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CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

June 30, 2021

The Board of Directors' meeting of July 28, 2021 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the six-month period ended June 30, 2021.

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Foreword

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

Readers are reminded that Safran:

- is the result of the May 11, 2005 merger of Sagem and Snecma, accounted for in accordance with IFRS 3, "Business Combinations" in its consolidated financial statements;
- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IFRS 9 applicable to transactions not qualifying for hedge accounting (see Note 2.f of the 2020 Universal Registration Document).

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 the first-half 2021 income statement items is as follows:

	First-half 2021 consolidated data	Currency hedges		Business combinations		First-half 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)	
<i>(in € millions)</i>						
Revenue	6,769	107	-	-	-	6,876
Other recurring operating income and expenses	(6,454)	6	(2)	20	162	(6,268)
Share in profit from joint ventures	36	-	-	-	15	51
Recurring operating income	351	113	(2)	20	177	659
Other non-recurring operating income and expenses	(195)	-	-	-	-	(195)
Profit from operations	156	113	(2)	20	177	464
Cost of net debt	(51)	-	-	-	-	(51)
Foreign exchange gain/loss	860	(113)	(775)	-	-	(28)
Other financial income and expense	(5)	-	-	-	-	(5)
Financial income (loss)	804	(113)	(775)	-	-	(84)
Income tax benefit (expense)	(273)	-	221	(6)	(42)	(100)
Profit (loss) for the period	687	-	(556)	14	135	280
Profit for the period attributable to non-controlling interests	(13)	-	2	-	-	(11)
Profit (loss) for the period attributable to owners of the parent	674	-	(554)	14	135	269

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

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a negative €775 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a negative €2 million at June 30, 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-Snecma merger.

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €145 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

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

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

The impact of these adjustments in first-half 2020 was as follows:

	First-half 2020 consolidated data	Currency hedges		Business combinations		First-half 2020 adjusted data
		Remeasurement of revenue (1)	Deferred hedging gain/loss (2)	Amortization of intangible assets from Sagem-Snecma merger (3)	PPA impacts – other business combinations (4)	
<i>(in € millions)</i>						
Revenue	8,902	(135)	-	-	-	8,767
Other recurring operating income and expenses	(8,072)	6	2	24	172	(7,868)
Share in profit from joint ventures	29	-	-	-	19	48
Recurring operating income	859	(129)	2	24	191	947
Other non-recurring operating income and expenses	(144)	-	-	-	-	(144)
Profit from operations	715	(129)	2	24	191	803
Cost of net debt	(20)	-	-	-	-	(20)
Foreign exchange gain/loss	(1,181)	129	1,001	-	-	(51)
Other financial income and expense	(46)	-	-	-	-	(46)
Financial income (loss)	(1,247)	129	1,001	-	-	(117)
Income tax benefit (expense)	207	-	(321)	(8)	(47)	(169)
Profit (loss) for the period	(325)	-	682	16	144	517
Profit for the period attributable to non-controlling interests	(15)	-	-	(1)	-	(16)
Profit (loss) for the period attributable to owners of the parent	(340)	-	682	15	144	501

(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 €1,001 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €2 million at June 30, 2020).

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

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €155 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

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

Adjusted interim income statement

	First-half 2020	First-half 2021
	Adjusted data	Adjusted data
<i>(in € millions)</i>		
Revenue	8,767	6,876
Other income	109	166
Income from operations	8,876	7,042
Change in inventories of finished goods and work-in-progress	(39)	34
Capitalized production	152	155
Raw materials and consumables used	(4,670)	(3,645)
Personnel costs	(2,760)	(2,494)
Taxes	(203)	(151)
Depreciation, amortization and increase in provisions, net of use	(442)	(477)
Asset impairment	(85)	30
Other recurring operating income and expenses	70	114
Share in profit from joint ventures	48	51
Recurring operating income	947	659
Other non-recurring operating income and expenses	(144)	(195)
Profit from operations	803	464
Cost of net debt	(20)	(51)
Foreign exchange gain (loss)	(51)	(28)
Other financial income and expense	(46)	(5)
Financial income (loss)	(117)	(84)
Profit before tax	686	380
Income tax expense	(169)	(100)
Profit for the period	517	280
Attributable to:		
owners of the parent	501	269
non-controlling interests	16	11
Earnings per share attributable to owners of the parent (in €)		
Basic earnings per share	1.18	0.63
Diluted earnings per share	1.14	0.61

Segment information

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

First-half 2021

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	3,249	2,972	646	6,867	9	6,876	(107)	-	6,769
Recurring operating income (loss)	504	270	(110)	664	(5)	659	(111)	(197)	351
Other non-recurring operating income and expenses	(133)	(59)	(1)	(193)	(2)	(195)	-	-	(195)
Profit (loss) from operations	371	211	(111)	471	(7)	464	(111)	(197)	156
Free cash flow	591	320	(117)	794	(93)	701	-	-	701

First-half 2020

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	4,047	3,638	1,072	8,757	10	8,767	135	-	8,902
Recurring operating income (loss)	699	343	(101)	941	6	947	127	(215)	859
Other non-recurring operating income and expenses	(20)	(73)	(51)	(144)	-	(144)	-	-	(144)
Profit (loss) from operations	679	270	(152)	797	6	803	127	(215)	715
Free cash flow	837	382	(342)	877	24	901	-	-	901

Revenue (adjusted data)

<i>(in € millions)</i>	First-half 2020	First-half 2021
<i>Aerospace Propulsion</i>		
Original equipment and related products and services	1,474	1,239
Services	2,513	1,954
Sales of studies	41	45
Other	19	11
Sub-total	4,047	3,249
<i>Aircraft Equipment, Defense and Aerosystems</i>		
Original equipment and related products and services	2,312	1,820
Services	1,160	992
Sales of studies	107	140
Other	59	20
Sub-total	3,638	2,972
<i>Aircraft Interiors</i>		
Original equipment and related products and services	732	458
Services	319	176
Sales of studies	13	12
Other	8	-
Sub-total	1,072	646
<i>Holding company and other</i>		
Sales of studies and other	10	9
Sub-total	10	9
Total	8,767	6,876

Information by geographic area

First-half 2021

<i>(in € millions)</i>	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	1,521	1,462	2,297	1,213	383	6,876	(107)	6,769
	% 22%	21%	33%	18%	6%			

First-half 2020

<i>(in € millions)</i>	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	1,999	1,799	3,162	1,219	588	8,767	135	8,902
	% 23%	20%	36%	14%	7%			

**Group condensed
interim consolidated
financial statements**

Consolidated income statement

<i>(in € millions)</i>	<i>Note</i>	First-half 2020	First-half 2021
Revenue	6	8,902	6,769
Other income	7	109	166
Income from operations		9,011	6,935
Change in inventories of finished goods and work-in-progress		(39)	34
Capitalized production		152	155
Raw materials and consumables used	7	(4,677)	(3,649)
Personnel costs	7	(2,759)	(2,496)
Taxes		(203)	(151)
Depreciation, amortization and increase in provisions, net of use	7	(639)	(659)
Asset impairment	7	(86)	31
Other recurring operating income and expenses	7	70	115
Share in profit from joint ventures	16	29	36
Recurring operating income		859	351
Other non-recurring operating income and expenses	7	(144)	(195)
Profit from operations		715	156
Cost of net debt		(20)	(51)
Foreign exchange gain (loss)		(1,181)	860
Other financial income and expense		(46)	(5)
Financial income (loss)	8	(1,247)	804
Profit (loss) before tax		(532)	960
Income tax benefit (expense)	9	207	(273)
Profit (loss) for the period		(325)	687
Attributable to:			
owners of the parent		(340)	674
non-controlling interests		15	13
Earnings per share attributable to owners of the parent (in €)	10		
Basic earnings (loss) per share		(0.80)	1.58
Diluted earnings (loss) per share		(0.80)	1.53

Consolidated statement of comprehensive income

<i>(in € millions)</i>	Note	First-half 2020	First-half 2021
Profit (loss) for the period		(325)	687
Other comprehensive income			
Items to be reclassified to profit		(55)	200
Translation adjustments		(51)	187
Remeasurement of hedging instruments		(6)	(1)
Income tax related to components of other comprehensive income to be reclassified to profit		2	(1)
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	16	-	15
Items not to be reclassified to profit		4	69
Actuarial gains and losses on post-employment benefits		11	91
Income tax related to components of other comprehensive income not to be reclassified to profit		(6)	(22)
Share in other comprehensive income (expense) of equity-accounted companies not to be reclassified to profit (net of tax)		(1)	-
Other comprehensive income (expense) for the period		(51)	269
Total comprehensive income (expense) for the period		(376)	956
Attributable to:			
- owners of the parent		(392)	939
- non-controlling interests		16	17

In first-half 2021, other comprehensive income relating to translation adjustments includes:

- €187 million in translation gains (€46 million in translation losses in first-half 2020) arising in the period on foreign operations;
- zero translation adjustments (€5 million in translation losses in first-half 2020) arising in the period on long-term financing granted to foreign subsidiaries. This financing meets the criteria for classification as a net investment in a foreign operation, and is treated in accordance with the applicable provisions of IAS 21.

In first-half 2021, other comprehensive income resulting from the remeasurement of hedging instruments includes negative fair value adjustments totaling €1 million (€6 million in first-half 2020) relating to cash flow hedges of interest payments on senior unsecured notes (i) as of the end of first-quarter 2019 and (ii) as of July 2020. The outstanding balance of the ongoing cash flow hedging reserve is a negative €1 million (see the consolidated statement of changes in shareholders' equity).

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

- €18 million in foreign exchange gains arising in the period on foreign joint ventures (€2 million in foreign exchange gains in first-half 2020);
- a negative amount of €3 million relating to cash flow hedges of joint ventures (a negative amount of €2 million in first-half 2020).

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.

The discount rates used to calculate post-employment benefit obligations are determined by reference to the yield on private investment-grade bonds (AA), using the Iboxx index. The main

discount rate assumptions used to calculate post-employment benefit obligations at the dates shown were revised as follows:

	Dec. 31, 2019	June 30, 2020	Dec. 31, 2020	June 30, 2021
Eurozone	0.60%	0.90%	0.50%	0.90%
UK	1.95%	1.70%	1.45%	2.00%

The inflation rate assumption used to calculate obligations in the United Kingdom was as follows:

	Dec. 31, 2019	June 30, 2020	Dec. 31, 2020	June 30, 2021
UK inflation rate	2.90%	2.75%	2.80%	3.15%

Consolidated balance sheet

ASSETS			
<i>(in € millions)</i>	<i>Note</i>	Dec. 31, 2020	June 30, 2021
Goodwill	11	5,060	5,086
Intangible assets	12	8,676	8,580
Property, plant and equipment	13	4,055	3,972
Right-of-use assets	14	623	609
Non-current financial assets	15	431	659
Investments in equity-accounted companies	16	2,126	2,049
Non-current derivatives (positive fair value)	23	52	39
Deferred tax assets		316	177
Other non-current financial assets		4	10
Non-current assets		21,343	21,181
Current financial assets	15	126	130
Current derivatives (positive fair value)	23	694	1,335
Inventories and work-in-progress		5,190	5,270
Contract costs		486	524
Trade and other receivables		5,769	5,281
Contract assets		1,695	1,768
Tax assets		481	567
Cash and cash equivalents	17	3,747	3,927
Current assets		18,188	18,802
Total assets		39,531	39,983
EQUITY AND LIABILITIES			
<i>(in € millions)</i>	<i>Note</i>	Dec. 31, 2020	June 30, 2021
Share capital	18	85	85
Consolidated reserves and retained earnings	18	11,912	12,279
Profit for the period		352	674
Equity attributable to owners of the parent		12,349	13,038
Non-controlling interests		401	413
Total equity		12,750	13,451
Provisions	19	1,942	1,922
Borrowings subject to specific conditions	20	426	328
Non-current interest-bearing financial liabilities	21	4,082	5,035
Non-current derivatives (negative fair value)	23	18	20
Deferred tax liabilities		1,285	1,360
Other non-current financial liabilities	22	2	109
Non-current liabilities		7,755	8,774
Provisions	19	905	869
Current interest-bearing financial liabilities	21	2,509	1,497
Trade and other payables		4,353	4,501
Contract liabilities		9,838	9,594
Tax liabilities		118	88
Current derivatives (negative fair value)	23	1,244	1,153
Other current financial liabilities	22	59	56
Current liabilities		19,026	17,758
Total equity and liabilities		39,531	39,983

Consolidated statement of changes in shareholders' equity

	Share capital	Additional paid-in capital	Treasury shares	Remeasurement of hedging instruments	Translation adjustments	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total
<i>(in € millions)</i>												
At January 1, 2020	85	4,688	(303)	-	405	5,371	(552)	2,447	230	12,371	377	12,748
Comprehensive income (expense) for the period	-	-	-	(6)	(51)	(2)	11	(340)	(4) (a)	(392)	16	(376)
Acquisitions/disposals of treasury shares ^(b)	-	-	267	-	-	(176)	-	-	53	144	-	144
Dividends	-	-	-	-	-	-	-	-	-	-	(3)	(3)
OCEANE 2020-2027 bonds	-	-	-	-	-	24	-	-	-	24	-	24
Other movements, including appropriation of profit	-	-	-	-	-	2,447	-	(2,447)	10	10	-	10
At June 30, 2020	85	4,688	(36)	(6)	354	7,664	(541)	(340)	289	12,157	390	12,547
Comprehensive income (expense) for the period	-	-	-	(7)	(512)	6	(30)	692	16 (a)	165	13	178
Dividends	-	-	-	-	-	-	-	-	-	-	(1)	(1)
OCEANE 2020-2027 bonds	-	-	-	-	-	15	-	-	-	15	-	15
Delivery of shares under employee shareholding plans: Safran Sharing 2020 and other	-	-	-	-	-	10	-	-	-	10	-	10
Other movements, including appropriation of profit	-	-	-	-	-	-	-	-	2	2	(1)	1
At December 31, 2020	85	4,688	(36)	(13)	(158)	7,695	(571)	352	307	12,349	401	12,750
Comprehensive income (expense) for the period	-	-	-	(1)	202	(3)	89	674	(22) (a)	939	17	956
Acquisitions/disposals of treasury shares	-	-	(77)	-	-	-	-	-	-	(77)	-	(77)
Dividends	-	-	-	-	-	(183)	-	-	-	(183)	(5)	(188)
OCEANE 2021-2028 bonds	-	-	-	-	-	29	-	-	-	29	-	29
Buyback of OCEANE 2023 bonds ^(b)	-	-	-	-	-	(50)	-	-	-	(50)	-	(50)
Other movements, including appropriation of profit	-	-	-	-	-	352	-	(352)	31	31	-	31
At June 30, 2021	85	4,688	(113)	(14)	44	7,840	(482)	674	316	13,038	413	13,451

(a) See table below:

<i>(in € millions)</i>	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for first-half 2020 (attributable to owners of the parent)	(6)	2	(4)
Comprehensive income (expense) for second-half 2020 (attributable to owners of the parent)	11	5	16
Comprehensive income (expense) for first-half 2021 (attributable to owners of the parent)	(21)	(1)	(22)

(b) Buyback of OCEANE 2023 bonds representing an outflow of €71 million (comprising €42 million relating to the reversal of 96.21% of the equity component and a €29 million loss on the equity component) and a €21 million tax effect.

Consolidated statement of cash flows

<i>(in € millions)</i>	Note	First-half 2020	First-half 2021
I. Cash flow from operating activities			
Profit attributable to owners of the parent		(340)	674
Depreciation, amortization, impairment and provisions ⁽¹⁾		833	698
Share in profit/loss from equity-accounted companies (net of dividends received)	16	5	114
Change in fair value of currency and interest rate derivatives ⁽²⁾	23	957	(734)
Capital gains and losses on asset disposals		1	(22)
Profit attributable to non-controlling interests		15	13
Other ⁽³⁾		(317)	(10)
Cash flow from operations, before change in working capital		1,154	733
Change in inventories and work-in-progress		(103)	(15)
Change in operating receivables and payables		3	577
Change in contract costs		(33)	(28)
Change in contract assets and liabilities		422	(324)
Change in other receivables and payables		(121)	87
Change in working capital		168	297
	TOTAL I	1,322	1,030
II. Cash flow used in investing activities			
Capitalization of R&D expenditure ⁽⁴⁾	12	(127)	(136)
Payments for the purchase of intangible assets, net ⁽⁵⁾		(21)	(10)
Payments for the purchase of property, plant and equipment, net ⁽⁶⁾		(273)	(183)
Payments for the acquisition of investments or businesses, net		(13)	(10)
Proceeds arising from the sale of investments or businesses, net		1	74
Proceeds (payments) arising from the sale (acquisition) of investments and loans, net ⁽⁷⁾		18	(210)
Other movements		-	-
	TOTAL II	(415)	(475)
III. Cash flow from (used in) financing activities			
Change in share capital – owners of the parent		-	-
Change in share capital – non-controlling interests		-	-
Acquisitions and disposals of treasury shares	18.b	91	(77)
Repayment of borrowings and long-term debt ⁽⁸⁾	21	(73)	(1,293)
Increase in borrowings ⁽⁹⁾	21	1,373	2,151
Change in repayable advances	20	3	(8)
Change in short-term borrowings	21	(547)	(1,005)
Dividends and interim dividends paid to owners of the parent	18.e	-	(183)
Dividends paid to non-controlling interests		(3)	(5)
	TOTAL III	844	(420)
Effect of changes in foreign exchange rates	TOTAL IV	(10)	45
Net increase (decrease) in cash and cash equivalents	I+II+III+IV	1,741	180
Cash and cash equivalents at beginning of period		2,632	3,747
Cash and cash equivalents at end of period	17	4,373	3,927
Net increase (decrease) in cash and cash equivalents		1,741	180

(1) Including in first-half 2021: depreciation and amortization for €677 million (€723 million in first-half 2020), impairment charges for €29 million (€136 million in first-half 2020) and provision reversals for €8 million (€26 million in first-half 2020).

(2) Including in first-half 2021: a negative €732 million arising on currency derivatives (a positive €940 million in first-half 2020) (see Note 23, "Management of market risks and derivatives").

(3) Including in first-half 2021: cancellation of deferred tax expense arising on changes in the fair value of currency derivatives for a positive €221 million (a negative €321 million in first-half 2020), cancellation of tax expense for €52 million (€114 million in first-half 2020), €110 million in taxes paid (€39 million in first-half 2020), €50 million in interest paid (€34 million in first-half 2020), and €7 million in interest received (€16 million in first-half 2020).

(4) Including in first-half 2021: capitalized interest of €3 million (€3 million in first-half 2020).

(5) Including in first-half 2021: €121 million in disbursements for acquisitions of intangible assets (€19 million in first-half 2020), €9 million in proceeds from disposals (zero in first-half 2020), changes in amounts payable on acquisitions of non-current assets representing a positive €108 million (a negative €2 million in first-half 2020), and changes in amounts receivable on disposals of non-current assets representing a negative €6 million (zero in first-half 2020).

(6) Including in first-half 2021: €193 million in disbursements for acquisitions of property, plant and equipment (€226 million in first-half 2020), changes in amounts payable on acquisitions of non-current assets representing a negative €7 million (a negative €52 million in first-half 2020), €17 million in proceeds from disposals (€5 million in first-half 2020), and zero changes in amounts receivable on disposals of non-current assets (zero in first-half 2020).

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

(8) Including in first-half 2021: an outflow of €745 million relating to the repurchase of 2023 OCEANEs and of €500 million relating to the redemption of the June 28, 2017 bond issue.

(9) Including in first-half 2021: €756 million resulting from the issue of the 2028 OCEANEs and €1,400 million relating to the March 16, 2021 bond issue.

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

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

The Board of Directors’ meeting of July 28, 2021 adopted and authorized for issue the 2021 condensed interim consolidated financial statements.

Note 1 - Comments regarding the health crisis

First-half 2021 confirmed the sluggish level of activity, which remains affected by the health crisis and was down on first-half 2020 and second-half 2020.

Countries are facing very different health situations and the vaccine rollout is progressing at different speeds around the world, with impacts on the air traffic conditions that underlie Safran’s business.

In light of the uncertainty as to the recovery in the Group’s business, cost-cutting plans have been put in place to continue the previous year’s cost-reduction efforts. These plans include:

- ongoing furlough and short-time working arrangements in companies where business remains sluggish;
- site closures;
- optimization of production plans;
- voluntary early retirement plans;
- strict control of operating costs and capital expenditure;
- tight rein on investment commitments.

On February 25, 2021, Safran was rated for the first time by Standard & Poor’s, which assigned the Company a rating of BBB+ with a stable outlook. This rating gives Safran enhanced access to debt capital markets when needed, notably through a broader investor base and tighter spreads.

At June 30, 2021, consolidated cash and cash equivalents amounted to €3,927 million.

Further efforts were undertaken during first-half 2021 to preserve the Group’s liquidity, through three new operations:

- On March 4, 2021, the European Investment Bank (EIB) granted Safran a €500 million bank loan with a maturity of up to ten years as from when the funds are provided, between now and September 2022, at the date of the Group’s choosing. This credit line has not yet been drawn down.
- On March 16, 2021, Safran issued bonds for €1.4 billion, comprising €700 million in five-year bonds and €700 million in ten-year bonds.
- On June 14, 2021, Safran issued bonds convertible into new shares and/or exchangeable for existing shares, maturing on April 1, 2028 OCEANES, for an issue price of €756 million. The proceeds from this issue were used to buy back 96.2% of the OCEANE 2023 bond issue maturing on June 21, 2023.

For more information on the above operations, see Note 21, “Interest-bearing financial liabilities”.

Following these refinancing operations, the bridge facility set up in April 2020 and undrawn at December 31, 2020 – representing a residual amount of €1.4 billion – was canceled in full on March 16, 2021.

Based on the above, the Group has sufficient liquidity to fund its operations going forward.

Note 2 - Accounting policies

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

The condensed interim consolidated financial statements at June 30, 2021 have been prepared in accordance with IAS 34, “Interim Financial Reporting” and with all the standards and interpretations adopted by the European Union and applicable to accounting periods beginning on or after January 1, 2021.

In preparing these condensed interim consolidated financial statements at June 30, 2021, Safran applied the same accounting rules and methods as those applied in the preparation of its consolidated financial statements for the year ended December 31, 2020 (see section 3.1, Note 2 of the 2020 Universal Registration Document), except as regards the specific requirements of IAS 34 (use of projected annual rates in calculating the Group’s income tax, adjusted for the main permanent differences) and the changes described below.

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 2021:

- Amendments to IFRS 4, “Insurance Contracts” – Extension of the Temporary Exemption from Applying IFRS 9.
- Amendments to IFRS 9, “Financial Instruments” and IFRS 7, “Financial Instruments: Disclosures” – Interest Rate Benchmark Reform Phase 2.

During the period, the Group continued its analyses in view of the transition to the new benchmark rates. The adoption of the Phase 2 amendments had no impact on the consolidated financial statements, since there was no change in the benchmark rates used in the Group’s contracts at June 30, 2021.

Interest rate derivatives designated as hedges of borrowings indexed to a benchmark rate are described in Note 23, “Management of market risks and derivatives”.

The Group has noted the IFRIC decision of April 2021 regarding IAS 19, specifically concerning the attribution of benefits to periods of service. At June 30, 2021, analyses were underway to assess the possible consequences of the IFRIC decision at Group level.

The other standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2021 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, 2021:

None.

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

- IFRS 17, “Insurance Contracts”.
- Amendments to IAS 1, “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1, “Presentation of Financial Statements” and IFRS Practice Statement 2 – Disclosure of Accounting Policies.
- Amendments to IAS 28, “Investments in Associates and Joint Ventures” and IFRS 10, “Consolidated Financial Statements” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Annual Improvements to IFRSs published in May 2020 (2018-2020 cycle).
- Amendments to IAS 16, “Property, Plant and Equipment” – Proceeds before Intended Use.
- Amendments to IFRS 3, “Business Combinations” – Reference to the Conceptual Framework.
- Amendments to IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates.
- Amendments to IFRS 16, “Leases” – Covid-19-Related Rent Concessions beyond June 30, 2021.
- Amendments to IAS 12, “Income Taxes” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

These new standards, amendments and interpretations have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even where early adoption is permitted by the texts concerned.

Note 3 - Main sources of estimates

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

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

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

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

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

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

a) Estimates relating to programs and contracts

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

The assumptions applied and resulting estimates used for programs and contracts cover periods that are sometimes very long (up to several decades), and take into account the technological, commercial and contractual constraints 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, associated production costs, exchange rates for foreign-currency denominated sales and purchases as well as normal risks and uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each program and contract.

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

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

- **impairment of non-current assets:** goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in section 3.1, Note 2.m of the 2020 Universal Registration Document. 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 section 3.1, Note 2.j of the 2020 Universal Registration Document. 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 26, "Disputes and litigation").

The Group's management takes stock of any outstanding proceedings and monitors their progress on a regular basis. It also decides whether to book a provision or adjust the amount of any existing provision if events arise during the proceedings that require a reassessment of the risk involved. The

Group consults legal experts both within and outside the Group in determining the costs that may be incurred.

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

Note 4 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 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.

These disposals had no material impact on the consolidated financial statements.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2020

There were no significant changes in the scope of consolidation in 2020.

Note 5 - Segment information

Segments presented

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

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

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

Aerospace Propulsion

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

Aircraft Equipment, Defense and Aerosystems

Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters. The Group is involved in landing gear and brakes, nacelles and reversers, avionics (flight controls and onboard information systems), security systems (evacuation slides, emergency arresting systems and oxygen masks), onboard computers and fuel systems.

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

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

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

Aircraft Interiors

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

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

Holding company and other

In "Holding company and other", the Group includes Safran SA's activities and holding companies in various countries.

Business segment performance indicators

Segment information presented in the tables 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 section 3.1, Note 2 of the 2020 Universal Registration Document), 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 disbursements relating to acquisitions of property, plant and equipment and intangible assets.

Quantified segment information for 2020 and 2021 is presented on pages 8 to 10.

Note 6 - Revenue

BREAKDOWN OF REVENUE BY BUSINESS

First-half 2021

<i>(in € millions)</i>	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	1,220	1,790	453	-	3,463
Services	1,923	976	174	-	3,073
Sales of studies	44	137	12	6	199
Other	11	20	-	3	34
Total revenue	3,198	2,923	639	9	6,769
Timing of revenue recognition					
At a point in time	2,404	2,556	635	6	5,601
Over time	794	367	4	3	1,168
Total revenue	3,198	2,923	639	9	6,769

First-half 2020

<i>(in € millions)</i>	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	1,499	2,334	735	-	4,568
Services	2,553	1,171	321	-	4,045
Sales of studies	42	108	13	6	169
Other	38	70	8	4	120
Total revenue	4,132	3,683	1,077	10	8,902
Timing of revenue recognition					
At a point in time	3,372	3,275	1,067	8	7,722
Over time	760	408	10	2	1,180
Total revenue	4,132	3,683	1,077	10	8,902

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.

- 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.

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

OTHER INCOME

<i>(in € millions)</i>	First-half 2020	First-half 2021
Research tax credit	74	82
Other operating subsidies	25	73
Other operating income	10	11
Total	109	166

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

<i>(in € millions)</i>	First-half 2020	First-half 2021
Raw materials, supplies and other	(2,135)	(1,582)
Bought-in goods	(12)	(12)
Changes in inventories	142	(19)
Contract costs	33	28
Sub-contracting	(1,511)	(1,128)
Purchases not held in inventory	(229)	(177)
External service expenses	(965)	(759)
Total	(4,677)	(3,649)

The decrease in raw materials and consumables used reflects the downturn in business.

PERSONNEL COSTS

<i>(in € millions)</i>	First-half 2020	First-half 2021
Wages and salaries	(1,798)	(1,716)
Social security contributions	(699)	(628)
Statutory employee profit-sharing	(58)	(41)
Optional employee profit-sharing	(65)	(10)
Additional contributions	(38)	(5)
Corporate social contribution	(33)	(16)
Other employee costs	(68)	(80)
Total	(2,759)	(2,496)

The decrease in employee profit-sharing items (optional profit-sharing, additional contributions and the corporate social contribution) is attributable to the Activity Transformation Agreement signed on July 8, 2020. The expense recognized in first-half 2020 was canceled in the second half of that year to take into account the consequences of the agreement.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

<i>(in € millions)</i>	First-half 2020	First-half 2021
Net depreciation and amortization expense		
- intangible assets	(365)	(337)
- property, plant and equipment	(302)	(291)
- right-of-use assets	(56)	(49)
Total net depreciation and amortization expense⁽¹⁾	(723)	(677)
Net increase in provisions	84	18
Depreciation, amortization and increase in provisions, net of use	(639)	(659)

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €20 million in first-half 2021 and €24 million in first-half 2020; during the acquisition of the former Zodiac Aerospace: €145 million in first-half 2021 and €155 million in first-half 2020; and during other acquisitions: €18 million in first-half 2021 and €17 million in first-half 2020.

ASSET IMPAIRMENT

<i>(in € millions)</i>	Impairment expense		Reversals	
	First-half 2020	First-half 2021	First-half 2020	First-half 2021
Intangible assets, property, plant and equipment, and right-of-use assets	(4)	(11)	2	7
Financial assets	(4)	-	-	-
Contract costs	(3)	-	1	4
Inventories and work-in-progress	(119)	(113)	81	143
Receivables	(64)	(39)	24	41
Contract assets	-	(1)	-	-
Total	(194)	(164)	108	195

Allowances recognized against receivables essentially relate to expected and identified credit losses on amounts owed by airline companies.

OTHER RECURRING OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	First-half 2020	First-half 2021
Capital gains and losses on asset disposals	(1)	3
Royalties, patents and licenses	(16)	(12)
Losses on irrecoverable receivables	(4)	(6)
Other operating income and expenses ⁽¹⁾	91	130
Total	70	115

(1) Of which income of €49 million in 2020 and €99 million in 2021 relating to the revised repayment probability for borrowings subject to specific conditions (see Note 20, "Borrowings subject to specific conditions").

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in € millions)</i>	First-half 2020	First-half 2021
Capital gains on asset disposals	-	19
Asset impairment net of reversals	(66)	(180)
Other non-recurring items	(78)	(34)
Total	(144)	(195)

In first-half 2021, €180 million in write-downs taken in respect of intangible assets can be analyzed as follows:

- €56 million relating to aircraft programs in the Aircraft Equipment segment;
- €124 million (net of tax) relating to the intangible assets of an equity-accounted company.

Other non-recurring items mainly correspond to:

- restructuring costs totaling €31 million, including €15 million relating to adaptation plans and €16 million in costs relating to the Activity Transformation Agreement;
- transaction and integration costs totaling €3 million.

In first-half 2020, other non-recurring items chiefly comprised restructuring costs for €77 million related essentially to the Covid-19 pandemic. Impairment primarily consisted of the write-down of intangible assets relating to an aircraft program in the amount of €48 million.

Note 8 - Financial income (loss)

<i>(in € millions)</i>	First-half 2020	First-half 2021
Financial expense on interest-bearing financial liabilities	(30)	(61)
Financial income on cash and cash equivalents	10	10
Cost of net debt	(20)	(51)
Gain (loss) on foreign currency hedging instruments	(1,001)	775
Foreign exchange gain (loss)	(178)	112
Net foreign exchange gain (loss) on provisions	(2)	(27)
Foreign exchange gain (loss)	(1,181)	860
Gain (loss) on interest rate hedging instruments	(6)	-
Change in the fair value of assets at fair value through profit or loss	(8)	3
Dividends received	1	1
Other financial provisions	-	1
Interest component of IAS 19 expense	(3)	(3)
Impact of unwinding the discount	(20)	(3)
Other	(10)	(4)
Other financial income and expense	(46)	(5)
Financial income (loss)	(1,247)	804
of which financial expense	(1,258)	(98)
of which financial income	11	902

In first-half 2021, the €775 million gain on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to cash flows that will be recognized in profit or loss in future periods.

The €112 million foreign exchange gain includes:

- a €113 million foreign exchange gain, reflecting the gain on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange gain reflects the difference between the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.16 for €1) and the actual EUR/USD exchange rate observed during the period;
- a net foreign exchange loss of €1 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

Net foreign exchange losses amounting to €27 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 1.23 to €1 at December 31, 2020) and the end of the period (USD 1.19 to €1 at June 30, 2021) on the opening amount of the provision.

Note 9 - Income tax

Group tax is calculated by using the projected annual rates in each of the Group's tax jurisdictions, adjusted for the main permanent differences identified.

Further to the gradual decrease in the income tax rate introduced in France, the income tax rate for France (including the additional contribution) is 28.41% for 2021 and will be 25.83% for 2022.

A projected income tax rate of 26.15% was used to calculate the effective tax rate applicable to French entities in first-half 2021.

The tax expense in first-half 2021 amounts to €273 million.

In first-half 2021, changes in the fair value of outstanding currency derivatives generated a deferred tax expense of €213 million.

In first-half 2020, such fair value changes generated deferred tax income of €317 million.

Note 10 - Earnings per share

	Index	First-half 2020	First-half 2021
Numerator (in € millions)			
Profit (loss) for the period attributable to owners of the parent	(a)	(340)	674
Denominator (in shares)			
Total number of shares	(b)	427,235,939	427,238,616
Number of treasury shares held	(c)	363,521	976,620
Number of shares excluding treasury shares	(d)=(b-c)	426,872,418	426,261,996
Weighted average number of shares (excluding treasury shares)	(d')	425,155,180	426,622,547
Potentially dilutive ordinary shares	(e)	12,590,064	14,168,106
Weighted average number of shares after dilution	(f)=(d'+e)	437,745,244	440,790,653
Ratio: earnings per share (in €)			
Basic earnings (loss) per share	(g)=(a*1million)/(d')	(0.80)	1.58
Diluted earnings (loss) per share	(h)=(a*1million)/(f)	(0.80)	1.53

At June 30, 2021, 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 (2018.2023 OCEANEs, 2020-2027 OCEANEs and 2021.2028 OCEANEs: see Note 18.d, "Convertible bond issues") are converted.

Note 11 - Goodwill

Goodwill breaks down as follows:

	Dec. 31, 2020					June 30, 2021
	Net	Changes in scope of consolidation	Reallocation	Impairment	Effect of changes in foreign exchange rates and other	Net
<i>(in € millions)</i>						
Safran Aircraft Engines	392	-	-	-	-	392
Safran Helicopter Engines	308	-	-	-	-	308
Safran Aero Boosters	47	-	-	-	-	47
Other Propulsion	1	-	-	-	-	1
Safran Electronics & Defense	344	-	-	-	1	345
Safran Nacelles	213	-	-	-	-	213
Safran Engineering Services	76	-	-	-	-	76
Safran Electrical & Power	681	(2)	-	-	10	689
Safran Landing Systems	190	-	-	-	-	190
Safran Aerosystems	798	-	-	-	-	798
Safran Seats	764	-	-	-	-	764
Safran Cabin	736	(22)	510	-	39	1,263
Safran Passenger Solutions	510	-	(510)	-	-	-
Total	5,060	(24)	-	-	50	5,086

As from January 1, 2021, the Safran Passenger Solutions and Safran Cabin CGUs were combined following changes to the Group's operational management structure. This change within the Aircraft Interiors operating segment has no impact on the operating segments as defined in Note 5.

Impairment tests:

As every year, the Group tested all its cash-generating units (CGUs) for impairment in second-half 2020 as part of its annual impairment testing exercise.

Given the continuing repercussions of the health crisis on the aerospace industry and the Group's operations, at June 30, 2021 the Group reviewed the CGUs for which there could be an indication of impairment because their activities continue to be particularly affected by the changes in air traffic and by airlines' financial situation.

This included the Safran Seats, Safran Cabin and Safran Aerosystems CGUs, which were tested for impairment.

The measurement method used to determine the value in use of the CGUs was the same as that used in second-half 2020.

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 second-half 2020, while the projections and assumptions beyond this period are based on the best estimate (prepared by management and validated by the Board of Directors) of the long-term scenario. For the CGUs tested for impairment, the projections and assumptions were adjusted for any new delivery rates known at the reporting date.

- The value in use of the CGUs is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year of available forecasts.
- The growth rate used to calculate terminal value was set at 2% for the three CGUs tested.
- The average hedged USD exchange rate adopted for years 2021 to 2024 is between 1.16 and 1.19. These exchange rate assumptions take into account the available foreign currency hedging portfolio (see Note 23, "Management of market risks and derivatives"). A rate of 1.30 is adopted thereafter.
- The benchmark post-tax discount rate used is 7.5% (updated at June 30, 2021, with no change versus 2020) and is applied to post-tax cash flows.

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

No impairment of goodwill was recognized as a result of the annual impairment tests in 2020.

The Group tested the sensitivity of its main goodwill balances to the following changes in the main assumptions used for its forecasts as from 2024:

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

The above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances. For the Safran Seats CGU, a 0.5% increase in the discount rate would result in a recoverable amount approximating the carrying amount of its assets.

In addition to the above sensitivity analyses, two additional assumptions described below were tested on these CGUs:

- An across-the-board decrease of 10% in future cash flows as from 2021 and in the terminal value. Based on these tests, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. The recoverable amount of the Seats CGU is in line with the carrying amount of the CGU's assets.
- An across-the-board decrease of 20% in future cash flows as from 2021 and in the terminal value. The change in this assumption would lead to the recognition of impairment before tax of €180 million against the value of the Seats and Aerosystems CGUs.

Note 12 - Intangible assets

Intangible assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2020			June 30, 2021		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,334	(1,777)	557	2,334	(1,813)	521
Development expenditures	6,510	(2,631)	3,879	6,660	(2,792)	3,868
Commercial agreements	791	(179)	612	899	(195)	704
Software	720	(644)	76	734	(669)	65
Trademarks ⁽¹⁾	703	-	703	703	-	703
Commercial relationships	1,889	(479)	1,410	1,907	(552)	1,355
Technology	1,341	(461)	880	1,358	(543)	815
Other	833	(274)	559	840	(291)	549
Total	15,121	(6,445)	8,676	15,435	(6,855)	8,580

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

Movements in intangible assets break down as follows:

<i>(in € millions)</i>	Gross	Amortization/ impairment	Net
At December 31, 2020	15,121	(6,445)	8,676
Capitalization of R&D expenditure ⁽¹⁾	136	-	136
Capitalization of other intangible assets	5	-	5
Acquisitions of other intangible assets	116	-	116
Disposals and retirements	(11)	3	(8)
Amortization	-	(337)	(337)
Impairment losses recognized in profit or loss	-	(56)	(56)
Reclassifications	(5)	8	3
Changes in scope of consolidation	(2)	1	(1)
Foreign exchange differences	75	(29)	46
At June 30, 2021	15,435	(6,855)	8,580

(1) Including €3 million in capitalized interest on R&D expenditure at June 30, 2021 (€3 million at June 30, 2020).

Research and development expenditure recognized in recurring operating income for the period totaled €403 million including amortization (€447 million in first-half 2020). This amount does not include the research tax credit recognized in the income statement within "Other income" (see Note 7, "Breakdown of the other main components of profit from operations").

Amortization recognized in the period includes €133 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €20 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €18 million relating to assets identified as part of other business combinations.

The impairment tests carried out at June 30, 2021 on assets allocated to programs, projects or product families were based on the approach described in section 3.1, Note 2.m of the 2020 Universal Registration Document.

Expected future cash flows were updated to reflect the latest information available at the reporting date. A 7.5% discount rate was used, plus a risk premium depending on the programs tested.

As a result of the impairment tests carried out at June 30, 2021, intangible assets relating to various aircraft programs were written down by €56 million, the total amount of which was charged against non-recurring operating income.

Furthermore, analyses of sensitivity to the following changes in the main assumptions were also carried out across all the programs, projects and product families tested:

- a 1% increase in the benchmark discount rate;
- a 10% decrease in volumes.

Neither of these changes in assumptions would give rise to an impairment loss for the CGU programs not written down.

As a result of the impairment tests carried out at June 30, 2020, intangible assets relating to a program were written down by €48 million.

Note 13 - Property, plant and equipment

Property, plant and equipment break down as follows:

<i>(in € millions)</i>	Dec. 31, 2020			June 30, 2021		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	226	-	226	227	-	227
Buildings	2,048	(1,015)	1,033	2,096	(1,071)	1,025
Technical facilities, equipment and tooling	6,347	(4,268)	2,079	6,504	(4,475)	2,029
Assets in progress, advances	551	(62)	489	534	(66)	468
Site development and preparation costs	69	(36)	33	72	(38)	34
Buildings on land owned by third parties	80	(42)	38	91	(45)	46
Computer hardware and other equipment	685	(528)	157	699	(556)	143
Total	10,006	(5,951)	4,055	10,223	(6,251)	3,972

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

<i>(in € millions)</i>	Gross	Depreciation/ impairment	Net
At December 31, 2020	10,006	(5,951)	4,055
Internally produced assets	17	-	17
Additions	176	-	176
Disposals and retirements	(53)	35	(18)
Depreciation ⁽¹⁾	-	(291)	(291)
Impairment losses recognized in profit or loss	-	(4)	(4)
Reclassifications	(5)	2	(3)
Changes in scope of consolidation	(8)	8	-
Foreign exchange differences	90	(50)	40
At June 30, 2021	10,223	(6,251)	3,972

(1) Including €12 million relating to the remeasurement of property, plant and equipment as part of the acquisition of the former Zodiac Aerospace.

Note 14 - Leases

14.a. RIGHT-OF-USE ASSETS

Right-of-use assets break down as follows:

(in € millions)	Dec. 31, 2020			June 30, 2021		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Right-of-use assets relating to property	781	(175)	606	815	(223)	592
Right-of-use assets relating to transport equipment	7	(4)	3	6	(3)	3
Right-of-use assets relating to other assets	20	(6)	14	20	(6)	14
Total	808	(185)	623	841	(232)	609

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2020	808	(185)	623
Increases	54	-	54
Disposals and retirements	(30)	3	(27)
Depreciation	-	(49)	(49)
Changes in scope of consolidation	(3)	2	(1)
Foreign exchange differences	12	(3)	9
At June 30, 2021	841	(232)	609

14.b. LEASE LIABILITIES

The maturity of lease liabilities can be analyzed as follows at June 30, 2021:

(in € millions)	Dec. 31, 2020	June 30, 2021
Maturing in:		
1 year or less	114	100
More than 1 year and less than 5 years	329	305
Beyond 5 years	165	180
Total	608	585

14.c. LEASE ITEMS PRESENTED IN THE INCOME STATEMENT

In first-half 2021, rental expenses recognized in “Profit from operations” (see Note 7, “Breakdown of the other main components of profit from operations”) under “External services” totaled €35 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 €4 million in first-half 2021 (see Note 8, “Financial income (loss)”).

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

In first-half 2021, disbursements under leases recognized in the cash flow statement and relating to the repayment of lease liabilities represented €60 million and are shown within “Cash flow from (used in) financing activities”. These are increased by payments of interest on lease liabilities, which are included within “Cash flow from operating activities”.

Note 15 - Current and non-current financial assets

Financial assets include:

<i>(in € millions)</i>	Dec. 31, 2020			June 30, 2021		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments			268			273
Other financial assets ⁽¹⁾	407	(118)	289	636	(120)	516
Total			557			789

(1) Including a €200 million increase in investments that do not qualify as cash and cash equivalents.

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

Other financial assets are measured at amortized cost.

The Group reviewed the value of its other financial assets in order to determine whether any items needed to be written down based on available information. No write-downs were recognized in 2021.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Loans to non-consolidated companies	141	348
Loans to employees	37	37
Deposits and guarantees	14	14
Other	97	117
Total	289	516
Non-current	163	386
Current	126	130

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

The table below shows movements in other financial assets:

<i>(in € millions)</i>	
At December 31, 2020	289
Increase ⁽¹⁾	216
Decrease	(10)
Effect of changes in foreign exchange rates	2
Reclassifications	23
Changes in scope of consolidation	(4)
At June 30, 2021	516

(1) Including €200 million in investments that do not qualify as cash and cash equivalents.

The fair value of other financial assets approximates their carrying amount.

Note 16 - Investments in equity-accounted companies

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

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Associates	-	-
ArianeGroup	1,481	1,350
Other joint ventures	645	699
Total	2,126	2,049

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

<i>(in € millions)</i>	
At December 31, 2020	2,126
Share in profit (loss) from ArianeGroup	(5)
Share in profit from other joint ventures	41
Joint venture impairment losses	(124)
Dividends received from joint ventures	(26)
Foreign exchange differences	26
Other movements	11
At June 30, 2021	2,049

The Group's off-balance sheet commitments with joint ventures are described in Note 24, "Related parties".

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

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

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

ArianeGroup is the Group's sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Non-current assets	1,667	1,628
Current assets	6,260	6,939
<i>of which: cash and cash equivalents</i>	642	925
Non-current liabilities	(1,152)	(1,164)
<i>of which: non-current financial liabilities</i>	(483)	(479)
Current liabilities	(7,075)	(7,690)
<i>of which: current financial liabilities</i>	(53)	(124)
Non-controlling interests	-	1
Net assets of ArianeGroup (excl. goodwill and PPA) – Attributable to owners of the parent (based on a 100% interest)	(300)	(286)
		-
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(150)	(143)
Purchase price allocation, net of deferred taxes	455	317
Safran equity share – Net assets of ArianeGroup	305	174
Goodwill	1,176	1,176
Carrying amount of investment in ArianeGroup	1,481	1,350

<i>(in € millions)</i>	First-half 2020	First-half 2021
Profit for the period attributable to owners of the parent	6	20
Other comprehensive income (expense)	(4)	(5)
Total comprehensive income attributable to owners of the parent	2	15
Safran equity share – Profit for the period	3	10
Amortization of purchase price allocation, net of deferred taxes	(19)	(15)
Safran equity share – Profit (loss) of ArianeGroup	(16)	(5)
Impairment losses	(18)	(124)
Safran equity share – Other comprehensive income (expense)	(2)	(3)
Safran equity share – Comprehensive income (expense) of ArianeGroup	(36)	(132)

ArianeGroup did not pay any dividends in 2021.

No impairment was recognized in first-half 2021 against the value of the equity-accounted investments following the impairment test performed by the Group. Projected cash flows were discounted at a rate of 7.5%.

The Group analyzed the sensitivity of the investments to a 0.5% increase in the benchmark discount rate used (i.e., a rate of 8%). Based on this test, the recoverable amount of the equity-accounted investments remains just above the carrying amount shown in the Group's consolidated financial statements.

The carrying amount of ArianeGroup includes assets allocated to programs.

An impairment test was carried out on the assets allocated to the Ariane 6 program. In light of the situation concerning the program, projected cash flows were discounted at a higher rate of 8.5%. A net write-down of €124 million was recognized and charged against non-recurring operating income.

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

<i>(in € millions)</i>	First-half 2020	First-half 2021
Profit for the period	46	41
Impairment losses	-	-
Other comprehensive income	1	18
Total comprehensive income	47	59

Note 17 - Cash and cash equivalents

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Money-market funds	41	43
Short-term investments	1,692	2,338
Sight deposits	2,014	1,546
Total	3,747	3,927

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

The table below presents changes in cash and cash equivalents:

<i>(in € millions)</i>	
At December 31, 2020	3,747
Movements during the period	135
Foreign exchange differences	45
At June 30, 2021	3,927

Note 18 - Consolidated shareholders' equity

18.a. SHARE CAPITAL

At June 30, 2021, Safran's share capital amounted to €85,447,723.20, comprising 427,238,616 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.

18.b. BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

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

December 31, 2020

Shareholders	Number of shares	% share capital	Number of voting rights ⁽¹⁾	% voting rights ⁽¹⁾
Free float	347,973,999	81.45%	406,760,265	72.47%
French State	47,983,131	11.23%	95,966,262	17.10%
Employees ⁽²⁾	30,959,525	7.25%	58,567,145	10.43%
Treasury shares	319,284	0.07%	-	-
Total	427,235,939	100.00%	561,293,672	100.00%

(1) Exercisable voting rights.

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

June 30, 2021

Shareholders	Number of shares	% share capital	Number of voting rights ⁽¹⁾	% voting rights ⁽¹⁾
Free float	347,966,104	81.44%	397,719,443	72.11%
French State	47,983,131	11.23%	95,966,262	17.40%
Employees ⁽²⁾	30,312,761	7.10%	57,827,731	10.49%
Treasury shares	976,620	0.23%	-	-
Total	427,238,616	100.00%	551,513,436	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 976,620 treasury shares have no voting rights.

At June 30, 2021, the total number of shares includes 2,677 shares issued during the first half of 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, 2020 following:

- the purchase of 7,377 shares under the Group's liquidity agreement, net of shares sold;
- the purchase of 650,000 shares in connection with the implementation of a share buyback program as part of employee shareholding plans;

- the delivery of 41 shares under employee shareholding plans.

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 26, 2021 set the maximum purchase price at €165 per share, thereby superseding the authorization granted at the Annual General Meeting of May 28, 2020.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, in first-half 2021 the Company purchased 1,337,283 shares for €158 million, and sold 1,329,906 shares for €158 million.

At June 30, 2021, 273,377 shares were held in connection with the liquidity agreement.

18.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 2020 Universal Registration Document).

The Group set up a performance share plan on March 24, 2021 covering 731,000 shares. Shares under this plan will only vest if certain internal and external performance conditions are met, as assessed over three fiscal years, and provided the beneficiaries still form part of the Group at the vesting date.

Key details of outstanding performance share plans at June 30, 2021 are shown below:

	2018 performance shares	2019 performance shares	2020 performance shares	2021 performance shares
Shareholder authorization	May 25, 2018	May 25, 2018	May 23, 2019	May 23, 2019
Grant date by the Board of Directors	July 24, 2018	March 27, 2019	March 26, 2020	March 24, 2021
Vesting date	July 26, 2021	March 29, 2022	March 27, 2023	March 26, 2024
Share price at the grant date	€107.05	€116.90	€91.92	€116.65
Number of beneficiaries at the grant date	440	589	797	760
Number of performance shares granted	574,712	732,130	759,360	730,940
Number of shares canceled or forfeited	(34,274)	(87,370)	(15,800)	-
Number of performance shares outstanding at June 30, 2021	540,438	644,760	743,560	730,940

The share-based payment expense for these performance share plans, recognized within personnel costs under “Other employee costs” (see Note 7, “Breakdown of the other main components of profit from operations”), totaled €15 million in first-half 2021, versus €8 million in first-half 2020.

18.d. CONVERTIBLE BOND ISSUES

2018-2023 OCEANES

On June 21, 2018, Safran issued 4,996,431 bonds convertible into new shares and/or exchangeable for existing shares (“OCEANES”), each with a par value of €140.10, i.e., representing a total nominal amount of €700 million.

The bonds do not carry any coupon.

Bondholders have the option of converting their bonds into shares. This option can be exercised at any point after the issue date and up to the seventh trading day preceding the standard or early redemption date. Following the May 27, 2019 dividend payment and in accordance with the terms and conditions of the bond issue, the bond conversion ratio has been 1.001 shares for 1 bond since May 29, 2019. This adjusted conversion ratio was calculated by the bond calculation agent in accordance with the calculation formula stipulated in the terms and conditions of the bonds based on the following inputs:

- previous bond conversion ratio: 1 share for 1 bond;
- share price: €121.54719;
- dividend per share paid in 2019: €1.82;
- dividend per share threshold for 2019: €1.70.

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 21, 2021, 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 15% of the number of bonds originally issued.

Unless converted, redeemed or repurchased and canceled prior to maturity, the bonds were set to be redeemed at par on June 21, 2023.

OCEANES are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €653 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 21, “Interest-bearing financial liabilities”).

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

Following an offer made by Safran on June 8, 2021, 96.2% of the OCEANES were repurchased on June 15, 2021. Following the repurchase, 3.8% of the OCEANES remained outstanding at June 30, 2021. At the Group’s initiative, the bonds outstanding were redeemed early at par on July 19, 2021, since no bearers had chosen to exercise their conversion rights.

The option component recognized in equity was valued at €44 million on the issue date, or €31 million after the deferred tax impact. Following the June 15, 2021 repurchase, the option component recognized in equity represented €2 million at June 30, 2021.

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 initial bonds were issued at 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 amount 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 after the issue date and up to the seventh trading day preceding the standard or early redemption date.

Following the June 2, 2021 dividend payment and in accordance with the terms and conditions of the bonds, the bond conversion ratio has been 1.004 shares for 1 bond since June 1, 2021. This adjusted conversion ratio was calculated by the bond calculation agent in accordance with the calculation formula stipulated in the terms and conditions of the bonds based on the following inputs:

- previous bond conversion ratio: 1 share for 1 bond;
- share price: €122.26563;
- dividend per share paid in 2021: €0.43.

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 21, "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 21, "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 (see the consolidated statement of changes in shareholders' equity for first-half 2020).

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 (see the consolidated statement of changes in shareholders' equity for second-half 2020).

2021-2028 OCEANEs

On June 14, 2021, Safran issued 4,035,601 bonds convertible 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 amount of €756 million.

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

At June 30, 2021 and 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 €235.157 (i.e., 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 21, "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 (see the consolidated statement of changes in shareholders' equity).

18.e. DIVIDEND DISTRIBUTION

At the Annual General Meeting of May 26, 2021, the shareholders approved a dividend payment of €0.43 per share in respect of 2020, representing a total payout of €183 million. The dividend was paid in full on June 2, 2021.

Note 19 - Provisions

Provisions break down as follows:

<i>(in € millions)</i>	Dec. 31, 2020	Reversals					Changes in scope of consolidation	Other	June 30, 2021
		Additions	Utilizations ⁽¹⁾	Reclassifications ⁽¹⁾	Surplus ⁽²⁾				
Performance warranties	1,110	94	(76)	-	(9)	(1)	1	1,119	
Financial guarantees	2	-	-	-	-	-	-	2	
Post-employment benefits	994	34	(48)	-	-	-	(63)	917	
Sales agreements	189	12	(9)	-	(11)	-	4	185	
Provisions for losses on completion and losses arising on delivery commitments	180	27	(17)	-	-	-	6	196	
Disputes and litigation	25	5	(4)	-	(1)	-	-	25	
Other	347	62	(62)	-	(5)	-	5	347	
Total	2,847	234	(216)	-	(26)	(1)	(47)	2,791	
Non-current	1,942							1,922	
Current	905							869	

(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 2021.

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

<i>(in € millions)</i>	June 30, 2021
Additions (-)/Reversals (+) recognized in recurring operating income with income statement impact	(168)
Utilization of provisions against operating expenses and therefore with no income statement impact	186
Additions (-)/Reversals (+) recognized in non-recurring operating income	15
Additions (-)/Reversals (+) recognized in financial income (loss)	(25)
Total	8

Movements in provisions had a €168 million negative impact on recurring operating income.

Note 20 - Borrowings subject to specific conditions

This caption includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

<i>(in € millions)</i>	
At December 31, 2020	426
New advances received	4
Advances repaid	(12)
Sub-total: changes with a cash impact	(8)
Cost of borrowings and discounting	8
Foreign exchange differences	1
Adjustments to the probability of repayment of advances	(99)
Sub-total: changes with no cash impact	(90)
At June 30, 2021	328

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

The Group revised the probability of repayment for its repayable advances, mainly with regard to civil aircraft programs.

Note 21 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities:

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Bond issue	212	1,598
Convertible bonds (OCEANEs)	1,641	1,676
Senior unsecured notes (USPP)	1,430	987
Lease liabilities	494	485
Long-term borrowings	305	289
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	4,082	5,035
Bond issue	500	-
Convertible bonds (OCEANEs)	-	26
Senior unsecured notes (USPP)	-	469
Lease liabilities	114	100
Long-term borrowings	347	367
Accrued interest not yet due	10	8
Current interest-bearing financial liabilities, long-term at inception	971	970
Negotiable European Commercial Paper (NEU CP)	1,322	175
Short-term bank facilities and equivalent	216	352
Current interest-bearing financial liabilities, short-term at inception	1,538	527
Total current interest-bearing financial liabilities (less than 1 year)	2,509	1,497
Total interest-bearing financial liabilities⁽¹⁾	6,591	6,532

(1) The fair value of interest-bearing financial liabilities amounts to €6,722 million (€6,762 million at December 31, 2020).

Movements in this caption break down as follows:

<i>(in € millions)</i>	
At December 31, 2020	6,591
Increase in long-term borrowings at inception (excluding lease liabilities)	2,151
Decrease in long-term borrowings at inception	(1,293)
Change in short-term borrowings	(1,005)
Sub-total: changes with a cash impact	(147)
Net increase in lease liabilities	28
Accrued interest	-
Changes in scope of consolidation	(13)
Foreign exchange differences	56
2023 OCEANEs repurchase ⁽¹⁾	71
Option component of the 2028 OCEANEs ⁽²⁾	(39)
Change in the fair value of borrowings hedged with interest rate instruments ⁽³⁾	(13)
Reclassifications and other	(2)
Sub-total: changes with no cash impact	88
At June 30, 2021	6,532

(1) Corresponding to the loss recognized in respect of the equity component of the 2023 OCEANEs following the repurchase on June 15, 2021.

(2) See Note 18.d, "Convertible bond issues".

(3) See Note 23, "Management of market risks and derivatives".

Analysis by maturity:

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Maturing in:		
1 year or less	2,509	1,498
More than 1 year and less than 5 years	2,410	1,934
Beyond 5 years ⁽¹⁾	1,672	3,100
Total	6,591	6,532

(1) Mainly relating to USPP, OCEANE and other bond issues.

Analysis by currency before hedging:

<i>(in millions of currency units)</i>	Dec. 31, 2020		June 30, 2021	
	Currency	EUR	Currency	EUR
EUR	5,072	5,072	4,957	4,957
USD	1,704	1,389	1,715	1,443
CAD	8	5	6	4
GBP	22	24	20	23
Other	N/A	101	N/A	105
Total		6,591		6,532

Analysis by currency after hedging:

<i>(in millions of currency units)</i>	Dec. 31, 2020		June 30, 2021	
	Currency	EUR	Currency	EUR
EUR	6,216	6,216	6,127	6,126
USD	298	245	323	274
CAD	8	5	6	4
GBP	22	24	20	23
Other	N/A	101	N/A	105
Total		6,591		6,532

Analysis by type of interest rate:

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020		June 30, 2021		Dec. 31, 2020		June 30, 2021	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	5,594	6,037	3,941	2.45%	4,906	1.63%	1,653	0.27%	1,131	1.99%
Floating rate	997	495	142	1.29%	129	1.23%	855	0.40%	366	1.00%
Total	6,591	6,532	4,083	2.41%	5,035	1.62%	2,508	0.31%	1,497	1.75%

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020		June 30, 2021		Dec. 31, 2020		June 30, 2021	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	5,382	5,828	3,729	1.71%	4,696	1.26%	1,653	0.27%	1,132	0.85%
Floating rate	1,209	704	354	1.13%	339	1.08%	855	0.40%	365	1.00%
Total	6,591	6,532	4,083	1.66%	5,035	1.25%	2,508	0.31%	1,497	0.89%

The Group's net debt position is as follows:

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Cash and cash equivalents (A)	3,747	3,927
Interest-bearing financial liabilities (B)	6,591	6,532
Fair value of interest rate derivatives used as fair value hedges of borrowings (C)	52	39
Total (A) - (B) + (C)	(2,792)	(2,566)

The Group's gearing ratio is shown below:

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Net debt	(2,792)	(2,566)
Total equity	12,750	13,451
Gearing ratio	21.90%	19.08%

MAIN LONG-TERM BORROWINGS AT INCEPTION

- US private placement (USPP) of senior unsecured notes issued by the Group on February 9, 2012, under which USD 1.045 billion was outstanding at June 30, 2021, comprising:
 - USD 540 million of 10-year notes due February 2022 at a 4.28% fixed-rate coupon; and
 - USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon.

An interest rate hedge in the form of a cross currency swap (USD floating-rate borrower at inception, followed by EUR fixed-rate borrower from March 2019) was set up on these two tranches, allowing the USD fixed-rate debt to be fully swapped for EUR fixed-rate debt. In first-half 2021, the average interest rate of the issue came out at 1.64% after taking into account the impact of interest rate derivatives.

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

A EUR/USD cross currency swap (EUR fixed-rate borrower and USD fixed-rate lender) was set up on tranches A and B on July 21, 2020, swapping USD fixed-rate debt for EUR fixed-rate debt.

After taking this hedge into account, tranche A bears fixed-rate interest at 2.04% and has a notional amount of €158 million, while tranche B bears fixed-rate interest at 2.22% and has a notional amount of €116 million.

After taking this hedge into account, the 10-year notes (tranches A and C) of the USPP carry an effective coupon of 2.02% and have a notional amount of €280 million, while the 12-year notes (tranches B and D) carry an effective coupon of 2.12% and have a notional amount of €280 million.

- Issuance on April 11, 2014 of 10-year, 2.875% fixed-rate bonds for €200 million (maturing in April 2024). The bonds were issued at 99.529% of par. A floating-rate swap was set up on this issue. The effective coupon in 2021 is 1.02% 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. Upon issuance, the bonds were rated BBB+ by Standard & Poor's.

- 10-year, 0.750% fixed-rate bonds for €700 million (maturing on March 17, 2031). The bonds were issued at 99.349% of par. Upon issuance, the bonds were rated BBB+ by Standard & Poor's.
- Euro private placement ("Euro PP") in the form of a syndicated loan with an original maturity of seven years, contracted by the former Zodiac Aerospace group on March 10, 2016 and falling due on March 10, 2023, on which €180 million was outstanding at June 30, 2021 at an adjustable rate of 2.902%.
- Bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") on June 21, 2018 for a nominal amount of €700 million. The bonds do not carry a coupon and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0%. The effective annual interest rate on the liability component of the OCEANEs is 1.40% including issuance fees (see Note 18.d, "Convertible bond issues"). Following an offer made by Safran on June 8, 2021, 96.2% of the OCEANEs were repurchased on June 15, 2021. Following the repurchase, 3.8% of the OCEANEs remained outstanding at June 30, 2021. They were redeemed early at par on July 19, 2021.
- 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 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 18.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 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 18.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 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 18.d, "Convertible bond issues").
- Negotiable European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €431 million at June 30, 2021. The average interest rate payable by Safran on this commercial paper was 0.99% at June 30, 2021. 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 June 30, 2021, 82% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 82% of the €431 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 €585 million at June 30, 2021.

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

During first-half 2021, the following borrowings were redeemed at maturity or bought back:

- Four-year floating-rate bonds issued on June 28, 2017 at 3 month Euribor +57 basis points (coupon floored at 0%) for €500 million, redeemed on June 28, 2021.

- 96.2% of the bonds convertible into new shares and/or exchangeable for existing shares (“OCEANES”) issued on June 21, 2018 for a nominal amount of €700 million, repurchased on June 15, 2021 for €745 million.

MAIN SHORT-TERM BORROWINGS

- Negotiable European Commercial Paper (NEU CP): €175 million (€1,322 million at December 31, 2020), reflecting a priority given to longer-term debt instruments.
- Financial current accounts with non-consolidated subsidiaries and joint ventures: €328 million (€180 million at December 31, 2020). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

SALE OF RECEIVABLES WITHOUT RECOURSE

Net debt at both June 30, 2021 and December 31, 2020 does not include trade receivables sold without recourse, including the two lines below relating to CFM International Inc. (joint operation).

- The confirmed facility renewed in December 2020 and maturing in December 2022 for USD 1,430 million, contracted with a syndicate of seven banks led by Crédit Agricole CIB, increased to USD 1,780 million at end-January 2021 with a syndicate of eight banks, and set to be reduced to USD 625 million in December 2021, had been drawn in an amount of USD 1,623 million at June 30, 2021 (USD 811.5 million based on a 50% interest) versus USD 546 million at December 31, 2020 (USD 273 million based on a 50% interest) and USD 1,244 million at June 30, 2020 (USD 622 million based on a 50% interest).
- The confirmed facility renewed at end-December 2020 and maturing in June 2021 for USD 180 million, contracted with a syndicate of three banks led by Crédit Agricole CIB and now maturing in September 2021, or conditionally in December 2021, further to being renewed for the same amount with Crédit Agricole CIB, had been drawn in an amount of USD 164 million at June 30, 2021 (USD 82 million based on a 50% interest) versus USD 167 million at December 31, 2020 (USD 83.5 million based on a 50% interest) and USD 297 million at June 30, 2020 (USD 149 million based on a 50% interest).

Note 22 - Other current and non-current financial liabilities

	Dec. 31, 2020	Movements during the period	Changes in scope of consolidati on	Foreign exchange differences	Reclassifications	June 30, 2021
<i>(in € millions)</i>						
Payables on purchases of property, plant and equipment and intangible assets	61	101	-	-	3	165
Total	61	101	-	-	3	165
Non-current	2					109
Current	59					56

These liabilities are not included in the Group's net financial position at June 30, 2021.

Note 23 - Management of market risks and derivatives

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

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

<i>(in € millions)</i>	Dec. 31, 2020		June 30, 2021	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	52	(18)	39	(20)
Floating-for-fixed interest rate swaps	-	(18)	-	(20)
Fixed-for-floating interest rate swaps	52	-	39	-
Foreign currency risk management	694	(1,244)	1,335	(1,153)
Currency swaps	-	(95)	-	(59)
Purchase and sale of forward currency contracts	98	(33)	110	(115)
Currency option contracts	596	(1,116)	1,225	(979)
Total	746	(1,262)	1,374	(1,173)

All derivatives are categorized within Level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2020).

Credit valuation adjustment (CVA) and debt valuation adjustment (DVA) are taken into account when measuring the fair value of derivatives.

FOREIGN CURRENCY RISK MANAGEMENT

Most Group revenue is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 3 billion in first-half 2021 (USD 4.5 billion in first-half 2020).

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

HEDGING POLICY

The Group's foreign currency risk management policy is described in section 3.1, Note 31 of the 2020 Universal Registration Document.

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

<i>(in millions of currency units)</i>	Dec. 31, 2020				June 30, 2021			
	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	65				(5)			
Short USD position	34	2,413	2,413	-	(25)	1,789	1,789	-
<i>Of which against EUR</i>	34	2,413	2,413	-	(25)	1,789	1,789	-
Long USD position	(19)	(163)	-	(163)	(14)	(163)	-	(163)
<i>Of which against EUR</i>	(19)	(163)	-	(163)	(14)	(163)	-	(163)
Short EUR position against GBP	4	107	-	107	26	207	50	157
Short EUR position against CAD	-	-	-	-	-	-	-	-
Long MXN position against EUR	46	(12,245)	(3,604)	(8,641)	8	(18,441)	(3,977)	(14,465)
Currency swaps	(95)				(59)			
Cross currency swaps	(95)	1,359	-	1,359	(59)	(1,359)	(540)	(819)
Currency option contracts	(520)				246			
USD put purchased	481	30,975	25,675	5,300	1,022	41,035	35,725	5,310
USD call purchased	16	(1,900)	(1,900)	-	23	(1,400)	(1,400)	-
USD call sold	(210)	71,210	61,110	10,100	(430)	78,420	70,100	8,320
USD put sold	(105)	(3,800)	(3,800)	-	(25)	(2,800)	(2,800)	-
EUR put purchased	68	1,480	1,000	480	108	1,378	1,231	147
EUR call sold	(27)	2,760	2,000	760	(35)	2,455	2,160	295
Accumulators – sell USD for EUR ⁽²⁾	6	1,963	537	1,426	64	1,042	(195)	1,237
Accumulators – buy USD for EUR ⁽²⁾	(661)	(7,808)	(5,002)	(2,805)	(481)	(6,782)	(4,963)	(1,819)
Accumulators – sell EUR for GBP ⁽²⁾	(10)	(105)	(105)	-	-	-	-	-
Accumulators – sell EUR for CAD ⁽²⁾	(34)	(230)	(230)	-	-	-	-	-
Accumulators – sell EUR for MXN ⁽²⁾	(44)	(335)	(335)	-	-	-	-	-
Total	(550)				182			

(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, 2020 and June 30, 2021 represent a positive €732 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)".

INTEREST RATE RISK MANAGEMENT

The Group's interest rate risk management policy is described in section 3.1, Note 31 of the 2020 Universal Registration Document.

EXPOSURE TO EUR INTEREST RATE RISK

Interest rate swaps were taken out to convert the fixed rate payable on the €200 million bond issue carried out in first-half 2014 and maturing in April 2024 to a floating rate.

These swaps are eligible for fair value hedge accounting.

<i>(in € millions)</i>	Dec. 31, 2020					June 30, 2021				
	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	13	200	-	200	-	10	200	-	200	-
Total	13					10				

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the two outstanding tranches of the US private placement (USPP) set up on February 9, 2012 was converted to a floating rate at inception. Floating-rate borrower/fixed-rate lender USD swaps were set up on these 10-year and 12-year tranches for USD 540 million and USD 505 million, respectively. These swaps are eligible for fair value hedge accounting.

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

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

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

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 1,150 million and a term of up to 12 months, and were taken out on behalf of a joint arrangement 50%-owned by the Group. This transaction gives rise to a floating-rate borrower/fixed-rate lender swap for a nominal amount of USD 575 million after elimination of intragroup items. These swaps are not eligible for hedge accounting. The aim of these transactions is to fix the borrowing cost applicable to the customer.

<i>(in € millions)</i>	Dec. 31, 2020					June 30, 2021				
	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	39	1,620	575	1,045	-	29	1,620	1,115	505	-
Floating-for-fixed	(18)	2,509	1,150	1,045	314	(20)	2,509	1,690	505	314
Total	21					9				

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 borrowings or lines of credit.

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

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

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

The Group has stepped up the monitoring of its bad debt risks to ensure the collection of its current and future receivables.

In the context of the health crisis, the Group paid particular attention to the situation of its airline customers, especially those placed in insolvency proceedings (*procédure collective*) or that had announced restructuring plans.

A provision was accrued for any receivables or assets considered at risk (i.e., payment default at maturity, insolvency proceedings, etc.), based on a case-by-case analysis.

The impairment rate for expected credit losses was increased to 0.52% at June 30, 2021 (versus 0.36% at December 31, 2020), based on the approach described in section 3.1, Note 2.n of the 2020 Universal Registration Document.

At June 30, 2021, the net amount of impairment losses recognized in this respect against trade and other receivables was €2 million.

LIQUIDITY RISK MANAGEMENT

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

The Group has a confirmed €2,520 million liquidity line. This line was set up in December 2015 and had an original maturity of December 2020, with two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants. It was undrawn at June 30, 2021.

On April 22, 2020, the Group set up an additional confirmed liquidity line for an initial amount of €3,000 million. This line was canceled in full on March 16, 2021 further to the various refinancing operations carried out by the Group between April 22, 2020 and March 16, 2021 (see Note 21, "Interest-bearing financial liabilities"),

On March 4, 2021, Safran signed a new €500 million bank loan agreement with the European Investment Bank (EIB). The loan will be made available to Safran, at the date of its choosing, within 18 months of the date of signature of the agreement, and will have a maturity of up to ten years, as from when the funds are provided. The loan will be used to finance some of the Group's research into innovative propulsion systems for the next generation of single-aisle commercial aircraft, marking a major step forward in Safran's roadmap towards achieving carbon free air transportation. This loan is not subject to any financial covenants. It was undrawn at June 30, 2021.

Issues of senior unsecured notes on the US private placement market (USPP) on February 9, 2012 and June 29, 2020 are subject to a financial covenant which states that the net debt to EBITDA ratio must be 2.5 or less at all times (see Note 21, "Interest-bearing financial liabilities"). The covenant is tested every six months and the Group complied with the applicable ratio at June 30, 2021.

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 21, "Interest-bearing financial liabilities"): net debt to EBITDA ratio of 3.5 or less.

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 24 - Related parties

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

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

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

<i>(in € millions)</i>	First-half 2020	First-half 2021
Sales to related parties other than joint ventures	2,168	2,023
Purchases from related parties other than joint ventures	(48)	(47)

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Amounts receivable from related parties other than joint ventures	1,815	2,027
Amounts payable to related parties other than joint ventures	2,377	2,517

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Commitments given to related parties other than joint ventures ⁽¹⁾	2,005	2,163

(1) See Note 25.a, “Off-balance sheet commitments and contingent liabilities relating to the Group’s operating activities”.

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

The following transactions were carried out with joint ventures:

<i>(in € millions)</i>	First-half 2020	First-half 2021
Sales to joint ventures ⁽¹⁾	63	55
Purchases from joint ventures	(39)	(33)

(1) Mainly with Shannon Engine Support Limited.

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Amounts receivable from joint ventures	106	96
Amounts payable to joint ventures	56	54

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Commitments given to joint ventures	252	231

Note 25 - Off-balance sheet commitments and contingent liabilities

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

(i) Commitments given and contingent liabilities

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

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Purchase commitments on intangible assets	10	11
Purchase commitments on property, plant and equipment	141	110
Guarantees given in connection with the performance of operating agreements	5,493	6,016
Lease commitments	112	78
Financial guarantees granted on the sale of Group products	9	9
Other commitments given	494	547
Total	6,259	6,771

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 24, "Related parties".

Lease commitments

As of January 1, 2019, lease commitments given concern leases qualifying for the IFRS 16 exemption criteria (short-term leases or leases of low-value assets), as well as leases signed but not yet started.

Financial guarantees granted on the sale of Group products

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

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 10 million at June 30, 2021 (USD 11 million at December 31, 2020), or €8 million (€9 million at December 31, 2020). However, these amounts do not reflect the actual risk to which Safran is exposed. In view of the value of the underlying assets pledged as security, the net exposure represents USD 2 million at June 30, 2021 (USD 2 million at December 31, 2020), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 19, "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, the amount of Safran’s commitment was reduced to €53 million at June 30, 2021.

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs (see Note 3.b, “Provisions”, and Note 19, “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 26, “Disputes and litigation”.

(ii) Commitments received

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

<i>(in € millions)</i>	Dec. 31, 2020	June 30, 2021
Commitments received from banks on behalf of suppliers	8	9
Completion warranties	8	6
Endorsements and guarantees received	2	1
Other commitments received	44	44
Total	62	60

25.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		Dec. 31, 2020	June 30, 2021
<i>(in € millions)</i>			
Vendor warranties given ⁽¹⁾		277	281
(1) Vendor warranties, the amount of which may be fixed or determinable.			
(ii) Vendor warranties received		Dec. 31, 2020	June 30, 2021
<i>(in € millions)</i>			
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 June 30, 2021, as well as a specific indemnity capped at BRL 200 million (€34 million at June 30, 2021) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

In connection with the sale of the detection businesses on April 7, 2017, Safran granted Smiths Group PLC a vendor warranty valued at USD 73 million (€61 million at June 30, 2021).

In connection with the sale of Structil on October 2, 2017, Safran Ceramics granted the Hexcel group a vendor warranty initially valued at €37 million, reduced to €1 million at June 30, 2021.

25.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 trade receivables factoring facilities, under which the related receivables are deconsolidated (see Note 21, "Interest-bearing financial liabilities");
- the confirmed, undrawn syndicated credit line for €2,520 million set up in December 2015 (see Note 23, "Management of market risks and derivatives"); and
- the €500 million bank loan signed with the European Investment Bank (EIB) on March 4, 2021 and undrawn at June 30, 2021 (see Note 23, "Management of market risks and derivatives").

Note 26 - 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 implementation of its compliance program, Safran detected a situation with regards to an activity located in a company belonging to the previously Zodiac business perimeter acquired in 2018. This activity has been divested and 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 these elements to the competent authorities in Germany and the US in accordance with applicable regulations and in France. As of to date, the authorities in each of the countries concerned have opened an investigation, but at this stage it is not possible to determine exactly the decision they may take nor the impacts for the company.

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 27 - Subsequent events

None



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