To the Shareholders of Safran SA,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Safran SA for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors for the period from January 1, 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 1 to the consolidated financial statements, "Impacts of the Covid-19 pandemic", which sets out the main impacts of the pandemic for the Group.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.
Recognition of revenue and margins under support-by-the-hour contracts
Notes 2.g, 3.a and 7 to the consolidated financial statements

Risk identified
The Group has entered into support-by-the-hour engine base maintenance contracts with certain customers spanning several years. As described in Notes 2.g and 3.a to the consolidated financial statements, revenue on these contracts is recognized over time, based on the costs incurred to date as a percentage of the total estimated costs. A provision is set aside for any losses as soon as such losses are foreseeable.

Forecast contract margins are regularly revised by management. This method requires an estimate of results on completion using future cash flow forecasts that take into account contractual inputs and commitments as well as other factors inherent to the contract based on historical and/or forecast data. This method also requires the use of estimates used to determine the contract’s stage of completion.

We deemed the recognition of revenue and margins on support-by-the-hour contracts to be a key audit matter given the sensitivity of margins on completion to the estimates and assumptions used by management.

How our audit addressed this risk
In Group subsidiary Safran Aircraft Engines (Aerospace Propulsion segment), which accounts for the most significant support-per-flight-hour contracts, we:
◼︎ familiarized ourselves with the procedures for forecasting contract revenue and contract costs on completion;
◼︎ tested the key controls relating to costs incurred on contracts;
◼︎ examined the consistency of the technical and economic models used to assess the in-flight behavior of the engine and determine the engine servicing schedule, based on historical data;
◼︎ for each major contract, met with the management controllers responsible for monitoring the contract business plans, and assessed, particularly in the context of the Covid-19 crisis, estimates of contract revenue and costs on completion, including the degree of uncertainty applied, in particular by comparing the costs incurred to date with previous estimates;
◼︎ for the most significant contracts, analyzed any changes in contracts and the reflection of those changes in the business plans;
◼︎ tested, on a sample basis, the existence of the costs incurred used as the basis to calculate the percentage of completion of these significant contracts;
◼︎ reviewed the consistency of the accounting treatment used to record revenue with the applicable accounting standards.

Contract liabilities: performance warranties and provisions for sales contracts
Notes 2.s, 3.a, 3.b and 24 to the consolidated financial statements

Risk identified
As part of its contractual relations, the Group may recognize liabilities for contractual guarantee commitments given in respect of warranties or claims received from customers, in particular in the Safran Aircraft Engines subsidiary (Aerospace Propulsion segment):
◼︎ provisions for performance warranties recognized under liabilities cover probable future payments under the various performance warranties granted by the Group to its customers in respect of equipment sold. They are calculated based on technical files and on a statistical basis taking into account the estimated frequency and probable cost of repairs;
◼︎ provisions for sales contracts correspond to provisions booked further to customer claims or when the Group is exposed to contractual penalties. Provisions are calculated by management using available information, past experience and, in some cases, estimates by independent experts.

We deemed this issue to be a key audit matter given the significance of the amounts in question, the complexity of the assumptions underlying the estimates, and the degree of judgment required of management in calculating these provisions.

How our audit addressed this risk
We obtained an understanding of the procedures implemented by management to identify and list all risks relating to contractual commitments in the Safran Aircraft Engines subsidiary.

For each material risk identified, we reviewed the analysis of the risk by management, along with the corresponding documentation and any written communications from external advisors, where appropriate. Our work involved:
◼︎ meeting with the managers of the main programs to assess the exhaustiveness of the provisions recognized in light of the known quality risks; and
◼︎ for material risks, examining with management the main causes and planned corrections for the technical issues identified;
◼︎ familiarizing ourselves with the approach used by management to estimate the amount of provisions to be recognized in respect of these risks;
◼︎ reconciling the assumptions used to determine warranty commitments with the technical files and historical data;
◼︎ reconciling the estimated cost of repairs used to estimate warranty commitments with observed historical data;
analyzing the arithmetic accuracy of the calculations made and reconciling the input data with contractual data, where appropriate;

- assessing the consistency with IFRS 15 of the accounting treatment used to record identified contractual liabilities;

- reconciling the amounts recognized with respect to customer claims with the requests made by those customers, and the estimates made by management.

We also analyzed the appropriateness of the disclosures concerning contract liabilities provided in the notes to the consolidated financial statements.

Measurement and completeness of foreign currency derivatives

Notes 2.f, 2.w and 31 to the consolidated financial statements

Risk identified

Most of the revenue generated in the aerospace segment is denominated in US dollars. The net excess of revenues over expenses for these activities totaled USD 7.5 billion for 2020. To protect its operating profitability against fluctuations in the EUR/USD exchange rate, the Group’s policy is to hedge its USD exposure using foreign currency derivatives and to maintain the exchange rate above a target hedged rate over a period of four years.

The main derivatives used in this respect are forward sales and foreign currency options (accumulators and a combination of optional instruments, each with or without knock-out barriers). Options are used to improve the hedged rate with a view to protecting the Group’s economic performance.

In the balance sheet, the derivatives portfolio is carried at fair value in accordance with IFRS 9, and represented an amount of €694 million in assets and €1,244 million in liabilities at December 31, 2020. Most derivatives are traded over-the-counter and no quoted prices are available. Consequently, they are measured using models commonly used by pricing services.

In the income statement, the Group does not apply hedge accounting as defined by IFRS 9 given the nature of the instruments used. Consequently, all changes in the fair value of foreign currency derivatives during the year are included in financial income (loss). In 2020, the amount recorded in financial income (loss) represented a negative €191 million.

We deemed the measurement and completeness of foreign currency derivatives to be a key audit matter given the material impacts on the Group’s consolidated financial statements, the complexity of the valuation models used and the volume of instruments negotiated.

How our audit addressed this risk

We reviewed the Group’s forex strategy and assessed whether the information given in this regard in Note 31 to the consolidated financial statements was appropriate.

As part of our familiarization with the Group’s internal control procedures, we analyzed the procedures put in place by management for approving, contracting and booking market transactions. We also tested the effectiveness of key IT controls for the applications used by the Cash Management Department, including the interface with the accounting teams.

In respect of foreign currency derivatives, our procedures consisted in:

- verifying the reconciliation performed by the Group between the derivatives portfolio and information received from bank counterparties, in order to ensure that all transactions were documented;

- verifying that there was no material discrepancy between the value of the derivatives estimated by the Group and the values sent by the bank counterparties;

- carrying out a counter-valuation of a representative sample of the derivatives portfolio;

- verifying the disclosures provided in the notes to the consolidated financial statements and reviewing the Group’s financial communications regarding foreign currency transactions.

Impairment testing of intangible assets (goodwill and programs) and material investments in equity-accounted companies

Notes 2.c, 2.j, 2.m, 3.a, 12, 13 and 16 to the consolidated financial statements

Risk identified

In the context of its creation and development, the Group has carried out acquisitions, including of interests in companies then accounted for by the equity method, resulting in the recognition of goodwill and intangible assets relating to aerospace programs. The Group also capitalizes development costs when it can be demonstrated that they meet the requisite criteria, as described in Note 2.j to the consolidated financial statements.

Goodwill is tested for impairment at the level of each cash-generating unit (CGU) at least annually and whenever there is an indication that it may be impaired. Material investments in equity-accounted companies are also tested for impairment if an indication of impairment is identified. At the end of each annual reporting period, management also performs impairment tests on assets allocated to programs (aerospace programs and capitalized development costs) before they begin to be depreciated/amortized, or if events or circumstances indicate a risk of impairment.

The recoverable amounts of these assets are chiefly determined by discounting the future cash flows expected to arise from the CGUs, projects or programs to which the assets tested relate.
At December 31, 2020, the carrying amount of goodwill was €5,060 million, while total other intangible assets represented €8,676 million, including €703 million relating to aerospace programs and €3,946 million relating to capitalized development costs.

At December 31, 2020, investments in equity-accounted companies totaled €2,126 million.

We deemed impairment testing of intangible assets and material investments in equity-accounted companies to be a key audit matter given their material balances in the consolidated financial statements and because the calculation of their recoverable amount requires management to use major estimates and assumptions.

**How our audit addressed this risk**

We reviewed the basis for implementing these impairment tests. In particular, our work consisted in:

- reconciling the elements included in the carrying amount of each cash-generating unit (CGU), each program and each material investment in an equity-accounted company with the net assets recognized in the balance sheet;
- analyzing, in the specific context of the Covid-19 crisis, the appropriateness of the assumptions underlying the estimates used by management to forecast its future cash flows, in particular by reconciling:
  - the volumes and production rates associated with the products sold with information and forecasts provided by the main contractors and significant stakeholders and management’s long-term market analyses,
  - the growth rate assumptions used to forecast future cash flows with available independent analyses,
  - the various inputs used to calculate the weighted average cost of capital of each CGU with the rate of return demanded by market participants for similar activities, with the support of a valuation expert who assisted our audit team;
- comparing the analyses performed by management to ascertain the sensitivity of value in use to reasonably possible changes, in the specific context of the Covid-19 crisis, in the main assumptions used;
- comparing the consistency of past and future cash flows with management’s most recent estimates, as presented to the Board of Directors during the budget process.

We also ensured that the disclosures provided in Notes 2.c, 2.j, 2.m, 3.a, 12, 13 and 16 to the consolidated financial statements were appropriate.

**Specific verifications**

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors’ management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group provided in the management report includes the consolidated non-financial information statement required under Article L.225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

**Other verifications and information pursuant to legal and regulatory requirements**

**Presentation of the consolidated financial statements to be included in the annual financial report**

In accordance with professional standards applicable to the Statutory Auditors’ procedures for annual and consolidated financial statements presented according to the single European electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph 1 of Article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and prepared under the Chief Executive Officer’s responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018.

Regarding the consolidated financial statements, our work included verifying that the markups in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

It is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

**Appointment of the Statutory Auditors**

We were appointed Statutory Auditors of Safran SA by the Annual General Meetings held on May 28, 2008 for Mazars and on May 27, 2010 for ERNST & YOUNG et Autres.

At December 31, 2020, Mazars and ERNST & YOUNG et Autres were in the thirteenth and the eleventh consecutive year of their engagement, respectively.
Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequately, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.
We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Paris-La Défense and Courbevoie, March 26, 2021

The Statutory Auditors

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<tr>
<th>ERNST &amp; YOUNG et Autres</th>
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