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CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

December 31, 2022

SAFRAN

The Board of Directors' meeting of February 16, 2023 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the year ended December 31, 2022.

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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 SA and Snecma, accounted for in accordance with IFRS 3, "Business Combinations" in its consolidated financial statements;

- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IFRS 9 applicable to transactions not qualifying for hedge accounting (see Note 3.f).

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

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

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

The resulting changes in deferred tax have also been adjusted.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

The impact of these adjustments on 2022 income statement items is as follows:

(in € millions)	2022 consolidated data	Currency hedges		Business combinations		2022 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	**19,523**	**(488)**	**-**	**-**	**-**	**19,035**
Other recurring operating income and expenses	(17,103)	10	3	38	328	(16,724)
Share in profit from joint ventures	73	-	-	-	24	97
Recurring operating income	**2,493**	**(478)**	**3**	**38**	**352**	**2,408**
Other non-recurring operating income and expenses	(450)	-	-	-	-	(450)
Profit from operations	**2,043**	**(478)**	**3**	**38**	**352**	**1,958**
Cost of net debt	(56)	-	-	-	-	(56)
Foreign exchange gain/loss	(5,072)	478	4,499	-	-	(95)
Other financial income and expense	(35)	-	-	-	-	(35)
Financial income (loss)	**(5,163)**	**478**	**4,499**	**-**	**-**	**(186)**
Income tax benefit (expense)	694	-	(1,163)	(10)	(78)	(557)
Profit (loss) for the period	**(2,426)**	**-**	**3,339**	**28**	**274**	**1,215**
Profit for the period attributable to non-controlling interests	**(33)**	**-**	**(4)**	**-**	**-**	**(37)**
Profit (loss) for the period attributable to owners of the parent	**(2,459)**	**-**	**3,335**	**28**	**274**	**1,178**

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

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a positive €4,499 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €3 million at December 31, 2022).

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

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €276 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Readers are reminded that the consolidated financial statements are audited by the Group's Statutory Auditors. The consolidated financial statements include the revenue and operating profit indicators set out in the adjusted data in Note 6, "Segment information".

Adjusted financial data other than the data provided in Note 6, "Segment information" are subject to the verification procedures applicable to all of the information provided in the Universal 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 23, 2023, after the specific verifications have been completed and any subsequent events at February 16, 2023 have been reviewed.

The impact of these adjustments in 2021 was as follows:

(in € millions)	**2021 consolidated data**	Currency hedges		Business combinations		**2021 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	**15,133**	**124**	**-**	**-**	**-**	**15,257**
Other recurring operating income and expenses	(13,904)	12	5	39	327	(13,521)
Share in profit from joint ventures	40	-	-	-	29	69
Recurring operating income	**1,269**	**136**	**5**	**39**	**356**	**1,805**
Other non-recurring operating income and expenses	(405)	-	-	-	-	(405)
Profit from operations	**864**	**136**	**5**	**39**	**356**	**1,400**
Cost of net debt	(85)	-	-	-	-	(85)
Foreign exchange gain/loss	(497)	(136)	528	-	-	(105)
Other financial income and expense	(14)	-	-	-	-	(14)
Financial income (loss)	**(596)**	**(136)**	**528**	**-**	**-**	**(204)**
Income tax benefit (expense)	(200)	-	(138)	(11)	(63)	(412)
Profit (loss) for the period	**68**	**-**	**395**	**28**	**293**	**784**
Profit for the period attributable to non-controlling interests	**(25)**	**-**	**1**	**-**	**-**	**(24)**
Profit (loss) for the period attributable to owners of the parent	**43**	**-**	**396**	**28**	**293**	**760**

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

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a positive €528 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €5 million at December 31, 2021).

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

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €291 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Comparative adjusted consolidated income statement and segment information

Adjusted income statement

(in € millions)	2021 Adjusted data	2022 Adjusted data
Revenue	**15,257**	**19,035**
Other income	373	440
Income from operations	**15,630**	**19,475**
Change in inventories of finished goods and work-in-progress	(199)	1,210
Capitalized production	372	382
Raw materials and consumables used	(7,990)	(11,719)
Personnel costs	(4,916)	(5,787)
Taxes	(257)	(290)
Depreciation, amortization and increase in provisions, net of use	(1,137)	(811)
Asset impairment	77	(252)
Other recurring operating income and expenses	156	103
Share in profit from joint ventures	69	97
Recurring operating income	**1,805**	**2,408**
Other non-recurring operating income and expenses	(405)	(450)
Profit from operations	**1,400**	**1,958**
Cost of net debt	(85)	(56)
Foreign exchange gain (loss)	(105)	(95)
Other financial income and expense	(14)	(35)
Financial income (loss)	**(204)**	**(186)**
Profit before tax	**1,196**	**1,772**
Income tax expense	(412)	(557)
Profit for the period	**784**	**1,215**
Attributable to:		
owners of the parent	760	1,178
non-controlling interests	24	37
Earnings per share attributable to owners of the parent (in €)		
Basic earnings per share	1.78	2.76
Diluted earnings per share	1.73	2.68

Segment information

The operating segments and key indicators shown below are defined in Note 6.

At December 31, 2022

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**9,506**	**7,535**	**1,978**	**19,019**	**16**	**19,035**	**488**	**-**	**19,523**
Recurring operating income (loss)[1]	**1,710**	**874**	**(140)**	**2,444**	**(36)**	**2,408**	**475**	**(390)**	**2,493**
Other non-recurring operating income and expenses	(144)	40	(346)	**(450)**	-	**(450)**	-	-	**(450)**
Profit (loss) from operations	**1,566**	**914**	**(486)**	**1,994**	**(36)**	**1,958**	**475**	**(390)**	**2,043**
Free cash flow	**2,448**	**607**	**(483)**	**2,572**	**94**	**2,666**	**-**	**-**	**2,666**
Gross operating working capital	**(2,981)**	**1,438**	**1,062**	**(481)**	**(120)**	**(601)**	**-**	**-**	**(601)**
Segment assets	**17,335**	**13,076**	**4,756**	**35,167**	**2,050**	**37,217**	**-**	**-**	**37,217**
(1) o/w depreciation, amortization and increase in provisions, net of use	(385)	(344)	(68)	**(797)**	(14)	**(811)**	(3)	(360)	**(1,174)**
o/w asset impairment	(241)	11	(19)	**(249)**	(3)	**(252)**	-	-	**(252)**

At December 31, 2021

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**7,439**	**6,325**	**1,475**	**15,239**	**18**	**15,257**	**(124)**	**-**	**15,133**
Recurring operating income (loss)[1]	**1,342**	**650**	**(167)**	**1,825**	**(20)**	**1,805**	**(141)**	**(395)**	**1,269**
Other non-recurring operating income and expenses	(310)	(86)	(17)	**(413)**	8	**(405)**	-	-	**(405)**
Profit (loss) from operations	**1,032**	**564**	**(184)**	**1,412**	**(12)**	**1,400**	**(141)**	**(395)**	**864**
Free cash flow	**1,331**	**692**	**(181)**	**1,842**	**(162)**	**1,680**	**-**	**-**	**1,680**
Gross operating working capital	**(1,934)**	**1,351**	**811**	**228**	**(135)**	**93**	**-**	**-**	**93**
Segment assets	**15,790**	**12,007**	**4,885**	**32,682**	**2,060**	**34,742**	**-**	**-**	**34,742**
(1) o/w depreciation, amortization and increase in provisions, net of use	(548)	(400)	(132)	**(1,080)**	(57)	**(1,137)**	(6)	(366)	**(1,509)**
o/w asset impairment	89	(4)	(16)	**69**	8	**77**	1	-	**78**

Revenue (adjusted data)

(in € millions)		2021	2022
Aerospace Propulsion			
Original equipment and related products and services		2,678	3,332
Services		4,638	5,991
Sales of studies		97	102
Other		26	81
	Sub-total	7,439	9,506
Aircraft Equipment, Defense and Aerosystems			
Original equipment and related products and services		3,851	4,349
Services		2,138	2,825
Sales of studies		285	233
Other		51	128
	Sub-total	6,325	7,535
Aircraft Interiors			
Original equipment and related products and services		1,039	1,353
Services		408	589
Sales of studies		28	17
Other		-	19
	Sub-total	1,475	1,978
Holding company and other			
Sales of studies and other		18	16
	Sub-total	18	16
Total		**15,257**	**19,035**

Information by geographic area

At December 31, 2022

(in € millions)		France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers		4,050	3,790	7,151	2,402	1,642	**19,035**	488	**19,523**
	%	21%	20%	38%	13%	8%			
Non-current assets by location[(1)(2)]		13,869	1,816	3,391	299	102			**19,477**
	%	71%	9%	17%	2%	1%			

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

(2) Intangible assets recognized when allocating the purchase price of a business combination are typically allocated to tier-one subsidiaries acting as the heads of consolidation sub-groups and not to each of their subsidiaries.

At December 31, 2021

(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		3,311	3,141	5,092	2,714	999	**15,257**	(124)	**15,133**
	%	22%	21%	33%	18%	6%			
Non-current assets by location[(1)(2)]		13,973	1,815	3,747	320	107			**19,962**
	%	70%	9%	19%	1%	1%			

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

(2) Intangible assets recognized when allocating the purchase price of a business combination are typically allocated to tier-one subsidiaries acting as the heads of consolidation sub-groups and not to each of their subsidiaries.

As in the previous year, Safran carried out sales with three major customers during 2022:

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

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

- General Electric group: sales of fleet maintenance spare parts for Aerospace Propulsion.

Group consolidated financial statements

Consolidated income statement

(in € millions)	*Note*	**2021**	**2022**
Revenue	*7*	**15,133**	**19,523**
Other income	*8*	373	440
Income from operations		**15,506**	**19,963**
Change in inventories of finished goods and work-in-progress		(199)	1,204
Capitalized production		372	382
Raw materials and consumables used	*8*	(7,999)	(11,724)
Personnel costs	*8*	(4,919)	(5,792)
Taxes		(257)	(290)
Depreciation, amortization and increase in provisions, net of use	*8*	(1,509)	(1,174)
Asset impairment	*8*	78	(252)
Other recurring operating income and expenses	*8*	156	103
Share in profit from joint ventures	*17*	40	73
Recurring operating income		**1,269**	**2,493**
Other non-recurring operating income and expenses	*8*	(405)	(450)
Profit from operations		**864**	**2,043**
Cost of net debt		(85)	(56)
Foreign exchange gain (loss)		(497)	(5,072)
Other financial income and expense		(14)	(35)
Financial income (loss)	*9*	**(596)**	**(5,163)**
Profit (loss) before tax		**268**	**(3,120)**
Income tax benefit (expense)	*10*	(200)	694
Profit (loss) for the period		**68**	**(2,426)**
Attributable to:			
owners of the parent		43	(2,459)
non-controlling interests		25	33
Earnings per share attributable to owners of the parent (in €)	*11*		
Basic earnings (loss) per share		0.10	(5.76)
Diluted earnings (loss) per share		0.10	(5.76)

Consolidated statement of comprehensive income

(in € millions)	Note	2021	2022
Profit (loss) for the period		**68**	**(2,426)**
Other comprehensive income			
Items to be reclassified to profit		**505**	**345**
Translation adjustments		470	299
Remeasurement of hedging instruments		11	25
Income tax related to components of other comprehensive income to be reclassified to profit		(5)	(7)
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	17	29	28
Items not to be reclassified to profit		**131**	**146**
Actuarial gains and losses on post-employment benefits	26.c	154	144
Income tax related to components of other comprehensive income not to be reclassified to profit		(38)	(37)
Share in other comprehensive income of equity-accounted companies not to be reclassified to profit (net of tax)		15	39
Other comprehensive income for the period		**636**	**491**
Total comprehensive income (expense) for the period		**704**	**(1,935)**
Attributable to:			
- owners of the parent		670	(1,973)
- non-controlling interests		34	38

In 2022, other comprehensive income relating to translation adjustments includes:

- €299 million in translation gains (€467 million in translation gains in 2021) arising in the period on foreign operations;
- zero translation adjustments arising in the period on long-term financing granted to foreign subsidiaries (€3 million in translation gains in 2021). This financing meets the criteria for classification as a net investment in a foreign operation, and is treated in accordance with the applicable provisions of IAS 21.

In 2022, other comprehensive income resulting from the remeasurement of hedging instruments includes positive fair value adjustments totaling €25 million (positive fair value adjustments of €11 million in 2021) relating to cash flow hedges of interest payments on senior unsecured notes (i) as of the end of first-quarter 2019 and (ii) as of July 2020. The outstanding balance of the ongoing cash flow hedging reserve is a positive €23 million (see the consolidated statement of changes in shareholders' equity).

In accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and are not subsequently reclassified to profit. In 2022, actuarial gains and losses on post-employment benefits represented gains of €144 million (gains of €154 million in 2021). The year-on-year change is due to changes in financial assumptions (see Note 26, "Post-employment benefits").

Other comprehensive income relating to equity-accounted companies (net of tax) includes (see Note 17, “Investments in equity-accounted companies”):

- €29 million in foreign exchange gains arising in the period on foreign joint ventures (€35 million in foreign exchange gains in 2021);
- a negative amount of €1 million relating to cash flow hedges of joint ventures (a negative amount of €6 million in 2021); and
- €39 million in actuarial gains on pension and similar obligations of joint ventures (€15 million in actuarial gains in 2021).

Consolidated balance sheet

ASSETS *(in € millions)*	*Note*	**Dec. 31, 2021**	**Dec. 31, 2022**
Goodwill	*12*	5,068	4,994
Intangible assets	*13*	8,382	8,096
Property, plant and equipment	*14*	3,937	3,847
Right-of-use assets	*15*	606	566
Non-current financial assets	*16*	688	752
Investments in equity-accounted companies	*17*	1,969	1,974
Non-current derivatives (positive fair value)	*32*	23	18
Deferred tax assets	*10*	449	1,576
Other non-current financial assets		11	8
Non-current assets		**21,133**	**21,831**
Current financial assets	*16*	104	242
Current derivatives (positive fair value)	*32*	705	540
Inventories and work-in-progress	*18*	5,063	6,408
Contract costs	*19*	552	664
Trade and other receivables	*20*	6,504	7,904
Contract assets	*21*	1,853	1,982
Tax assets	*10*	555	358
Cash and cash equivalents	*22*	5,247	6,687
Current assets		**20,583**	**24,785**
Assets held for sale	*32*	-	212
Total assets		**41,716**	**46,828**

EQUITY AND LIABILITIES *(in € millions)*	*Note*	**Dec. 31, 2021**	**Dec. 31, 2022**
Share capital	*24*	85	85
Consolidated reserves and retained earnings	*24*	12,713	12,785
Profit (loss) for the period		43	(2,459)
Equity attributable to owners of the parent		**12,841**	**10,411**
Non-controlling interests		**429**	**455**
Total equity		**13,270**	**10,866**
Provisions	*25*	1,798	1,549
Borrowings subject to specific conditions	*27*	327	302
Non-current interest-bearing financial liabilities	*28*	5,094	5,378
Non-current derivatives (negative fair value)	*33*	8	18
Deferred tax liabilities	*10*	1,275	1,164
Other non-current financial liabilities	*30*	116	75
Non-current liabilities		**8,618**	**8,486**
Provisions	*25*	1,058	1,018
Current interest-bearing financial liabilities	*28*	1,720	1,277
Trade and other payables	*29*	4,950	6,298
Contract liabilities	*21*	10,141	12,756
Tax liabilities	*10*	109	105
Current derivatives (negative fair value)	*32*	1,788	5,848
Other current financial liabilities	*30*	62	125
Current liabilities		**19,828**	**27,427**
Liabilities held for sale	*32*	-	49
Total equity and liabilities		**41,716**	**46,828**

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Remeasurement of hedging instruments	Translation adjustments	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit (loss) for the period	Other	**Equity attributable to owners of the parent**	Non-controlling interests	**Total**
At December 31, 2020	**85**	**4,688**	**(36)**	**(13)**	**(158)**	**7,735**	**(571)**	**352**	**307**	**12,389**	**401**	**12,790**
Comprehensive income (expense) for the period	-	-	-	11	499	(6)	170	43	(47) (a)	**670**	34	**704**
Acquisitions/disposals of treasury shares	-	-	(14)	-	-	(42)	-	-	-	**(56)**	-	**(56)**
Dividends	-	-	-	-	-	(183)	-	-	-	**(183)**	(5)	**(188)**
2021-2028 OCEANEs	-	-	-	-	-	29	-	-	-	**29**	-	**29**
Repurchase of 2023 OCEANEs	-	-	-	-	-	(50)	-	-	-	**(50)**	-	**(50)**
Other movements, including appropriation of profit	-	-	-	-	-	352	-	(352)	42	**42**	(1)	**41**
At December 31, 2021	**85**	**4,688**	**(50)**	**(2)**	**341**	**7,835**	**(401)**	**43**	**302**	**12,841**	**429**	**13,270**
Comprehensive income (expense) for the period	-	-	-	25	327	(1)	193	(2,459)	(58) (a)	**(1,973)**	38	**(1,935)**
Acquisitions/disposals of treasury shares	-	-	(260)	-	-	(6)	-	-	-	**(266)**	-	**(266)**
Dividends	-	-	-	-	-	(213)	-	-	-	**(213)**	(12)	**(225)**
2021-2028 OCEANEs	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Repurchase of 2023 OCEANEs	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Other movements, including appropriation of profit	-	-	-	-	-	43	-	(43)	22	**22**	-	**22**
At December 31, 2022	**85**	**4,688**	**(310)**	**23**	**668**	**7,658**	**(208)**	**(2,459)**	**266**	**10,411**	**455**	**10,866**

(a) The comprehensive expense of €58 million for 2022 (attributable to owners of the parent) comprises a negative tax impact on actuarial gains and losses of €51 million and a negative tax impact on foreign exchange differences of €7 million (negative impacts of €42 million and €5 million in 2021, respectively).

Consolidated statement of cash flows

(in € millions)		*Note*	2021	2022
I. Cash flow from operating activities				
Profit (loss) attributable to owners of the parent			**43**	**(2,459)**
Depreciation, amortization, impairment and provisions[1]			1,642	1,615
Share in profit/loss from equity-accounted companies (net of dividends received)		*17*	702	11
Change in fair value of currency and interest rate derivatives[2]		*32*	538	4,207
Capital gains and losses on asset disposals			(57)	289
Profit attributable to non-controlling interests			25	33
Other[3]			(707)	(880)
Cash flow from operations, before change in working capital			**2,186**	**2,816**
Change in inventories and work-in-progress			296	(1,545)
Change in operating receivables and payables			(53)	(81)
Change in contract costs			(43)	(118)
Change in contract assets and liabilities			131	2,451
Change in other receivables and payables			(81)	22
Change in working capital			**250**	**729**
	TOTAL I		**2,436**	**3,545**
II. Cash flow used in investing activities				
Capitalization of R&D expenditure[4]		*13*	(316)	(283)
Payments for the purchase of intangible assets, net[5]			(53)	(98)
Payments for the purchase of property, plant and equipment, net[6]			(387)	(498)
Payments for the acquisition of investments or businesses, net			(33)	(490)
Proceeds arising from the sale of investments or businesses, net			263	248
Proceeds (payments) arising from the sale (acquisition) of investments and loans, net[7]			(212)	(167)
Other movements			-	-
	TOTAL II		**(738)**	**(1,288)**
III. Cash flow used in financing activities				
Change in share capital – owners of the parent			1	-
Change in share capital – non-controlling interests			-	-
Acquisitions and disposals of treasury shares		*24.b*	(73)	(270)
Repayment of borrowings and long-term debt[8]		*28*	(1,367)	(654)
Increase in borrowings[9]		*28*	2,146	510
Change in repayable advances		*27*	(12)	(17)
Change in short-term borrowings		*28*	(775)	(159)
Dividends and interim dividends paid to owners of the parent		*24.e*	(183)	(213)
Dividends paid to non-controlling interests			(5)	(12)
	TOTAL III		**(268)**	**(815)**
Effect of changes in foreign exchange rates	**TOTAL IV**		**70**	**(2)**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV**		**1,500**	**1,440**
Cash and cash equivalents at beginning of period			3,747	5,247
Cash and cash equivalents at end of period		*22*	5,247	6,687
Net increase (decrease) in cash and cash equivalents			**1,500**	**1,440**

(1) Including in 2022: depreciation and amortization for €1,373 million (€1,380 million in 2021), impairment charges for €411 million (€91 million in 2021) and provision reversals for €169 million (provision charges for €171 million in 2021).

(2) Including in 2022: a positive €4,225 million arising on currency derivatives (a positive €533 million in 2021) (see Note 32, "Management of market risks and derivatives").

(3) Including in 2022: cancellation of deferred tax income arising on changes in the fair value of currency derivatives for a negative €1,163 million (a negative €138 million in 2021), cancellation of tax expense for €469 million (€338 million in 2021), €233 million in taxes paid (€302 million in 2021), €87 million in interest paid (€79 million in 2021), and €38 million in interest received (€14 million in 2021).

(4) Including in 2022: capitalized interest of €5 million (€5 million in 2021).

(5) Including in 2022: €103 million in disbursements for acquisitions of intangible assets (€173 million in 2021), €2 million in proceeds from disposals (€14 million in 2021), changes in amounts payable on acquisitions of non-current assets representing a positive €5 million (a positive €112 million in 2021), and changes in amounts receivable on disposals of non-current assets representing a negative €2 million (a negative €6 million in 2021).

(6) Including in 2022: €547 million in disbursements for acquisitions of property, plant and equipment (€443 million in 2021), changes in amounts payable on acquisitions of non-current assets representing a positive €7 million (a positive €1 million in 2021), €38 million in proceeds from disposals (€55 million in 2021), and changes in amounts receivable on disposals of non-current assets representing a positive €4 million (zero in 2021).

(7) Including in 2022: €100 million in investments that do not qualify as cash and cash equivalents (€200 million in 2021).

(8) Including in 2022: an outflow of €470 million relating to the redemption of tranche 2 of the USPP.

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

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 that it controls, directly or indirectly and jointly or exclusively, as well as entities over which it exercises significant influence (the "Group").

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

The Board of Directors' meeting of February 16, 2023 adopted and authorized for issue the 2022 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the Annual General Meeting.

Note 1 - Comments regarding 2022 events

2022 was marked by the war in Ukraine, high inflation (energy, raw materials, wages, transportation, etc.) and supply difficulties, as well as the ongoing pandemic.

However, the business upturn gained traction with each month and air traffic recovered in most regions of the world, with the exception of Asia. Aircraft manufacturers began ramping up production of short- to medium-haul aircraft again.

Given the uncertainties facing Safran and their day-to-day impact, the Group maintained its focus on operational excellence and paid particular attention to prices in a context of rising inflation.

The Group won a large number of orders for engines, equipment and seats and several support and service contracts.

1.a. RUSSO-UKRAINIAN CONFLICT

The conflict in Ukraine, which began on February 24, 2022, impacted the Group's activities.

In compliance with the European, US and UK sanctions against Russia, Safran has suspended all exports and services to Russia and halted the operations of its joint ventures in the country and with its Russian partners until further notice.

The most impacted business operations are the following:

- the supply of engines, equipment and aftermarket services for the regional Sukhoi Superjet 100 program, the MC21 program and the Kamov 62 and Kamov 226 helicopter programs;
- service activities for CFM engines powering approximately 500 A320 and Boeing 737 aircraft operated by Russian airlines;
- Soyuz launches carried out by Arianespace and Starsem;
- leased engines fitted on aircraft in Russia or on Russian aircraft.

The suspension of all commercial exports (products and services) to Russia and the halt of all operations in the country represents a loss of business of approximately 2% of revenue.

The impacts of the Russo-Ukrainian crisis on the Group's businesses affect the whole income statement and balance sheet.

As mentioned in Note 8, “Breakdown of the other main components of profit from operations”, non-recurring items, essentially impairment losses (including on equity-accounted companies), capital gains and losses on disposals of businesses, and transaction and restructuring costs, are unchanged from previous periods.

ASSETS AND LIABILITIES

In view of the Russo-Ukrainian conflict, the Group analyzed all its other property, plant and equipment and intangible assets (development expenditures, programs, etc.). Impairment tests were performed on all assets for which there could be an indication of a loss in value and certain intangible assets were written down by €68 million.

Safran analyzed its exposure to Russian programs and wrote down inventories by €18 million, trade receivables by €5 million, and provisions for supplier orders by €14 million.

INVESTMENTS

Safran is indirectly exposed through its equity-accounted companies as follows:

- Its partnership in the ArianeGroup joint venture:
  ArianeGroup has paid and received advance payments for the Soyuz program, for which Roscosmos has taken the decision to suspend rocket launches operated by Arianespace. Further to negotiations with customers regarding advances received, agreements were reached with the majority of them in second-half 2022.

- Its partnership in Shannon Engine Support with Aercap:
  Leased CFM56 and LEAP engines are stranded in Russia. The Group’s share in profit from Shannon Engine Support, included in 2022 recurring operating income, includes an asset write-down of €23 million.

Safran reviewed its other investments in companies operating in Russia and recognized in “Financial income (loss)”:

- impairment of equity investments, for €34 million;
- impairment of loans to investments, for €14 million.

1.b. INFLATION AND RISING ENERGY PRICES

2022 was marked by a surge in inflation and tension in supply chains.

Inflationary pressure on costs (energy, raw materials, transportation, wages, etc.) was relatively contained, by passing on the increases to selling prices and controlling overhead costs.

To address supply problems, Safran sought to secure production ramp-ups by creating buffer stocks.

Safran accelerated its energy consumption reduction plan in response to soaring energy prices.

In addition, all employees were made aware of the need to take both individual and collective action to help achieve the reduction objectives.

1.c. LIQUIDITY AND FINANCING

At December 31, 2022, consolidated cash and cash equivalents amounted to €6,687 million.

Leveraging its liquidity position and business resilience, the Group engaged in a financial rating process in 2021 and, on February 25, 2021, obtained its first long-term credit rating from Standard & Poor's, which assigned the Company a rating of BBB+ with a stable outlook.

On April 29, 2022, Standard & Poor's revised the outlook on the Company's BBB+ rating from stable to positive.

On December 2, 2022, Standard & Poor's raised the rating to A- with a stable outlook.

In addition, on October 28, 2022 Safran announced that it would buy back up to 9.4 million of its own shares (approximately 2.2% of its share capital) with a view to eliminating the potential dilution risk related to its convertible bonds ("OCEANEs") maturing in 2027. Under the program, Safran bought back nearly 2.4 million shares in November and December 2022 for a total of €275 million.

On January 13, 2023, Safran entered into an agreement with an investment services provider for the implementation of a follow-on buyback tranche to meet its obligations arising from the convertible bonds maturing in 2027. Under the terms of the agreement, Safran will buy back up to €650 million worth of ordinary shares from January 16, 2023 and no later than March 31, 2023.

Note 2 - Financial impacts of climate change

Amid the uncertain economic environment in 2022, Safran was able to meet its objectives with regard to its environmental strategy.

During the year, Safran inaugurated two major sites working to decarbonize the aviation industry: the first, in Créteil, is dedicated to aircraft electrification, while the second, near Bordeaux, is the Group's center of excellence for additive manufacturing. Safran will maintain this momentum in 2023, with further investment in R&T to develop key technologies for carbon-free aviation.

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

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

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

Climate change-related challenges are reflected in the Group's financial statements.

At the reporting date, the Group does not consider that its commitments in relation to the transition to a low-carbon economy have a material impact on its financial statements, with the exception of its R&T expenditure.

- **Measurement of assets**

The air traffic growth assumptions used by management in the Group's medium-term business plan and strategy (3.1% growth in average annual revenue passenger kilometers [RPK] over the next 20 years) take into account the decarbonization trends observed in recent years (rising environmental concerns, especially in Europe, leading to regulatory initiatives that could slow down air traffic growth).

The 2.5% perpetual growth rate used to determine the terminal value of CGUs (see Note 12, "Goodwill") is therefore prudent with regard to the market assumptions used by the Group and consistent with the reference climate scenario of the International Energy Agency (IEA).

- **Property, plant and equipment – Investments**

To meet decarbonization requirements, the Group is finalizing contracts to install solar power arrays at several French sites.

Some of the Group's foreign subsidiaries are already equipped with solar power arrays. In October 2022, Safran inaugurated a 3.8-megawatt solar power facility at its site in Suzhou, China. A 1.7-megawatt solar power facility was then inaugurated in Casablanca, Morocco in December 2022, covering more than 20% of the site's annual consumption and saving 2,000 metric tons of CO_2 per year.

In addition, Safran has introduced an internal carbon price for its investment projects in the form of a shadow price of USD 80/t CO_2, in order to swing decisions in favor of solutions including decarbonization initiatives. The price, which is used for the economic valuation of investments, does not give rise to any financial flows and has no impact on the financial statements.

Based on analysis, no changes to the useful lives of the main assets are required, as they are in line with the assumptions used in the medium-term business plan drawn up in the second half of 2022.

- **Liabilities and commitments received**

On March 4, 2021, Safran signed a €500 million loan agreement with the European Investment Bank (EIB), which was drawn down in full on February 21, 2022 for ten years (maturing in February 2032). The loan is being used to finance some of the Group's research into innovative propulsion systems for the next generation of single-aisle commercial aircraft, marking a major step forward in Safran's roadmap towards achieving carbon-free air transportation by 2050.

In addition, on May 4, 2022 Safran set up a €2 billion revolving credit facility (RCF), available until May 2027. At December 31, 2022, the new line was undrawn. It includes two successive one-year extension options, which have not yet been exercised. The financial terms and conditions of the liquidity line are indexed to the achievement by the Group of two sustainable development criteria: CO_2 emissions (Scopes 1 and 2) and the proportion of women among senior executives. The new line replaces the €2.52 billion facility set up in December 2015, which was due to expire in December 2022 and was terminated in advance at the same time as the new line was set up.

- **Research and Technology**

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

In July 2022, Safran and GE Aerospace entered into an agreement with Airbus to build a flight test demonstrator for CFM's open fan engine architecture. Safran is aiming for a breakthrough in terms of fuel consumption, with an engine that delivers an improvement of over 20% in fuel consumption compared with the LEAP engine (which is 15% more efficient than the CFM56, the previous

generation engine), can run on 100% sustainable aviation fuels and is compatible with disruptive future hydrogen technologies.

Safran is also pursuing other R&T initiatives to reduce the environmental impact of other Group products, mainly by reducing their mass, electrifying onboard systems and adopting more carbon- or energy-efficient manufacturing processes. In particular, in 2022 Safran signed several agreements to equip electric and hybrid aircraft from CAE, VoltAero, Diamond Aircraft and Aura Aero with its ENGINeUS™ electric motors.

R&T costs are expensed on various lines of the income statement as and when they are incurred; subsidies are recognized within “Other income”.

Gross R&T costs represented approximately €710 million in 2022, mainly invested in projects aiming to develop key technologies for carbon-free aviation.

- **Renewable energy supply contracts**

Safran is working to supply renewable energy to its sites through power purchase agreements (PPAs). A single power purchase agreement with a minimum renewable energy rate covers all sites in Mexico. Work is underway to sign PPAs and virtual power purchase agreements (VPPAs) in other countries, particularly the United States.

- **European CO_2 quota trading system (EU ETS)**

Only three of the Group’s sites in France fall within the scope of the European Union Emissions Trading System (EU ETS). They represent annual greenhouse gas emissions of several tens of thousands of metric tons of CO_2. Therefore, the Group’s exposure to the EU ETS is limited.

For the first time, Safran purchased carbon credits on the market for one of its French sites in 2022. Its two other sites still had sufficient free allowances. Safran is also working to reduce consumption at its sites and switch to renewable energy sources, which would further reduce the impact of the EU ETS on the Group.

Note 3 - Accounting policies

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

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 2022

- Amendments to IAS 16, "Property, Plant and Equipment" – Proceeds before Intended Use.
- Amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract.
- Annual Improvements to IFRSs published in May 2020 (2018-2020 cycle).
- Amendments to IFRS 3, "Business Combinations" – Reference to the Conceptual Framework.

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2022 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, 2022

None.

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

- Amendments to IAS 1, "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1, "Presentation of Financial Statements" and IFRS Practice Statement 2 – Disclosure of Accounting Policies.
- Amendments to IAS 1, "Presentation of Financial Statements" – Non-current Liabilities with Covenants.
- Amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates.
- Amendments to IAS 12, "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- 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 16, "Leases" – Covid-19-Related Rent Concessions beyond June 30, 2021.
- Amendments to IFRS 16, "Leases" – Lease Liability in a Sale and Leaseback.
- IFRS 17, "Insurance Contracts".

The amendments to IAS 1 (Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants), IAS 28/IFRS10 and IFRS 16 have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even where early adoption is

permitted by the texts concerned. The other new standards, amendments and interpretations have not been early adopted by the Group.

Accounting policies

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

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

b) Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

Acquisitions of shares that give the Group sole control over an entity will be recognized in accordance with the policies governing business combinations described in Note 3.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 3.m. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 3.m. Impairment is taken to profit or loss and may not be reversed.

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

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

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

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

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

e) Translation methods

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

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

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

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 3.w). Advances and downpayments paid or received, prepaid expenses and deferred income continue to be recorded on the balance sheet at the initial amount for which they were recognized.

Long-term monetary assets held by a Group entity on a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, represent an investment in a foreign operation. In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", foreign exchange differences arising on these items are recorded in other comprehensive income (OCI) up to the date on which the investment is sold, when they are recognized as part of the gain or loss on

disposal. If the transaction does not qualify as a net investment in a foreign operation, the corresponding exchange differences are recognized in the income statement.

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign-currency denominated purchases. The Group's forex hedging strategy along with the forward currency contracts and options it uses are described in Note 32, "Management of market risks and derivatives".

Pursuant to IFRS 9, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem-Snecma business combination and the fact that most derivative instruments used by Safran do not qualify for hedge accounting under IFRS 9, the Group decided not to apply hedge accounting to any of its foreign currency derivatives. Accordingly, any changes in the fair value of these derivatives are recognized in "Financial income (loss)".

g) Income from operations

The main customer contract types identified within the Group are:

- sales of original equipment engines and spare engines, serial production equipment and spare parts;
- sales of installed base maintenance and support contracts;
- sales of time and materials service contracts;
- sales of contracts with multiple elements ("combined contracts");
- sales of studies.

The IFRS 15 revenue recognition rules applicable to each of these contract types are outlined below.

On rare occasions, the impact of a financing component will also be taken into account in recognizing revenue, when the component is significant relative to the contract transaction price.

Sales of original equipment engines and spare engines, serial production equipment and spare parts

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

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

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

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

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

Extended warranties granted in connection with sales of engines or production equipment represent a separate performance obligation when the warranty is an additional service that is not granted to all

customers (unlike a standard warranty). In this case, a portion of the transaction price of the engines or production equipment is allocated to this warranty and recognized within contract liabilities.

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

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

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

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

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

When a contract is onerous, the Group recognizes a loss on delivery commitments (see Note 3.s).

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

Sales of installed base maintenance and support contracts

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

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

Revenue is recognized if:

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

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

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

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable (see Note 3.s).

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

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

Sales of time and materials service contracts

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

They represent a single performance obligation.

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

Sales of contracts with multiple elements

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

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

In general, for these contracts:

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

Sales of studies

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

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

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

- a contract asset denotes the Group's right to consideration in exchange for goods or services that it has transferred, when that right is conditioned on something other than the passage of time. Contract assets mainly include amounts relating to revenue recognized on a percentage-of-completion basis where Safran does not have the right to immediately bill the customer. A contract asset is written down, where appropriate, using the simplified impairment model set out in IFRS 9 (see Note 3.n);

- a contract liability denotes the Group's obligation to transfer goods or services to a customer for which it has received consideration in cash or in kind.
  Contract liabilities include advances and downpayments received, deferred income and concession liabilities;
- contract costs include costs to fulfill contracts that do not fall within the scope of other standards (IAS 16, IAS 38 and IAS 2 in particular) and costs to obtain contracts paid to third parties (commission, etc.).

h) Current and deferred tax

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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

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

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

i) Earnings per share

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

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

j) Intangible assets

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

Intangible assets acquired in a business combination

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

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

Separately acquired intangible assets

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

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

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

Research and development costs

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

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

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

Capitalization of development expenditures ceases as soon as the product to which the expenditures relate is brought into service or the criteria for capitalization are no longer met.

Capitalized development expenditures are stated at production cost and amortized primarily using the straight-line method as from the initial delivery of the product, over a useful life not exceeding 20 years. In some restricted cases within the Group, certain capitalized development expenditures are amortized based on production units.

Intangible assets are tested for impairment in accordance with the methods set out in Note 3.m.

k) Property, plant and equipment

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

The main useful lives applied to calculate the depreciation schedule are as follows:

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

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

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

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 3.m.

l) Leases

All property leases together with the Group's main leases of groups of assets (vehicles, handling equipment, etc.) are accounted for in accordance with IFRS 16.

At the commencement of the lease:

- a lease liability is recognized for the present value of the lease payments to be made over the estimated term of the lease (fixed payments, plus variable lease payments that depend on an index or rate plus amounts expected to be payable by the lessee under residual value guarantees plus the exercise price of a purchase or extension option if the lessee is reasonably certain to exercise that option plus payments of penalties for terminating the lease, unless these are unlikely);
- a right-of-use asset is recognized for the amount of the lease liability, plus the amount of any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee (fees and commission) and an estimate of costs to be incurred in dismantling and removing the asset and/or restoring the site on which it is located or restoring the asset to the condition required by the lease.

A deferred tax asset is recognized based on the amount of the lease liability, while a deferred tax liability is recognized based on the carrying amount of the right-of-use asset.

The term of the lease is determined taking into account contractual provisions and provisions resulting from applicable laws and regulations.

A nine-year term was initially adopted for “3/6/9”-type commercial leases in France following the introduction of IFRS 16. In December 2019, the IFRIC issued an agenda decision stating that the term to be used to measure lease assets and liabilities had to reflect the period during which the lessee is reasonably certain to continue the lease. The Group analyzes its “3/6/9”-type commercial leases every year and, where necessary, adjusts the lease terms in line with the IFRIC decision. The impact was not material for the Group.

After initial recognition of the lease:

- the lease liability is measured at amortized cost using the effective interest rate, which is equal to the discount rate initially applied;
- the right-of-use asset is depreciated on a straight-line basis over the term of the lease or over the useful life of the underlying asset if the purchase option is reasonably certain to be exercised. Where appropriate, an impairment loss may be recognized against the right-of-use asset.

In the event of a change in future lease payments resulting from a change in an index or rate used to determine those payments, the lease liability is remeasured using the initial discount rate.

If the lease term is extended following the exercise of an extension option that was not initially taken into account, the lease liability is remeasured using a revised discount rate as determined at the date the option is exercised.

In such cases, the change in the amount of the lease liability is recognized against a matching change in the amount of the right-of-use asset.

In accordance with the practical expedients offered by the standard, the Group has chosen not to apply IFRS 16 to short-term leases or leases of low-value assets. Payments made under such leases are expensed over the term of the lease.

m) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units (CGUs)[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 second half of the year) on assets with indefinite useful lives or on non-amortizable assets such as goodwill. Impairment tests are also carried out on amortizable/depreciable assets, where the amortization/depreciation period has not yet begun. Impairment testing is carried out whenever there is an indication of impairment irrespective of whether the assets are amortizable/depreciable.

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

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

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

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

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

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

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

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

n) Equity investments, loans and receivables

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

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

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

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

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

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

On a collective assessment basis, the allowance for expected credit losses is calculated for amounts owed by all customers, except major customers deemed low risk or the government, for which no allowance is recognized on a collective basis.

This collective assessment is made for each region using an indicator based on the credit ratings of airline companies (i.e., official agency ratings or analyses available), since airlines represent the Group's main credit risk exposure.

On an individual assessment basis, an additional loss allowance is recognized if there has been a significant increase in the credit risk associated with a given customer in any sense whatsoever

(payment default at maturity, insolvency proceedings, etc.), such that the amount owed by the customer is likely to be written off.

o) Inventories and work-in-progress

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

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

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

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

p) Cash and cash equivalents

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

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

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

q) Treasury shares

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

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

r) Share-based payment

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

In accordance with IFRS 2, “Share-based Payment”, these arrangements are measured at fair value, taking into account any lock-up period for shares granted and less the present value of dividends not received by employees during the vesting period. The fair value of equity-settled instruments is determined at the grant date. The fair value of cash-settled instruments is revised up to the date of payment. For plans that are subject to performance conditions, the external conditions are included in the per-share fair value at the grant date and the internal conditions are reflected in the number of instruments.

These employee benefits represent personnel costs and are recognized on a straight-line basis over the vesting period, with an offsetting entry to consolidated reserves for equity-settled plans and to liabilities for cash-settled plans.

s) Provisions

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

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

Provisions for losses on completion and losses arising on delivery commitments

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

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

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

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

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

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

Provisions for financial guarantees on sales

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

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

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

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

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

Provisions for restructuring costs

These provisions are recognized when the plan has raised a valid expectation in third parties and has been announced before the end of the reporting period.

t) Post-employment benefits

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

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

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

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

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

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

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

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

u) Borrowings subject to specific conditions

The Group receives public financing in the form of repayable advances to develop aircraft and defense projects. Repayment of these advances is based on revenues from future sales of engines or equipment, and potentially from sales of spare parts.

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

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

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

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

v) Interest-bearing financial liabilities

On initial recognition, interest-bearing financial liabilities are measured at the fair value of the amount received, less any directly attributable transaction costs. Besides the specific conditions applicable to hedge accounting (see Note 3.w), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

w) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates, and more marginally, to risks of changes in interest rates. The derivatives used can include forward currency contracts and currency options or interest rate swaps. The Group's market risk management policy is described in Note 32, "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 3.f.

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

x) Sale of receivables

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

y) Structure of the consolidated balance sheet

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

z) Recurring operating income

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

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

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

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

Note 4 - Main sources of estimates

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis, and take into account the impacts of the health crisis and the Russo-Ukrainian conflict identified to date.

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

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

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

a) Estimates relating to programs and contracts

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

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

These estimates primarily draw on assumptions about the volumes, output and selling prices of products sold and associated production costs, including inflation assumptions. They also draw on exchange rates for foreign-currency denominated sales and purchases as well as normal risks and uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each program and contract.

The Group's volume assumptions are prepared internally for each market in which Group companies are present (e.g., commercial, business and military aviation; helicopters, etc.). For short-term estimates, these assumptions are based on available inputs (programs, orders, etc.), while external inputs (publications, airframer press releases, IATA announcements, market surveys, etc.) are used for estimates covering the medium to long term. The assumptions are regularly revised, particularly those used for short-term estimates, in order to reflect the latest developments in the Group's

programs, and all assumptions used for medium- to long-term forecasts are validated by management at least once a year.

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

- **impairment of non-current assets:** goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 3.m. The recoverable amount of these assets is generally determined using cash flow forecasts;

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

- **profit (loss) on completion of contracts accounted for on a percentage-of-completion basis:** the Group accounts for contracts on a percentage-of-completion basis (cost-to-cost method). Under this method, revenue is recognized based on the percentage of work completed, calculated by reference to the costs incurred. This method requires an estimate of results on completion using future cash flow forecasts that take into account contractual indexes and commitments as well as other factors inherent to the contract based on historical and/or forecast data. This method also requires an estimate of the contract's stage of completion.
When the total costs that are necessary to cover the Group's risks and obligations under the contract are likely to exceed total contract revenue, the expected loss (i) is recognized within provisions for losses on completion or (ii) leads to the write-down of contract fulfillment costs (if any) and to the subsequent recognition of a provision for losses on completion for the remaining amount of the loss;

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

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

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

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

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

b) Provisions

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

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

Provisions for restructuring costs represent the best estimate of the costs at the end of the reporting period.

Contractual provisions relating to performance warranties given by the Group take into account factors such as the frequency and estimated cost of repairs. The value of these commitments may be based on a statistical assessment.

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

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

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

c) Post-employment benefits

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

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

d) Trade receivables, contract assets and other receivables

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

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

e) Allocation of the cost of business combinations

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

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

f) Disputes and litigation

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 37, "Disputes and litigation").

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

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

Note 5 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2022

DISPOSALS

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

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

- Disposal of Pioneer Aerospace Corporation

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

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

ACQUISITIONS

- Acquisition of Orolia

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

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

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

The purchase price amounted to approximately €400 million.

Orolia has been fully consolidated in the Group's financial statements since July 1, 2022, within the Safran Electronics & Defense CGU. The purchase price allocation is currently underway, with the assistance of our experts. The preliminary allocation of the purchase price to the assets and liabilities measured at fair value generated provisional goodwill of approximately €300 million.

Since joining the Group, Orolia has generated revenue of around €80 million. Its contribution to operating income is not material at the Group level.

- Acquisition of a stake in CILAS

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

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

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

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

TRANSACTIONS IN PROGRESS

- Acquisition of Aubert & Duval

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

On December 22, 2022, the European Commission authorized Safran, Airbus and Tikehau Ace Capital to acquire Aubert & Duval, a subsidiary of the Eramet group. However, the transaction is still subject to approval by the Chinese competition authorities. It is expected to be finalized in first-quarter 2023.

- Acquisition of Thales' aeronautical electrical systems business

On September 5, 2022, Safran entered into negotiations with Thales to acquire its aeronautical electrical systems business. On December 20, 2022, the two companies signed a purchase agreement. The transaction is expected to be finalized by the end of first-half 2023.

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

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

- Disposal of Safran Cabin Catering and Safran Cabin Cargo

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

For more information on the transaction, see Note 33, "Assets held for sale".

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2021

On June 1, 2021, Safran sold the operating businesses of EVAC GmbH, its German subsidiary, and of Monogram Train LLC, its subsidiary based in the United States. The subsidiaries manufacture lavatories and integrated lavatory compartments for trains.

In addition, Safran sold its subsidiary Safran Ventilation Systems Oklahoma on November 30, 2021. The subsidiary, which has now reverted to its original name "Enviro systems LLC", is a leading manufacturer of environmental control systems (ECS) for the general aviation segment.

These two disposals represented a capital gain of €71 million, recognized in non-recurring operating income.

Note 6 - Segment information

Segments presented

In accordance with IFRS 8, “Operating Segments”, segment information reflects Safran’s different businesses.

The Group’s operating segments reflect the organization of subsidiaries around tier-one entities (“consolidation sub-groups”).

For monitoring purposes, Safran has three operating segments which are organized based on the type of products and services they sell and the markets they serve.

Aerospace Propulsion

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

Aircraft Equipment, Defense and Aerosystems

Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters.

The Group is involved in landing gear and brakes, nacelles and reversers, avionics (flight controls and onboard information systems), security systems (evacuation slides and oxygen masks), onboard computers, and fuel systems.

It also operates at the different phases of the electrical cycle and provides electrical power management systems and associated engineering services.

It includes all activities serving the naval and land defense markets, including optronic equipment and sights, navigation equipment and sensors, modernized infantry, and drones.

This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

Aircraft Interiors

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

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

Holding company and other

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

Business segment performance indicators

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

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

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 3, “Accounting policies”), except for the restatements made in respect of adjusted data (see Foreword).

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

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

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

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

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

Quantified segment information for 2021 and 2022 is presented on pages 8 to 10.

Note 7 - Revenue

BREAKDOWN OF REVENUE BY BUSINESS

2022

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services					
Sales of original equipment and other equipment	3,439	4,444	1,363	-	**9,246**
Services	6,182	2,887	595	-	**9,664**
Sales of studies	105	238	17	8	**368**
Other	84	131	22	8	**245**
Total revenue	**9,810**	**7,700**	**1,997**	**16**	**19,523**
Timing of revenue recognition					
At a point in time	7,772	6,836	1,987	12	**16,607**
Over time	2,038	864	10	4	**2,916**
Total revenue	**9,810**	**7,700**	**1,997**	**16**	**19,523**

2021

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services					
Sales of original equipment and other equipment	2,662	3,809	1,036	-	7,507
Services	4,609	2,115	405	-	7,129
Sales of studies	96	282	28	10	416
Other	27	50	(4)	8	81
Total revenue	**7,394**	**6,256**	**1,465**	**18**	**15,133**
Timing of revenue recognition					
At a point in time	5,657	5,478	1,453	14	12,602
Over time	1,737	778	12	4	2,531
Total revenue	**7,394**	**6,256**	**1,465**	**18**	**15,133**

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

- Sales of original equipment and other equipment

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

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

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

- Sales of studies, research and development

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

- Miscellaneous activities, which are included in "Other"

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

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

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

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

REMAINING PERFORMANCE OBLIGATIONS

(in € millions)	One year or less	More than one year	Total
Remaining performance obligations at December 31, 2021	9,625	43,722	53,347
Remaining performance obligations at December 31, 2022	11,456	52,879	64,335

Remaining 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.

They increased by €10,987 million over the year, reflecting an increase in original equipment business and new service contracts in the Propulsion segment.

Note 8 - Breakdown of the other main components of profit from operations

OTHER INCOME

(in € millions)	2021	2022
Research tax credit	160	151
Other operating subsidies[1]	186	261
Other operating income	27	28
Total	**373**	**440**

(1) Including €242 million in research and technology subsidies in 2022 (€169 million in 2021).

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

(in € millions)	2021	2022
Raw materials, supplies and other	(3,236)	(4,423)
Bought-in goods	(19)	(24)
Changes in inventories	(97)	361
Contract costs	46	118
Sub-contracting	(2,635)	(4,549)
Purchases not held in inventory	(391)	(621)
External service expenses	(1,667)	(2,586)
Total	**(7,999)**	**(11,724)**

The increase in raw materials and consumables used is linked to the upturn in business.

PERSONNEL COSTS

(in € millions)	2021	2022
Wages and salaries	(3,303)	(3,797)
Social security contributions	(1,273)	(1,458)
Statutory employee profit-sharing	(132)	(154)
Optional employee profit-sharing	(22)	(174)
Additional contributions	(2)	(2)
Corporate social contribution	(35)	(64)
Other employee costs	(152)	(143)
Total	**(4,919)**	**(5,792)**

The average number of permanent employees, excluding jointly controlled entities, was 83,217 in 2022 versus 77,008 in 2021.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

(in € millions)	2021	2022
Net depreciation and amortization expense		
- intangible assets	(679)	(668)
- property, plant and equipment	(600)	(600)
- right-of-use assets	(101)	(103)
Total net depreciation and amortization expense[1]	**(1,380)**	**(1,371)**
Net (additions to) reversals from provisions	**(129)**	**197**
Depreciation, amortization and increase in provisions, net of use	**(1,509)**	**(1,174)**

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem SA-Snecma merger: €38 million in 2022 and €39 million in 2021; during the acquisition of the former Zodiac Aerospace: €276 million in 2022 and €291 million in 2021; and during other acquisitions: €46 million in 2022 and €36 million in 2021.

ASSET IMPAIRMENT

	Impairment expense		Reversals	
(in € millions)	2021	2022	2021	2022
Intangible assets, property, plant and equipment, and right-of-use assets	(19)	(17)	17	22
Financial assets	(12)	(3)	9	1
Contract costs	-	(17)	8	6
Inventories and work-in-progress	(376)	(553)	468	335
Receivables	(70)	(99)	55	74
Contract assets	(2)	(1)	-	-
Total	**(479)**	**(690)**	**557**	**438**

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2021	2022
Capital gains and losses on asset disposals	(17)	(37)
Royalties, patents and licenses	(29)	(7)
Losses on irrecoverable receivables	(11)	(7)
Other operating income and expenses[(1)]	213	154
Total	**156**	**103**

(1) Of which income of €29 million in 2022 and €107 million in 2021 relating to adjustments to the repayment probability for borrowings subject to specific conditions (see Note 27, "Borrowings subject to specific conditions").

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2021	2022
Capital gains on asset disposals	71	63
Asset impairment net of reversals	(309)	(466)
Other non-recurring items	(167)	(47)
Total	**(405)**	**(450)**

In 2022, capital gains on asset disposals result from the disposals outlined in Note 5, "Scope of consolidation".

In 2022, write-downs of €466 million taken against intangible assets chiefly break down as follows:

- €340 million, of which €319 million relating to impairment of the goodwill of the Safran Cabin CGU, €6 million relating to impairment of an intangible asset and €15 million relating to an aircraft program in the Aircraft Interiors segment;
- €66 million relating to an aircraft program in the Aerospace Propulsion segment impacted by the Russo-Ukrainian crisis;
- €58 million (net of tax) relating to the intangible assets of an equity-accounted company.

Other non-recurring items, representing an expense of €47 million, mainly reflect:

- asset impairment totaling €37 million;
- capital gains on the sale of land for €5 million;
- transaction and integration costs totaling €13 million.

In 2021, the impairment expense recognized by the Group in non-recurring income and expenses mainly comprised write-downs of €309 million taken against intangible assets, breaking down as follows:

- €76 million relating to aircraft programs in the Aerospace Propulsion segment;
- €76 million relating to an aircraft program in the Aircraft Equipment, Defense and Aerosystems segment;
- €146 million (net of tax) relating to the intangible assets of an equity-accounted company.

Other non-recurring items, representing an expense of €167 million, mainly related to:

- restructuring costs including adaptation plans and costs relating to site closures and the Activity Transformation Agreement;
- costs relating to a memorandum of understanding signed between the Safran Group and one of its business partners following the conclusion of commercial discussions regarding the execution of an ongoing agreement in prior years;
- capital gains on disposals of real estate.

Note 9 - Financial income (loss)

(in € millions)	2021	2022
Financial expense on interest-bearing financial liabilities	(100)	(94)
Financial income on cash and cash equivalents	15	38
Cost of net debt	**(85)**	**(56)**
Gain (loss) on foreign currency hedging instruments	(528)	(4,499)
Foreign exchange gain (loss)	106	(518)
Net foreign exchange gain (loss) on provisions	(75)	(55)
Foreign exchange gain (loss)	**(497)**	**(5,072)**
Gain (loss) on interest rate hedging instruments	(2)	6
Capital gain (loss) on financial asset disposals	1	1
Change in the fair value of assets at fair value through profit or loss	-	(52)
Impairment of loans and other financial receivables	-	(13)
Dividends received	4	7
Other financial provisions	1	(1)
Interest component of IAS 19 expense	(5)	(6)
Impact of unwinding the discount	(9)	29
Other	(4)	(6)
Other financial income and expense	**(14)**	**(35)**
Financial income (loss)	**(596)**	**(5,163)**
Of which financial expense	(723)	(5,244)
Of which financial income	127	81

In 2022, the €4,499 million loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to operating cash flows that will be recognized in profit or loss in future periods.

The fair value of the portfolio reflects the immediate liquidation value of the portfolio at the closing rate for the year (USD 1.07 to €1) compared with the average rate of the portfolio. The change in the fair value is theoretical for the Group, as currency hedges are unwound when future dollar inflows are received.

The €518 million foreign exchange loss includes:

- a €478 million foreign exchange loss, reflecting the loss on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange loss represents the difference between the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.15 to €1) and the actual EUR/USD exchange rate observed during the period;
- a net foreign exchange loss of €40 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

Net foreign exchange losses amounting to €55 million on provisions carried in USD were recorded in the Propulsion segment and result from the impact of fluctuations in the EUR/USD exchange rate between the start of the period (USD 1.13 to €1 at December 31, 2021) and the end of the period (USD 1.07 to €1 at December 31, 2022) on the opening amount of the provision.

Note 10 - Income tax

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

(in € millions)	2021	2022
Current income tax benefit (expense)	(379)	(585)
Deferred tax benefit (expense)[1]	179	1,279
Total tax benefit (expense)	**(200)**	**694**

(1) The increase in the deferred tax benefit is mainly due to changes in the fair value of currency hedging instruments.

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

(in € millions)		2021	2022
Profit (loss) before tax	**(a)**	268	(3,120)
Standard tax rate applicable to the parent company		28.41%	25.83%
Tax benefit (expense) at standard rate		**(76)**	**806**
Impact of permanent differences		(6)	(139)
Impact of research tax credits		46	45
Impact of different tax rates (France/international)		10	13
Impact of unrecognized tax		(26)	(4)
Impact of changes in tax rates on deferred taxes		(31)	1
Impact of joint ventures		(30)	4
Impact of other items		(87)	(32)
Current income tax benefit (expense) recognized in profit or loss	**(b)**	**(200)**	**694**
Effective tax rate	**(b)/(a) in %**	74.63%	22.21%

The corporate income tax rate was 25.83% for 2022 (including the additional contribution). Deferred tax assets and liabilities have therefore been calculated on this basis.

In 2022, the impacts of permanent differences are mainly due to the non-taxation of the partial write-down of the goodwill of the Safran Cabin CGU and various disposals.

Tax credits represent €50 million (of which €45 million in research tax credits) and reduce 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, 2021	**449**	**1,275**	**(826)**
Deferred taxes recognized in profit or loss	1,107	(172)	1,279
Deferred taxes recognized directly in equity	(51)	(2)	(49)
Reclassifications	66	52	14
Foreign exchange differences	5	(3)	8
Changes in scope of consolidation	-	14	(14)
Net deferred tax assets (liabilities) at December 31, 2022	**1,576**	**1,164**	**412**

Deferred tax bases

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Deferred tax bases		
Property, plant and equipment and intangible assets	(8,408)	(7,746)
Inventories	469	465
Current assets/liabilities	2,464	2,745
Financial assets/liabilities[1]	917	5,174
Provisions	1,072	865
Tax adjustments	(756)	(763)
Losses carried forward and tax credits	1,338	1,127
Total deferred tax bases	**(2,904)**	**1,867**
Total gross deferred tax balance (a)	**(775)**	**468**
Total unrecognized deferred tax assets (b)	**51**	**56**
Total net deferred taxes recognized (a)-(b)	**(826)**	**412**

(1) The increase in the tax base is related to the fair value of hedging instruments.

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, 2021	**555**	**109**	**446**
Movements during the period	(202)	(10)	(192)
Current taxes recognized directly in equity	-	1	(1)
Changes in scope of consolidation	4	5	(1)
Foreign exchange differences	2	3	(1)
Other movements	(1)	(3)	2
Net tax assets (liabilities) at December 31, 2022	**358**	**105**	**253**

Note 11 - Earnings per share

	Index	2021	2022
Numerator (in € millions)			
Profit (loss) for the period attributable to owners of the parent	(a)	43	(2,459)
Denominator (in shares)			
Total number of shares	(b)	427,242,440	427,245,970
Number of treasury shares held	(c)	456,165	2,687,189
Number of shares excluding treasury shares	(d)=(b-c)	426,786,275	424,558,781
Weighted average number of shares (excluding treasury shares)	(d')	426,650,425	426,680,657
Potentially dilutive ordinary shares	(e)	13,436,604	13,479,272
Weighted average number of shares after dilution	(f)=(d'+e)	440,087,029	440,159,929
Ratio: earnings per share (in €)			
Basic earnings (loss) per share	(g)=(a*1million)/(d')	0.10	(5.76)
Diluted earnings (loss) per share	(h)=(a*1million)/(f)	0.10	(5.76)

At December 31, 2022, potentially dilutive ordinary shares essentially comprise shares that may be issued if all of the bonds convertible into new shares and/or exchangeable for existing shares issued by the Group (2020-2027 OCEANEs and 2021-2028 OCEANEs: see Note 24.d, "Convertible bond issues") are converted.

Note 12 - Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2021 Net	Changes in scope of consolidation[1]	Reclassification within discontinued operations[2]	Reallocation	Impairment	Effect of changes in foreign exchange rates and other	Dec. 31, 2022 Net
Safran Aircraft Engines	392	-	-	-	-	-	392
Safran Helicopter Engines	308	-	-	-	-	-	308
Safran Aero Boosters	47	-	-	-	-	-	47
Other Propulsion	1	-	-	-	-	-	1
Safran Electronics & Defense	349	297	-	-	-	5	651
Safran Nacelles	213	-	-	-	-	-	213
Safran Engineering Services	74	-	-	-	-	-	74
Safran Electrical & Power	702	-	-	-	-	4	706
Safran Landing Systems	190	-	-	-	-	-	190
Safran Aerosystems	798	(74)	-	-	-	-	724
Safran Seats	765	-	-	-	-	-	765
Safran Cabin	1,229	-	(66)	-	(319)	79	923
Total	**5,068**	**223**	**(66)**	**-**	**(319)**	**88**	**4,994**

(1) See Note 5, "Scope of consolidation"

(2) See Note 33, "Assets held for sale"

Impairment tests

As the health crisis and the Russo-Ukrainian conflict are indications of impairment risk, in the first half of the year the Group reviewed the CGUs whose activities continued to be particularly affected.

In the second half of the year, the Group carried out its annual impairment tests on all of its CGUs, based on the data in the medium-term business plan as updated and validated by Executive Management and the Board of Directors. The tests were carried out by comparing the CGUs' value in use with their net carrying amount at December 31, 2022.

The measurement method used to determine the value in use of the CGUs was the same as that used at December 31, 2021.

The value in use of the CGUs was determined based on the following assumptions:

- Expected future cash flows are determined over a period consistent with the useful life of the assets in each CGU. This is generally estimated at 10 years but may be extended for businesses with longer development and production cycles.

- Operating projections used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions.

  The projections and assumptions used by the Group are drawn from the medium-term business plan for the next four years, as prepared in the second half of 2022, while the projections and assumptions beyond this period are based on the best estimate (prepared by management and validated by the Board of Directors) of the long-term scenario. They take into account orders and delivery schedules, airframers' production rates, IATA forecasts, the impacts of decarbonization and any other available information.

- The value in use of the CGUs is equal to the sum of these discounted expected future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year of available forecasts.
- The growth rate used to calculate the terminal value was set at 2.5% (2% in 2021) for all CGUs.

- The benchmark post-tax discount rate used is 8.5% (7.5% in 2021) and is applied to post-tax cash flows.
- The hedged USD exchange rates adopted for 2023-2026 are between USD 1.12 and USD 1.14 to €1. These exchange rate assumptions take into account the available foreign currency hedging portfolio (see Note 32, "Management of market risks and derivatives"). For an intermediate period covering the three years following the medium-term business plan, a rate of 1.20 – corresponding to the best estimate of Safran's hedging ability for that period – is adopted. A rate of 1.25 is adopted thereafter.

In the specific case of the Safran Cabin CGU, the impairment test was performed at the December 31, 2022 closing rate for all cash flows in USD not subject to currency hedging, thereby ensuring that assets carried in USD and the future cash flows determining value in use are converted into EUR in the same way.

Based on these tests, the recoverable amount of each CGU tested wholly justifies its net asset value, including the goodwill balances recorded in Group assets, with the exception of the Safran Cabin CGU.

The goodwill of the Safran Cabin CGU has therefore been written down in the 2022 financial statements by €319 million.

No impairment of goodwill was recognized as a result of the annual impairment tests in 2021.

The Group tested the sensitivity of its main goodwill balances to the following changes in the main assumptions:

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

The above changes in the main assumptions taken individually do not result in values in use that are lower than the carrying amounts of the goodwill balances, except for the Safran Cabin CGU. The worst-case scenario would be a 0.5% increase in the discount rate, leading to the recognition of additional impairment before tax of approximately €200 million against the value of the Safran Cabin CGU.

Sensitivity analyses using higher rates were performed on the Safran Seats and Safran Cabin CGUs for which Safran expects an upturn in business.

Three additional sensitivity analyses were performed on these CGUs:

- a 1.0% increase in the discount rate (compared to 8.5% used in the tests);
- an across-the-board decrease of 10% in future cash flows as from 2023;
- an across-the-board decrease of 20% in future cash flows as from 2023.

The above assumptions would all lead to the recognition of additional impairment against the value of these CGUs. Taken individually in the worst-case scenario (decrease of 20% in future cash flows), changes in the assumptions would lead to the recognition of impairment before tax of approximately €200 million against the value of the Safran Seats CGU and approximately €500 million against the value of the Safran Cabin CGU.

Note 13 - Intangible assets

Intangible assets break down as follows:

(in € millions)	Dec. 31, 2021			Dec. 31, 2022		
	Gross	Amortization /impairment	Net	Gross	Amortization /impairment	Net
Aircraft programs	2,335	(1,848)	487	2,336	(1,889)	447
Development expenditures	6,848	(2,966)	3,882	7,245	(3,322)	3,923
Commercial agreements	905	(225)	680	916	(263)	653
Software	746	(679)	67	764	(699)	65
Trademarks[1]	703	-	703	717	-	717
Commercial relationships	1,911	(623)	1,288	1,925	(735)	1,190
Technology	1,383	(630)	753	1,296	(739)	557
Other	862	(340)	522	917	(373)	544
Total	**15,693**	**(7,311)**	**8,382**	**16,116**	**(8,020)**	**8,096**

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

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2021	**15,693**	**(7,311)**	**8,382**
Capitalization of R&D expenditure[1]	283	-	283
Capitalization of other intangible assets	54	-	54
Acquisitions of other intangible assets	49	-	49
Disposals and retirements	(122)	38	(84)
Amortization	-	(668)	(668)
Impairment losses recognized in profit or loss	-	(81)	(81)
Reclassifications	(117)	67	(50)
Changes in scope of consolidation	175	(28)	147
Foreign exchange differences	101	(37)	64
At December 31, 2022	**16,116**	**(8,020)**	**8,096**

(1) Including €5 million in capitalized interest on R&D expenditure at December 31, 2022 (€5 million at December 31, 2021).

Research and development expenditure recognized in recurring operating income for the period totaled €977 million including amortization (€838 million in 2021). This amount does not include the research tax credit or other operating subsidies recognized in the income statement within “Other income” (see Note 8, “Breakdown of the other main components of profit from operations”).

Amortization recognized in the period includes €249 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €38 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €46 million relating to assets identified as part of other business combinations.

The impairment tests carried out at December 31, 2022 on assets allocated to programs, projects or product families were based on the approach described in Note 3.m, “Impairment of non-current assets”, which uses assumptions taken from the medium-term business plan as updated and validated by management.

An 8.5% discount rate was used, plus a risk premium depending on the programs tested.

As a result of the impairment tests carried out at December 31, 2022, intangible assets relating to various aircraft programs were written down by a net amount of €83 million, charged against non-recurring operating income.

As a result of the impairment tests carried out at December 31, 2021, intangible assets relating to a program were written down by €159 million (see Note 8, “Breakdown of the other main components of profit from operations”).

Note 14 - Property, plant and equipment

Property, plant and equipment break down as follows:

	Dec. 31, 2021			Dec. 31, 2022		
(in € millions)	Gross	Depreciation /impairment	Net	Gross	Depreciation /impairment	Net
Land	225	-	225	223	-	223
Buildings	2,212	(1,162)	1,050	2,319	(1,272)	1,047
Technical facilities, equipment and tooling	6,661	(4,684)	1,977	6,652	(4,813)	1,839
Assets in progress, advances	510	(63)	447	565	(50)	515
Site development and preparation costs	78	(44)	34	80	(47)	33
Buildings on land owned by third parties	91	(48)	43	89	(45)	44
Computer hardware and other equipment	713	(552)	161	691	(545)	146
Total	**10,490**	**(6,553)**	**3,937**	**10,619**	**(6,772)**	**3,847**

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2021	**10,490**	**(6,553)**	**3,937**
Internally produced assets	51	-	51
Additions	496	-	496
Disposals and retirements	(409)	341	(68)
Depreciation[(1)]	-	(602)	(602)
Impairment losses recognized in profit or loss	-	3	3
Reclassifications	(86)	81	(5)
Changes in scope of consolidation	10	(5)	5
Foreign exchange differences	67	(37)	30
At December 31, 2022	**10,619**	**(6,772)**	**3,847**

(1) Including €27 million relating to the remeasurement of property, plant and equipment within the scope of the acquisition of the former Zodiac Aerospace.

Note 15 - Leases

15.a. RIGHT-OF-USE ASSETS

Right-of-use assets break down as follows:

	Dec. 31, 2021			Dec. 31, 2022		
(in € millions)	Gross	Depreciation /impairment	Net	Gross	Depreciation /impairment	Net
Right-of-use assets relating to property	815	(225)	590	834	(282)	552
Right-of-use assets relating to transport equipment	7	(3)	4	7	(3)	4
Right-of-use assets relating to other assets	20	(8)	12	21	(11)	10
Total	**842**	**(236)**	**606**	**862**	**(296)**	**566**

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2021	**842**	**(236)**	**606**
Increases	84	-	84
Disposals and retirements	(64)	48	(16)
Depreciation	-	(103)	(103)
Reclassifications	(35)	8	(27)
Changes in scope of consolidation	12	(6)	6
Foreign exchange differences	23	(7)	16
At December 31, 2022	**862**	**(296)**	**566**

15.b. LEASE LIABILITIES

The maturity of lease liabilities can be analyzed as follows at December 31, 2022:

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Maturing in:		
1 year or less	97	106
More than 1 year and less than 5 years	310	292
Beyond 5 years	202	189
Total	**609**	**587**

15.c. LEASE ITEMS PRESENTED IN THE INCOME STATEMENT

In 2022, rental expenses recognized in “Profit from operations” (see Note 8, “Breakdown of the other main components of profit from operations”) under “External services” totaled €85 million. These expenses have not been restated due to the application of the practical expedients allowed under IFRS 16 (exemption for short-term leases, leases of low-value assets and licensing agreements, such as for IT equipment), or because they relate to a “service” component identified in the lease.

Interest expense on lease liabilities recognized in “Financial income (loss)” under “Cost of net debt” amounted to €9 million in 2022 (see Note 9, “Financial income (loss)”).

15.d. LEASE ITEMS PRESENTED IN THE CASH FLOW STATEMENT

In 2022, disbursements under leases recognized in the cash flow statement and relating to the repayment of lease liabilities represented €118 million and are shown within "Cash flow used in financing activities". They are increased by payments of interest on lease liabilities, which are included within "Cash flow from operating activities".

Note 16 - Current and non-current financial assets

Financial assets include:

	Dec. 31, 2021			Dec. 31, 2022		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments			267			313
Other financial assets	642	(117)	525	823	(142)	681
Total			**792**			**994**

Equity investments in non-consolidated companies are classified at fair value through profit or loss, in accordance with the methods described in Note 3.n.

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.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Loans to non-consolidated companies	126	150
Loans to employees	36	35
Deposits and guarantees	16	17
Other[(1)]	347	479
Total	**525**	**681**
Non-current	**421**	**439**
Current	**104**	**242**

(1) Including €300 million in investments at December 31, 2022 that do not qualify as cash and cash equivalents (€200 million at December 31, 2021).

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2021	**525**
Increase	198
Decrease	(31)
Impairment (reversals/additions)	(9)
Effect of changes in foreign exchange rates	3
Reclassifications	(32)
Changes in scope of consolidation	27
At December 31, 2022	**681**

Note 17 - 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, 2021	Dec. 31, 2022
ArianeGroup	1,300	1,268
Other joint ventures	669	706
Total	**1,969**	**1,974**

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

(in € millions)	
At December 31, 2021	**1,969**
Share in profit (loss) from ArianeGroup	(10)
Share in profit from other joint ventures	83
Joint venture impairment losses	(58)
Dividends received from joint ventures	(26)
Changes in scope of consolidation	(15)
Foreign exchange differences	46
Other movements	(15)
At December 31, 2022	**1,974**

The Group's off-balance sheet commitments with joint ventures are described in Note 35, "Related parties".

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

- ArianeGroup: space launchers and military activities;
- Shannon Engine Support Ltd: leasing of CFM56 and LEAP engines, modules, equipment and tooling to airline companies;
- Lynred: manufacture of infrared detectors;
- Safran Martin-Baker France: manufacture of ejectable seating;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;

- SAIFEI: electrical wiring;
- Fadec International LLC: digital engine control systems;
- Xi'an Cea Safran Landing Systems Co., Ltd: landing gear maintenance;
- EZ Air Interior Ltd: cabin interiors;
- Initium Aerospace: design and manufacture of auxiliary power units;
- HMS Laser: holding company;
- CILAS: manufacture of military lasers.

ArianeGroup is the Group's sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Non-current assets	1,686	1,643
Current assets	6,407	6,841
of which: cash and cash equivalents	1,223	1,409
Non-current liabilities	(1,008)	(909)
of which: non-current financial liabilities	(423)	(358)
Current liabilities	(7,423)	(7,790)
of which: current financial liabilities	(129)	(59)
Non-controlling interests	(10)	2
Net assets held for sale	32	-
Net assets of ArianeGroup (excl. goodwill and PPA) – Attributable to owners of the parent (based on a 100% interest)	**(316)**	**(213)**
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(158)	(107)
Purchase price allocation, net of deferred taxes	282	201
Safran equity share – Net assets of ArianeGroup	**124**	**94**
Goodwill	**1,176**	**1,174**
Carrying amount of investment in ArianeGroup	**1,300**	**1,268**

(in € millions)	2021	2022
Profit (loss) for the period attributable to owners of the parent	**(39)**	**32**
Other comprehensive income	15	71
Total comprehensive income (expense) attributable to owners of the parent	**(24)**	**103**
Safran equity share – Profit (loss) for the period	(19)	16
Amortization of purchase price allocation, net of deferred taxes	(28)	(24)
Changes in scope of consolidation	-	(2)
Safran equity share – Profit (loss) of ArianeGroup	**(47)**	**(10)**
Impairment losses	(146)	(58)
Safran equity share – Other comprehensive income	8	35
Safran equity share – Comprehensive income (expense) of ArianeGroup	**(185)**	**(33)**

ArianeGroup did not pay any dividends in 2022.

ArianeGroup is strongly impacted by the Russo-Ukrainian crisis. All Soyuz flights operated by ArianeGroup and Starsem have been canceled since the start of the conflict on February 24, 2022.

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

Since the above events are indications of impairment, at December 31, 2022 the Company carried out an impairment test on its equity-accounted investments.

The growth rate used to calculate the terminal value was set at 2%, unchanged from 2021. The benchmark discount rate used was 8.5%, up 1.0% compared with 2021.

Based on this test, no impairment was recognized.

The Group analyzed the sensitivity of the investments to a 0.5% increase in the benchmark discount rate used (i.e., a rate of 9%). This change in the assumption does not result in values in use lower that are than the carrying amounts.

The carrying amount of ArianeGroup includes assets allocated to programs. The residual assets of the Ariane 6 program in the Group's financial statements were written down in full at June 30, 2022 for a net amount of €58 million, charged against non-recurring operating income.

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

(in € millions)	2021	2022
Profit for the period	87	83
Impairment losses	-	-
Other comprehensive income	35	32
Total comprehensive income	**122**	**115**

Note 18 - Inventories and work-in-progress

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

	Dec. 31, 2021	Dec. 31, 2022
(in € millions)	Net	Net
Raw materials and supplies	1,208	1,543
Finished goods	2,391	2,953
Work-in-progress	1,444	1,895
Bought-in goods	20	17
Total	**5,063**	**6,408**

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

(in € millions)	Gross	Impairment	Net
At December 31, 2021	**5,900**	**(837)**	**5,063**
Movements during the period	1,539	-	1,539
Net impairment expense	-	(229)	(229)
Reclassifications	(39)	8	(31)
Changes in scope of consolidation	34	1	35
Foreign exchange differences	36	(5)	31
At December 31, 2022	**7,470**	**(1,062)**	**6,408**

Note 19 - Contract costs

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

	Dec. 31, 2021			Dec. 31, 2022		
(in € millions)	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Costs to obtain contracts	-	-	-	-	-	-
Costs to fulfill contracts	596	(44)	552	719	(55)	664
Contract costs	596	(44)	552	719	(55)	664

Note 20 - Trade and other receivables

(in € millions)	**Dec. 31, 2021** Net	Movements during the period	Impairment/reversal	Changes in scope of consolidation	Reclassifications	Effect of changes in foreign exchange rates	**Dec. 31, 2022** Net
Operating receivables	**5,636**	**1,340**	**(37)**	**39**	**(24)**	**27**	**6,981**
Debit balances on trade payables/advance payments to suppliers	790	183	-	1	(2)	-	972
Trade receivables	4,832	1,162	(37)	36	(21)	27	5,999
Operating current accounts	2	(2)	-	2	-	-	2
Employee-related receivables	12	(3)	-	-	(1)	-	8
Other receivables	**868**	**45**	**-**	**7**	**(7)**	10	**923**
Prepayments	105	25	-	1	(1)	1	131
VAT receivables	526	4	-	1	(1)	-	530
Other State receivables	27	32	-	-	-	-	59
Other receivables	210	(16)	-	5	(5)	9	203
Total	**6,504**	**1,385**	**(37)**	**46**	**(31)**	**37**	**7,904**

The table below shows changes in trade and other receivables:

(in € millions)	**Gross**	**Impairment**	**Net**
At December 31, 2021	**5,177**	**(345)**	**4,832**
Short-term changes	1,162	-	1,162
Net impairment expense	-	(37)	(37)
Reclassifications	(26)	5	(21)
Changes in scope of consolidation	38	(2)	36
Foreign exchange differences	30	(3)	27
At December 31, 2022	**6,381**	**(382)**	**5,999**

Trade and other receivables fall due as shown below:

(in € millions)	**Carrying amount at year-end**	Not past due	Past due at year-end (in days)					Total past due
			< 30	31-90	90-180	181-360	> 360	
At December 31, 2021								
Trade receivables	**4,832**	4,232	193	153	81	69	104	600
At December 31, 2022								
Trade receivables	**5,999**	5,197	257	180	119	83	163	802

In both 2022 and 2021, the Group sold trade receivables as part of an agreement described in further detail in Note 28, “Interest-bearing financial liabilities”. Under IFRS, these receivables must be removed from the balance sheet.

Note 21 - Contract assets and liabilities

Contract assets can be analyzed as follows:

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2022**
Contract assets, gross	1,868	1,998
Impairment	(15)	(16)
Contract assets, net	**1,853**	**1,982**

Changes in contract assets can be analyzed as follows:

(in € millions)	
At December 31, 2021	**1,853**
Reclassification of contract assets in trade and other receivables	(553)
Changes relating to revenue recognized over time	580
Other changes	100
Impairment	(1)
Foreign exchange differences	3
At December 31, 2022	**1,982**

Contract liabilities can be analyzed as follows:

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2022**
Advances and downpayments received	4,065	5,878
Deferred income	4,450	5,101
Other contract liabilities	1,626	1,777
Total	**10,141**	**12,756**

Changes in contract liabilities can be analyzed as follows:

(in € millions)	
At December 31, 2021	**10,141**
Increase in amounts received net of revenue recognized in the period	4,393
Revenue recognized in the period and included in the opening balance	(2,106)
Other changes	284
Business combinations	23
Foreign exchange differences	21
At December 31, 2022	**12,756**

Deferred income mainly includes funding received for development work and under service contracts based on flight hours or landings that has not yet been recognized in revenue. In 2022, funding received for development work and under service contracts based on flight hours or landings was €551 million more than the revenue recognized.

Note 22 - Cash and cash equivalents

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

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Money-market funds	92	76
Term deposits	3,266	4,246
Sight deposits	1,889	2,365
Total	**5,247**	**6,687**

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

Term deposits at December 31, 2022 include €4,235 million in investments falling within the scope of master agreements governing the subscription of OTC derivatives with bank counterparties (see Note 23, “Summary of financial assets”).

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2021	**5,247**
Movements during the period	1,434
Changes in scope of consolidation	8
Foreign exchange differences	(2)
At December 31, 2022	**6,687**

As part of its investment policy, Safran has also committed to setting up term deposits in January 2023 for periods of less than 90 days. The commitment represented €350 million at December 31, 2022.

Note 23 - Summary of financial assets

The following table presents the carrying amount of the Group's financial assets at December 31, 2022 and December 31, 2021:

At December 31, 2022	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		313			313
Non-current derivatives (positive fair value)		18			18
Other non-current financial assets	439				439
Sub-total: non-current financial assets	**439**	**331**	**-**	**-**	**770**
Other current financial assets	242				242
Current derivatives (positive fair value)		540			540
Trade receivables	5,999				5,999
Operating current accounts and other receivables	205				205
Cash and cash equivalents	6,611	76			6,687
Sub-total: current financial assets	**13,057**	**616**	**-**	**-**	**13,673**
Total financial assets	**13,496**	**947**	**-**	**-**	**14,443**

At December 31, 2021	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		267			267
Non-current derivatives (positive fair value)		23			23
Other non-current financial assets	421				421
Sub-total: non-current financial assets	**421**	**290**	**-**	**-**	**711**
Other current financial assets	104				104
Current derivatives (positive fair value)		705			705
Trade receivables	4,832				4,832
Operating current accounts and other receivables	212				212
Cash and cash equivalents	5,155	92			5,247
Sub-total: current financial assets	**10,303**	**797**	**-**	**-**	**11,100**
Total financial assets	**10,724**	**1,087**	**-**	**-**	**11,811**

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 2022 or 2021.

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, 2022, the Group carried the following financial assets at fair value:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments	-	-	313	313
Derivatives (positive fair value)	-	558	-	558
Cash and cash equivalents	76	-	-	76
Total	**76**	**558**	**313**	**947**

At December 31, 2021, the Group carried the following financial assets at fair value:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments	-	-	267	267
Derivatives (positive fair value)	-	728	-	728
Cash and cash equivalents	92	-	-	92
Total	**92**	**728**	**267**	**1,087**

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2022 or 2021.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At December 31, 2022 *(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)	**558**	**-**	**558**	**555**	**3**

(1) See Note 32, "Management of market risks and derivatives".

At December 31, 2021 *(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)	**728**	**-**	**728**	**721**	**7**

(1) See Note 32, "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, 2022 or December 31, 2021, 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 24 - Consolidated shareholders' equity

24.a. SHARE CAPITAL

At December 31, 2022, Safran's share capital amounted to €85,449,194, comprising 427,245,970 fully paid-up shares with a par value of €0.20 each, all in the same class.

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

24.b. BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

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

December 31, 2021

Shareholders	Number of shares	% share capital	Number of voting rights[1]	% voting rights[1]
Free float	348,856,484	81.65%	395,539,917	72.05%
French State	47,983,131	11.23%	95,966,262	17.48%
Employees[2]	29,946,660	7.01%	57,504,169	10.47%
Treasury shares	456,165	0.11%	-	-
Total	**427,242,440**	**100.00%**	**549,010,348**	**100.00%**

(1) Exercisable voting rights.

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

December 31, 2022

Shareholders	Number of shares	% share capital	Number of voting rights[1]	% voting rights[1]
Free float	347,795,090	81.40%	388,799,278	71.95%
French State	47,983,131	11.23%	95,966,262	17.76%
Employees[2]	28,780,560	6.74%	55,590,234	10.29%
Treasury shares	2,687,189	0.63%	-	-
Total	**427,245,970**	**100.00%**	**540,355,774**	**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 2,687,189 treasury shares have no voting rights.

At December 31, 2022, the total number of shares includes 3,530 shares issued throughout the year further to the exercise of stock subscription options resulting from employee commitments undertaken by Zodiac Aerospace, transferred to Safran following the Zodiac Aerospace merger on December 1, 2018 based on the exchange ratio used for the merger.

Treasury shares

The number of treasury shares has increased since December 31, 2021 following:

- the delivery of a total of 120,779 shares under a multi-year variable compensation plan and employee shareholding plans;
- the sale of 21,744 shares under the Group's liquidity agreement, net of shares purchased;
- the purchase of 2,373,547 shares in connection with the implementation of a new share buyback program with the aim of neutralizing the dilutive effect of equity instruments on its balance sheet.

The Annual General Meeting has authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.
An authorization granted by the Annual General Meeting of May 25, 2022 and valid for 18 months set the maximum purchase price at €165 per share, thereby superseding the authorization granted by the Annual General Meeting of May 26, 2021.
Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, during the year the Company purchased 3,247,326 shares for €336 million and sold 3,269,070 shares for €342 million.
At December 31, 2022, 222,135 shares were held in connection with the liquidity agreement.

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

The transaction took effect with the launch of a first share buyback program, for which the bank agreement was signed on November 14, 2022 and which terminated on December 28, 2022.

At December 31, 2022, the first tranche had been successively completed, with a total of 2,373,547 shares bought back under the agreement for a total amount of €275 million.

24.c. SHARE-BASED PAYMENT

Performance shares

The Board of Directors periodically grants performance shares to Group employees and corporate officers.

The vesting of these performance shares is subject to the achievement of internal and external performance conditions, which are assessed over three full consecutive fiscal years, including the year in which the performance shares are granted. In addition, the shares will only vest if the beneficiaries still form part of the Group at the vesting date (see section 6.6.4.2 of the 2021 Universal Registration Document).

The Group set up a performance share plan on March 24, 2022 covering 784,171 shares. Shares under this plan will only vest if certain internal and external performance conditions are met, as assessed over three fiscal years, and provided the beneficiaries still form part of the Group at the vesting date.

Key details of outstanding performance share plans at December 31, 2022 are shown below:

	2020 performance shares	2021 performance shares	2022 performance shares
Shareholder authorization	May 23, 2019	May 23, 2019	May 26, 2021
Grant date by the Board of Directors	March 26, 2020	March 24, 2021	March 24, 2022
Vesting date	March 27, 2023	March 26, 2024	March 24, 2025
Share price at the grant date	€91.92	€116.65	€104.56
Number of beneficiaries at the grant date	797	760	964
Number of performance shares granted	760,500	730,940	784,171
Number of shares canceled or forfeited	(112,950)	(46,575)	(6,380)
Number of shares delivered	0	(2,080)	(1,920)
Number of performance shares outstanding at December 31, 2022	**647,550**	**682,285**	**775,871**

The share-based payment expense for these performance share plans, recognized within personnel costs under “Other employee costs”, totaled €32.9 million in 2022 (€25 million in 2021).

24.d. CONVERTIBLE BOND ISSUES

2020-2027 OCEANEs

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

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

The additional bonds carry the same terms and conditions (with the exception of the issue price) as the initial bonds, with which they are fully fungible and with which they form a single series.

The bonds bear interest at an annual rate of 0.875%, payable annually in arrears.

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

Following the June 2, 2022 dividend payment and in accordance with the terms and conditions of the bonds, the bond conversion ratio has been 1.009 shares for 1 bond since June 2, 2022. This conversion ratio, which was previously 1.004 shares for 1 bond, was calculated by the bond calculation agent in accordance with the calculation formula stipulated in the terms and conditions of the bonds based on the following inputs:

- previous bond conversion ratio: 1.004 shares for 1 bond;
- share price: €98.84864;
- dividend per share paid in 2022 in respect of 2021: €0.50.

The bonds come with an early redemption option that the bearer may trigger in the event of a change of control and that the issuer may trigger if (i) as from June 5, 2024, the share price multiplied by the

bond conversion ratio exceeds 130% of the par value of the bonds or (ii) at any time, the number of bonds outstanding represents less than 20% of the number of bonds originally issued.

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

OCEANEs are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €760 million was recognized under interest-bearing financial liabilities for the initial bonds on the issue date, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 28, “Interest-bearing financial liabilities”).

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

After deducting issuance fees, a total of €197 million was recognized under interest-bearing financial liabilities for the additional bonds on the issue date, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 28, “Interest-bearing financial liabilities”).

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

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

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

2021-2028 OCEANEs

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

The bonds do not carry any coupon.

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

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

Since the bond issuance date, the bond conversion ratio represents 1 share for 1 bond.

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

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

OCEANEs are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €712 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 28, “Interest-bearing financial liabilities”).

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

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

24.e. DIVIDEND DISTRIBUTION

At the Annual General Meeting of May 25, 2022, the shareholders approved a dividend payment of €0.50 per share in respect of 2021, representing a total payout of €213 million. The dividend was paid in full on June 2, 2022.

At the Annual General Meeting to be held on May 25, 2023 to approve the financial statements for the year ended December 31, 2022, the Board of Directors will recommend a dividend payment of €1.35 per share in respect of 2022, representing a total payout of €577 million.

Note 25 - Provisions

Provisions break down as follows:

			Reversals					
(in € millions)	**Dec. 31, 2021**	Additions	Utilizations[1]	Reclassification[1]	Surplus[2]	Changes in scope of consolidation	Other	**Dec. 31, 2022**
Performance warranties	1,155	255	(143)	-	(201)	3	(1)	1,068
Financial guarantees	2	6	(2)	-	-	-	(6)	-
Post-employment benefits[3]	778	64	(64)	-	(16)	8	(148)	622
Sales agreements	169	95	(35)	-	(49)	-	8	188
Provisions for losses on completion and losses arising on delivery commitments	323	65	(29)	-	(30)	(1)	(3)	325
Disputes and litigation	31	11	(6)	-	(3)	-	1	34
Other	398	100	(160)	-	(27)	12	7	330
Total	**2,856**	596	(439)	-	(326)	22	(142)	**2,567**
Non-current	1,798							**1,549**
Current	1,058							**1,018**

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

(2) Including the foreign exchange difference resulting from fluctuations in the EUR/USD exchange rate in 2022.

(3) Of which a negative €146 million within "Other", corresponding to the impact of changes in the discount and inflation rates, which is recorded through equity.

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

(in € millions)	**2022**
Additions (-)/Reversals (+) recognized in recurring operating income with income statement impact	***(224)***
Utilization of provisions against operating expenses and therefore with no income statement impact	***421***
Additions (-)/Reversals (+) recognized in non-recurring operating income	***1***
Additions (-)/Reversals (+) recognized in financial income (loss)	***(29)***
Total	**169**

Movements in provisions had a €224 million negative impact on recurring operating income.

Note 26 - 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 3.t.

26.a. PRESENTATION OF POST-EMPLOYMENT BENEFITS

a) France

- Defined benefit pension plans

This heading includes a defined benefit supplementary pension plan that was closed to new entrants on December 31, 2017 and under which all conditional entitlements were frozen as of December 31, 2016.

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

- Retirement termination benefits

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

- Other long-term benefits

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

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

26.b. FINANCIAL POSITION

(in € millions)	Dec. 31, 2021	**Dec. 31, 2022**	France	United Kingdom	Rest of the world
Gross obligation	1,654	**1,230**	530	391	309
Plan assets	944	**670**	5	429	236
Provision recognized in the accounts	**778**	**622**	526	20	76
- Defined benefit pension plans	*129*	***92***	*12*	*20*	*60*
- Retirement termination benefits	*591*	***479***	*466*	*-*	*13*
- Long-service bonuses and other employee benefits	*58*	***51***	*48*	*-*	*3*
Recognized net plan assets	**(68)**	**(62)**	(1)	(58)	(3)

(in € millions)	Dec. 31, 2021	**Dec. 31, 2022**	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,654	**1,230**	676	503	51
Plan assets	944	**670**	653	17	-
Provision recognized in the accounts	**778**	**622**	85	486	51
Recognized net plan assets	**(68)**	**(62)**	(62)	-	-

The decrease in the gross obligation results from the following cumulative impacts:
- a decrease in the obligation resulting from the revised financial assumptions (discount and inflation rates) used to determine the benefit obligation in the United Kingdom and the eurozone;
- a decrease in the obligation resulting from the depreciation of the pound sterling.

The value of plan assets also decreased during the year due to the underperformance of returns on pension fund assets in the United Kingdom relative to the discount rate and the depreciation of the pound sterling.

The cost of the Group's pension obligations in 2021 and 2022 can be analyzed as follows:

(in € millions)	**2021**	**2022**
Current service cost	(65)	(54)
Actuarial gains and losses recognized (on other long-term benefits)	5	12
Plan implementation, amendment and settlement	7	(7)
Plan administration costs	(1)	(1)
Total operating component of the pension expense	**(54)**	**(50)**
Interest cost on the net benefit obligation	(5)	(6)
Total financing component of the pension expense	**(5)**	**(6)**
Total	**(59)**	**(56)**

The Group expects to pay a total of €24 million into its defined benefit pension plans in 2023.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	*2021*	*1.00%*	*1.90%*
	2022	**3.70%**	**4.70%**
Inflation rate	*2021*	*1.75%*	*3.35%*
	2022	**2.00%**	**3.25%**
Rate of annuity increases	*2021*	*1.00%*	*3.35%*
	2022	**1.00%**	**3.25%**
Rate of future salary increases	*2021*	*0.81%-3.62%*	*N/A*
	2022	**0.81%-5.43%**	***N/A***
Retirement age	*2021*	*Managerial: 64/65 years* *Non-managerial: 62/65 years*	*65 years*
	2022	**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, 2022:

(in € millions)

Sensitivity (basis points)	**-0.50%**	**+0.50%**
Discount rate	68	(64)
Inflation rate	(27)	26
Rate of future salary increases	(28)	29

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.

26.c. CHANGE IN THE GROSS BENEFIT OBLIGATION AND PLAN ASSETS

Change in the gross benefit obligation:

(in € millions)	2021	2022	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other employee benefits
Gross benefit obligation at beginning of period	**1,753**	**1,654**	**1,006**	**590**	**58**
A. Pension expense					
Current service cost	65	54	11	38	5
Actuarial gains and losses recognized (on other long-term benefits)	(5)	(12)	-	-	(12)
Plan implementation, amendment and settlement	(7)	7	4	-	3
Interest cost	18	24	17	6	1
Total expense recognized in the income statement	**71**	**73**	**32**	**44**	**(3)**
B. Actuarial gains and losses arising in the period on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	(1)	12	(2)	14	-
Actuarial gains and losses resulting from changes in financial assumptions	(102)	(461)	(331)	(130)	-
Experience adjustments	(15)	34	35	(1)	-
Total revaluation recognized in other comprehensive income for the period	**(118)**	**(415)**	**(298)**	**(117)**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Benefits paid	(109)	(90)	(47)	(39)	(4)
Changes in scope of consolidation	-	23	-	23	-
Application of IFRIC decision	-	-	-	-	-
Foreign exchange differences	54	(18)	(19)	1	-
Total other items	**(52)**	**(82)**	**(63)**	**(15)**	**(4)**
Gross benefit obligation at end of period	**1,654**	**1,230**	**677**	**502**	**51**
Average weighted term of pension plans	15	12	15	9	8

Change in the fair value of plan assets:

(in € millions)	2021	2022	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other employee benefits
Fair value of plan assets at beginning of period	**859**	**944**	**944**	**-**	**-**
A. Income					
Interest income on plan assets	13	18	18	-	-
Plan administration costs	(1)	(1)	(1)	-	-
Total income recognized in the income statement	**12**	**17**	**17**	**-**	**-**
B. Actuarial gains and losses arising in the period on post-employment plans					
Return on plan assets (excluding interest income component)	36	(271)	(272)	1	-
Total revaluation recognized in other comprehensive income for the period	**36**	**(271)**	**(272)**	**1**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Employer contributions	25	28	28	-	-
Benefits paid	(45)	(45)	(44)	(1)	-
Changes in scope of consolidation	-	17	-	17	-
Other movements	-	-	-	-	-
Foreign exchange differences	54	(23)	(23)	-	-
Total other items	**37**	**(20)**	**(36)**	**16**	**-**
Fair value of plan assets at end of period	**944**	**670**	**653**	**17**	**-**

26.d. ASSET ALLOCATION

	United Kingdom % allocation at		Other European countries % allocation at	
	Dec. 31, 2021	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**
Shares	2.61%	0.00%	29.22%	26.85%
Bonds and debt instruments	78.33%	78.91%	51.35%	53.26%
Property	2.40%	3.23%	12.63%	13.00%
Mutual funds and other diversified funds	15.11%	13.33%	0.57%	0.59%
Cash and cash equivalents	1.55%	4.53%	5.29%	5.60%
Other	0.00%	0.00%	0.94%	0.70%

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

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

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

26.e. CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

Defined contribution plans include statutory, supplementary and additional pension plans (in France: the "Article 83" plan for engineers and managerial-grade employees (*cadres*) and the additional "Article 83" plan and "Article 82" plan for executive managers).
The expense for 2022 recognized in respect of defined contribution plans for continuing operations represented €327 million (€267 million in 2021).

Note 27 - Borrowings subject to specific conditions

This caption includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2021	**327**
New advances received	**13**
Advances repaid	**(30)**
Sub-total: changes with a cash impact	**(17)**
Cost of borrowings and discounting	**14**
Foreign exchange differences	**-**
Other	**7**
Adjustments to the probability of repayment of advances	**(29)**
Sub-total: changes with no cash impact	**(8)**
At December 31, 2022	**302**

Estimates as to the repayable amounts and the timing of repayments are made regarding borrowings subject to specific conditions.
Adjustments to the probability of repayment of advances mainly concern civil aircraft programs.

Note 28 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities:

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Bond issue	1,599	1,595
Convertible bonds (OCEANEs)	1,684	1,692
Senior unsecured notes (USPP)	1,014	1,028
Lease liabilities	512	481
Long-term borrowings	285	582
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**5,094**	**5,378**
Senior unsecured notes (USPP)	485	-
Lease liabilities	97	106
Long-term borrowings	359	538
Accrued interest not yet due	9	8
Current interest-bearing financial liabilities, long-term at inception	**950**	**652**
Negotiable European Commercial Paper (NEU CP)	100	200
Short-term bank facilities and equivalent	670	425
Current interest-bearing financial liabilities, short-term at inception	**770**	**625**
Total current interest-bearing financial liabilities (less than 1 year)	**1,720**	**1,277**
Total interest-bearing financial liabilities[1]	**6,814**	**6,655**

(1) The fair value of interest-bearing financial liabilities amounts to €6,278 million (€6,942 million at December 31, 2021).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2021	**6,814**
Increase in long-term borrowings at inception (excluding lease liabilities)	510
Decrease in long-term borrowings at inception	(654)
Change in short-term borrowings	(159)
Sub-total: changes with a cash impact	**(303)**
Net increase in lease liabilities	68
Accrued interest	-
Changes in scope of consolidation	66
Foreign exchange differences	51
Change in the fair value of borrowings hedged with interest rate instruments[1]	(46)
Reclassifications and other	5
Sub-total: changes with no cash impact	**144**
At December 31, 2022	**6,655**

(1) See Note 32, “Management of market risks and derivatives”.

Analysis by maturity:

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Maturing in:		
1 year or less	1,720	1,277
More than 1 year and less than 5 years	1,949	2,685
Beyond 5 years[1]	3,145	2,693
Total	**6,814**	**6,655**

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

Analysis by currency before hedging:

	Dec. 31, 2021		Dec. 31, 2022	
(in millions of currency units)	**Currency**	**EUR**	**Currency**	**EUR**
EUR	4,841	4,841	5,474	5,474
USD	2,038	1,801	1,082	1,013
CAD	8	6	14	10
GBP	26	31	23	26
Other	N/A	135	N/A	132
Total		**6,814**		**6,655**

Analysis by currency after hedging:

	Dec. 31, 2021		Dec. 31, 2022	
(in millions of currency units)	**Currency**	**EUR**	**Currency**	**EUR**
EUR	6,056	6,056	6,213	6,213
USD	662	586	291	274
CAD	8	6	14	10
GBP	26	31	23	26
Other	N/A	135	N/A	132
Total		**6,814**		**6,655**

Analysis by type of interest rate:

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

	Total		**Non-current**				**Current**			
	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021		**Dec. 31, 2022**		Dec. 31, 2021		**Dec. 31, 2022**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	6,323	6,184	4,963	1.61%	5,258	1.36%	1,360	1.65%	926	0.15%
Floating rate	491	471	131	1.36%	120	1.07%	360	1.00%	351	0.08%
Total	**6,814**	**6,655**	**5,094**	**1.60%**	**5,378**	**1.35%**	**1,720**	**1.51%**	**1,277**	**0.13%**

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

	Total		Non-current				Current			
	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021		**Dec. 31, 2022**		Dec. 31, 2021		**Dec. 31, 2022**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	6,116	**5,995**	4,756	1.24%	5,069	1.35%	1,360	0.67%	926	0.15%
Floating rate	698	**660**	338	1.13%	309	1.33%	360	1.00%	351	0.08%
Total	**6,814**	**6,655**	**5,094**	**1.23%**	**5,378**	**1.35%**	**1,720**	**0.74%**	**1,277**	**0.13%**

The Group's net debt position is as follows:

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2022**
Cash and cash equivalents (A)	5,247	6,687
Interest-bearing financial liabilities (B)	6,814	6,655
Fair value of interest rate derivatives used as fair value hedges of borrowings (C)	23	(18)
Total (A) – (B) + (C)	**(1,544)**	**14**

The Group's gearing ratio is shown below:

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2022**
Net debt	(1,544)	14
Total equity	13,270	10,866
Gearing ratio	**11.64%**	**(0.13)%**

MAIN LONG-TERM BORROWINGS AT INCEPTION

- US private placement (USPP) of senior unsecured notes issued by the Group on February 9, 2012, under which USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon was outstanding at December 31, 2022.

  An interest rate hedge in the form of a cross currency swap (USD floating-rate borrower at inception, followed by EUR fixed-rate borrower from March 2019) was set up on these notes, allowing the USD fixed-rate debt to be fully swapped for EUR fixed rate debt.
  At December 31, 2022, the average interest rate of the issue came out at 1.76% after taking into account the impact of interest rate derivatives.

- US private placement (USPP) of senior unsecured notes issued by the Group on June 29, 2020 for a nominal amount equivalent to €564 million, comprising:
  - USD 181 million of 10-year notes due June 2030 at a 3.10% fixed-rate coupon (tranche A);
  - USD 133 million of 12-year notes due June 2032 at a 3.30% fixed-rate coupon (tranche B);
  - €122 million of 10-year notes due June 2030 at a 2.00% fixed-rate coupon (tranche C);
  - €164 million of 12-year notes due June 2032 at a 2.05% fixed-rate coupon (tranche D).

A EUR/USD cross currency swap (EUR fixed-rate borrower and USD fixed-rate lender) was set up on tranches A and B on July 21, 2020, swapping USD fixed-rate debt for EUR fixed-rate debt.
After taking this hedge into account, tranche A bears fixed-rate interest at 2.04% and has a notional amount of €158 million, while tranche B bears fixed-rate interest at 2.22% and has a notional amount of €116 million.
After taking this hedge into account, the 10-year notes (tranches A and C) of the USPP carry an effective coupon of 2.02% and have a notional amount of €280 million, while the 12-year notes (tranches B and D) carry an effective coupon of 2.12% and have a notional amount of €280 million.

- Issuance on April 11, 2014 of 10-year, 2.875% fixed-rate bonds for €200 million (maturing in April 2024). The bonds were issued at 99.529% of par. A floating-rate swap was set up on the issue. The effective coupon in 2022 was 2.814% after taking into account the impact of interest rate derivatives.

- Issuance on March 16, 2021 of:
  - 5-year, 0.125% fixed-rate bonds for €700 million (maturing on March 16, 2026). The bonds were issued at 99.231% of par;
  - 10-year, 0.750% fixed-rate bonds for €700 million (maturing on March 17, 2031). The bonds were issued at 99.349% of par.

  Since their issuance, the bonds have been rated by Standard & Poor's in line with Safran's long-term credit rating (BBB+ when the bonds were issued and A- since December 2, 2022).

- Euro private placement (Euro PP) in the form of a syndicated loan with an original maturity of seven years, contracted by the former Zodiac Aerospace on March 10, 2016 and falling due on March 10, 2023, on which €180 million was outstanding at December 31, 2022 at an adjustable rate of 2.902%.

- Bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") on May 15, 2020 for a nominal amount of €800 million. The bonds bear interest at 0.875% and were offered at an issue price representing 100% of par, or a gross yield to maturity at the issue date of 0.875%. Unless converted, redeemed or repurchased and canceled prior to maturity, the bonds are redeemable at par on May 15, 2027. The effective annual interest rate on the liability component of the OCEANEs is 1.63% including issuance fees (see Note 24.d, "Convertible bond issues").

- Tap issue of bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") on October 12, 2020 for a nominal amount of €200 million. The bonds bear interest at 0.875% and were offered at an issue price representing 109.03% of par, or a gross negative yield to maturity at the issue date of 0.419%. The bonds carry the same terms and conditions as those issued on May 15, 2020, with which they are fully fungible and with which they form a single series. The effective annual interest rate on the liability component of the OCEANEs issued on October 12, 2020 is 1.154% including issuance fees (see Note 24.d, "Convertible bond issues").

- Bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") on June 14, 2021 for a nominal amount of €730 million. The bonds do not carry a coupon and were offered at an issue price representing 103.5% of par, or a gross negative yield to maturity at the issue date of 0.50%. Unless converted, redeemed or repurchased and canceled prior to maturity, the bonds are redeemable at par on April 1, 2028. The effective annual interest rate on the liability component of the OCEANEs is 0.38% including issuance fees (see Note 24.d, "Convertible bond issues").

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

- Negotiable European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €396 million at December 31, 2022. The average interest rate payable by Safran on this commercial paper was 0.01% at December 31, 2022. The sums managed by the corporate mutual fund and reinvested in Safran NEU CP are frozen for an initial period of five years. In view of the fund's commitments, the NEU CP is classified within long-term borrowings. At December 31, 2022, 84% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 84% of the €396 million in NEU CP is classified within the current portion of long-term borrowings.

- Lease liabilities recognized in accordance with IFRS 16 (including former finance lease liabilities) totaling €587 million at December 31, 2022.

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

On February 9, 2022, the following borrowings were redeemed at maturity:

- The USD 540 million tranche of senior unsecured notes issued on the US private placement market (USPP) on February 9, 2012 a fixed-rate coupon of 4.28%.

MAIN SHORT-TERM BORROWINGS

- Negotiable European Commercial Paper (NEU CP): €200 million (€100 million at December 31, 2021).

- Financial current accounts with non-consolidated subsidiaries and joint ventures: €365 million (€328 million at December 31, 2021). 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, 2022 and December 31, 2021 does not include the confirmed trade receivables sold without recourse relating to CFM International Inc. (joint operation).

The facility was renewed in December 2020 and had an initial maturity of December 2022, which was subsequently extended to February 3, 2023. The amount of the facility was initially capped at USD 1,430 million. It was increased to USD 1,780 million in January 2021, then reduced to USD 675 million in December 2021 and again increased to USD 1,065 million as of June 2022.

A total of USD 534 million (USD 267 million based on a 50% interest) had been drawn on the facility at December 31, 2022, versus USD 29 million (USD 14.5 million based on a 50% interest) at December 31, 2021.

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

On December 20, 2022, a new confirmed non-recourse trade receivables factoring facility was signed with CFMI International Inc., for a maximum amount of USD 1,200 million. The new facility replaced the previous facility – which had reached maturity – as of February 3, 2023. It will expire in February 2024.

Note 29 - Trade and other payables

(in € millions)	Dec. 31, 2021	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2022
Operating payables	**4,450**	**1,261**	**19**	**19**	**(17)**	**5,732**
Credit balances on trade receivables	934	237	-	1	-	1,172
Trade payables	2,350	749	11	11	(13)	3,108
Operating current account	1	-	-	-	-	1
Employee-related liabilities	1,165	275	8	7	(4)	1,451
Other liabilities	**500**	**57**	**9**	**3**	**(3)**	**566**
State aid, accrued payables	26	10	-	-	-	36
State, other taxes and duties	232	58	1	-	(1)	290
Deferred income	104	(8)	-	-	-	96
Other	138	(3)	8	3	(2)	144
Total	**4,950**	**1,318**	**28**	**22**	**(20)**	**6,298**

Trade and other payables fall due as shown below:

(in € millions)	Total	Less than 12 months	More than 12 months
Operating payables	5,732	5,704	28
Other liabilities	566	500	66
Total	**6,298**	**6,204**	**94**

Note 30 - Other current and non-current financial liabilities

(in € millions)	Dec. 31, 2021	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2022
Payables on purchases of property, plant and equipment and intangible assets	176	12	-	-	-	**188**
Payables on purchases of investments	2	2	6	-	2	**12**
Total	**178**	**14**	**6**	**-**	**2**	**200**
Non-current	116					**75**
Current	62					**125**

These liabilities are not included in the Group's net financial position at December 31, 2022.

Note 31 - Summary of financial liabilities

The following table presents the carrying amount of the Group's financial liabilities at December 31, 2022 and December 31, 2021:

At December 31, 2022 *(in € millions)*	Carrying amount		
	Financial liabilities at amortized cost[1]	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	302		**302**
Non-current interest-bearing financial liabilities	5,378		**5,378**
Current interest-bearing financial liabilities	1,277		**1,277**
Trade payables	3,108		**3,108**
Payables on purchases of investments	12	-	**12**
Payables on purchases of property, plant and equipment and intangible assets	188		**188**
Operating current accounts	1		**1**
Non-current derivatives (negative fair value)		18	**18**
Current derivatives (negative fair value)		5,848	**5,848**
Total financial liabilities	**10,266**	**5,866**	**16,132**

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represented €18 million at December 31, 2022.

At December 31, 2021 *(in € millions)*	Carrying amount		
	Financial liabilities at amortized cost[1]	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	327		**327**
Non-current interest-bearing financial liabilities	5,094		**5,094**
Current interest-bearing financial liabilities	1,720		**1,720**
Trade payables	2,350		**2,350**
Payables on purchases of investments	2	-	**2**
Payables on purchases of property, plant and equipment and intangible assets	176		**176**
Operating current accounts	1		**1**
Non-current derivatives (negative fair value)		8	**8**
Current derivatives (negative fair value)		1,788	**1,788**
Total financial liabilities	**9,670**	**1,796**	**11,466**

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represented €23 million at December 31, 2021.

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 2022 and 2021, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

(in € millions)	**Dec. 31, 2021**		**Dec. 31, 2022**	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing financial liabilities[1]	6,814	6,942	6,655	6,278

(1) This fair value measurement relates to Level 2 in the fair value hierarchy (see Note 23, "Summary of financial assets").

Safran uses the fair value hierarchy described in Note 23, “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, 2022:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	5,866	-	5,866
Total	**-**	**5,866**	**-**	**5,866**

The Group carried the following financial liabilities at fair value at December 31, 2021:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	1,796	-	1,796
Total	**-**	**1,796**	**-**	**1,796**

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2022 or 2021.

OFFSETTING OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

At December 31, 2022 *(in € millions)*	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet[1] (c)	Amount subject to offset agreement but not offset (d)	**Net** **(c) – (d)**
Derivatives (negative fair value)	**5,866**	**-**	**5,866**	**555**	**5,311**

(1) See Note 32, “Management of market risks and derivatives”.

At December 31, 2021 *(in € millions)*	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet[1] (c)	Amount subject to offset agreement but not offset (d)	**Net** **(c) – (d)**
Derivatives (negative fair value)	**1,796**	**-**	**1,796**	**721**	**1,075**

(1) See Note 32, “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, 2022 or December 31, 2021, 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.

In addition, the Group makes investments falling within the scope of master agreements governing the subscription of OTC derivatives with bank counterparties (see Note 22, “Cash and cash equivalents”).

Note 32 - 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, 2021		Dec. 31, 2022	
(in € millions)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate risk management	***23***	***(8)***	***18***	***(18)***
Floating-for-fixed interest rate swaps	-	(8)	18	-
Fixed-for-floating interest rate swaps	23	-	-	(18)
Foreign currency risk management	***705***	***(1,788)***	***540***	***(5,848)***
Currency swaps	-	(3)	44	-
Purchase and sale of forward currency contracts	101	(68)	86	(390)
Currency option contracts	604	(1,717)	410	(5,458)
Total	**728**	**(1,796)**	**558**	**(5,866)**

FOREIGN CURRENCY RISK MANAGEMENT

Most revenue earned in the civil aviation sector is denominated in US dollars, which is the benchmark currency used in the industry. The net excess of revenues over operating expenses for these activities totaled approximately USD 9 billion for 2022.

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);
- to provide visibility as regards the exchange rate applied in the Group's consolidated financial statements.

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

MANAGEMENT POLICY

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

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and a combination of options. Certain instruments include knock-in or knock-out barrier options, representing a risk to the size of the hedge book and to targeted hedge rates in certain cases of exchange rate fluctuations.

Optimization measures are also used with a view to improving the minimum exchange rate parity, and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities.

As most of the derivatives in the portfolio have a maturity of less than one year, Safran extends derivatives in order to align their maturity with that of the flows hedged. Such extensions do not have a cash impact ("historical cost method").

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2021				Dec. 31, 2022			
(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	**33**				**(304)**			
Short USD position	(34)	629	629	-	(386)	4,950	4,950	-
Of which against EUR	*(34)*	*629*	*629*	-	*(386)*	*4,950*	*4,950*	-
Long USD position	(7)	(163)	(163)	-	-	-	-	-
Of which against EUR	*(7)*	*(163)*	*(163)*	-	-	-	-	-
Long GBP position against EUR	37	(249)	(202)	(47)	16	(193)	(193)	-
Long CAD position against EUR	12	(89)	(89)	-	2	(17)	(17)	-
Short CAD position against EUR	-	-	-	-	(2)	17	17	-
Long MXN position against EUR	25	(16,304)	(10,066)	(6,238)	67	(11,110)	(11,110)	-
Short MXN position against EUR	-	-	-	-	(1)	234	234	-
Currency swaps	**(3)**				**44**			
Cross currency swaps	(3)	(1,359)	(540)	(819)	44	(819)	-	(819)
Currency option contracts	**(1,113)**				**(5,048)**			
USD put purchased against EUR	404	37,143	34,483	2,660	278	40,852	40,852	-
USD call purchased against EUR	29	(1,200)	(1,200)	-	24	(1,699)	(1,699)	-
USD put sold against EUR	(1)	(400)	(400)	-	(116)	(3,166)	(3,166)	-
USD call sold against EUR	(1,430)	79,886	74,566	5,320	(5,069)	106,622	106,622	-
CAD call purchased against EUR	44	(645)	(645)	-	14	(748)	(748)	-
CAD put sold against EUR	-	(1,202)	(1,202)	-	(35)	(1,376)	(1,376)	-
GBP call purchased against EUR	55	(552)	(552)	-	28	(706)	(706)	-
GBP put sold against EUR	(1)	(826)	(826)	-	(25)	(1,412)	(1,412)	-
MXN call purchased against EUR	1	(3,306)	(1,380)	(1,926)	6	(2,818)	(1,772)	(1,046)
MXN put sold against EUR	(20)	(6,613)	(2,760)	(3,853)	(12)	(5,636)	(3,544)	(2,093)
Accumulators – sell USD for EUR[2]	10	2,323	863	1,461	(190)	5,485	2,563	2,922
Accumulators – buy USD for EUR[2]	(204)	(4,190)	(2,805)	(1,385)	50	(2,723)	(1,425)	(1,298)
Total	**(1,083)**				**(5,308)**			

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

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

In the balance sheet, changes in the fair value of outstanding currency hedging instruments between December 31, 2021 and December 31, 2022 represent a negative €4,225 million.

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

EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

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

(in USD millions)	Dec. 31, 2021	Dec. 31, 2022
Total assets excluding derivatives	1,666	**2,269**
Total liabilities excluding derivatives	(3,175)	**(3,063)**
Derivatives hedging balance sheet positions[(1)]	1,090	**715**
Net exposure after the impact of derivatives hedging balance sheet positions	**(419)**	**(79)**

(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 0.8 billion. After setting up the cross currency swap to hedge the foreign currency risk on USD unsecured notes (see "Exposure to USD interest rate risk"), virtually all of these assets and liabilities are hedged by foreign currency hedging derivatives.

In addition to this net exposure, the Group has EUR/USD currency derivatives hedging revenue net of future purchases. These instruments had a negative fair value of USD 5,819 million, compared to a total negative fair value of USD 5,775 million for EUR/USD currency derivatives at December 31, 2022 (negative fair value of USD 1,394 million and USD 1,397 million, respectively, at December 31, 2021).

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

	Dec. 31, 2021		Dec. 31, 2022	
Impact on balance sheet positions (in € millions)	**USD**		**USD**	
Closing rate	**1.13**		**1.07**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.08	1.19	1.01	1.12
Impact recognized through profit or loss (before tax)	(2,447)	1,816	(4,221)	3,182
Impact recognized through equity (before tax)	-	-	-	-

INTEREST RATE RISK MANAGEMENT

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

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

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

EXPOSURE TO EUR INTEREST RATE RISK

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

	Dec. 31, 2021					Dec. 31, 2022				
(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	8	200	-	200	-	(5)	200	-	200	-
Total	**8**					**(5)**				

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

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Change in fair value of hedging instrument	(5)	(12)
Change in fair value of hedged item	4	13
Impact of fair value EUR interest rate hedges on financial income (loss)	**(1)**	**1**

Exposure to EUR interest rate risk before and after hedging:

Dec. 31, 2021	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	439	345	3,969	88	**4,408**	**433**
Other financial assets	33	68	322	32	**355**	**100**
Cash and cash equivalents	4,629	2	-	-	**4,629**	**2**
Net exposure before hedging	**(4,223)**	**275**	**3,647**	**56**	**(576)**	**331**
Derivatives[1]	-	-	1,000	200	**1,000**	**200**
Net exposure after hedging	**(4,223)**	**275**	**4,647**	**256**	**424**	**531**

(1) Notional amount.

Dec. 31, 2022	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	780	340	4,267	87	**5,047**	**427**
Other financial assets	136	107	275	83	**411**	**190**
Cash and cash equivalents	6,173	69	-	-	**6,173**	**69**
Net exposure before hedging	**(5,529)**	**164**	**3,992**	**4**	**(1,537)**	**168**
Derivatives[1]	-	-	568	200	**568**	**200**
Net exposure after hedging	**(5,529)**	**164**	**4,560**	**204**	**(969)**	**368**

(1) Notional amount.

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the outstanding tranche of the US private placement (USPP) issued on February 9, 2012 was converted to a floating rate at inception. A floating-rate borrower/fixed-rate lender USD swap was set up on the 12-year tranche for USD 505 million. This swap is eligible for fair value hedge accounting.
In March 2019, this 12-year tranche for USD 505 million was reset to euros by means of a cross currency swap (USD floating-rate lender/EUR fixed-rate borrower).
The interest rate portion of the cross currency swap was eligible for cash flow hedge accounting.

On July 21, 2020, a cross currency swap (USD fixed-rate lender/EUR fixed-rate borrower) was set up on two USD tranches of the June 29, 2020 senior unsecured notes issue on the US private placement market (USPP), amounting to USD 181 million bearing fixed-rate interest over a period of 10 years (tranche A) and USD 133 million bearing fixed-rate interest over a period of 12 years (tranche B). The interest rate portion of the cross currency swap was eligible for cash flow hedge accounting.

	Dec. 31, 2021					Dec. 31, 2022				
(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	15	1,045	540	505	-	(13)	505	-	505	-
Floating-for-fixed	(8)	1,359	540	505	314	18	819	-	505	314
Total	**7**					**5**				

For the senior unsecured notes issued on the US market, changes in the fair value of the hedging instrument and the hedged item within the scope of the fair value hedge are recognized in “Financial income (loss)” as follows:

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Change in fair value of hedging instrument	(24)	(28)
Change in fair value of hedged item	23	33
Impact of fair value USD interest rate hedges on financial income (loss)	**(1)**	**5**

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2021	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	1,016	7	1,006	9	**2,022**	**16**
Other financial assets	-	6	32	-	**32**	**6**
Cash and cash equivalents	324	186	-	-	**324**	**186**
Net exposure before hedging	**692**	**(185)**	**974**	**9**	**1,666**	**(176)**
Derivatives[(1)]	-	-	(1,359)	-	**(1,359)**	**-**
Net exposure after hedging	**692**	**(185)**	**(385)**	**9**	**307**	**(176)**

(1) Notional amount.

Dec. 31, 2022	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	125	5	947	5	**1,072**	**10**
Other financial assets	-	5	59	-	**59**	**5**
Cash and cash equivalents	222	154	-	-	**222**	**154**
Net exposure before hedging	**(97)**	**(154)**	**888**	**5**	**791**	**(149)**
Derivatives[(1)]	-	-	(819)	-	**(819)**	**-**
Net exposure after hedging	**(97)**	**(154)**	**69**	**5**	**(28)**	**(149)**

(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, 2021	Dec. 31, 2022
Interest rate change assumptions	+1%	+1%
Impact on profit or loss (before tax)	(4)	(2)
Impact on equity (before tax)	-	-

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers;
- undrawn lines of credit.

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

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

The Group's credit facilities are taken out with top-tier banks.

In the context of the Covid-19 pandemic, the Group has stepped up the monitoring of its bad debt risks to ensure the collection of its current and future receivables. It has paid close attention to struggling airline companies and has set aside a provision on a case-by-case basis for any receivables or assets presenting a bad debt risk.

Note 20, "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 the financing requirements of subsidiaries met by, the parent company on an arm's length basis. Safran SA manages the Group's current and forecast financing requirements, and ensures that it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Changes in the Group's ratings

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

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

In addition, on May 4, 2022 Safran set up a €2 billion revolving credit facility (RCF), available until May 2027. At December 31, 2022, the new line was undrawn. It includes two successive one-year extension options, which have not yet been exercised. The financial terms and conditions of the liquidity line are indexed to the achievement by the Group of two sustainable development criteria: CO_2 emissions (Scopes 1 and 2) and the proportion of women among senior executives. There is no contractual obligation to achieve these sustainable development criteria and failure to do so would not constitute a breach of contract. Achievement or not of the criteria has no impact on the Group's ability to use the facility. The new line replaces the €2.52 billion facility set up in December 2015, which was due to expire in December 2022 and was terminated in advance at the same time as the new line was set up.

Issues of senior unsecured notes on the US private placement market (USPP) on February 9, 2012 and June 29, 2020 are subject to a financial covenant which states that the net debt to EBITDA ratio must be 2.5 or less (see Note 28, "Interest-bearing financial liabilities"). The covenant is tested every six months and the Group complied with the applicable ratio at December 31, 2022.

The following annual covenant applies to the euro private placement (Euro PP) in the form of a syndicated loan, set up by the former Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years (see Note 28, "Interest-bearing financial liabilities"): net debt to EBITDA ratio of 3.5 or less. The Group complied with the covenant at December 31, 2022.

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

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

Note 33 - Assets held for sale

On December 6, 2022, the Group entered into exclusive negotiations to sell the Safran Cabin Catering and Safran Cabin Cargo businesses.

A memorandum of understanding was signed on January 13, 2023. The transaction is expected to be finalized by the end of first-half 2023. The sale is therefore considered highly probable as of December 2022.

In accordance with IFRS 5, the assets and liabilities concerned are presented on a separate line of the balance sheet at December 31, 2022.

As the assets held for sale do not meet the definition of a discontinued operation under IFRS 5, no restatements related to the disposal have been made in the income statement or the statement of cash flows.

The main assets and liabilities held for sale are as follows:

(in € millions)	Dec. 31, 2022
Goodwill	66
Non-current assets	85
Current assets	61
Total assets held for sale	**212**
Non-current liabilities	22
Current liabilities	27
Total liabilities held for sale	**49**

The probable sale price covers the carrying amount of the net assets held for sale.

Note 34 - 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, 2021	Dec. 31, 2022
Current assets	345	292
Non-current assets	177	52
Current liabilities	213	143
Non-current liabilities	24	16
Operating income	48	102
Operating expenses	(32)	(83)
Financial income	2	1
Income tax benefit (expense)	(8)	4
Profit for the period	10	24
Other comprehensive income	16	17
Comprehensive income	26	41
Cash flow used in operating activities[1]	(40)	(26)
Cash flow used in investing activities	(5)	(3)
Cash flow from (used in) financing activities[1]	145	(10)

(1) See Note 28, "Interest-bearing financial liabilities" – trade receivables factoring programs at CFM Inc.

Note 35 - Related parties

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

The French State also holds:

- a golden share in Safran Ceramics allowing it to veto any change in control of the company or sale of company assets;
- similar rights over other Group entities (ArianeGroup, Safran Electronics & Defense, and Safran Power Units).

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

(in € millions)	2021	2022
Sales to related parties other than joint ventures	4,253	4,309
Purchases from related parties other than joint ventures	(85)	(107)

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Amounts receivable from related parties other than joint ventures	2,380	2,394
Amounts payable to related parties other than joint ventures	2,755	3,977

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Commitments given to related parties other than joint ventures[1]	2,256	2,830

(1) See Note 36.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)	2021	2022
Sales to joint ventures[1]	116	379
Purchases from joint ventures	(63)	(74)

(1) Mainly with Shannon Engine Support Limited.

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Amounts receivable from joint ventures	230	328
Amounts payable to joint ventures	51	85

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Commitments given to joint ventures	389	452

MANAGEMENT COMPENSATION

Management executives comprise the members of the Board of Directors (17 members from May 26, 2021 until May 25, 2022 and 16 members since May 26, 2022), the Chief Executive Officer, and any persons discharging managerial responsibilities considered as having the power to take management decisions with regard to Safran's strategy and future development, and/or with regular access to inside information concerning Safran (i.e., 4 directors in 2022 and 2021).

All compensation and benefits awarded to management executives are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Short-term benefits[1]	7.6	**7.5**
Post-employment benefits	0.5	**0.5**
Other long-term benefits	-	**-**
Termination benefits	-	**-**
Share-based payment	1.1	**1.6**

(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 €5.5 million at December 31, 2022 and €5.8 million at December 31, 2021.

Note 36 - Off-balance sheet commitments and contingent liabilities

36.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, 2021	Dec. 31, 2022
Purchase commitments on intangible assets	10	10
Purchase commitments on property, plant and equipment	120	168
Guarantees given in connection with the performance of operating agreements	6,290	7,044
Lease commitments	75	112
Financial guarantees granted on the sale of Group products	10	7
Other commitments given	706	900
Total	**7,211**	**8,241**

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 35, "Related parties".

Offset obligations

In some countries, as a condition to the Group securing major contracts, it may be required to fulfill direct, semi-direct or indirect local offset obligations, as required by law or regulations. This is particularly the case in the defense industry.
Failure to meet these obligations within the required timeframe may lead to penalties for the Group, which may, in some cases, not discharge the obligation. When there are doubts as to the Group's ability to meet its obligations, a provision is recognized as a deduction from revenue in the amount of the penalty stipulated in the contract.

Lease commitments

Lease commitments given concern leases qualifying for the IFRS 16 exemption criteria (short-term leases or leases of low-value assets), as well as leases signed but not yet started.

Financial guarantees granted on the sale of Group products

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

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 8 million at December 31, 2022 (USD 11 million at December 31, 2021), or €7 million (€10 million at December 31, 2021). 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 1 million at December 31, 2022 (USD 2 million at December 31, 2021), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 25, "Provisions").

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

Other commitments given

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

Following the various funding rounds completed, Safran's remaining commitment amounted to €24 million at December 31, 2022.

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, the Group, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, 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 4.b, "Provisions", and Note 25, "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 37, "Disputes and litigation".

(ii) Commitments received

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

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Commitments received from banks on behalf of suppliers	9	8
Completion warranties	7	10
Endorsements and guarantees received	1	1
Other commitments received	54	32
Total	**71**	**51**

36.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, 2021	Dec. 31, 2022
Vendor warranties given[1]	216	220

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

(ii) Vendor warranties received

(in € millions)	Dec. 31, 2021	Dec. 31, 2022
Vendor warranties received	-	-

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

In connection with the sale of the Identity and Security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at December 31, 2022, as well as a specific indemnity capped at BRL 200 million (€36 million) at December 31, 2022 to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

Guarantees given in connection with acquisitions

None.

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

Commitments received in respect of financing relate to:

- any unused portion of the trade receivables factoring facility relating to CFM International Inc., under which the related receivables are deconsolidated (see Note 28, "Interest-bearing financial liabilities"), and the confirmed, undrawn syndicated credit line for €2 billion set up on May 4, 2022 (see Note 32, "Management of market risks and derivatives").

Note 37 - Disputes and litigation

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

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

The most important proceedings are described below.

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

- In the course of the implementation of its compliance program, Safran detected a situation with regards to an activity within a company belonging to the former Zodiac Aerospace business scope acquired in 2018. The activity was sold on June 1, 2021.

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

  By letter dated December 21, 2022, the US Department of Justice (DoJ) decided not to initiate proceedings against Safran, notably considering the Group's voluntary, cooperative and proactive attitude in the case. No fine was imposed, but profits made by a US subsidiary at the time in an amount set by the DoJ at USD 17.2 million were disgorged.
  In Germany, Safran is awaiting information on the progress of the investigation. To date, it is not possible to determine exactly the decision the authorities may take nor the impacts for the Company.
  In addition, the case remains open with regards to the lawsuits that have been or may be filed against individuals in connection with these proceedings and, indirectly, their potential consequences for Safran.

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

Note 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)	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
A) Statutory audit services												
A.1) Safran (issuer)	0.69	0.73	16%	15%	0.66	0.70	15%	14%	1.35	1.43	15%	15%
A.2) Subsidiaries	3.39	3.77	76%	76%	3.43	3.82	79%	79%	6.82	7.59	77%	77%
Sub-total	4.08	4.50	92%	91%	4.09	4.52	94%	93%	8.17	9.02	92%	92%
B) Other services												
B.1) Safran (issuer)	0.12	0.16	2%	3%	0.08	0.08	2%	2%	0.20	0.24	3%	2%
B.2) Subsidiaries	0.28	0.30	6%	6%	0.19	0.26	4%	5%	0.47	0.56	5%	6%
Sub-total	0.40	0.46	8%	9%	0.27	0.34	6%	7%	0.67	0.80	8%	8%
TOTAL	**4.48**	**4.96**	100%	100%	**4.36**	**4.86**	100%	100%	**8.84**	**9.82**	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.

Note 39 - Subsequent events

None.

Note 40 - List of consolidated companies

	Country	2021 Consolidation method	2021 % interest	2022 Consolidation method	2022 % 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
Fabrications Mecaniques de l'Atlantique	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
Engine Support Holdings(1)	Ireland	EQ	50.00	-	-
Safran Aircraft Engines Hyderabad Private Limited	India	FC	100.00	FC	100.00
Safran Aircraft Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engines Poland	Poland	FC	100.00	FC	100.00
Safran Aircraft Engine Services Americas	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engine Services Morocco	Morocco	FC	51.00	FC	51.00
Safran MDS, S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Snecma Participations	France	FC	100.00	FC	100.00
Snecma Participations, Inc.	United States	FC	100.00	FC	100.00
Safran Aircraft Engine Services Brussels	Belgium	FC	100.00	FC	100.00
Safran Aircraft Engines Suzhou Co, Ltd	China	FC	100.00	FC	100.00
Safran Aircraft Engines Guiyang	China	FC	100.00	FC	100.00
Propulsion Technologies International, LLC	United States	JO	50.00	JO	50.00
Safran Aero Boosters	Belgium	FC	67.19	FC	67.19
Safran Test Cells, Inc.	United States	FC	67.19	FC	67.19
Safran Aero Boosters Programs, LLC	United States	FC	67.19	FC	67.19
Safran Aero Boosters, Inc.	United States	FC	67.19	FC	67.19
Safran Helicopter Engines	France	FC	100.00	FC	100.00
Safran Power Units	France	FC	100.00	FC	100.00
Safran Power Units San Diego, LLC	United States	FC	100.00	FC	100.00
Safran Power Units USA	United States	FC	100.00	FC	100.00
Initium Aerospace, LLC	United States	EQ	50.00	EQ	50.00
Safran Helicopter Engines Asia Pte. Ltd.	Singapore	FC	100.00	FC	100.00
Safran Helicopter Engines Australia Pty Ltd	Australia	FC	100.00	FC	100.00
Safran Moteurs d'Hélicoptères Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Helicopter Engines Brasil Industria e Comercio do Brasil Ltda	Brazil	FC	100.00	FC	100.00
Safran Helicopter Engines Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Helicopter Engines Tianjin Co. Ltd	China	FC	100.00	FC	100.00
Safran Helicopter Engines UK Limited	United Kingdom	FC	100.00	FC	100.00
Safran Helicopter Engines USA, Inc.	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Mexico	Mexico	FC	100.00	FC	100.00
Roxel France	France	EQ	50.00	EQ	50.00
Roxel Limited	United Kingdom	EQ	50.00	EQ	50.00
Roxel	France	EQ	50.00	EQ	50.00
Safran Transmission Systems	France	FC	100.00	FC	100.00
Safran Transmission Systems Poland sp. z o o.	Poland	FC	100.00	FC	100.00
ArianeGroup Holding and its subsidiaries	France	EQ	50.00	EQ	50.00

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

(1) Left the Group in 2022.

	Country	2021		2022	
		Consolidation method	% interest	Consolidation method	% interest
Aircraft Equipment, Defense and Aerosystems					
Safran Nacelles	France	FC	100.00	FC	100.00
Safran Nacelles Limited	United Kingdom	FC	100.00	FC	100.00
Safran Nacelles Morocco	Morocco	FC	100.00	FC	100.00
Safran Landing Systems	France	FC	100.00	FC	100.00
Aero Precision Repair & Overhaul Company, Inc.	United States	EQ	50.00	EQ	50.00
Safran Landing Systems Services Dinard	France	FC	100.00	FC	100.00
Safran Landing Systems Kentucky, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Wheel & Brake Services, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Malaysia Sdn. Bhd.	Malaysia	FC	100.00	FC	100.00
Safran Landing Systems Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Landing Systems UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems México S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Américas S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Singapore Pte. Ltd.	Singapore	FC	60.00	FC	60.00
Safran Landing Systems Services Miami, Inc.	United States	FC	100.00	FC	100.00
Safran Landing Systems Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems Services Querétaro S.A. de C.V. (1)	Mexico	FC	100.00	-	-
Safran Landing Systems Holdings Singapore Pte. Ltd.	Singapore	FC	100.00	FC	100.00
Xi'an Cea Safran Landing Systems Co., Ltd	China	EQ	50.00	EQ	50.00
Safran Filtration Systems	France	FC	100.00	FC	100.00
Safran Landing Systems Suzhou Co., Ltd.	China	FC	100.00	FC	100.00
Safran Electrical & Power	France	FC	100.00	FC	100.00
Safran Electrical Components	France	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	Morocco	FC	100.00	FC	100.00
Safran Electrical & Power Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Safran Electrical & Power India Private Limited	India	FC	100.00	FC	100.00
Matis Aerospace	Morocco	JO	50.00	JO	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India Pvt Ltd	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Safran Engineering Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Electrical & Power UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Power USA, LLC	United States	FC	100.00	FC	100.00
Shanghai SAIFEI Aviation EWIS Manufacturing Co., Ltd	China	EQ	49.00	EQ	49.00
Safran Electrical Components Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Electrical Components UK Limited	United Kingdom	FC	100.00	FC	100.00
Safran Electrical Components USA, Inc.	United States	FC	100.00	FC	100.00
Safran Electrical and Power Tunisia	Tunisia	FC	100.00	FC	100.00

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(1) Merger into Safran Landing Systems Services Américas S.A. de C.V. on December 31, 2022.

	Country	2021		2022	
		Consolidation method	% interest	Consolidation method	% interest
Safran Electronics & Defense	France	FC	100.00	FC	100.00
Optics 1, Inc.	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Services Asia Pte Ltd	Singapore	FC	60.00	FC	60.00
Safran Electronics & Defense Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Electronics & Defense Avionics USA, LLC	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Germany GmbH	Germany	FC	100.00	FC	100.00
Lynred	France	EQ	50.00	EQ	50.00
Safran Electronics & Defense Morocco	Morocco	FC	100.00	FC	100.00
Safran Electronics & Defense Services Mexico, S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Safran Electronics & Defense Cockpit Solutions	France	FC	100.00	FC	100.00
Safran Vectronix AG	Switzerland	FC	100.00	FC	100.00
Sagem USA, Inc.	United States	FC	100.00	FC	100.00
Fadec International, LLC	United States	EQ	50.00	EQ	50.00
Safran Reosc	France	FC	100.00	FC	100.00
Safran Sensing Technologies Switzerland	Switzerland	FC	100.00	FC	100.00
Safran Electronics & Defense Actuation	France	FC	100.00	FC	100.00
Pioneer Aerospace Corporation(1)	United States	FC	100.00	-	-
Safran Data Systems Investment	France	FC	100.00	FC	100.00
Safran Data Systems Inc.	United States	FC	100.00	FC	100.00
Safran Data Systems GmbH	Germany	FC	100.00	FC	100.00
Safran Data Systems	France	FC	100.00	FC	100.00
IDD Aerospace Corp.	United States	FC	100.00	FC	100.00
Safran Spacecraft Propulsion(2)	France	-	-	FC	100.00
CILAS(3)	France	-	-	EQ	31.50
HMS Laser(2)	France	-	-	EQ	50.00
Financière Orolia(2)	France	-	-	FC	100.00
Orolia Holding SAS(2)	France	-	-	FC	100.00
Orolia Canada Inc.(2)	Canada	-	-	FC	100.00
Spectracom SAS(2)	France	-	-	FC	100.00
Orolia SAS(2)	France	-	-	FC	100.00
Orolia Spain SL (2)	Spain	-	-	FC	100.00
Orolia Switzerland SA(2)	Switzerland	-	-	FC	100.00
T4 Science(2)	Switzerland	-	-	FC	85.00
Orolia USA Inc.(2)	United States	-	-	FC	100.00
TalenX(2)	United States	-	-	FC	100.00
Orolia Government Systems Inc.(2)	United States	-	-	FC	100.00
Safran Aerotechnics(4)	France	FC	100.00	-	-
Safran Aerosystems Hydraulics(4)	France	FC	100.00	-	-
Safran Aerosystems Fluid(4)	France	FC	100.00	-	-
Safran Aerosystems Morocco	Morocco	FC	100.00	FC	100.00
Avox Systems Inc.	United States	FC	100.00	FC	100.00
Air Cruisers Company, LLC	United States	FC	100.00	FC	100.00
Safran Aerosystems	France	FC	100.00	FC	100.00
Engineered Arresting Systems Corporation	United States	FC	100.00	FC	100.00
Safran Aerosystems Mexico S. de R.L. de C.V.	Mexico	FC	100.00	FC	100.00
Safran Aerosystems Ducts(4)	France	FC	100.00	-	-
Safran Aerosystems Services Americas, LLC	United States	FC	100.00	FC	100.00
Safran Aerosystems Services Asia Pte. Ltd.	Singapore	FC	100.00	FC	100.00
Safran Aerosystems Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Aerosystems Services Europe(4)	France	FC	100.00	-	-
Safran Aerosystems Services Middle East DWC – LLC	United Arab Emirates	FC	100.00	FC	100.00
IN-Services Asia Limited	Hong Kong	FC	100.00	FC	100.00
Safran Martin-Baker France	France	EQ	50.00	EQ	50.00

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(1) Sold on April 15, 2022.

(2) Consolidated in 2022.

(3) Consolidated in 2021 within ArianeGroup Holding and its subsidiaries.

(4) Merged into Safran Aerosystems on January 1, 2022.

	Country	2021 Consolidation method	2021 % interest	2022 Consolidation method	2022 % interest
Aircraft Interiors					
Safran Cabin France	France	FC	100.00	FC	100.00
Safran Cabin Investment GmbH	Germany	FC	100.00	FC	100.00
Safran Cabin Sterling, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Cabin Netherlands N.V.	Netherlands	FC	100.00	FC	100.00
Safran Cabin Galleys US, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin CZ s.r.o.	Czech Republic	FC	100.00	FC	100.00
EZ Air Interior Limited	Ireland	EQ	50.00	EQ	50.00
Safran Cabin Materials, LLC	United States	FC	100.00	FC	100.00
Safran Cabin Tunisia	Tunisia	FC	100.00	FC	100.00
Safran Cabin, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin Tijuana S.A de C.V.	Mexico	FC	100.00	FC	100.00
Safran Cabin Canada Co.	Canada	FC	100.00	FC	100.00
Safran Cabin Brazil Ltda.	Brazil	FC	100.00	FC	100.00
Safran Cabin Catering, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin Lamphun Ltd.	Thailand	FC	100.00	FC	100.00
Safran Cabin Catering B.V.	Netherlands	FC	100.00	FC	100.00
Safran Cabin Bangkok Ltd.	Thailand	FC	100.00	FC	100.00
Safran Cabin Cargo B.V.	Netherlands	FC	100.00	FC	100.00
Safran Cabin Bellingham, Inc.	United States	FC	100.00	FC	100.00
Safran Seats	France	FC	100.00	FC	100.00
Safran Seats USA LLC	United States	FC	100.00	FC	100.00
Safran Seats Tunisia	Tunisia	FC	100.00	FC	100.00
Safran Seats GB Limited	United Kingdom	FC	100.00	FC	100.00
Safran Ventilation Systems	France	FC	100.00	FC	100.00
Safran Ventilation Systems USA, LLC	United States	FC	100.00	FC	100.00
Northwest Aerospace Technologies, Inc.	United States	FC	100.00	FC	100.00
Greenpoint Technologies, Inc.	United States	FC	100.00	FC	100.00
EV Participations GmbH	Germany	FC	100.00	FC	100.00
Safran Passenger Innovations Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Passenger Innovations, LLC	United States	FC	100.00	FC	100.00
Mag Aerospace Industries, LLC	United States	FC	100.00	FC	100.00
Holding company and other					
Établissements 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
Safran Corporate Ventures	France	FC	100.00	FC	100.00
Zodiac US Corporation	United States	FC	100.00	FC	100.00
Safran Seats GB Investment Limited	United Kingdom	FC	100.00	FC	100.00
Galli Participations	France	FC	100.00	FC	100.00
Safran Additive Manufacturing Campus	France	FC	100.00	FC	100.00

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