	**One year or less**	**More than one year**	**Total**
Performance obligations still to be satisfied at Dec. 31, 2018	12,200	28,362	40,562
Performance obligations still to be satisfied at Dec. 31, 2017	9,239	22,706	31,945

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

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

OTHER INCOME

(in € millions)	2017*	2018
Research tax credit(1)	140	151
Competitiveness and employment tax credit (CICE)	41	45
Other operating subsidies	78	96
Other operating income and expenses	21	29
Total	**280**	**321**

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

(1) Including €5 million in connection with additional research tax credits in respect of 2017, included in 2018 income (€8 million in respect of 2016 included in 2017 income).

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

(in € millions)	2017*	2018
Raw materials, supplies and other	(2,828)	(4,915)
Bought-in goods	(121)	(35)
Changes in inventories	83	50
Contract costs	(10)	(2)
Sub-contracting	(4,389)	(4,582)
Purchases not held in inventory	(444)	(424)
External service expenses	(1,740)	(2,532)
Total	**(9,449)**	**(12,440)**

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

PERSONNEL COSTS

(in € millions)	2017	2018
Wages and salaries	(2,666)	(3,551)
Social security contributions	(1,115)	(1,460)
Statutory employee profit-sharing	(144)	(170)
Optional employee profit-sharing	(161)	(172)
Additional contributions	(64)	(78)
Corporate social contribution	(77)	(84)
Other employee costs	(126)	(150)
Total	**(4,353)**	**(5,665)**

Consolidated companies (excluding jointly controlled companies) had an average of 83,769 full-time equivalent employees in 2018 versus an average of 55,238 in 2017. Average employee numbers in 2018 include Zodiac Aerospace employees over a ten-month period.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

(in € millions)	2017*	2018
Net depreciation and amortization expense		
- intangible assets	(368)	(654)
- property, plant and equipment	(420)	(555)
Total net depreciation and amortization expense(1)	**(788)**	**(1,209)**
Net increase in provisions	**(224)**	**33**
Depreciation, amortization and increase in provisions, net of use	**(1,012)**	**(1,176)**

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

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €56 million in 2018 and €67 million in 2017; during recent acquisitions: €39 million in 2018 and €40 million in 2017; during the acquisition of Zodiac Aerospace: €261 million in 2018.

ASSET IMPAIRMENT

	Impairment expense		Reversals	
(in € millions)	2017*	2018	2017*	2018
Property, plant and equipment and intangible assets	(74)	(19)	4	5
Financial assets	(44)	(8)	2	3
Contract costs	-	(1)	12	12
Inventories and work-in-progress	(503)	(605)	493	684
Receivables	(44)	(42)	36	40
Contract assets	-	(8)	58	1
Total	**(665)**	**(683)**	**605**	**745**

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

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2017*	2018
Capital gains and losses on asset disposals	2	(8)
Royalties, patents and licenses	(26)	(12)
Losses on irrecoverable receivables	(7)	(13)
Other operating income and expenses(1)	190	(158)
Total	**159**	**(191)**

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

(1) Including €25 million in 2018 and €136 million in 2017 relating to the revised repayment probability for borrowings subject to specific conditions (see Note 1.t and Note 25, “Borrowings subject to specific conditions”).

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2017	2018
Capital gains on asset disposals	23	-
Impairment net of reversals on intangible assets	(23)	(38)
Other non-recurring items	(90)	(77)
Total	**(90)**	**(115)**

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

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

In 2017, capital gains totaling €23 million on asset disposals resulted primarily from the sale of Structil (see Note 4, “Scope of consolidation”).

The Group also decided to analyze the situation of the assets associated with the Falcon 5X program following Dassault Aviation's announcement on December 13, 2017 that it had decided to initiate proceedings to terminate the Silvercrest contract, leading to the cancellation of the Falcon 5X program. These analyses led the Group to write down assets it had specifically committed to this program for an amount of €23 million. As a reminder, the intangible assets relating specifically to the development of the Silvercrest engine and certain other specific assets relating to this program were written down in full for an amount of €654 million in 2015.

“Other non-recurring items" include €61 million in transaction and integration costs, particularly those relating to Safran's tender offer for Zodiac Aerospace's share capital (see Note 4, "Scope of consolidation”), and the payment of €29 million in respect of an arbitral award (see Note 35, “Disputes and litigation”).

Note 8 - Financial income (loss)

(in € millions)	2017*	2018
Financial expense on interest-bearing financial liabilities	(81)	(95)
Financial income on cash and cash equivalents	24	28
Cost of net debt	**(57)**	**(67)**
Gain (loss) on foreign currency hedging instruments	3,469	(232)
Foreign exchange gains and losses	(454)	(89)
Net foreign exchange gains (losses) on provisions	56	(30)
Foreign exchange gain (loss)	**3,071**	**(351)**
Gain or loss on interest rate hedging instruments	4	-
Capital gains or losses on financial asset disposals	16	-
Change in the fair value of assets at fair value through profit or loss	-	4
Impairment of available-for-sale financial assets	(2)	-
Impairment of loans and other financial receivables	-	1
Dividends received	3	1
Other financial provisions	(2)	(1)
Interest component of IAS 19 expense	(12)	(14)
Impact of discounting	(16)	(26)
Other	7	(23)
Other financial income and expense	**(2)**	**(58)**
Financial income (loss)	**3,012**	**(476)**
of which financial expense	**(567)**	**(510)**
of which financial income	**3,579**	**34**

* The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, “Revenue from Contracts with Customers” (see Note 3.a.2, “Impact at December 31, 2017”), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, “Financial Instruments” (see Note 3.b, “Application of IFRS 9”).

2017 figures do not include data for Zodiac Aerospace, which was acquired after December 31, 2017.

In 2018, the €232 million loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to cash flows that will be recognized in profit or loss in future periods. This loss results chiefly from the change in the EUR/USD closing exchange rate (1.15 at December 31, 2018 versus 1.20 at December 31, 2017).

The €89 million foreign exchange loss includes:

- a €33 million foreign exchange loss, reflecting the loss on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange loss reflects the fact that the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.18 for €1) proved less favorable than the actual EUR/USD exchange rate observed during the period;
- a net foreign exchange loss of €56 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

In 2018, “Other financial income and expense” includes an expense of €16 million recorded following the redemption of the OCEANE 2016-2020 convertible bonds, representing the difference between the portion of the redemption price allocated to the OCEANE liability component and the carrying amount of this component (see Note 26, “Interest-bearing financial liabilities”).

Note 9 - Income tax

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

(in € millions)	2017*	2018
Current income tax benefit (expense)	(515)	(425)
Deferred tax benefit (expense)[(1)]	(1,145)	77
Total tax benefit (expense)	**(1,660)**	**(348)**

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

(1) Including €78 million in deferred tax income in 2018 arising on fair value adjustments to currency hedging derivatives (deferred tax expense of €1,198 million in 2017).

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

(in € millions)		2017*	2018
Profit before tax	**(a)**	5,440	1,689
Standard tax rate applicable to the parent company		34.43%	34.43%
Tax expense at standard rate		**(1,873)**	**(582)**
Impact of permanent differences		22	9
Impact of research and CICE tax credits		61	64
Impact of different tax rates (France/international)		54	42
Impact of unrecognized tax		10	-
Impact of tax on dividends paid by Safran		76	-
Impact of changes in tax rates on deferred taxes		90	12
Impact of joint ventures		49	67
Impact of other items		(149)	40
Current income tax benefit (expense) recognized in profit or loss	**(b)**	**(1,660)**	**(348)**
Effective tax rate	**(b)/(a) in %**	30.51%	20.60%

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

In France, the Finance Law for 2017 introduced a gradual decrease in the income tax rate from 33.33% to 25% (34.34% to 25.83% including additional income tax contributions) through to 2022. Deferred tax assets and liabilities have therefore been calculated on this basis.

Tax credits represent €80 million and reduce the effective tax rate.

The difference between the income tax rate applicable to foreign entities and the 34.43% rate applicable to the parent company gives rise to €42 million in tax income for the year, thereby automatically improving the effective tax rate.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets (liabilities) in the balance sheet

(in € millions)	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2017*	**251**	**674**	**(423)**
Deferred taxes recognized in profit or loss(1)	78	1	77
Deferred taxes recognized directly in equity	18	21	(3)
Reclassifications	-	-	-
Foreign exchange differences	1	2	(1)
Changes in scope of consolidation	43	964	(921)
Net deferred tax assets (liabilities) at December 31, 2018	**391**	**1,662**	**(1,271)**

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

(1) Including €78 million in deferred tax income in 2018 arising on fair value adjustments to currency hedging derivatives (deferred tax expense of €1,198 million in 2017).

Deferred tax asset bases

(in € millions)		**Dec. 31, 2017***	**Dec. 31, 2018**
Deferred tax asset bases			
Property, plant and equipment and intangible assets		(4,908)	(8,933)
Inventories		791	657
Current assets/liabilities		2,565	1,796
Financial assets/liabilities		246	400
Provisions		26	1,264
Tax adjustments		(530)	(615)
Losses carried forward and tax credits		225	785
Total deferred tax asset bases		**(1,585)**	**(4,646)**
Total gross deferred tax balance	**(a)**	**(452)**	**(1,223)**
Total unrecognized deferred tax assets	**(b)**	**(29)**	**48**
Total net deferred taxes recognized	**(a)-(b)**	**(423)**	**(1,271)**

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

CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities break down as follows:

(in € millions)	Assets	Liabilities	Net
Net tax assets (liabilities) at December 31, 2017*	**596**	**214**	**382**
Movements during the period	13	(54)	67
Current taxes recognized directly in equity	-	(15)	15
Changes in scope of consolidation	128	58	70
Foreign exchange differences	13	8	5
Other movements	2	(1)	3
Net tax assets (liabilities) at December 31, 2018	**752**	**210**	**542**

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

Note 10 - Earnings per share

	Index	2017*	2018
Numerator (in € millions)			
Profit for the period attributable to owners of the parent	(a)	4,550	1,283
Profit from continuing operations attributable to owners of the parent	(i)	3,720	1,283
Profit from discontinued operations attributable to owners of the parent	(j)	830	-
Denominator (in shares)			
Total number of shares	(b)	417,029,585	435,767,951
Number of treasury shares held	(c)	7,742,624	1,439,723
Number of shares excluding treasury shares	(d)=(b-c)	409,286,961	434,328,228
Weighted average number of shares (excluding treasury shares)	(d')	410,241,043	430,911,810
Potentially dilutive ordinary shares	(e)	7,277,205	5,423,821
Weighted average number of shares after dilution	(f)=(d'+e)	417,518,248	436,335,631
Ratio: earnings per share from continuing operations (in €)			
Basic earnings per share	(k)=(i*1million)/(d')	9.07	2.98
Diluted earnings per share	(l)=(i*1million)/(f)	8.91	2.94
Ratio: earnings per share from discontinued operations (in €)			
Basic earnings per share	(m)=(j*1million)/(d')	2.02	-
Diluted earnings per share	(n)=(j*1million)/(f)	1.99	-

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

At December 31, 2018, potentially dilutive ordinary shares essentially comprise shares that may be issued if all of the bonds convertible and/or exchangeable for new and/or existing shares issued by the Group (OCEANE 2018–2023: see Note 22.c, "Convertible bond issues") are converted.

The calculation of earnings per share in 2018 includes:

- the issuance of 26,651,058 Class A Preferred Shares on February 13, 2018 to the shareholders of Zodiac Aerospace who tendered their shares to the subsidiary exchange offer. The Class A preferred shares carry dividend rights as from their date of issuance;
- the capital increase resulting from the issuance of 3,490,192 shares upon the merger of Zodiac Aerospace into Safran on December 1, 2018;
- the capital decrease carried out on December 17, 2018 by canceling 11,402,884 treasury shares.

Note 11 - Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2017 Net	Changes in scope of consolidation	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	Dec. 31, 2018 Net
Safran Aircraft Engines	392	-	-	-	-	392
Safran Helicopter Engines	307	-	-	-	-	307
Safran Aero Booster	47	-	-	-	-	47
Other	1	-	-	-	-	1
Total Aerospace Propulsion	**747**	**-**	**-**	**-**	**-**	**747**
Safran Nacelles	213	-	-	-	-	213
Safran Engineering Services	78	-	-	-	(2)	76
Safran Landing Systems	190	-	-	-	-	190
Technofan – Ventilation Systems	10	-	-	-	-	10
Safran Electrical & Power	464	-	-	-	7	471
Total Aircraft Equipment	**955**	**-**	**-**	**-**	**5**	**960**
Safran Electronics & Defense	129	-	-	-	3	132
Total Defense	**129**	**-**	**-**	**-**	**3**	**132**
Aerosystems	-	1,690			-	1,690
Cabin	-	825			54	879
Seats	-	765	-	-	-	765
Total Zodiac Aerospace	**-**	**3,280**	**-**	**-**	**54**	**3,334**
Total	**1,831**	**3,280**	**-**	**-**	**62**	**5,173**

Annual impairment tests

The Group tests goodwill for impairment each year.

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

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

- expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at 10 years but may be extended for businesses with longer development and production cycles;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions. These projections and assumptions are based on the Group's medium-term plan for the next four years, while projections and assumptions beyond this period are based on management's best case long-term scenario;
- the value in use of CGUs is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year in the long-term plan;
- the growth rate used to calculate terminal value was set at 1.5% for the Defense CGU (unchanged from 2017) and at 2% for the Aerospace Propulsion and Aircraft Equipment CGUs (unchanged from 2017) and for the Aerosystems and Cabin and Seats CGUs;
- the average USD exchange rate adopted is 1.18 for years 2019 to 2021 and 1.30 thereafter. These exchange rate assumptions were used for forecasting during the first half of the year,

and take into account the foreign currency hedging portfolio (see Note 30, "Management of market risks and derivatives");
- the benchmark post-tax discount rate used is 7.5% (unchanged from 2017) and is applied to post-tax cash flows.

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized as a result of the annual impairment tests in 2017.

A sensitivity analysis was carried out in respect of the Group's main goodwill balances, by introducing the following changes to the main assumptions:
- a 5% increase or decrease in the USD/EUR exchange rate;
- a 0.5% increase in the benchmark discount rate;
- a 0.5% decrease in the perpetual growth rate.

In 2018 as in 2017, the above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances.

Note 12 - *Intangible assets*

Intangible assets break down as follows:

	Dec. 31, 2017*			Dec. 31, 2018		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,350	(1,450)	900	2,351	(1,550)	801
Development expenditures	4,814	(1,508)	3,306	5,981	(2,000)	3,981
Commercial agreements and concessions	661	(98)	563	735	(121)	614
Software	547	(467)	80	646	(545)	101
Trademarks	-	-	-	703	-	703
Commercial relationships	198	(80)	118	1,933	(213)	1,720
Technology	83	(25)	58	1,375	(157)	1,218
Other	715	(144)	571	806	(187)	619
Total	**9,368**	**(3,772)**	**5,596**	**14,530**	**(4,773)**	**9,757**

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

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2017*	**9,368**	**(3,772)**	**5,596**
Capitalization of R&D expenditure[(1)]	327	-	327
Capitalization of other intangible assets	48	-	48
Acquisitions of other intangible assets	121	-	121
Disposals and retirements	(15)	8	(7)
Amortization	-	(654)	(654)
Impairment losses recognized in profit or loss	-	(51)	(51)
Reclassifications	(1)	1	-
Changes in scope of consolidation	4,596	(288)	4,308
Foreign exchange differences	86	(17)	69
At December 31, 2018	**14,530**	**(4,773)**	**9,757**

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

(1) Including €7 million in capitalized interest on R&D expenditure at December 31, 2018 (€11 million at December 31, 2017).

Research and development expenditure recognized in recurring operating income for the period totaled €1,124 million including amortization (€980 million in 2017). This amount does not include the research tax credit recognized in the income statement within "Other income" (see Note 7, "Breakdown of the other main components of profit from operations").

Amortization recognized in the year includes €239 million relating to the remeasurement of intangible assets within the scope of the Zodiac Aerospace acquisition, €56 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €39 million relating to assets identified as part of other business combinations.

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

As a result of the impairment tests carried out at December 31, 2017, assets that the Group had specifically committed to the Falcon 5X program were written down in an amount of €23 million (see Note 7, "Breakdown of the other main components of profit from operations"), while intangible assets relating to an Aircraft Equipment program were written down in an amount of €34 million.

Note 13 - Property, plant and equipment

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2017 Gross	Dec. 31, 2017 Depreciation/ impairment	Dec. 31, 2017 Net	Dec. 31, 2018 Gross	Dec. 31, 2018 Depreciation/ impairment	Dec. 31, 2018 Net
Land	204	-	204	247	-	247
Buildings	1,624	(750)	874	2,080	(935)	1,145
Technical facilities, equipment and tooling	4,711	(3,127)	1,584	5,743	(3,647)	2,096
Assets in progress, advances	750	(76)	674	784	(68)	716
Site development and preparation costs	51	(30)	21	60	(33)	27
Buildings on land owned by third parties	90	(31)	59	85	(36)	49
Computer hardware and other equipment	459	(357)	102	637	(463)	174
Total	**7,889**	**(4,371)**	**3,518**	**9,636**	**(5,182)**	**4,454**

Movements in property, plant and equipment can be analyzed as follows:

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2017	**7,889**	**(4,371)**	**3,518**
Internally produced assets	80	-	80
Additions[1]	723	-	723
Disposals and retirements	(167)	137	(30)
Depreciation[2]	-	(555)	(555)
Impairment losses recognized in profit or loss	-	(10)	(10)
Reclassifications	(25)	23	(2)
Changes in scope of consolidation	1,067	(371)	696
Foreign exchange differences	69	(35)	34
At December 31, 2018	**9,636**	**(5,182)**	**4,454**

(1) Including €6 million in assets held under finance leases.

(2) Including €22 million relating to the remeasurement of property, plant and equipment as part of the Zodiac Aerospace acquisition.

Assets held under finance leases and recognized in property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2017 Gross	Dec. 31, 2017 Depreciation / impairment	Dec. 31, 2017 Net	Dec. 31, 2018 Gross	Dec. 31, 2018 Depreciation / impairment	Dec. 31, 2018 Net
Land	16	-	16	16	-	16
Buildings	235	(67)	168	244	(79)	165
Technical facilities, equipment and tooling	18	(8)	10	18	(9)	9
Site development and preparation costs	10	(3)	7	11	(3)	8
Leasehold improvement	18	(2)	16	18	(1)	17
Computer hardware and other equipment	20	(20)	-	20	(20)	-
Total	**317**	**(100)**	**217**	**327**	**(112)**	**215**

Note 14 - Current and non-current financial assets

Financial assets include:

	Dec. 31, 2017			Dec. 31, 2018		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments	N/A	N/A	226	N/A	N/A	300
Other financial assets	2,298	(87)	2,211	385	(84)	301
Total	**N/A**	**N/A**	**2,437**	**N/A**	**N/A**	**601**

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

Other financial assets are measured at amortized cost.
The Group reviewed the value of its other financial assets in order to determine whether any items needed to be written down based on available information.

No material write-downs were recognized in 2018.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Loans to non-consolidated companies	108	122
Loans to employees	31	33
Deposits and guarantees	2,007	12
Other	65	134
Total	**2,211**	**301**
Non-current	**98**	**116**
Current	**2,113**	**185**

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2017	**2,211**
Increase	93
Decrease	(2,042)
Impairment (reversals/additions)	3
Effect of changes in foreign exchange rates	1
Reclassifications	(21)
Changes in scope of consolidation	56
At December 31, 2018	**301**

The decrease in other financial assets is mainly due to the transfer to cash and cash equivalents of €2,000 million in money market funds which were pledged during the tender offer for Zodiac Aerospace. These money market funds could not be classified under cash and cash equivalents during the offer period due to their usage restriction (see Note 20, "Cash and cash equivalents").

Note 15 - Investments in equity-accounted companies

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

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
ArianeGroup	1,557	1,605
Other joint ventures	570	648
Total	**2,127**	**2,253**

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

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

(in € millions)	
At December 31, 2017*	**2,127**
Share in profit from ArianeGroup	83
Share in profit from other joint ventures	106
Dividends received from joint ventures	(65)
Changes in scope of consolidation	2
Foreign exchange differences	29
Other movements	(29)
At December 31, 2018	**2,253**

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

The Group's off-balance sheet commitments with joint ventures are described in Note 33, "Related parties".

The Group has interests in the following joint ventures which are accounted for using the equity method:

- Airbus Safran Launchers (ASL), which changed corporate name to ArianeGroup on July 1, 2017: launchers;
- Shannon Engine Support Ltd: leasing of CFM56 and Leap engines, modules, equipment and tooling to airline companies;
- ULIS: manufacture of uncooled infrared detectors;
- SOFRADIR: manufacture of cooled infrared detectors;
- Safran Martin-Baker France: manufacture of ejectable seating;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;
- SAIFEI: electrical wiring;
- Fadec International LLC: digital engine control systems;
- Xi'an Cea Safran Landing Systems Co., Ltd: landing gear maintenance;
- EZ Air Interior Ltd: cabin interiors.

ArianeGroup is the Group’s sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Non-current assets	1,134	1,303
Current assets	5,360	6,626
of which: cash and cash equivalents	807	507
Non-current liabilities	(496)	(688)
of which: non-current financial liabilities	(31)	(137)
Current liabilities	(6,448)	(7,513)
of which: current financial liabilities	(36)	(28)
Non-controlling interests	7	14
Net assets of ArianeGroup (excl. goodwill and PPA) – attributable to owners of the parent (based on a 100% interest)	**(457)**	**(286)**
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(229)	(143)
Purchase price allocation, net of deferred taxes	609	572
Safran equity share – Net assets of ArianeGroup	**381**	**429**
Goodwill	**1,176**	**1,176**
Carrying amount of investment in ArianeGroup	**1,557**	**1,605**

* The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, “Revenue from Contracts with Customers”.

(in € millions)	2017*	2018
Profit for the period attributable to owners of the parent	**199**	**241**
Other comprehensive income	28	(10)
Total comprehensive income attributable to owners of the parent	**227**	**231**
Safran equity share – Profit for the period	99	120
Amortization of purchase price allocation, net of deferred taxes	(44)	(37)
Deferred tax rate change	21	-
Safran equity share in profit of ArianeGroup	**76**	**83**
Safran equity share – Other comprehensive income	14	(9)
Safran equity share in comprehensive income of ArianeGroup	**90**	**74**

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

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

(in € millions)	2017*	2018
Profit from continuing operations	68	106
Other comprehensive income	(49)	20
Total comprehensive income	**19**	**126**

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

Note 16 - Inventories and work-in-progress

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

(in € millions)	Dec. 31, 2017* Net	Dec. 31, 2018 Net
Raw materials and supplies	532	1,221
Finished goods	2,083	2,662
Work-in-progress	1,284	1,608
Bought-in goods	55	67
Total	**3,954**	**5,558**

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

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

(in € millions)	Gross	Impairment	Net
At December 31, 2017*	**4,725**	**(771)**	**3,954**
Movements during the period(1)	53	-	53
Net impairment expense	-	79	79
Reclassifications	-	1	1
Changes in scope of consolidation	1,772	(348)	1,424
Foreign exchange differences	60	(13)	47
At December 31, 2018	**6,610**	**(1,052)**	**5,558**

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

(1) Including a negative amount of €340 million relating to the cancellation of the impact of remeasuring inventories at the time of the Zodiac Aerospace acquisition.

Note 17 - Contract costs

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

	Dec. 31, 2017*			Dec. 31, 2018**		
(in € millions)	Gross value	Amort./ impairment	Net	Gross value	Amort./ impairment	Net
Costs to obtain contracts	-	-	-	-	-	-
Costs to fulfill contracts	335	(74)	261	532	(62)	470
Contract costs	335	(74)	261	532	(62)	470

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

** The data shown for 2018 do not include data for Zodiac Aerospace for a gross amount of €203 million and a net amount of €203 million.

Note 18 - Trade and other receivables

(in € millions)	**Dec. 31, 2017*** Net	Movements during the period	Impairment/ reversal	Changes in scope of consolidation	Reclassifications	Change in accounting policy (IFRS 9)	Effect of changes in foreign exchange rates	**Dec. 31, 2018** Net
Operating receivables	**4,305**	**779**	**(5)**	**745**	**(3)**	**(3)**	**31**	**5,849**
Debit balances on trade payables/advance payments to suppliers	415	47	-	9	1	-	-	472
Trade receivables	3,885	730	(5)	734	(4)	(3)	31	5,368
Operating current accounts	1	1	-	-	-	-	-	2
Employee-related receivables	4	1	-	2	-	-	-	7
Other receivables	**647**	**(3)**	**-**	**86**	**1**	**-**	-	**731**
Prepayments	34	10	-	42	2	-	1	89
VAT receivables	537	(9)	-	28	(1)	-	-	555
Other State receivables	11	14	-	7	-	-	-	32
Other receivables	65	(18)	-	9	-	-	(1)	55
Total	**4,952**	**776**	**(5)**	**831**	**(2)**	**(3)**	**31**	**6,580**

* The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, “Revenue from Contracts with Customers” (see Note 3.a.2, “Impact at December 31, 2017”), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, “Financial Instruments” (see Note 3.b, “Application of IFRS 9”).

The table below shows changes in trade and other receivables:

(in € millions)	Gross	Impairment	Net
At December 31, 2017*	4,101	(216)	3,885
Short-term changes	730	-	730
Net impairment	-	(5)	(5)
Reclassifications	(7)	-	(7)
Changes in scope of consolidation	765	(31)	734
Foreign exchange differences	32	(1)	31
At December 31, 2018	5,621	(253)	5,368

* The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, “Revenue from Contracts with Customers” (see Note 3.a.2, “Impact at December 31, 2017”), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, “Financial Instruments” (see Note 3.b, “Application of IFRS 9”).

Trade and other receivables fall due as shown below:

(in € millions)	**Carrying amount at Dec. 31**	Not past due	Past due at year-end < 30	31-90	90-180	181-360	> 360	Total past due
At December 31, 2017*								
Trade receivables	**3,885**	3,440	106	136	60	31	112	445
At December 31, 2018								
Trade receivables	**5,368**	4,415	539	198	100	33	83	953

* The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, “Revenue from Contracts with Customers” (see Note 3.a.2, “Impact at December 31, 2017”), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, “Financial Instruments” (see Note 3.b, “Application of IFRS 9”).

In both 2018 and 2017, the Group sold trade receivables as part of an agreement described in further detail in Note 26, “Interest-bearing financial liabilities”. Under IFRS, these receivables must be removed from the balance sheet.

Note 19 - Contract assets and liabilities

Contract assets can be analyzed as follows:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Contract assets, gross	1,370	1,555
Impairment	(4)	(11)
Contract assets, net	**1,366**	**1,544**

* The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

Changes in contract assets in 2018 can be analyzed as follows:

(in € millions)	
December 31, 2017*	**1,366**
Change in accounting policy (IFRS 9)	**(1)**
Reclassification of contract assets in trade and other receivables	**(486)**
Changes relating to revenue recognized over time	**559**
Other changes	**79**
Business combinations	**31**
Impairment	**(7)**
Foreign exchange differences	**3**
December 31, 2018	**1,544**

* The data published for December 31, 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

Contract liabilities can be analyzed as follows:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Advances and downpayments received	4,561	5,080
Deferred income	3,161	3,905
Other contract liabilities	1,368	1,468
Total	**9,090**	**10,453**

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

Deferred income mainly includes funding received for development work and service contracts that has not yet been recognized in revenue.

Changes in contract liabilities in 2018 can be analyzed as follows:

(in € millions)	
At December 31, 2017*	**9,090**
Increase in amounts received net of revenue recognized in the period	**3,388**
Revenue recognized in the period and included in the opening balance	**(2,545)**
Other changes	**33**
Business combinations	**465**
Foreign exchange differences	**22**
At December 31, 2018	**10,453**

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

Note 20 - Cash and cash equivalents

(in € millions)	**Dec. 31, 2017**	**Dec. 31, 2018**
Money-market funds	1,293	5
Short-term investments	2,077	1,250
Sight deposits	1,544	1,075
Total	**4,914**	**2,330**

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

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2017	**4,914**
Movements during the period	(2,963)
Changes in scope of consolidation	382
Foreign exchange differences	(3)
At December 31, 2018	**2,330**

Changes in cash and cash equivalents in 2018 notably include the payment made as part of the tender offer for Zodiac Aerospace, representing an outflow of €4,474 million, and the transfer to cash and cash equivalents of money market funds which were pledged during the Zodiac Aerospace tender offer, representing an inflow of €2,000 million. These money market funds could not be classified under cash and cash equivalents during the offer period due to their usage restriction (see Note 14, "Current and non-current financial assets").

Note 21 - Summary of financial assets

The following table presents the carrying amount of the Group's financial assets at December 31, 2017 and December 31, 2018:

At December 31, 2017*	Carrying amount				
	At amortized cost	At fair value			Total
(in € millions)	Amortized cost (a)	Fair value through profit or loss/Available -for-sale financial assets (b)	Fair value through equity (OCI) to be reclassified (c)	Fair value through equity (OCI) not to be reclassified (d)	= a+b+c+d
Non-current financial assets					
Non-consolidated investments		226			226
Non-current derivatives (positive fair value)		16			16
Other non-current financial assets	98				98
Sub-total non-current financial assets	**98**	**242**	**-**	**-**	**340**
Other current financial assets	2,113				2,113
Current derivatives (positive fair value)		566			566
Trade receivables	3,885				3,885
Operating current accounts and other receivables	66				66
Cash and cash equivalents	3,621	1,293			4,914
Sub-total current financial assets	**9,685**	**1,859**	**-**	**-**	**11,544**
Total financial assets	**9,783**	**2,101**	**-**	**-**	**11,884**

* The data published for 2017 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 15, "Revenue from Contracts with Customers" (see Note 3.a.2, "Impact at December 31, 2017"), but have not been restated to reflect the impact of the change in accounting policy resulting from the limited retrospective application of IFRS 9, "Financial Instruments" (see Note 3.b, "Application of IFRS 9").

At December 31, 2018	Carrying amount				
	At amortized cost	At fair value			Total
(in € millions)	Amortized cost (a)	Fair value through profit or loss (b)	Fair value through equity (OCI) to be reclassified (c)	Fair value through equity (OCI) not to be reclassified (d)	= a+b+c+d
Non-current financial assets					
Non-consolidated investments		300			300
Non-current derivatives (positive fair value)		13			13
Other non-current financial assets	116				116
Sub-total non-current financial assets	**116**	**313**	**-**	**-**	**429**
Other current financial assets	185				185
Current derivatives (positive fair value)		740			740
Trade receivables	5,380				5,380
Operating current accounts and other receivables	45				45
Cash and cash equivalents	2,325	5			2,330
Sub-total current financial assets	**7,935**	**-**	**-**	**-**	**8,680**
Total financial assets	**8,051**	**-**	**-**	**-**	**9,109**

IMPAIRMENT OF FINANCIAL ASSETS/CREDIT RISK EXPOSURE

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

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

RECLASSIFICATION OF FINANCIAL ASSETS

The Group did not reclassify any financial assets between the "amortized cost" and "fair value" categories in either 2018 or 2017.

FAIR VALUE OF FINANCIAL ASSETS

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

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

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

At December 31, 2017, the Group carried the following financial assets at fair value:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments	-	-	226	226
Derivatives (positive fair value)	-	582	-	582
Cash and cash equivalents	1,293	-	-	1,293
Total	**1,293**	**582**	**226**	**2,101**

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

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

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2018 or 2017.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At December 31, 2017 *(in € millions)*	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet[1] (c)	Amount subject to offset agreement but not offset (d)	**Net** **(c) - (d)**
Derivatives (positive fair value)	**582**	**-**	**582**	**508**	**74**

(1) See Note 30, "Management of market risks and derivatives".

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

(1) See Note 30, "Management of market risks and derivatives".

The tables above show the financial assets for which an offsetting agreement exists with respect to financial liabilities.
The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2018 or 2017, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.
The amounts subject to an offset agreement but not offset comprise a portion of the Group's derivatives with a negative fair value, since amounts can only be offset if they relate to the same counterparty.

Note 22 - Consolidated shareholders' equity

22.a. Share capital

At December 31, 2018, Safran's share capital was fully paid up and comprised 435,767,951 shares, each with a par value of €0.20.

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

22.b. Breakdown of share capital and voting rights

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

December 31, 2017

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Private investors	320,032,130	76.74%	336,208,280	66.12%
French State	58,393,131	14.00%	116,786,262	22.97%
Employees(2)	30,861,700	7.40%	55,471,370	10.91%
Treasury shares	7,742,624	1.86%	-	-
Total	**417,029,585**	**100.00%**	**508,465,912**	**100.00%**

(1) Exercisable voting rights.

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

December 31, 2018

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

(1) Exercisable voting rights.

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

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

The 1,439,723 treasury shares have no voting rights.

At December 31, 2018, the total number of shares includes the 26,651,058 preferred shares issued on February 13, 2018 in consideration for the 88,847,828 Zodiac Aerospace shares tendered to the subsidiary exchange offer, as well as the 3,490,192 ordinary shares issued at the time of the Zodiac Aerospace merger on December 1, 2018. It also reflects the capital decrease carried out on December 17, 2018 by canceling 11,402,884 treasury shares.

Treasury shares

The number of treasury shares has decreased since December 31, 2017 following:

- the purchase of 118,644 shares under the Group's liquidity agreement, net of shares sold;
- the purchase of 5,158,309 shares in connection with the implementation of the share buyback program;
- the delivery of 6,081 shares under the multi-year share compensation plan;
- the conversion of 170,889 OCEANE 2016-2020 convertible bonds into shares (see Note 22.c, "Convertible bond issues");
- the cancellation of 11,402,884 treasury shares.

On June 15, 2017, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations, at a maximum purchase price of €95 per share. This authorization was renewed by the Shareholders' Meeting of May 25, 2018, which set the maximum purchase price at €118 per share. A new authorization to purchase shares was granted by the Shareholders' Meeting of November 27, 2018, providing for a maximum purchase price of €140 per share, in order to reflect changes in the Safran share price since the last authorization was granted.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, the Company purchased 2,624,833 shares for €273 million, and sold 2,506,189 shares for €260 million. At December 31, 2018, 314,000 shares were held in connection with the liquidity agreement.

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

- a share purchase agreement with an investment services firm on March 27, 2018 for an initial buyback tranche of up to €230 million;
- a share purchase agreement with a different investment services firm on June 29, 2018 for a second tranche of up to €400 million.

At December 31, 2018, two tranches had been completed, concerning the purchase of 5,158,309 shares for €522 million. These shares were subsequently canceled within the scope of the capital decrease of December 17, 2018.

Acting on the recommendations of the Appointments and Compensation Committee, at its July 29, 2015 meeting, the Board of Directors decided to introduce a multi-year variable compensation system in the form of the 2015 Performance Unit plan, designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over several years. This multi-year compensation plan applied to the Chief Executive Officer and other members of Safran's Executive Committee. A total of 6,081 shares were distributed in connection with this plan in 2018.

22.c. CONVERTIBLE BOND ISSUES

OCEANE 2016-2020 bond issue

On January 8, 2016, Safran issued 7,277,205 bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) for a total nominal amount of €650 million.

The bonds do not carry any coupon.

OCEANE convertible bonds are deemed a hybrid instrument comprising an equity and a liability component.

The effective annual interest rate on the liability component is 1.50% including issuance fees.

On October 30, 2018, Safran exercised the early redemption option, resulting in the redemption of 7,093,116 OCEANE bonds (97.47% of the initial issue), representing a nominal amount of

€634 million (see Note 26, “Interest-bearing financial liabilities”). The bulk of the remaining OCEANE bonds had been converted into Safran shares at a rate of one share per bond. A tiny portion of bonds was redeemed at par.

The Group had no further OCEANE 2016-2020 bonds outstanding at December 31, 2018.

OCEANE 2018-2023 bond issue

On June 21, 2018, Safran issued 4,996,431 bonds convertible and/or exchangeable for new and/or existing shares (“OCEANE” bonds) for a total nominal amount of €700 million.

The bonds do not carry any coupon.

Bondholders have the option of converting their bonds into shares on a one-for-one basis. This option can be exercised at any point after the issue date and up to the seventh trading day preceding the standard or early redemption date.

The bonds come with an early redemption option that the issuer may trigger if the share price exceeds 130% of par value and that the bearer may trigger in the event of a change of control.

Unless converted, redeemed or bought back and canceled prior to maturity, the bonds are redeemable at par on June 21, 2023.

OCEANE convertible bonds are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €653 million was recognized under interest-bearing financial liabilities, which corresponds to the discounted value of cash flows from a similar bond with no conversion rights (see Note 26, "Interest-bearing financial liabilities”).

The effective annual interest rate on the liability component is 1.40% including issuance fees.

The option component recognized in equity was valued at €44 million on the issue date, or €31 million after the deferred tax impact (see the consolidated statement of changes in shareholders’ equity).

22.d. DIVIDEND DISTRIBUTION

A dividend payout of €1.60 per share in respect of 2017 was approved and paid in first-half 2018, representing a total amount of €695 million.

At the Shareholders' Meeting to be held on May 23, 2019 to approve the financial statements for the year ended December 31, 2018, the Board of Directors will recommend a dividend payment of €1.82 per share in respect of 2018, representing a total payout of €793 million.

Note 23 - Provisions

Provisions break down as follows:

(in € millions)	Dec. 31, 2017*	Additions	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus	Changes in scope of consolidation	Other	Dec. 31, 2018
Performance warranties	637	617	(166)	-	(190)	130	9	1,037
Financial guarantees	5	1	(2)	-	(1)	-	-	3
Post-employment benefits	813	75	(96)	-	(2)	133	(47)	876
Sales agreements and long-term receivables	392	167	(296)	-	(79)	76	6	266
Provisions for losses on completion and losses arising on delivery commitments	72	49	(56)	-	(10)	145	1	201
Disputes and litigation	39	13	(18)	-	(6)	24	(1)	51
Other	230	133	(67)	-	(21)	70	(2)	343
Total	**2,188**	1,055	(701)	-	(309)	578	(34)	**2,777**
Non-current	1,263							**1,588**
Current	925							**1,189**

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

On September 6, 2018, Safran and Dassault Aviation reached an agreement regarding the compensation payable to Dassault Aviation for the termination of the Silvercrest engine program intended to equip the Falcon 5X.
The provision recognized in this respect in the Group's 2017 consolidated financial statements was written back in full against accrued expenses.

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

(in € millions)	Dec. 31, 2018
Net additions recognized in profit from operations	-
Net additions recognized in financial income (loss)	(45)
Total	**(45)**

Note 24 - Post-employment benefits

The Company has various obligations under defined benefit plans, retirement termination benefits and other commitments, mainly in France, the United States and the United Kingdom. The accounting treatment applied to these commitments is detailed in Note 1.s.

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

- Retirement termination benefits

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

- Other long-term benefits

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

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 benefit in Mexico;
- Europe: pension funds in Switzerland, pension funds and retirement termination benefits in Belgium, pension funds and long-service bonuses in Germany, retirement termination benefits and long-service bonuses in Poland.

24.b. Financial position

(in € millions)	Dec. 31, 2017	**Dec. 31, 2018**	France	United Kingdom	Rest of the world
Gross obligation	1,467	**1,554**	699	545	310
Plan assets	665	**691**	14	503	174
Provision recognized in the accounts	**813**	**876**	685	55	136
- Defined benefit pension plans	*201*	***180***	*16*	*55*	*109*
- Retirement termination benefits	*568*	***644***	*622*	*-*	*22*
- Long-service bonuses and other employee benefits	*44*	***52***	*47*	*-*	*5*
Recognized net plan assets	**(11)**	**(13)**	-	(13)	-

(in € millions)	Dec. 31, 2017	**Dec. 31, 2018**	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,467	**1,554**	858	644	52
Plan assets	665	**691**	691	-	-
Provision recognized in the accounts	**813**	**876**	180	644	52
Recognized net plan assets	**(11)**	**(13)**	(13)	-	-

The increase in the gross obligation results from the following conflicting impacts:

- an increase in the obligation relating to the consolidation of the Zodiac Aerospace group, which had a benefit obligation of €152 million at December 31, 2018;
- a decrease of €44 million in the obligation following changes in the financial assumptions (discount and inflation rates) used to determine the benefit obligation in the United Kingdom.

The value of plan assets also increased following the consolidation of Zodiac Aerospace, which had plan assets of €22 million at December 31, 2018.

The cost of the Group's pension obligations in 2017 and 2018 can be analyzed as follows:

(in € millions)	**2017**	**2018**
Current service cost	(55)	(57)
Actuarial gains and losses recognized (on other long-term benefits)	(1)	2
Plan implementation, amendment and settlement	3	(4)
Plan administration costs	(1)	-
Total operating component of the pension expense	**(54)**	**(59)**
Interest cost on the net benefit obligation	(12)	(14)
Total financing component of the pension expense	**(12)**	**(14)**
Total	**(66)**	**(73)**

The Group expects to pay a total of €33 million into its defined benefit pension plans in 2019.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	*2017*	*1.40%*	*2.60%*
	2018	**1.50%**	**2.90%**
Inflation rate	*2017*	*1.75%*	*3.20%*
	2018	**1.75%**	**3.25%**
Rate of annuity increases	*2017*	*1.00%*	*3.20%*
	2018	**1.00%**	**3.25%**
Rate of future salary increases	*2017*	*1.12%-5.00%*	*N/A*
	2018	**1.12%-5.00%**	***N/A***
Retirement age	2017	*Managerial: 64/65 years Non-managerial: 62/65 years*	*65 years*
	2018	**Managerial: 64/65 years Non-managerial: 62/65 years**	**65 years**

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

Sensitivity analysis

An increase or decrease of 0.5% in the main assumptions would have the following impacts on the amount of the gross benefit obligation at December 31, 2018:

(in € millions)

Sensitivity (basis points)	**-0.50%**	**+0.50%**
Discount rate	117	(109)
Inflation rate	(52)	53
Rate of future salary increases	(49)	51

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.

24.c. Change in the gross benefit obligation and plan assets

Change in gross benefit obligation

(in € millions)	2017	2018	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
Gross benefit obligation at beginning of period	**1,513**	**1,467**	**855**	**568**	**44**
A. Pension expense					
Current service cost	55	57	13	39	5
Actuarial gains and losses recognized (on other long-term benefits)	1	(2)	-	-	(2)
Plan implementation, amendment and settlement	(3)	4	4	-	-
Interest cost	28	30	21	8	1
Total expense recognized in the income statement	**81**	**89**	**38**	**47**	**4**
B. Actuarial gains and losses arising in the period on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	(23)	(3)	1	(4)	-
Actuarial gains and losses resulting from changes in financial assumptions	11	(63)	(52)	(11)	-
Experience adjustments	(9)	6	(7)	13	-
Total revaluation recognized in other comprehensive income for the period	**(21)**	**(60)**	**(58)**	**(2)**	**-**
C. Other items					
Employee contributions	1	2	2	-	-
Benefits paid	(74)	(96)	(46)	(46)	(4)
Changes in scope of consolidation	(1)	154	69	77	8
Other movements	-	-	-	-	-
Foreign exchange differences	(32)	(2)	(2)	-	-
Total other items	**(106)**	**58**	**23**	**31**	**4**
Gross benefit obligation at end of period	**1,467**	**1,554**	**858**	**644**	**52**
Average weighted term of pension plans	15	15	18	11	9

Change in fair value of plan assets:

(in € millions)	2017	2018	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
Fair value of plan assets at beginning of period	**646**	**665**	**665**	**-**	**-**
A. Income					
Interest income on plan assets	16	16	16	-	-
Plan administration costs	(1)	-	-	-	-
Total income recognized in the income statement	**15**	**16**	**16**	**-**	**-**
B. Actuarial gains and losses arising in the period on post-employment plans					
Return on plan assets (excluding interest income component)	21	(12)	(12)	-	-
Total revaluation recognized in other comprehensive income for the period	**21**	**(12)**	**(12)**	**-**	**-**
C. Other items					
Employee contributions	1	2	2	-	-
Employer contributions	45	43	43	-	-
Benefits paid	(38)	(43)	(43)	-	-
Changes in scope of consolidation	-	23	23	-	-
Other movements	(1)	-	-	-	-
Foreign exchange differences	(24)	(3)	(3)	-	-
Total other items	**(17)**	**22**	**22**	**-**	**-**
Fair value of plan assets at end of period	**665**	**691**	**691**	**-**	**-**

24.d. Asset allocation

	United Kingdom % allocation at		**Other European countries** % allocation at	
	Dec. 31, 2017	**Dec. 31, 2018**	**Dec. 31, 2017**	**Dec. 31, 2018**
Shares	33.88%	14.47%	19.22%	27.65%
Bonds and debt instruments	28.98%	41.88%	60.78%	58.65%
Property	7.10%	7.56%	7.80%	7.50%
Mutual funds and other diversified funds	27.98%	35.13%	0.00%	0.65%
Cash and cash equivalents	2.06%	0.96%	2.69%	2.15%
Other	0.00%	0.00%	9.51%	3.40%

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

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

The Group's investment policy for pension funds in the UK combines safe harbor investments (in monetary funds, government bonds, bond funds), to secure the medium-term funding of obligations, with riskier investments such as in equity funds and real estate funds, whose expected profitability over the long term guarantees the financial stability of the plans.

24.e. CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

The expense for 2018 in respect of defined contribution plans amounts to €296 million (€224 million in 2017), including the expense for Zodiac Aerospace as from March 1, 2018.

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

Note 25 - Borrowings subject to specific conditions

This caption mainly includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2017	**569**
New advances received	26
Advances repaid	(36)
Sub-total: changes with a cash impact	**(10)**
Cost of borrowings and discounting	28
Foreign exchange differences	(1)
Changes in scope of consolidation	24
Adjustments to the probability of repayment of advances[1]	(25)
Sub-total: changes with no cash impact	**26**
At December 31, 2018	**585**

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

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

Note 26 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Bond issue	1,209	1,517
OCEANE convertible bond	622	657
Senior unsecured notes in USD	1,006	906
Finance lease liabilities	140	121
Long-term borrowings	269	183
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**3,246**	**3,384**
Bond issue	-	499
Senior unsecured notes in USD	-	135
Finance lease liabilities	26	27
Long-term borrowings	258	322
Accrued interest not yet due	15	19
Current interest-bearing financial liabilities, long-term at inception	**299**	**1,002**
Commercial paper	850	973
Short-term bank facilities and equivalent	241	246
Current interest-bearing financial liabilities, short-term at inception	**1,091**	**1,219**
Total current interest-bearing financial liabilities (less than 1 year)	**1,390**	**2,221**
Total interest-bearing financial liabilities[1]	**4,636**	**5,605**

(1) The fair value of interest-bearing financial liabilities amounts to €5,698 million (€4,710 million at December 31, 2017).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2017	**4,636**
Increase in long-term borrowings at inception (excluding finance lease liabilities)	1,480
Decrease in long-term borrowings at inception[1]	(1,895)
Change in short-term borrowings	(472)
Sub-total: changes with a cash impact	**(887)**
Increase in finance lease liabilities	6
Accrued interest	(4)
Changes in scope of consolidation	1,420
Reclassification of the Zodiac hybrid loan	250
Foreign exchange differences	58
OCEANE 2016-2020 bond redemption[2]	175
Option component of the OCEANE 2018-2023 bond[3]	(44)
Change in the fair value of borrowings hedged with interest rate instruments[4]	(12)
Reclassifications and other	7
Sub-total: changes with no cash impact	**1,856**
At December 31, 2018	**5,605**

(1) Including a repayment of €250 million on the Zodiac hybrid loan and the redemption of OCEANE 2016-2020 bonds for €803 million.

(2) This amount relates to the loss recognized in the year further to the redemption of OCEANE 2016-2020 bonds (€16 million included in “Financial income (loss)” in respect of the liability component of the bonds and €175 million recognized in equity in respect of the equity component), and a €16 million loss in respect of the conversion of the OCEANE bond into Safran shares).

(3) See Note 22.c, "Convertible bond issues".

(4) See Note 30, "Management of market risks and derivatives".

Analysis by maturity:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Maturing in:		
1 year or less	1,390	2,221
More than 1 year and less than 5 years	2,552	2,688
Beyond 5 years	694	696
Total	**4,636**	**5,605**

Analysis by currency:

	Dec. 31, 2017		Dec. 31, 2018	
(in millions of currency units)	**Currency**	**EUR**	**Currency**	**EUR**
EUR	3,450	3,450	4,502	4,502
USD	1,384	1,154	1,249	1,091
CAD	-	-	1	1
Other	N/A	31	N/A	11
Total		**4,636**		**5,605**

Analysis by type of interest rate:

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

	Total		Non-current				Current			
	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017		**Dec. 31, 2018**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	2,912	3,320	1,892	3.17%	2,131	2.75%	1,020	0.10%	1,189	0.30%
Floating rate	1,724	2,285	1,354	0.33%	1,254	0.32%	370	0.56%	1,031	0.20%
Total	**4,636**	**5,605**	**3,246**	**1.99%**	**3,385**	**1.85%**	**1,390**	**0.22%**	**2,220**	**0.25%**

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

	Total		Non-current				Current			
	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017		**Dec. 31, 2018**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,823	**2,202**	805	1.97%	1,014	1.29%	1,018	0.10%	1,189	0.30%
Floating rate	2,813	**3,403**	2,441	1.62%	2,371	2.09%	372	0.56%	1,031	0.20%
Total	**4,636**	**5,605**	**3,246**	**1.71%**	**3,385**	**1.85%**	**1,390**	**0.22%**	**2,220**	**0.25%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Cash and cash equivalents (A)	4,914	2,330
Interest-bearing financial liabilities (B)	4,636	5,605
Fair value of interest rate derivatives hedging borrowings (C)	16	6
Total (A) - (B) + (C)	**294**	**(3,269)**

Safran's issue of USD 1.2 billion in senior unsecured notes on the US private placement market on February 9, 2012 was maintained in US dollars and no currency swaps were taken out in this respect. Changes in the euro value of this issue had a negative impact of €47 million on the Group's net debt at December 31, 2018. Since this issue is classified as a net investment hedge, the offsetting entry was a reduction in consolidated equity (see the consolidated statement of comprehensive income).

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Net debt	294	(3,269)
Total equity	9,648	12,301
Gearing ratio	**N/A**	**26.58%**

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

MAIN LONG-TERM BORROWINGS AT INCEPTION

- On February 9, 2012, Safran issued USD 1.2 billion in senior unsecured notes on the US private placement market, which included:
  - USD 155 million of 7-year notes due February 2019 at a 3.70% fixed-rate coupon (tranche A);
  - USD 540 million of 10-year notes due February 2022 at a 4.28% fixed-rate coupon (tranche B);
  - USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon (tranche C).

  A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.
  The issue's initial fixed-rate interest came out at 4.61% in 2018 after taking account of interest rate derivatives.

- Issuance on April 11, 2014 of 10-year, 2.875% fixed-rate bonds for €200 million (maturing in April 2024). The bonds were issued at 99.529% of par. The issue's fixed-rate interest came out at 1.22% in 2018 after taking account of interest rate swaps.

- Issuance on June 28, 2017 of floating-rate bonds for a total amount of €1 billion in two tranches:
  - €500 million of two-year bonds due June 2019 at a fixed-rate coupon of 3-month Euribor +30 basis points (floor at 0%), issued at 100.059% of par (tranche 1).
  - €500 million of four-year bonds due June 2021 at a fixed-rate coupon of 3-month Euribor +57 basis points (floor at 0%), issued at 100% of par (tranche 2).

  These bonds have been maintained at variable rates.

- Issuance on July 13, 2018 of 2-year floating-rate bonds at 3-month Euribor plus 0.33% (0% coupon floor) for €500 million (maturing in July 2020). The bonds were issued at 100% of par.

- Bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) on June 21, 2018 for a nominal total amount of €700 million. These bonds do not carry a coupon and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0.00%. Unless converted, redeemed or bought back and canceled prior to maturity, the OCEANE bonds are redeemable at par on June 21, 2023. The effective annual interest rate on the liability component of the OCEANE bonds is 1.40% including issuance fees (see Note 22.c, "Convertible bond issues").

- Euro placement ("Euro PP") in the form of a syndicated loan with an original maturity of seven years, contracted by the former Zodiac Aerospace group on March 10, 2016 and falling due on March 10, 2023, on which €180 million was outstanding at December 31, 2018 at an adjustable rate of 3.302%. This loan for an initial amount of €230 million also included a €50 million floating-rate tranche which the Group chose to repay early on March 20, 2018.

- European Investment Bank (EIB) borrowings: €75 million (€112.5 million at December 31, 2017). These borrowings bear floating-rate interest indexed to 3-month Euribor plus 0.73% and are repayable in equal yearly installments between December 17, 2013 and December 17, 2020.

- Employee savings financing under the Group employee savings plan: €362.8 million (€351.2 million at December 31, 2017).
  The maximum maturity is five years and the amount falling due within one year is €227.7 million. The interest rate is set annually and indexed to the 5-year French treasury bill rate (BTAN), i.e., 0.722% for 2018 and 0.70% for 2017.

- Seven-year Schuldschein loan set up by the former Zodiac Aerospace group on July 25, 2013 and maturing in July 2020, breaking down as follows:

  - fixed-rate tranche at 3.605%: on July 25, 2018, €95 million was repaid ahead of maturity by the former Zodiac Aerospace group and simultaneously replaced by a liability in the form of Negotiable European Medium Term Notes taken out by Safran with the same lenders for the same amount, under the same financial conditions and with the same residual maturity. Following this transaction, only €4 million of the fixed-rate tranche remains outstanding;
  - floating-rate tranche of €53.5 million, bearing interest at 6-month Euribor +2.20%: this tranche was repaid ahead of maturity by the former Zodiac Aerospace group on July 25, 2018.
- Safran Helicopter Engines real estate lease financing contract: €18.3 million (€24 million at December 31, 2017), of which €6 million was due within one year. The lease bears fixed-rate interest of 4.7% and expires in November 2021.

- Safran University real estate lease financing contract: €35 million (€39 million at December 31, 2017), of which €4 million was due within one year. The lease bears floating-rate interest and expires in October 2026.

- Safran R&T Center real estate lease financing contract: €36.7 million (€36 million at December 31, 2017), of which €5 million was due within one year. The lease bears floating-rate interest and expires in February 2026.

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

- Safran had issued bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE") on January 8, 2016 for a nominal amount of €650 million. These bonds were coming due on December 31, 2020. The bonds did not carry a coupon and were offered at an issue price representing 104% of par, or a gross negative yield to maturity of 0.78%. On October 30, 2018, Safran redeemed 97.47% of these bonds through a reverse bookbuilding process. The settlement date for the redemption was November 7, 2018. The redeemed OCEANE, along with the associated conversion rights, were canceled pursuant to the terms and conditions of the bonds. On December 31, 2018, pursuant to the terms and conditions of the bonds, Safran redeemed ahead of maturity, in cash and at par, all outstanding OCEANE bonds that it had not purchased or that had not been converted at that date, after having informed the bondholders of its intention.

MAIN SHORT-TERM BORROWINGS

- Commercial paper: €973 million (€850 million at December 31, 2017).
This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.

- Financial current accounts with joint ventures: €198 million (€93 million at December 31, 2017). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

SALE OF RECEIVABLES WITHOUT RECOURSE

Net debt at both December 31, 2018 and December 31, 2017 does not include trade receivables sold without recourse, relating mainly to CFM Inc.
This confirmed facility for USD 2,450, to be reduced to USD 1,350 million in mid-January 2019 and then to USD 1,150 million in mid-March 2019, was renewed in December 2018 through to December 2019 by a syndicate of seven banks led by Crédit Agricole CIB (USD 2,350 million at December 31, 2017). It had been drawn in an amount of USD 2,147 million at December 31, 2018 (USD 1,074 million at 50%) versus USD 1,862 million (USD 931 million at 50%) at December 31, 2017.

Note 27 - Trade and other payables

(in € millions)	**Dec. 31, 2017***	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	**Dec. 31, 2018**
Operating payables	**3,908**	**405**	**731**	**31**	**24**	**5,099**
Credit balances on trade receivables	464	204	35	1	19	723
Trade payables	2,229	175	485	24	7	2,920
Current operating account	3	(1)	-	-	(1)	1
Employee-related liabilities	1,212	27	211	6	(1)	1,455
Other liabilities	**501**	**(28)**	**78**	**4**	**(4)**	**551**
State aid, accrued payables	18	6	-	-	-	24
State, other taxes and duties	224	(50)	23	1	-	198
Deferred income	110	(5)	-	-	-	105
Other	149	21	55	3	(4)	224
Total	**4,409**	**377**	**809**	**35**	**20**	**5,650**

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

Trade and other payables fall due as shown below:

(in € millions)	**Total**	**Less than 12 months**	**More than 12 months**
Operating payables	5,099	5,059	40
Other liabilities	551	519	32
Total	**5,650**	**5,578**	**72**

Note 28 - Other current and non-current financial liabilities

(in € millions)	Dec. 31, 2017	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Other	Dec. 31, 2018
Payables on purchases of property, plant and equipment and intangible assets	147	(29)	-	-	(1)	**117**
Payables on purchases of investments	5	(356)	349	-	-	**(2)**
Total	**152**	**(385)**	**349**	**-**	(1)	**115**
Non-current	8					**2**
Current	144					**113**

Movements during the period in the “Payables on purchases of investments” line reflect:

- the initial put option granted to Zodiac Aerospace non-controlling shareholders for €339 million in the context of the public tender offer for this entity; and
- the cancellation of this put option following the merger of Zodiac Aerospace SA into Safran SA on December 1, 2018.

These liabilities are not included in the Group's net financial position at December 31, 2018.

Note 29 - Summary of financial liabilities

The following table presents the carrying amount of the Group's financial liabilities at December 31, 2017 and December 31, 2018:

At December 31, 2017 *(in € millions)*	Carrying amount		
	Financial liabilities at amortized cost(1)	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	569		**569**
Non-current interest-bearing financial liabilities	3,246		**3,246**
Current interest-bearing financial liabilities	1,390		**1,390**
Trade payables	2,229		**2,229**
Payables on purchases of investments	5	-	**5**
Payables on purchases of property, plant and equipment and intangible assets	147		**147**
Current operating accounts	3		**3**
Non-current derivatives (negative fair value)		-	**-**
Current derivatives (negative fair value)		805	**805**
Total financial liabilities	**7,589**	**805**	**8,394**

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represents €18 million at December 31, 2017.

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

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represents €6 million at December 31, 2018.

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

In both 2018 and 2017, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

(in € millions)	**Dec. 31, 2017**		**Dec. 31, 2018**	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	569	N/A	585	N/A
Interest-bearing financial liabilities(1)	4,636	4,710	5,605	5,698

(1) This fair value measurement relates to Level 2 in the fair value hierarchy (see Note 21, "Summary of financial assets").

Safran uses the fair value hierarchy described in Note 21, “Summary of financial assets” to determine the classification of financial liabilities at fair value.

The Group carried the following financial liabilities at fair value at December 31, 2017:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	805	-	805
Total	**-**	**805**	**-**	**805**

The Group carried the following financial liabilities at fair value at December 31, 2018:

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

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2018 or 2017.

OFFSETTING OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

At December 31, 2017	Gross carrying amount	Amount offset	Net amount on the balance sheet[1]	Amount subject to offset agreement but not offset	**Net**
(in € millions)	(a)	(b)	(c)	(d)	**(c) - (d)**
Derivatives (negative fair value)	**805**	**-**	**805**	**508**	**297**

(1) See Note 30, "Management of market risks and derivatives".

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

(1) See Note 30, "Management of market risks and derivatives".

The tables above show the financial liabilities for which an offsetting agreement exists with respect to financial assets.
The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2018 or 2017, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.
The amounts subject to an offsetting agreement but not offset comprise a portion of the Group’s derivatives with a positive fair value, since amounts can only be offset if they relate to the same counterparty.

Note 30 - Management of market risks and derivatives

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

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

	Dec. 31, 2017		Dec. 31, 2018	
(in € millions)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate risk management	***16***	***-***	***13***	***(8)***
Fixed-for-floating interest rate swaps	16	-	13	(8)
Foreign currency risk management	***566***	***(805)***	***740***	***(1,254)***
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	135	(349)	87	(361)
Currency option contracts	431	(455)	653	(893)
Total	**582**	**(805)**	**753**	**(1,262)**

Foreign currency risk management

Most revenue earned in the civil aviation sector is denominated in US dollars, which is the benchmark currency used in the industry. The net excess of revenues over expenses for these activities totaled USD 8.9 billion for 2018.

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

Hedging policy

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

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

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

Management policy

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

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

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

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

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2017				Dec. 31, 2018			
(in millions of currency units)	Fair value[1]	Notional amount[1]	Less than 1 year	1 to 5 years	Fair value[1]	Notional amount[1]	Less than 1 year	1 to 5 years
Forward exchange contracts	**(215)**				**(273)**			
Short USD position	(164)	10,253	10,203	50	(338)	3,911	3,911	-
Of which against EUR	*(165)*	*10,097*	*10,097*	-	*(333)*	*3,861*	*3,861*	-
Long USD position	(16)	(1,069)	(869)	(200)	47	(1,201)	(301)	(900)
Of which against EUR	*(14)*	*(851)*	*(651)*	*(200)*	*42*	*(1,151)*	*(251)*	*(900)*
Short USD position against GBP	-	-	-	-	-	-	-	-
Short EUR position against GBP	-	-	-	-	-	(17)	(17)	-
Short EUR position against CAD	7	16	3	13	3	47	(2)	49
Long ZAR position against EUR	-	-	-	-	-	-	-	-
Long THB position against USD	-	-	-	-	-	-	-	-
Long CZK position against USD	-	-	-	-	-	-	-	-
Long MXN position against EUR	-	-	-	-	31	(12,176)	(1,872)	(10,304)
Long PLN position against EUR	-	(40)	(40)	-	-	-	-	-
Long MXN position against USD	(42)	(4,000)	(2,650)	(1,350)	(16)	(1,150)	(1,150)	-
Currency option contracts	**(24)**				**(241)**			
USD put purchased	309	13,795	12,795	1,000	482	22,454	17,454	5,000
USD call purchased	23	(4,160)	(2,800)	(1,360)	95	(1,700)	(1,700)	-
USD call sold	(239)	29,859	25,867	3,992	(870)	47,084	37,384	9,700
USD put sold	(175)	(6,520)	(3,800)	(2,720)	(14)	(4,238)	(4,238)	-
EUR put purchased	7	300	300	-	18	420	420	-
EUR call sold	(4)	600	600	-	(4)	840	840	-
Accumulators – sell USD[2]	10	774	-	774	58	1,014	126	888
Accumulators – buy USD[2]	44	(2,580)	(2,580)	-	-	-	-	-
Accumulators – buy GBP[2]	1	(541)	(541)	-	(1)	(400)	(400)	-
Accumulators – buy CAD[2]	-	-	-	-	(5)	(400)	(400)	-
Total	**(239)**				**(514)**			

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

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

In the balance sheet, the €275 million decrease in the fair value of foreign currency derivatives between December 31, 2017 and December 31, 2018 reflects a €274 million decrease in the fair value of currency hedging instruments not yet unwound at December 31, 2018 and a €1 million decrease in net premiums.

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

As previously noted, Zodiac Aerospace applied hedge accounting, which was discontinued as of the acquisition date.

EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

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

(in USD millions)	Dec. 31, 2017	Dec. 31, 2018
Total assets excluding derivatives	2,078	**2,982**
Total liabilities excluding derivatives	(2,621)	**(3,059)**
Derivatives hedging balance sheet positions(1)	(819)	**(1,114)**
Net exposure after the impact of derivatives hedging balance sheet positions	**(1,362)**	**(1,191)**

(1) Notional amount.

Assets and liabilities excluding derivatives primarily consist of operating receivables and payables denominated in USD in the balance sheets of Group subsidiaries whose functional currency is the euro, and unsecured notes issued by Safran on the US private placement market for USD 1.2 billion.

In addition to this net exposure, the Group has EUR/USD currency derivatives hedging revenue net of future purchases. These had a negative fair value of USD 590 million, compared to a total negative fair value of USD 617 million for EUR/USD currency derivatives at December 31, 2018 (negative fair value of USD 272 million and USD 258 million, respectively, at December 31, 2017).

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

	Dec. 31, 2017		Dec. 31, 2018	
Impact on balance sheet positions (in € millions)	**USD**		**USD**	
Closing rate	**1.20**		**1.15**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.14	1.26	1.09	1.20
Impact recognized through profit or loss (before tax)	(501)	(51)	(1,653)	633
Impact recognized through equity (before tax)	(54)	49	(56)	50

INTEREST RATE RISK MANAGEMENT

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

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

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

EXPOSURE TO EURO INTEREST RATE RISK

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

	Dec. 31, 2017					Dec. 31, 2018				
(in € millions)	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
Interest rate swaps										
Fixed-for-floating	12	200	-	-	200	13	200	-	-	200
Total	**12**					**13**				

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Change in fair value of hedging instrument	(5)	-
Change in fair value of hedged item	5	-
Impact of fair value EUR interest rate hedges on financial income (loss)	**-**	**-**

Exposure to euro interest rate risk before and after hedging:

Dec. 31, 2017	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	871	349	883	1,347	**1,754**	**1,696**
Other financial assets	-	2,109	-	70	**-**	**2,179**
Cash and cash equivalents	24	4,556	-	-	**24**	**4,556**
Net exposure before hedging	**847**	**(6,316)**	**883**	**1,277**	**1,730**	**(5,039)**
Derivatives[1]	-	-	(200)	200	**(200)**	**200**
Net exposure after hedging	**847**	**(6,316)**	**683**	**1,477**	**1,530**	**(4,839)**

(1) Notional amount.

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

(1) Notional amount.

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market (USPP) has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate. These swaps are eligible for fair value hedge accounting.

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 2,175 million and a term of up to 12 months, and were taken out on behalf of a joint arrangement 50%-owned by the Group. This transaction gives rise to a floating-rate borrower/fixed-rate lender swap for a nominal amount of USD 1,088 million after elimination of intragroup items. The swaps are not eligible for hedge accounting. The aim of these transactions is to fix the borrowing cost applicable to the customer.

Two fixed-rate borrower/floating-rate lender swaps were also set up for a total nominal amount of USD 160 million and a term of up to 11 months, in connection with two assignments of trade receivables in favor of two of the Group’s subsidiaries. These swaps are not eligible for hedge accounting.

	Dec. 31, 2017					**Dec. 31, 2018**				
(in € millions)	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
USD interest rate swaps										
Fixed-for-floating	4	1,525	480	540	505	(6)	2,133	1,088	540	505
Floating-for-fixed	-	960	960	-	-	(2)	2,335	2,335	-	-
Total	**4**					**(8)**				

Changes in the fair value of the hedging instrument and hedged item within the scope of the hedge of the senior unsecured notes issue are recognized in "Financial income (loss)" as follows:

(in € millions)	**2017**	**2018**
Change in fair value of hedging instrument	(7)	(11)
Change in fair value of hedged item	7	11
Impact of fair value USD interest rate hedges on financial income (loss)	**-**	**-**

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2017	**Current**		**Non-current**		**Total**	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	154	21	1,209	-	**1,363**	**21**
Other financial assets	2	1	7	-	**9**	**1**
Cash and cash equivalents	87	189	-	-	**87**	**189**
Net exposure before hedging	**65**	**(169)**	**1,202**	**-**	**1,267**	**(169)**
Derivatives(1)	480	(480)	(1,045)	1,045	**(565)**	**565**
Net exposure after hedging	**545**	**(649)**	**157**	**1,045**	**702**	**396**

(1) Notional amount.

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

(1) Notional amount.

SENSITIVITY TO INTEREST RATE RISK

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

Impact of changes in interest rates (in € millions)	**Dec. 31, 2017**	**Dec. 31, 2018**
Interest rate assumptions used	+1%	+1%
Impact on profit or loss (before tax)	45	(3)
Impact on equity (before tax)	-	-

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

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

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

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

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

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

Note 18, “Trade and other receivables” provides a breakdown of trade receivables by maturity.

LIQUIDITY RISK MANAGEMENT

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with, and financing requirements of subsidiaries met by, the parent company on an arm's length basis. The central cash team manages the Group’s current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Since the Group has an undrawn, confirmed liquidity line at December 31, 2018, it is relatively insensitive to liquidity risk. This €2,520 million line was set up in December 2015 and expires in December 2020. It includes two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

A number of financial covenants apply to the EIB borrowings set up in 2010 (see Note 26, "Interest-bearing financial liabilities").
The following two ratios apply:

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

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market (see Note 26, "Interest-bearing financial liabilities").

The following covenant applies to the euro private placement (“Euro PP”) in the form of a syndicated loan, set up by Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years (see Note 26, “Interest-bearing financial liabilities”):

- net debt/EBITDA <3.5.

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

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

Note 31 - Discontinued operations

There were no discontinued operations in 2018. All of the businesses in the Group’s Security sector were sold in 2017.

The vendor warranties granted in connection with these disposals are presented in Note 34.b., “Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation”.
In accordance with IFRS 5, “Profit from discontinued operations” as presented in the consolidated income statement for 2017 includes the contribution of discontinued operations up to the finalization date of each of the disposals (i.e., three months for the detection businesses, five months for the identity and security businesses), the disposal gain net of disposal costs and the associated tax effect:

(in € millions)	**2017***	**2018**
Revenue	748	-
Recurring operating income	39	-
Profit (loss) for the period	(1)	-
Post-tax disposal gain on detection and security businesses	832	-
Profit from discontinued operations and disposal gain	831	-
Attributable to:		
Owners of the parent	830	-
Non-controlling interests	1	-

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

Other comprehensive income relating to discontinued operations and reclassified to profit at the disposal date are presented separately in the consolidated statement of comprehensive income.

Note 32 - *Interests in joint operations*

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

- CFM International Inc. and CFM International SA: coordination of the CFM56 and LEAP engine programs with General Electric and program marketing;
- Famat: manufacture of large casings subcontracted by Safran Aircraft Engines and General Electric;
- Matis: manufacture of aircraft wiring;
- CFAN: production of composite fan blades for turbo engines;
- Propulsion Technologies International: engine repair and maintenance.

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Current assets	114	109
Non-current assets	167	171
Current liabilities	180	165
Non-current liabilities	25	22
Operating income	72	102
Operating expenses	(44)	(70)
Financial income (loss)	(8)	(13)
Income tax expense(1)	(43)	(1)
Profit (loss) for the period	(24)	18
Other comprehensive income (expense)	(11)	3
Comprehensive income (expense)	(35)	21
Cash flow from operating activities(2)	20	17
Cash flow used in investing activities	(13)	(10)
Cash flow used in financing activities(2)	(6)	(1)

(1) Including an expense of €35 million in 2017 in connection with the tax on repatriated profits at CFM Inc. (see Note 9, “Income tax”).

(2) See Note 26, “Interest-bearing financial liabilities” – trade receivables factoring programs at CFM Inc.

Note 33 - Related parties

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

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

Data for 2017 do not include Zodiac Aerospace, which was acquired after the end of the reporting period.

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

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Sales to related parties other than joint ventures	3,176	4,246
Purchases from related parties other than joint ventures	(61)	(82)

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

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Amounts receivable from related parties other than joint ventures	1,352	2,153
Amounts payable to related parties other than joint ventures	2,447	3,082

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Commitments to related parties other than joint ventures(1)	2,158	2,073

(1) See Note 34.a, "Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities".

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

The following transactions were carried out with joint ventures:

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Sales to joint ventures	441	269
Purchases from joint ventures(1)	(106)	(82)

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

(1) Mainly with Shannon Engine Support Limited.

(in € millions)	Dec. 31, 2017*	Dec. 31, 2018
Amounts receivable from joint ventures	160	173
Amounts payable to joint ventures	20	4

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Commitments given to joint ventures(2)	131	152

(2) See Note 15, "Investments in equity-accounted companies".

MANAGEMENT COMPENSATION

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

Management executives comprise the 17 members of the Board of Directors, including the Chairman of the Board and the Chief Executive Officer, as well as the officers considered as having the power to take management decisions with regard to Safran's strategy and future development, or with regular access to inside information concerning Safran (five directors meeting these criteria between January 1, 2017 and October 31, 2018, and four directors between November 1, 2018 and December 31, 2018).

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Short-term benefits(1)	10.4	**11.1**
Post-employment benefits	0.8	**1.2**
Other long-term benefits	-	**-**
Termination benefits	-	**-**
Share-based payment	2.0	**3.5**

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

The Company's total post-employment benefit commitments and other long-term benefit commitments in respect of management executives as recorded in the balance sheet amounted to €12.5 million at December 31, 2018 and €12 million at December 31, 2017.

Note 34 - Off-balance sheet commitments and contingent liabilities

34.a. Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities

(i) Commitments given and contingent liabilities

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

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Purchase commitments on intangible assets	95	55
Purchase commitments on property, plant and equipment	363	346
Guarantees given in connection with the performance of operating agreements	3,590	5,364
Operating lease commitments	317	641
Financial guarantees granted on the sale of Group products	29	30
Other commitments given	369	421
Total	**4,763**	**6,857**

Guarantees given in connection with the performance of operating agreements

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

Guarantees granted to Airbus are shown within "Guarantees granted to related parties" in Note 33, "Related parties".

The increase in this caption in 2018 reflects new partnerships signed by the Group, in particular with an aircraft manufacturer in the area of auxiliary power units (APU).

Operating lease commitments

Commitments under operating leases can be analyzed as follows:

	Dec. 31, 2017	Dec. 31, 2018	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	317	**641**	111	332	198
Total	**317**	**641**	**111**	**332**	**198**

Financial guarantees granted on the sale of Group products

The financial guarantees shown in this table concern aerospace financing arrangements in place at the end of the period, granted to support sales of civil engines. These arrangements take the form of aircraft financing or guarantees covering the value of assets.

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 35 million at December 31, 2018 (USD 35 million at December 31, 2017), or €30 million (€29 million at December 31, 2017). However, these amounts do not reflect the actual risk to which Safran is exposed. In view of the value of the underlying assets pledged as security, the net exposure represents USD 12 million at December 31, 2018 (USD 20 million at December 31, 2017), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 23, "Provisions").

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

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs (see Note 2.b, "Provisions", and Note 23, "Provisions"). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized beyond contractual liability limits, if any.

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

(ii) Commitments received

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

(in € millions)	**Dec. 31, 2017**	**Dec. 31, 2018**
Commitments received from banks on behalf of suppliers	18	13
Completion warranties	21	17
Endorsements and guarantees received	3	21
Other commitments received	96	157
Total	**138**	**208**

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

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

(i) Vendor warranties given

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Vendor warranties given(1)	333	331

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

(ii) Vendor warranties received

(in € millions)	Dec. 31, 2017	Dec. 31, 2018
Vendor warranties received	-	-

<u>Vendor warranties granted in connection with the disposal of the Security businesses (see Note 4, "Scope of consolidation")</u>

In connection with the sale of the identity and security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at December 31, 2018, as well as a specific indemnity capped at BRL 200 million (€45 million at December 31, 2018) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

In connection with the sale of the detection businesses on April 7, 2017, Safran granted Smiths Group PLC a vendor warranty valued at USD 73 million (€64 million at December 31, 2018).

In connection with the sale of Structil on October 2, 2017, Safran Ceramics granted the Hexcel group a vendor warranty valued at €37 million at December 31, 2018.

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 26, “Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit line (see Note 30, "Management of market risks and derivatives”).

Note 35 - Disputes and litigation

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

The amount of the provisions booked is based on the level of risk for each case, as assessed by Safran and its subsidiaries and largely depends on their assessment of the merits of the claims and defensive arguments, bearing in mind that the occurrence of events during the proceedings can lead to a reassessment of the risk at any time.
A provision is only booked to cover the expenses that may result from such proceedings when the expenses are probable and their amount can be either quantified or reasonably estimated.
Safran considers that the provisions booked are adequate to cover the risks it incurs.

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.

- On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim against Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings claiming damages against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. The lawsuits are still in progress, with the claimant having notified the joint defendants at the end of the year of its intention to broaden the scope of its action before the Court.
  At the date of this report, it is not possible to evaluate any potential financial risk.

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

Note 36 - Subsequent events

In mid-February, Airbus announced its decision to cease production of the A380. The final A380 deliveries are slated for 2021.
Tests carried out taking into consideration all of the assets and liabilities recognized in the balance sheet at end-2018 gave rise to a non-material impact on 2018 profit.

Note 37 - *List of consolidated companies*

	Country	2017 Consolidation method	2017 % interest	2018 Consolidation method	2018 % interest
Safran SA	**France**	**Parent company**			
Aerospace Propulsion					
Safran Aircraft Engines	France	FC	100.00	FC	100.00
CFAN	United States	JO	50.00	JO	50.00
CFM International SA	France	JO	50.00	JO	50.00
CFM International, Inc.	United States	JO	50.00	JO	50.00
CFM Materials LP	United States	EQ	50.00	EQ	50.00
Famat	France	JO	50.00	JO	50.00
Fan Blade Associates, Inc.	United States	FC	100.00	FC	100.00
Safran Aero Composite	France	FC	100.00	FC	100.00
Safran Aerospace Composites, LLC	United States	FC	100.00	FC	100.00
Shannon Engine Support Limited	Ireland	EQ	50.00	EQ	50.00
Safran Aircraft Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engines Poland	Poland	FC	100.00	FC	100.00
Safran Aircraft Engine Services Americas	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engine Services Morocco	Morocco	FC	51.00	FC	51.00
Safran MDS, SA de CV	Mexico	FC	100.00	FC	100.00
Snecma Participations	France	FC	100.00	FC	100.00
Snecma Participations, Inc.	United States	FC	100.00	FC	100.00
Safran Aircraft Engine Services Brussels	Belgium	FC	100.00	FC	100.00
Safran Aircraft Engines Suzhou Co, Ltd	China	FC	100.00	FC	100.00
Safran Aircraft Engines Guiyang	China	FC	90.00	FC	90.00
Propulsion Technologies International, LLC	United States	JO	50.00	JO	50.00
Safran Aero Boosters	Belgium	FC	67.19	FC	67.19
Safran Test Cells, Inc.	United States	FC	67.19	FC	67.19
Safran Aero Boosters Programs, LLC	United States	FC	67.19	FC	67.19
Safran Aero Boosters, Inc.	United States	FC	67.19	FC	67.19
Safran Helicopter Engines	France	FC	100.00	FC	100.00
Safran Power Units	France	FC	100.00	FC	100.00
Safran Power Units San Diego, LLC	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Asia Pte. Ltd	Singapore	FC	100.00	FC	100.00
Safran Helicopter Engines Australia Pty Ltd	Australia	FC	100.00	FC	100.00
Safran Moteurs d'Hélicoptères Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Helicopter Engines Brasil Industria e Comercio do Brasil Ltda	Brazil	FC	100.00	FC	100.00
Safran Helicopter Engines Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Helicopter Engines Tianjin Co. Ltd	China	FC	100.00	FC	100.00
Safran Helicopter Engines UK Limited	United Kingdom	FC	100.00	FC	100.00
Safran Helicopter Engines USA, Inc.	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Helicopter Engines South Africa	South Africa	FC	100.00	FC	100.00
Roxel France	France	EQ	50.00	EQ	50.00
Roxel Limited	United Kingdom	EQ	50.00	EQ	50.00
Roxel	France	EQ	50.00	EQ	50.00
ArianeGroup Holding	France	EQ	50.00	EQ	50.00

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

	Country	2017 Consolidation method	2017 % interest	2018 Consolidation method	2018 % interest
Aircraft Equipment					
Safran Nacelles	France	FC	100.00	FC	100.00
Safran Nacelles Limited	United Kingdom	FC	100.00	FC	100.00
Safran Nacelles Morocco	Morocco	FC	100.00	FC	100.00
Safran System Aerostructures	France	FC	100.00	FC	100.00
Safran Landing Systems	France	FC	100.00	FC	100.00
Aero Precision Repair & Overhaul Company, Inc.	United States	EQ	50.00	EQ	50.00
Safran Landing Systems Services Dinard	France	FC	100.00	FC	100.00
Safran Landing Systems Kentucky, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Wheel & Brake Services, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Malaysia Sdn. Bhd.	Malaysia	FC	100.00	FC	100.00
Safran Landing Systems Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Landing Systems UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems México SA de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Américas SA de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Singapore Pte. Ltd	Singapore	FC	60.00	FC	60.00
Safran Landing Systems Services Miami, Inc.	United States	FC	100.00	FC	100.00
Safran Landing Systems Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems Services Querétaro SA de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Holdings Singapore Pte. Ltd	Singapore	FC	100.00	FC	100.00
Xi'an Cea Safran Landing Systems Co., Ltd(1)	China	-	-	EQ	50.00
Safran Filtration Systems	France	FC	100.00	FC	100.00
Safran Landing Systems Suzhou Co., Ltd	China	FC	100.00	FC	100.00
Safran Electrical & Power	France	FC	100.00	FC	100.00
Aerosource Inc.	United States	FC	100.00	FC	100.00
Safran Electrical & Power Chihuahua SA de CV	Mexico	FC	100.00	FC	100.00
Safran Engineering Services GmbH	Germany	FC	100.00	FC	100.00
Labinal Investments, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power USA, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power Morocco SA	Morocco	FC	100.00	FC	100.00
Safran Electrical & Power Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Safran Electrical & Power India Private Limited(1)	India	-	-	FC	100.00
Matis Aerospace	Morocco	JO	50.00	JO	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India Pvt Ltd	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Safran Engineering Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Electrical & Power UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Power USA, LLC	United States	FC	100.00	FC	100.00
Safran Ventilation Systems	France	FC	100.00	FC	100.00
Safran Ventilation Systems USA, LLC	United States	FC	100.00	FC	100.00
Shanghai SAIFEI Aviation EWIS Manufacturing Co., Ltd	China	EQ	49.00	EQ	49.00
Safran Transmission Systems	France	FC	100.00	FC	100.00
Safran Transmission Systems Poland S.p. Z.o.o.	Poland	FC	100.00	FC	100.00
Safran Martin-Baker France	France	EQ	50.00	EQ	50.00

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

(1) Consolidated in 2018.

	Country	2017 Consolidation method	2017 % interest	2018 Consolidation method	2018 % interest
Defense					
Safran Electronics & Defense	France	FC	100.00	FC	100.00
Optics 1, Inc.	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Services Asia Pte Ltd	Singapore	FC	60.00	FC	60.00
Safran Electronics & Defense Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Electronics & Defense Avionics USA, LLC	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Germany GmbH	Germany	FC	100.00	FC	100.00
Sofradir	France	EQ	50.00	EQ	50.00
ULIS	France	EQ	50.00	EQ	50.00
Safran Vectronix AG	Switzerland	FC	100.00	FC	100.00
Sagem USA, Inc.	United States	FC	100.00	FC	100.00
Fadec International, LLC	United States	EQ	50.00	EQ	50.00
Safran Reosc	France	FC	100.00	FC	100.00
Safran Colibrys SA	Switzerland	FC	100.00	FC	100.00
Aerosystems*					
IDD Aerospace Corp.	United States	-	-	FC	100.00
Zodiac Hydraulics	France	-	-	FC	100.00
Zodiac Fluid Equipment	France	-	-	FC	100.00
Zodiac Equipments Tunisie	Tunisia	-	-	FC	100.00
Zodiac Aero Electric	France	-	-	FC	100.00
Zodiac Data Systems Inc.	United States	-	-	FC	100.00
Zodiac Data Systems GmbH	Germany	-	-	FC	100.00
Zodiac Data Systems	France	-	-	FC	100.00
Zodiac Aerospace Maroc	Morocco	-	-	FC	100.00
Mag Aerospace Industries, LLC	United States	-	-	FC	100.00
JBR Technologies, LLC	United States	-	-	FC	100.00
Zodiac Data Systems Investment	France	-	-	FC	100.00
Pacific Precision Products Mfg.	United States	-	-	FC	100.00
Pioneer Aerospace Corporation	United States	-	-	FC	100.00
Avox Systems Inc.	United States	-	-	FC	100.00
MTA Plateforme d'Essais SAS	France	-	-	FC	100.00
Icore International, Inc.	United States	-	-	FC	100.00
Zodiac Interconnect UK Limited	United Kingdom	-	-	FC	100.00
Innovative Power Solutions LLC	United States	-	-	FC	100.00
TriaGnoSys GmbH	Germany	-	-	FC	100.00
Systems And Software Enterprises, LLC	United States	-	-	FC	100.00
Cantwell Cullen & Company, Inc.	Canada	-	-	FC	100.00
Air Cruisers Company, LLC	United States	-	-	FC	100.00
Enviro Systems, Inc.	United States	-	-	FC	100.00
Evac GmbH	Germany	-	-	FC	100.00
Safran Aerosystems	France	-	-	FC	100.00
Engineered Arresting Systems Corporation	United States	-	-	FC	100.00
Zodiac Aerotechnics	France	-	-	FC	100.00
Zodiac Aero Duct Systems	France	-	-	FC	100.00
Zodiac Actuation Systems	France	-	-	FC	100.00
Zodiac Services Americas LLC	United States	-	-	FC	100.00
Zodiac Aerospace Services Asia	Singapore	-	-	FC	100.00
Zodiac Aerospace Services UK Limited	United Kingdom	-	-	FC	100.00
Zodiac Aerospace Services Europe	France	-	-	FC	100.00
Zodiac Aerospace Services Middle East - DWC - LLC	United Arab Emirates	-	-	FC	100.00
IN-Services Asia Limited	Hong Kong	-	-	FC	100.00

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

* Acquired on February 13, 2018 (consolidated with effect from March 1, 2018).

	Country	2017 Consolidation method	2017 % interest	2018 Consolidation method	2018 % interest
Aircraft Interiors*					
Zodiac Aerospace Germany Investment GmbH	Germany	-	-	FC	100.00
The Richards Corporation	United States	-	-	FC	100.00
Sell GmbH	Germany	-	-	FC	100.00
Driessen Aerospace Group NV	Netherlands	-	-	FC	100.00
Northwest Aerospace Technologies, Inc.	United States	-	-	FC	100.00
Driessen Aircraft Interior Systems, Inc.	United States	-	-	FC	100.00
Greenpoint Technologies, Inc.	United States	-	-	FC	100.00
Zodiac Fal Support France SARL	France	-	-	FC	100.00
Zodiac Galleys Europe SRO	Czech Republic	-	-	FC	100.00
EZ Air Interior Limited	Ireland	-	-	EQ	50.00
Zodiac Cabin & Structure Support LLC	United States	-	-	FC	100.00
Zodiac Composite Monuments Tunisie	Tunisia	-	-	FC	100.00
Safran Cabin, Inc.	United States	-	-	FC	100.00
Aerodesign de Mexico SA	Mexico	-	-	FC	100.00
Zodiac Cabin Interiors Europe	France	-	-	FC	100.00
C&D Aerospace Canada Co	Canada	-	-	FC	100.00
C&D Brasil Limitada	Brazil	-	-	FC	100.00
Driessen Aircraft Interior Systems USA, Inc.	United States	-	-	FC	100.00
Zodiac Aircatering Equipment (Thailand) Ltd	Thailand	-	-	FC	100.00
Zodiac Aircatering Equipment Europe BV	Netherlands	-	-	FC	100.00
Zodiac Aircargo Equipment Ltd	Thailand	-	-	FC	100.00
Zodiac Aircargo Equipment Europe BV	Netherlands	-	-	FC	100.00
Heath Tecna Inc.	United States	-	-	FC	100.00
Safran Seats GB Investment Limited	United Kingdom	-	-	FC	100.00
Seats California LLC	United States	-	-	FC	100.00
Zodiac Aerospace Equipo de Mexico	Mexico	-	-	FC	100.00
Safran Seats USA LLC	United States	-	-	FC	100.00
Zodiac Seats Tunisie	Tunisia	-	-	FC	100.00
Safran Seats Santa Maria LLC	United States	-	-	FC	100.00
Safran Seats GB Limited	United Kingdom	-	-	FC	100.00
Safran Seats	France	-	-	FC	100.00
Holding co. and other					
Établissements Vallaroche	France	FC	100.00	FC	100.00
Safran Ceramics	France	FC	100.00	FC	100.00
Safran UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran USA Inc.	United States	FC	100.00	FC	100.00
Société de réassurance Vallaroche SA	Luxembourg	FC	100.00	FC	100.00
Zodiac US Corporation*	United States	-	-	FC	100.00
Zodiac Aerospace*(1)	France	-	-	FC	100.00
Zodiac Aerospace Information Systems*	France	-	-	FC	100.00
Zodiac Engineering*	France	-	-	FC	100.00
Galli Participations*	France	-	-	FC	100.00

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

* Acquired on February 13, 2018 (consolidated with effect from March 1, 2018).
(1) Merged into Safran SA in 2018

Note 38 - Audit fees

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

	Ernst & Young				**Mazars**				**TOTAL**			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(in € millions)	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
A) Statutory audit services												
A.1) Safran (issuer)	0.83	2.22	17%	29%	0.79	0.89	17%	18%	1.62	3.11	17%	25%
A.2) Subsidiaries	2.92	5.26	61%	67%	2.77	3.39	60%	70%	5.69	8.65	60%	68%
Sub-total	3.75	7.48	78%	96%	3.56	4.28	77%	88%	7.31	11.76	77%	93%
B) Other services												
B.1) Safran (issuer)	0.86	0.10	18%	1%	0.94	0.31	20%	7%	1.80	0.41	19%	3%
B.2) Subsidiaries	0.21	0.22	4%	3%	0.13	0.25	3%	5%	0.34	0.47	4%	4%
Sub-total	1.07	0.32	22%	4%	1.07	0.56	23%	12%	2.14	0.88	23%	7%
TOTAL	**4.82**	**7.80**	100%	100%	**4.63**	**4.84**	100%	100%	**9.45**	**12.64**	100%	100%

Statutory audit fees

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

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

Fees for other services

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

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