

POWERED
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**CONSOLIDATED
BALANCE SHEET
AND INCOME STATEMENT**

June 30, 2022

The Board of Directors' meeting of July 27, 2022 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the six-month period ended June 30, 2022.

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Foreword

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

Readers are reminded that Safran:

- is the result of the May 11, 2005 merger of Sagem SA and Snecma, accounted for in accordance with IFRS 3, "Business Combinations" in its consolidated financial statements;
- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IFRS 9 applicable to transactions not qualifying for hedge accounting (see Note 3.f of the 2021 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 first-half 2022 income statement items is as follows:

| | First-half 2022 consolidated data | Currency hedges | | Business combinations | | First-half 2022 adjusted data |
|--|-----------------------------------|---------------------------------|-----------------------------------|---|--|-------------------------------|
| | | Remeasurement of revenue (1) | Deferred hedging gain/loss (2) | Amortization of intangible assets from Sagem-Snecma merger (3) | PPA impacts – other business combinations (4) | |
| <i>(in € millions)</i> | | | | | | |
| Revenue | 8,675 | (115) | - | - | - | 8,560 |
| Other recurring operating income and expenses | (7,723) | 3 | 3 | 19 | 157 | (7,541) |
| Share in profit from joint ventures | 16 | - | - | - | 12 | 28 |
| Recurring operating income | 968 | (112) | 3 | 19 | 169 | 1,047 |
| Other non-recurring operating income and expenses | (92) | - | - | - | - | (92) |
| Profit from operations | 876 | (112) | 3 | 19 | 169 | 955 |
| Cost of net debt | (38) | - | - | - | - | (38) |
| Foreign exchange gain/loss | (5,828) | 112 | 5,601 | - | - | (115) |
| Other financial income and expense | (40) | - | - | - | - | (40) |
| Financial income (loss) | (5,906) | 112 | 5,601 | - | - | (193) |
| Income tax benefit (expense) | 1,283 | - | (1,447) | (5) | (42) | (211) |
| Profit (loss) for the period | (3,747) | - | 4,157 | 14 | 127 | 551 |
| Profit for the period attributable to non-controlling interests | (15) | - | - | - | - | (15) |
| Profit (loss) for the period attributable to owners of the parent | (3,762) | - | 4,157 | 14 | 127 | 536 |

(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 €5,601 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €3 million at June 30, 2022).

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

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €139 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 2021 was 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 SA-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.

Comparative adjusted interim consolidated income statement and segment information

Adjusted interim income statement

| | First-half 2021 | First-half 2022 |
|---|-----------------|-----------------|
| | Adjusted data | Adjusted data |
| <i>(in € millions)</i> | | |
| Revenue | 6,876 | 8,560 |
| Other income | 166 | 210 |
| Income from operations | 7,042 | 8,770 |
| Change in inventories of finished goods and work-in-progress | 34 | 830 |
| Capitalized production | 155 | 169 |
| Raw materials and consumables used | (3,645) | (5,241) |
| Personnel costs | (2,494) | (2,869) |
| Taxes | (151) | (160) |
| Depreciation, amortization and increase in provisions, net of use | (477) | (443) |
| Asset impairment | 30 | (90) |
| Other recurring operating income and expenses | 114 | 53 |
| Share in profit from joint ventures | 51 | 28 |
| Recurring operating income | 659 | 1,047 |
| Other non-recurring operating income and expenses | (195) | (92) |
| Profit from operations | 464 | 955 |
| Cost of net debt | (51) | (38) |
| Foreign exchange gain (loss) | (28) | (115) |
| Other financial income and expense | (5) | (40) |
| Financial income (loss) | (84) | (193) |
| Profit before tax | 380 | 762 |
| Income tax expense | (100) | (211) |
| Profit for the period | 280 | 551 |
| Attributable to: | | |
| owners of the parent | 269 | 536 |
| non-controlling interests | 11 | 15 |
| Earnings per share attributable to owners of the parent (in €) | | |
| Basic earnings per share | 0.63 | 1.26 |
| Diluted earnings per share | 0.61 | 1.22 |

Segment information

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

First-half 2022

| <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 | 4,176 | 3,506 | 870 | 8,552 | 8 | 8,560 | 115 | - | 8,675 |
| Recurring operating income (loss) | 723 | 411 | (82) | 1,052 | (5) | 1,047 | 109 | (188) | 968 |
| Other non-recurring operating income and expenses | (129) | 42 | (4) | (91) | (1) | (92) | - | - | (92) |
| Profit (loss) from operations | 594 | 453 | (86) | 961 | (6) | 955 | 109 | (188) | 876 |
| Free cash flow | 1,265 | 270 | (219) | 1,316 | 349 | 1,665 | - | - | 1,665 |

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 |

Revenue (adjusted data)

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|---|------------------------|------------------------|
| <i>Aerospace Propulsion</i> | | |
| Original equipment and related products and services | 1,239 | 1,421 |
| Services | 1,954 | 2,669 |
| Sales of studies | 45 | 53 |
| Other | 11 | 33 |
| Sub-total | 3,249 | 4,176 |
| <i>Aircraft Equipment, Defense and Aerosystems</i> | | |
| Original equipment and related products and services | 1,820 | 1,996 |
| Services | 992 | 1,332 |
| Sales of studies | 140 | 125 |
| Other | 20 | 53 |
| Sub-total | 2,972 | 3,506 |
| <i>Aircraft Interiors</i> | | |
| Original equipment and related products and services | 458 | 606 |
| Services | 176 | 257 |
| Sales of studies | 12 | 7 |
| Other | - | - |
| Sub-total | 646 | 870 |
| <i>Holding company and other</i> | | |
| Sales of studies and other | 9 | 8 |
| Sub-total | 9 | 8 |
| Total | 6,876 | 8,560 |

Information by geographic area

First-half 2022

| <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 | 1,935 | 1,627 | 3,247 | 972 | 779 | 8,560 | 115 | 8,675 |
| | % 23% | 19% | 38% | 12% | 9% | | | |

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% | | | |

**Group condensed interim consolidated
financial statements**

Consolidated income statement

| <i>(in € millions)</i> | <i>Note</i> | First-half 2021 | First-half 2022 |
|---|-------------|------------------------|------------------------|
| Revenue | 6 | 6,769 | 8,675 |
| Other income | 7 | 166 | 210 |
| Income from operations | | 6,935 | 8,885 |
| Change in inventories of finished goods and work-in-progress | | 34 | 830 |
| Capitalized production | | 155 | 169 |
| Raw materials and consumables used | 7 | (3,649) | (5,242) |
| Personnel costs | 7 | (2,496) | (2,871) |
| Taxes | | (151) | (160) |
| Depreciation, amortization and increase in provisions, net of use | 7 | (659) | (622) |
| Asset impairment | 7 | 31 | (90) |
| Other recurring operating income and expenses | 7 | 115 | 53 |
| Share in profit from joint ventures | 16 | 36 | 16 |
| Recurring operating income | | 351 | 968 |
| Other non-recurring operating income and expenses | 7 | (195) | (92) |
| Profit from operations | | 156 | 876 |
| Cost of net debt | | (51) | (38) |
| Foreign exchange gain (loss) | | 860 | (5,828) |
| Other financial income and expense | | (5) | (40) |
| Financial income (loss) | 8 | 804 | (5,906) |
| Profit (loss) before tax | | 960 | (5,030) |
| Income tax benefit (expense) | 9 | (273) | 1,283 |
| Profit (loss) for the period | | 687 | (3,747) |
| Attributable to: | | | |
| owners of the parent | | 674 | (3,762) |
| non-controlling interests | | 13 | 15 |
| Earnings per share attributable to owners of the parent (in €) | 10 | | |
| Basic earnings (loss) per share | | 1.58 | (8.81) |
| Diluted earnings (loss) per share | | 1.53 | (8.81) |

Consolidated statement of comprehensive income

| <i>(in € millions)</i> | Note | First-half 2021 | First-half 2022 |
|---|------|-----------------|-----------------|
| Profit (loss) for the period | | 687 | (3,747) |
| Other comprehensive income | | | |
| Items to be reclassified to profit | | 200 | 541 |
| Translation adjustments | | 187 | 479 |
| Remeasurement of hedging instruments | | (1) | 13 |
| Income tax related to components of other comprehensive income to be reclassified to profit | | (1) | (5) |
| Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax) | 16 | 15 | 54 |
| Items not to be reclassified to profit | | 69 | 199 |
| Actuarial gains and losses on post-employment benefits | | 91 | 214 |
| Income tax related to components of other comprehensive income not to be reclassified to profit | | (22) | (54) |
| Share in other comprehensive income of equity-accounted companies not to be reclassified to profit (net of tax) | | - | 39 |
| Other comprehensive income for the period | | 269 | 740 |
| Total comprehensive income (expense) for the period | | 956 | (3,007) |
| Attributable to: | | | |
| - owners of the parent | | 939 | (3,031) |
| - non-controlling interests | | 17 | 24 |

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

- €477 million in translation gains (€187 million in translation gains in first-half 2021) arising in the period on foreign operations;
- €2 million in translation gains (zero in first-half 2021) 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 2022, other comprehensive income resulting from the remeasurement of hedging instruments includes positive fair value adjustments totaling €13 million (negative fair value adjustments of €1 million in first-half 2021) relating to cash flow hedges of interest payments on senior unsecured notes (i) as of the end of first-quarter 2019 and (ii) as of July 2020. The outstanding balance of the ongoing cash flow hedging reserve is a positive €11 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"):

- €54 million in foreign exchange gains arising in the period on foreign joint ventures (€18 million in foreign exchange gains in first-half 2021);
- zero relating to cash flow hedges of joint ventures (a negative amount of €3 million in first-half 2021).

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, 2020 | June 30, 2021 | Dec. 31, 2021 | June 30, 2022 |
|----------|------------------|--------------------------|------------------|--------------------------|
| Eurozone | 0.50% | 0.90% | 1.00% | 3.30% |
| UK | 1.45% | 2.00% | 1.90% | 3.80% |

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

| | Dec. 31, 2020 | June 30, 2021 | Dec. 31, 2021 | June 30, 2022 |
|-------------------|------------------|--------------------------|------------------|--------------------------|
| UK inflation rate | 2.80% | 3.15% | 3.35% | 3.35% |

Consolidated balance sheet

| ASSETS <i>(in € millions)</i> | <i>Note</i> | Dec. 31, 2021 | June 30, 2022 |
|---|-------------|----------------------|----------------------|
| Goodwill | 11 | 5,068 | 5,124 |
| Intangible assets | 12 | 8,382 | 8,170 |
| Property, plant and equipment | 13 | 3,937 | 3,970 |
| Right-of-use assets | 14 | 606 | 588 |
| Non-current financial assets | 15 | 688 | 746 |
| Investments in equity-accounted companies | 16 | 1,969 | 1,992 |
| Non-current derivatives (positive fair value) | 23 | 23 | 6 |
| Deferred tax assets | | 449 | 1,887 |
| Other non-current financial assets | | 11 | 9 |
| Non-current assets | | 21,133 | 22,492 |
| Current financial assets | 15 | 104 | 530 |
| Current derivatives (positive fair value) | 23 | 705 | 570 |
| Inventories and work-in-progress | | 5,063 | 6,050 |
| Contract costs | | 552 | 616 |
| Trade and other receivables | | 6,504 | 6,954 |
| Contract assets | | 1,853 | 1,896 |
| Tax assets | | 555 | 235 |
| Cash and cash equivalents | 17 | 5,247 | 6,208 |
| Current assets | | 20,583 | 23,059 |
| Total assets | | 41,716 | 45,551 |
| EQUITY AND LIABILITIES <i>(in € millions)</i> | <i>Note</i> | Dec. 31, 2021 | June 30, 2022 |
| Share capital | 18 | 85 | 85 |
| Consolidated reserves and retained earnings | 18 | 12,713 | 13,283 |
| Profit (loss) for the period | | 43 | (3,762) |
| Equity attributable to owners of the parent | | 12,841 | 9,606 |
| Non-controlling interests | | 429 | 440 |
| Total equity | | 13,270 | 10,046 |
| Provisions | 19 | 1,798 | 1,790 |
| Borrowings subject to specific conditions | 20 | 327 | 325 |
| Non-current interest-bearing financial liabilities | 21 | 5,094 | 5,434 |
| Non-current derivatives (negative fair value) | 23 | 8 | 6 |
| Deferred tax liabilities | | 1,275 | 1,257 |
| Other non-current financial liabilities | 22 | 116 | 75 |
| Non-current liabilities | | 8,618 | 8,887 |
| Provisions | 19 | 1,058 | 949 |
| Current interest-bearing financial liabilities | 21 | 1,720 | 1,193 |
| Trade and other payables | | 4,950 | 5,973 |
| Contract liabilities | | 10,141 | 11,151 |
| Tax liabilities | | 109 | 106 |
| Current derivatives (negative fair value) | 23 | 1,788 | 7,145 |
| Other current financial liabilities | 22 | 62 | 101 |
| Current liabilities | | 19,828 | 26,618 |
| Total equity and liabilities | | 41,716 | 45,551 |

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, 2021 | 85 | 4,688 | (36) | (13) | (158) | 7,735 | (571) | 352 | 307 | 12,389 | 401 | 12,790 |
| 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) |
| 2021-2028 OCEANEs | - | - | - | - | - | 29 | - | - | - | 29 | - | 29 |
| Repurchase of 2023 OCEANEs | - | - | - | - | - | (50) | - | - | - | (50) | - | (50) |
| Other movements, including appropriation of profit | - | - | - | - | - | 352 | - | (352) | 31 | 31 | - | 31 |
| At June 30, 2021 | 85 | 4,688 | (113) | (14) | 44 | 7,880 | (482) | 674 | 316 | 13,078 | 413 | 13,491 |
| Comprehensive income (expense) for the period | - | - | - | 12 | 297 | (3) | 81 | (631) | (25) (a) | (269) | 17 | (252) |
| Acquisitions/disposals of treasury shares | - | - | 63 | - | - | (42) | - | - | - | 21 | - | 21 |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - |
| 2021-2028 OCEANEs | - | - | - | - | - | - | - | - | - | - | - | - |
| Repurchase of 2023 OCEANEs | - | - | - | - | - | - | - | - | - | - | - | - |
| Other movements, including appropriation of profit | - | - | - | - | - | - | - | - | 11 | 11 | (1) | 10 |
| At December 31, 2021 | 85 | 4,688 | (50) | (2) | 341 | 7,835 | (401) | 43 | 302 | 12,841 | 429 | 13,270 |
| Comprehensive income (expense) for the period | - | - | - | 13 | 529 | - | 262 | (3,762) | (73) (a) | (3,031) | 24 | (3,007) |
| Acquisitions/disposals of treasury shares | - | - | 9 | - | - | (10) | - | - | - | (1) | - | (1) |
| Dividends | - | - | - | - | - | (213) | - | - | - | (213) | (12) | (225) |
| 2021-2028 OCEANEs | - | - | - | - | - | - | - | - | - | - | - | - |
| Repurchase of 2023 OCEANEs | - | - | - | - | - | - | - | - | - | - | - | - |
| Other movements, including appropriation of profit | - | - | - | - | - | 43 | - | (43) | 10 | 10 | (1) | 9 |
| At June 30, 2022 | 85 | 4,688 | (41) | 11 | 870 | 7,655 | (139) | (3,762) | 239 | 9,606 | 440 | 10,046 |

(a) The comprehensive expense of €73 million for first-half 2022 (attributable to owners of the parent) comprises a negative tax impact on actuarial gains and losses of €68 million and a negative tax impact on foreign exchange differences of €5 million (negative impacts of €21 million and €1 million in first-half 2021, respectively).

Consolidated statement of cash flows

| <i>(in € millions)</i> | Note | First-half 2021 | First-half 2022 |
|--|--------------------|--------------------|--------------------|
| I. Cash flow from operating activities | | | |
| Profit (loss) attributable to owners of the parent | | 674 | (3,762) |
| Depreciation, amortization, impairment and provisions ⁽¹⁾ | | 698 | 922 |
| Share in profit/loss from equity-accounted companies (net of dividends received) | 16 | 114 | 64 |
| Change in fair value of currency and interest rate derivatives ⁽²⁾ | 23 | (734) | 5,477 |
| Capital gains and losses on asset disposals | | (22) | (51) |
| Profit attributable to non-controlling interests | | 13 | 15 |
| Other ⁽³⁾ | | (10) | (1,019) |
| Cash flow from operations, before change in working capital | | 733 | 1,646 |
| Change in inventories and work-in-progress | | (15) | (1,014) |
| Change in operating receivables and payables | | 577 | 680 |
| Change in contract costs | | (28) | (61) |
| Change in contract assets and liabilities | | (324) | 930 |
| Change in other receivables and payables | | 87 | (109) |
| Change in working capital | | 297 | 426 |
| TOTAL I | | 1,030 | 2,072 |
| II. Cash flow used in investing activities | | | |
| Capitalization of R&D expenditure ⁽⁴⁾ | 12 | (136) | (135) |
| Payments for the purchase of intangible assets, net ⁽⁵⁾ | | (10) | (29) |
| Payments for the purchase of property, plant and equipment, net ⁽⁶⁾ | | (183) | (243) |
| Payments for the acquisition of investments or businesses, net | | (10) | (7) |
| Proceeds arising from the sale of investments or businesses, net | | 74 | 13 |
| Proceeds (payments) arising from the sale (acquisition) of investments and loans, net ⁽⁷⁾ | | (210) | (206) |
| Other movements | | - | - |
| TOTAL II | | (475) | (607) |
| III. Cash flow 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 | (77) | (4) |
| Repayment of borrowings and long-term debt ⁽⁸⁾ | 21 | (1,293) | (539) |
| Increase in borrowings ⁽⁹⁾ | 21 | 2,151 | 514 |
| Change in repayable advances | 20 | (8) | (17) |
| Change in short-term borrowings | 21 | (1,005) | (249) |
| Dividends and interim dividends paid to owners of the parent | 18.e | (183) | (213) |
| Dividends paid to non-controlling interests | | (5) | (12) |
| TOTAL III | | (420) | (520) |
| Effect of changes in foreign exchange rates | TOTAL IV | 45 | 16 |
| Net increase (decrease) in cash and cash equivalents | I+II+III+IV | 180 | 961 |
| Cash and cash equivalents at beginning of period | | 3,747 | 5,247 |
| Cash and cash equivalents at end of period | 17 | 3,927 | 6,208 |
| Net increase (decrease) in cash and cash equivalents | | 180 | 961 |

(1) Including in first-half 2022: depreciation and amortization for €681 million (€677 million in first-half 2021), impairment charges for €227 million (€29 million in first-half 2021) and provision charges for €14 million (provision reversals for €8 million in first-half 2021).

(2) Including in first-half 2022: a negative €5,492 million arising on currency derivatives (a negative €732 million in first-half 2021) (see Note 23, "Management of market risks and derivatives").

(3) Including in first-half 2022: cancellation of deferred tax income arising on changes in the fair value of currency derivatives for a negative €1,447 million (a positive €221 million in first-half 2021), cancellation of tax expense for €164 million (€52 million in first-half 2021), €206 million in taxes paid (€110 million in first-half 2021), €48 million in interest paid (€50 million in first-half 2021), and €3 million in interest received (€7 million in first-half 2021).

(4) Including in first-half 2022: capitalized interest of €3 million (€3 million in first-half 2021).

(5) Including in first-half 2022: €32 million in disbursements for acquisitions of intangible assets (€121 million in first-half 2021), €2 million in proceeds from disposals (€9 million in first-half 2021), changes in amounts payable on acquisitions of non-current assets representing a positive €4 million (a positive €108 million in first-half 2021), and changes in amounts receivable on disposals of non-current assets representing a negative €3 million (a negative €6 million in first-half 2021).

(6) Including in first-half 2022: €263 million in disbursements for acquisitions of property, plant and equipment (€193 million in first-half 2021), changes in amounts payable on acquisitions of non-current assets representing a negative €6 million (a negative €7 million in first-half 2021), €22 million in proceeds from disposals (€17 million in first-half 2021), and changes in amounts receivable on disposals of non-current assets representing a positive €4 million (zero in first-half 2021).

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

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

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

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 that 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 27, 2022 adopted and authorized for issue the 2022 condensed interim consolidated financial statements.

Note 1 - Comments regarding the russo-ukrainian crisis

On February 24, 2022, at the start of the conflict in Ukraine, Safran activated a Group crisis cell to monitor the conflict, anticipate and address the consequences on its operations, customers, partners and suppliers, and ensure the safety of its employees.

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

The most impacted business operations are the following:

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

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

1 - ASSETS AND LIABILITIES

A- GOODWILL

At June 30, 2022, Safran reviewed its cash-generating units (CGUs) and carried out impairment tests on those with an indication of impairment and for which the carrying amount of their assets was close to the recoverable amount.

The approach used and the results obtained are described in Note 11, “Goodwill”.

B- OTHER INTANGIBLE ASSETS

The Group analyzed its other intangible assets (development expenditures, programs, etc.).

As in every half-year period, the Group tested assets allocated to programs for which there could be an indication of impairment.

These impairment tests were carried out based on projections updated to reflect the best information available at the reporting date.

Due to the russo-ukrainian conflict, Safran wrote down certain intangible assets for €68 million.

The results and methodology of the tests are described in Note 12, "Intangible assets".

C- INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Safran is indirectly exposed through:

- its partnership in the ArianeGroup joint venture. Arianespace has paid and received advances for the Soyouz program, for which Roscosmos has taken the decision to suspend rocket launches operated by Arianespace. Negotiations with customers regarding the advances received are underway;
- its partnership in Shannon Engine Support with AerCap, with leased CFM56 and LEAP engines stranded in Russia. In first-half 2022, Safran recognized an asset write-down of €22 million in recurring operation income.

D- OTHER INVESTMENTS

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

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

E- INVENTORIES

Safran analyzed its exposure to russian programs and wrote down inventories by €17 million.

F- TRADE AND OTHER RECEIVABLES

Particular attention was paid to the situation of russian airline customers.

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.

At June 30, 2022, the impact was not material.

2 - DESCRIPTION OF THE IMPACTS OF THE RUSSO-UKRAINIAN CRISIS

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

As mentioned in Note 7, "Breakdown of the other main components of profit from operations", non-recurring items, essentially impairment losses (including on equity-accounted companies), capital gains and losses on disposals of businesses, and transaction and restructuring costs, are unchanged from previous periods.

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 IFRS Interpretations Committee (IFRS IC) or its predecessor, the Standing Interpretations Committee (SIC).

The condensed interim consolidated financial statements at June 30, 2022 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, 2022.

In preparing these condensed interim consolidated financial statements at June 30, 2022, 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, 2021 (see section 3.1, Note 3 of the 2021 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, 2022

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

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2022 do not have a material impact on the Group's consolidated financial statements.

New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2022

None.

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

- Amendments to IAS 1, "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1, "Presentation of Financial Statements" and IFRS Practice Statement 2 – Disclosure of Accounting Policies.
- Amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates.
- Amendments to IAS 12, "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 28, "Investments in Associates and Joint Ventures" and IFRS 10, "Consolidated Financial Statements" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 17, "Insurance Contracts" and its amendments.

The amendments to IAS 1 – Classification of Liabilities as Current or Non-Current, IAS 12 and IAS 28/IFRS 10 have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even where early adoption is permitted by the texts concerned. The other new standards, amendments and interpretations have not been early adopted by the Group.

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 and the russo-ukrainian conflict identified to date.

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

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

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

a) Estimates relating to programs and contracts

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

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

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

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

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

- **impairment of non-current assets:** goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in section 3.1, Note 3.m of the 2021 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 3.j of the 2021 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 estimating the risk and determining the costs that may be incurred.

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

Note 4 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2022

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

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

- Disposal of Pioneer Aerospace Corporation

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

These two disposals represented a capital gain of €60 million, recognized in the Group’s non-recurring operating income.

Other changes in the scope of consolidation are in progress but have not yet been finalized:

- Acquisition of Aubert & Duval

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

The transaction is expected to be completed by the end of the year, subject to obtaining the necessary regulatory approvals.

- Acquisition of a stake in CILAS

On April 14, 2022, Safran and MBDA signed an agreement to purchase the shares held by ArianeGroup SAS in Compagnie Industrielle des Lasers (CILAS), representing a 63% stake in CILAS’ capital.

For the purposes of the acquisition, Safran and MBDA have created HMS Laser, a new joint holding company with equal ownership rights.

The transaction is expected to be completed in the second half of 2022, subject to obtaining the necessary regulatory approvals.

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

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2021

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

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

These two disposals represented a capital gain of €71 million for the Group.

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.

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

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

Aircraft Interiors

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

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

Holding company and other

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

Business segment performance indicators

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

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

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see section 3.1, Note 3 of the 2021 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 2021 and 2022 is presented on pages 8 to 10.

Note 6 - Revenue

BREAKDOWN OF REVENUE BY BUSINESS

First-half 2022

| <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 | 1,444 | 2,007 | 608 | - | 4,059 |
| Services | 2,710 | 1,341 | 258 | - | 4,309 |
| Sales of studies | 54 | 126 | 7 | 5 | 192 |
| Other | 48 | 64 | - | 3 | 115 |
| Total revenue | 4,256 | 3,538 | 873 | 8 | 8,675 |
| Timing of revenue recognition | | | | | |
| At a point in time | 3,325 | 3,142 | 867 | 6 | 7,340 |
| Over time | 931 | 396 | 6 | 2 | 1,335 |
| Total revenue | 4,256 | 3,538 | 873 | 8 | 8,675 |

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 |

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

- Sales of original equipment and other equipment

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

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

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

- Sales of studies, research and development

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

- Miscellaneous activities, which are included in "Other"

In terms of revenue recognition, it should be noted for each of the business segments that: Most revenue within the Group is recognized “at a point in time”.

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

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

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

OTHER INCOME

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|--|-----------------|-----------------|
| Research tax credit | 82 | 80 |
| Other operating subsidies ⁽¹⁾ | 73 | 118 |
| Other operating income | 11 | 12 |
| Total | 166 | 210 |

(1) Including €107 million in research and technology subsidies in 2022 (€66 million in 2021).

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|-----------------------------------|-----------------|-----------------|
| Raw materials, supplies and other | (1,582) | (2,129) |
| Bought-in goods | (12) | (9) |
| Changes in inventories | (19) | 202 |
| Contract costs | 28 | 60 |
| Sub-contracting | (1,128) | (1,927) |
| Purchases not held in inventory | (177) | (275) |
| External service expenses | (759) | (1,164) |
| Total | (3,649) | (5,242) |

PERSONNEL COSTS

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|-----------------------------------|-----------------|-----------------|
| Wages and salaries | (1,716) | (1,885) |
| Social security contributions | (628) | (761) |
| Statutory employee profit-sharing | (41) | (67) |
| Optional employee profit-sharing | (10) | (59) |
| Additional contributions | (5) | (2) |
| Corporate social contribution | (16) | (22) |
| Other employee costs | (80) | (75) |
| Total | (2,496) | (2,871) |

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|--|-----------------|-----------------|
| Net depreciation and amortization expense | | |
| - intangible assets | (337) | (331) |
| - property, plant and equipment | (291) | (300) |
| - right-of-use assets | (49) | (50) |
| Total net depreciation and amortization expense⁽¹⁾ | (677) | (681) |
| Net increase in provisions | 18 | 59 |
| Depreciation, amortization and increase in provisions, net of use | (659) | (622) |

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem SA-Snecma merger: €19 million in first-half 2022 and €20 million in first-half 2021; during the acquisition of the former Zodiac Aerospace: €139 million in first-half 2022 and €145 million in first-half 2021; and during other acquisitions: €18 million in first-half 2022 and €18 million in first-half 2021.

ASSET IMPAIRMENT

| <i>(in € millions)</i> | Impairment expense | | Reversals | |
|---|--------------------|-----------------|-----------------|-----------------|
| | First-half 2021 | First-half 2022 | First-half 2021 | First-half 2022 |
| Intangible assets, property, plant and equipment, and right-of-use assets | (11) | (6) | 7 | 24 |
| Financial assets | - | (1) | - | - |
| Contract costs | - | (9) | 4 | 3 |
| Inventories and work-in-progress | (113) | (176) | 143 | 73 |
| Receivables | (39) | (28) | 41 | 30 |
| Contract assets | (1) | - | - | - |
| Total | (164) | (220) | 195 | 130 |

OTHER RECURRING OPERATING INCOME AND EXPENSES

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|--|-----------------|-----------------|
| Capital gains and losses on asset disposals | 3 | (21) |
| Royalties, patents and licenses | (12) | (2) |
| Losses on irrecoverable receivables | (6) | (1) |
| Other operating income and expenses ⁽¹⁾ | 130 | 77 |
| Total | 115 | 53 |

(1) Of which income of €99 million in 2021 and €0 million in 2022 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 2021 | First-half 2022 |
|-----------------------------------|-----------------|-----------------|
| Capital gains on asset disposals | 19 | 60 |
| Asset impairment net of reversals | (180) | (128) |
| Other non-recurring items | (34) | (24) |
| Total | (195) | (92) |

In first-half 2022, capital gains on asset disposals result from the disposals outlined in Note 4, "Scope of consolidation".

The write-downs of €128 million taken against intangible assets break down as follows:

- €68 million relating to aircraft programs in the Propulsion and Equipment segments impacted by the russo-ukrainian crisis;
- €58 million (net of tax) relating to the intangible assets of an equity-accounted company;
- €2 million relating to an aircraft program in the Aircraft Equipment, Defense and Aerosystems segment.

Other non-recurring items mainly correspond to:

- asset impairment totaling €22 million;
- transaction and integration costs totaling €2 million.

In first-half 2021, other non-recurring items mainly corresponded 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.

Note 8 - Financial income (loss)

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|---|-----------------|-----------------|
| Financial expense on interest-bearing financial liabilities | (61) | (40) |
| Financial income on cash and cash equivalents | 10 | 2 |
| Cost of net debt | (51) | (38) |
| Gain (loss) on foreign currency hedging instruments | 775 | (5,601) |
| Foreign exchange gain (loss) | 112 | (145) |
| Net foreign exchange gain (loss) on provisions | (27) | (82) |
| Foreign exchange gain (loss) | 860 | (5,828) |
| Gain (loss) on interest rate hedging instruments | - | 3 |
| Capital gain (loss) on financial asset disposals | - | 1 |
| Change in the fair value of assets at fair value through profit or loss | 3 | (30) |
| Impairment of loans and other financial receivables | - | (14) |
| Dividends received | 1 | 1 |
| Other financial provisions | 1 | (1) |
| Interest component of IAS 19 expense | (3) | (3) |
| Impact of unwinding the discount | (3) | 13 |
| Other | (4) | (10) |
| Other financial income and expense | (5) | (40) |
| Financial income (loss) | 804 | (5,906) |
| Of which financial expense | (98) | (5,926) |
| Of which financial income | 902 | 20 |

In first-half 2022, the €5,601 million loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to operating cash flows that will be recognized in profit or loss in future periods.

The fair value of the portfolio reflects the immediate liquidation value of the portfolio at the closing rate for the half year (USD 1.0392 to €1) compared with the average rate of the portfolio. The change in the fair value is theoretical for the Group, as currency hedges are unwound when future dollar inflows are received.

The €145 million foreign exchange loss includes:

- a €112 million foreign exchange loss, reflecting the loss on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange loss reflects the difference between the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.15 to €1) and the actual EUR/USD exchange rate observed during the period;
- a net foreign exchange loss of €33 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

Net foreign exchange losses amounting to €82 million on provisions carried in USD were recorded in the Propulsion segment and result from the impact of fluctuations in the EUR/USD exchange rate between the start of the period (USD 1.13 to €1 at December 31, 2021) and the end of the period (USD 1.04 to €1 at June 30, 2022) 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.

A projected income tax rate of 25.83% was used to calculate the effective tax rate applicable to French entities in first-half 2022. For the United States, the rate is 23.5%.

The tax benefit in first-half 2022 amounts to €1,283 million.

In first-half 2022, changes in the fair value of outstanding currency derivatives generated deferred tax income of €1,434 million.

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

Note 10 - Earnings per share

| | Index | First-half 2021 | First-half 2022 |
|---|-----------------------|-----------------|-----------------|
| Numerator (in € millions) | | | |
| Profit (loss) for the period attributable to owners of the parent | (a) | 674 | (3,762) |
| Denominator (in shares) | | | |
| Total number of shares | (b) | 427,238,616 | 427,242,440 |
| Number of treasury shares held | (c) | 976,620 | 414,587 |
| Number of shares excluding treasury shares | (d)=(b-c) | 426,261,996 | 426,827,853 |
| Weighted average number of shares (excluding treasury shares) | (d') | 426,622,547 | 426,832,583 |
| Potentially dilutive ordinary shares | (e) | 14,168,106 | 13,482,802 |
| Weighted average number of shares after dilution | (f)=(d'+e) | 440,790,653 | 440,315,385 |
| Ratio: earnings per share (in €) | | | |
| Basic earnings (loss) per share | (g)=(a*1million)/(d') | 1.58 | (8.81) |
| Diluted earnings (loss) per share | (h)=(a*1million)/(f) | 1.53 | (8.81) |

At June 30, 2022, potentially dilutive ordinary shares essentially comprise shares that may be issued if all of the bonds convertible into new shares and/or exchangeable for existing shares issued by the Group (2020-2027 OCEANEs and 2021-2028 OCEANEs: see Note 18.d, "Convertible bond issues") are converted.

Note 11 - Goodwill

Goodwill breaks down as follows:

| | Dec. 31, 2021 | | | | | June 30, 2022 |
|------------------------------|---------------|--|--------------|------------|---|---------------|
| | Net | Changes in scope of consolidation ⁽¹⁾ | 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 | 349 | - | 1 | - | 5 | 355 |
| Safran Nacelles | 213 | - | - | - | - | 213 |
| Safran Engineering Services | 74 | - | - | - | - | 74 |
| Safran Electrical & Power | 702 | - | - | - | 13 | 715 |
| Safran Landing Systems | 190 | - | - | - | - | 190 |
| Safran Aerosystems | 798 | (74) | (1) | - | - | 723 |
| Safran Seats | 765 | - | - | - | 1 | 766 |
| Safran Cabin | 1,229 | - | - | - | 111 | 1,340 |
| Total | 5,068 | (74) | - | - | 130 | 5,124 |

(1) Related to the disposals described in Note 4, "Scope of consolidation".

Impairment tests

Given the health crisis and the russo-ukrainian conflict, at June 30, 2022 the Group reviewed its cash-generating units (CGUs) and carried out impairment tests on those with an indication of impairment and for which the carrying amount of their assets was close to the recoverable amount.

The impairment tests performed included the Safran Seats and Safran Cabin CGUs.

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

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

- Expected future cash flows are determined over a period consistent with the useful life of the assets in each CGU. This is generally estimated at 10 years but may be extended for businesses with longer development and production cycles.
- Operating projections used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions.

The projections and assumptions used by the Group are drawn from the medium-term business plan for the next four years, as prepared in the second half of 2021, 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 at June 30, 2022, in the absence of a new medium-term plan for 2022 (which will be prepared and validated during the second half of the year), the projections and assumptions were adjusted where necessary for any new assumptions such as delivery rates known at the reporting date, volumes, loss of service activities and inflation.

- The value in use of the CGUs is equal to the sum of these discounted expected future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year of available forecasts.
- The growth rate used to calculate terminal value was set at 2.5% (updated at June 30, 2022 – 2% in 2021).
- The average hedged USD exchange rate adopted for years 2022 to 2025 is USD 1.16 to €1. This exchange rate assumption takes 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 8% (updated at June 30, 2022 to reflect an increase in the risk premium and in market volatility – 7.5% in 2021) and is applied to post-tax cash flows.

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

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

The Group tested the sensitivity of the two CGUs tested to the following changes in the main assumptions used for its forecasts as from 2022:

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

The above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances for the Safran Seats CGU. A 0.5% increase in the discount rate would lead to the recognition of impairment before tax of €50 million against the value of the Safran Cabin CGU.

In view of the economic situation, sensitivity analyses using higher rates were performed on these CGUs for which Safran expects an upturn in business.

Additional assumptions were tested on these CGUs, as described below:

- An across-the-board decrease of 10% in future cash flows as from 2022 and in the terminal value. Based on this test, impairment before tax of €80 million would be recognized against the value of the Safran Cabin CGU.
- An across-the-board decrease of 20% in future cash flows as from 2022 and in the terminal value. The change in this assumption would lead to the recognition of impairment before tax of €502 million against the value of the Safran Seats and Safran Cabin CGUs.

Note 12 - Intangible assets

Intangible assets break down as follows:

| <i>(in € millions)</i> | Dec. 31, 2021 | | | June 30, 2022 | | |
|---------------------------|---------------|--------------------------|--------------|---------------|--------------------------|--------------|
| | Gross | Amortization /impairment | Net | Gross | Amortization /impairment | Net |
| Aircraft programs | 2,335 | (1,848) | 487 | 2,337 | (1,856) | 481 |
| Development expenditures | 6,848 | (2,966) | 3,882 | 7,017 | (3,170) | 3,847 |
| Commercial agreements | 905 | (225) | 680 | 914 | (242) | 672 |
| Software | 746 | (679) | 67 | 758 | (700) | 58 |
| Trademarks ⁽¹⁾ | 703 | - | 703 | 703 | - | 703 |
| Commercial relationships | 1,911 | (623) | 1,288 | 1,916 | (694) | 1,222 |
| Technology | 1,383 | (630) | 753 | 1,374 | (708) | 666 |
| Other | 862 | (340) | 522 | 882 | (361) | 521 |
| Total | 15,693 | (7,311) | 8,382 | 15,901 | (7,731) | 8,170 |

(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, 2021 | 15,693 | (7,311) | 8,382 |
| Capitalization of R&D expenditure ⁽¹⁾ | 135 | - | 135 |
| Capitalization of other intangible assets | 16 | - | 16 |
| Acquisitions of other intangible assets | 16 | - | 16 |
| Disposals and retirements | (114) | 33 | (81) |
| Amortization | - | (331) | (331) |
| Impairment losses recognized in profit or loss | - | (56) | (56) |
| Reclassifications | - | - | - |
| Changes in scope of consolidation | (17) | 6 | (11) |
| Foreign exchange differences | 172 | (72) | 100 |
| At June 30, 2022 | 15,901 | (7,731) | 8,170 |

(1) Including €3 million in capitalized interest on R&D expenditure at June 30, 2022 (€3 million at June 30, 2021).

Research and development expenditure recognized in recurring operating income for the period totaled €438 million including amortization (€403 million in first-half 2021). 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 €127 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €19 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, 2022 on assets allocated to programs, projects or product families were based on the approach described in section 3.1, Note 3.m of the 2021 Universal Registration Document.

Expected future cash flows were updated to reflect the latest information available at the reporting date. An 8% 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, 2022, intangible assets relating to various aircraft programs were written down by €70 million, mainly due to the situation in Russia. The write-down was recognized in non-recurring operating income.

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.

Note 13 - Property, plant and equipment

Property, plant and equipment break down as follows:

| <i>(in € millions)</i> | Dec. 31, 2021 | | | June 30, 2022 | | |
|---|---------------|--------------------------|--------------|---------------|--------------------------|--------------|
| | Gross | Depreciation /impairment | Net | Gross | Depreciation /impairment | Net |
| Land | 225 | - | 225 | 226 | - | 226 |
| Buildings | 2,212 | (1,162) | 1,050 | 2,344 | (1,252) | 1,092 |
| Technical facilities, equipment and tooling | 6,661 | (4,684) | 1,977 | 6,822 | (4,892) | 1,930 |
| Assets in progress, advances | 510 | (63) | 447 | 577 | (65) | 512 |
| Site development and preparation costs | 78 | (44) | 34 | 79 | (46) | 33 |
| Buildings on land owned by third parties | 91 | (48) | 43 | 97 | (48) | 49 |
| Computer hardware and other equipment | 713 | (552) | 161 | 702 | (574) | 128 |
| Total | 10,490 | (6,553) | 3,937 | 10,847 | (6,877) | 3,970 |

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

| <i>(in € millions)</i> | Gross | Depreciation /impairment | Net |
|--|---------------|--------------------------|--------------|
| At December 31, 2021 | 10,490 | (6,553) | 3,937 |
| Internally produced assets | 22 | - | 22 |
| Additions | 241 | - | 241 |
| Disposals and retirements | (101) | 72 | (29) |
| Depreciation ⁽¹⁾ | - | (300) | (300) |
| Impairment losses recognized in profit or loss | - | 6 | 6 |
| Reclassifications | 36 | (11) | 25 |
| Changes in scope of consolidation | (4) | 3 | (1) |
| Foreign exchange differences | 163 | (94) | 69 |
| At June 30, 2022 | 10,847 | (6,877) | 3,970 |

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

Note 14 - Leases

14.a. RIGHT-OF-USE ASSETS

Right-of-use assets break down as follows:

| <i>(in € millions)</i> | Dec. 31, 2021 | | | June 30, 2022 | | |
|---|---------------|--------------------------|------------|---------------|--------------------------|------------|
| | Gross | Depreciation /impairment | Net | Gross | Depreciation /impairment | Net |
| Right-of-use assets relating to property | 815 | (225) | 590 | 818 | (245) | 573 |
| Right-of-use assets relating to transport equipment | 7 | (3) | 4 | 7 | (3) | 4 |
| Right-of-use assets relating to other assets | 20 | (8) | 12 | 20 | (9) | 11 |
| Total | 842 | (236) | 606 | 845 | (257) | 588 |

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

| <i>(in € millions)</i> | Gross | Depreciation /impairment | Net |
|-----------------------------------|------------|--------------------------|------------|
| At December 31, 2021 | 842 | (236) | 606 |
| Increases | 49 | - | 49 |
| Disposals and retirements | (44) | 32 | (12) |
| Depreciation | - | (50) | (50) |
| Reclassifications | (34) | 7 | (27) |
| Changes in scope of consolidation | (1) | - | (1) |
| Foreign exchange differences | 33 | (10) | 23 |
| At June 30, 2022 | 845 | (257) | 588 |

14.b. LEASE LIABILITIES

The maturity of lease liabilities can be analyzed as follows at June 30, 2022:

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|--|---------------|---------------|
| Maturing in: | | |
| 1 year or less | 97 | 101 |
| More than 1 year and less than 5 years | 310 | 334 |
| Beyond 5 years | 202 | 178 |
| Total | 609 | 613 |

14.c. LEASE ITEMS PRESENTED IN THE INCOME STATEMENT

In first-half 2022, rental expenses recognized in “Profit from operations” (see Note 7, “Breakdown of the other main components of profit from operations”) under “External services” totaled €45 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 2022 (see Note 8, “Financial income (loss)”).

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

In first-half 2022, 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 used in financing activities”. They 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, 2021 | | | June 30, 2022 | | |
|------------------------------|---------------|------------|------------|---------------|------------|--------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Non-consolidated investments | | | 267 | | | 254 |
| Other financial assets | 642 | (117) | 525 | 1,159 | (137) | 1,022 |
| Total | | | 792 | | | 1,276 |

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 first-half 2022.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|-------------------------------------|---------------|---------------|
| Loans to non-consolidated companies | 126 | 95 |
| Loans to employees | 36 | 36 |
| Deposits and guarantees | 16 | 18 |
| Other ⁽¹⁾ | 347 | 873 |
| Total | 525 | 1,022 |
| Non-current | 421 | 492 |
| Current | 104 | 530 |

(1) Including €400 million in investments at June 30, 2022 that do not qualify as cash and cash equivalents (€200 million at December 31, 2021).

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

The table below shows movements in other financial assets:

| <i>(in € millions)</i> | |
|---|--------------|
| At December 31, 2021 | 525 |
| Increase | 444 |
| Decrease | (12) |
| Impairment (reversals/additions) | (8) |
| Effect of changes in foreign exchange rates | 15 |
| Reclassifications | 58 |
| At June 30, 2022 | 1,022 |

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, 2021 | June 30, 2022 |
|------------------------|----------------------|----------------------|
| Associates | - | - |
| ArianeGroup | 1,300 | 1,272 |
| Other joint ventures | 669 | 720 |
| Total | 1,969 | 1,992 |

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

| <i>(in € millions)</i> | |
|---|--------------|
| At December 31, 2021 | 1,969 |
| Share in profit (loss) from ArianeGroup | (8) |
| Share in profit from other joint ventures | 24 |
| Joint venture impairment losses | (58) |
| Dividends received from joint ventures | (22) |
| Changes in scope of consolidation | (15) |
| Foreign exchange differences | 69 |
| Other movements | 33 |
| At June 30, 2022 | 1,992 |

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, 2021 | June 30, 2022 |
|---|---------------|---------------|
| Non-current assets | 1,686 | 1,632 |
| Current assets | 6,407 | 6,417 |
| <i>of which: cash and cash equivalents</i> | 1,223 | 1,175 |
| Non-current liabilities | (1,008) | (931) |
| <i>of which: non-current financial liabilities</i> | (423) | (369) |
| Current liabilities | (7,423) | (7,387) |
| <i>of which: current financial liabilities</i> | (129) | (32) |
| Non-controlling interests | (10) | 7 |
| Net assets held for sale | 32 | 31 |
| Net assets of ArianeGroup (excl. goodwill and PPA) – Attributable to owners of the parent (based on a 100% interest) | (316) | (231) |
| Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest) | (158) | (115) |
| Purchase price allocation, net of deferred taxes | 282 | 211 |
| Safran equity share – Net assets of ArianeGroup | 124 | 96 |
| Goodwill | 1,176 | 1,176 |
| Carrying amount of investment in ArianeGroup | 1,300 | 1,272 |

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|--|-----------------|-----------------|
| Profit for the period attributable to owners of the parent | 20 | 8 |
| Other comprehensive income (expense) | (5) | 77 |
| Total comprehensive income attributable to owners of the parent | 15 | 85 |
| Safran equity share – Profit for the period | 10 | 4 |
| Amortization of purchase price allocation, net of deferred taxes | (15) | (12) |
| Safran equity share – Profit (loss) of ArianeGroup | (5) | (8) |
| Impairment losses | (124) | (58) |
| Safran equity share – Other comprehensive income (expense) | (3) | 38 |
| Safran equity share – Comprehensive income (expense) of ArianeGroup | (132) | (28) |

ArianeGroup did not pay any dividends in 2022.

ArianeGroup is strongly impacted by the russo-ukrainian crisis. All Soyouz flights operated by Arianespace and Starsem have been canceled since the start of the conflict on February 24, 2022.

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

Since the above events are indications of impairment, at June 30, 2022 the Company carried out an impairment test on its equity-accounted investments.

The growth rate used to calculate terminal value was set at 2%, unchanged from 2021. The benchmark discount rate used was 8%, up 0.5% compared with 2021.

Based on this test, the recoverable amount of the equity-accounted investments is equal to their carrying amount in the Group's consolidated financial statements.

The Group analyzed the sensitivity of the investments to a 0.5% increase in the benchmark discount rate used (i.e., a rate of 8.5%). Based on this test, the change in this assumption would lead the Group to write down the value of equity-accounted investments in its financial statements by approximately €115 million.

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 €58 million representing all the remaining assets of the program was recognized within non-recurring operating income.

In addition, ArianeGroup has entered into exclusive negotiations with MBDA and Safran for the sale of its 63% majority stake in Compagnie Industrielle des Lasers (CILAS). In accordance with IFRS 5, ArianeGroup has classified the corresponding net assets as net assets held for sale.

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

| <i>(in € millions)</i> | First-half 2021 | First-half 2022 |
|-----------------------------------|-----------------|-----------------|
| Profit for the period | 41 | 24 |
| Impairment losses | - | - |
| Other comprehensive income | 18 | 55 |
| Total comprehensive income | 59 | 79 |

Note 17 - Cash and cash equivalents

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

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|------------------------|---------------|---------------|
| Money-market funds | 92 | 92 |
| Term deposits | 3,266 | 4,641 |
| Sight deposits | 1,889 | 1,475 |
| Total | 5,247 | 6,208 |

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

Term deposits at June 30, 2022 include €1,815 million in investments falling within the scope of master agreements governing the subscription of over-the-counter derivatives with bank counterparties (see section 3.1, Note 24 of the 2021 Universal Registration Document).

The table below presents changes in cash and cash equivalents:

| <i>(in € millions)</i> | |
|------------------------------|--------------|
| At December 31, 2021 | 5,247 |
| Movements during the period | 945 |
| Foreign exchange differences | 16 |
| At June 30, 2022 | 6,208 |

Note 18 - Consolidated shareholders' equity

18.a. SHARE CAPITAL

At June 30, 2022, Safran's share capital amounted to €85,448,488, comprising 427,242,440 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, 2021

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

(1) Exercisable voting rights.

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

June 30, 2022

| Shareholders | Number of shares | % share capital | Number of voting rights ⁽¹⁾ | % voting rights ⁽¹⁾ |
|--------------------------|--------------------|-----------------|--|--------------------------------|
| Free float | 349,025,696 | 81.69% | 395,614,637 | 72.04% |
| French State | 47,983,131 | 11.23% | 95,966,262 | 17.48% |
| Employees ⁽²⁾ | 29,819,026 | 6.98% | 57,578,234 | 10.48% |
| Treasury shares | 414,587 | 0.10% | - | - |
| Total | 427,242,440 | 100.00% | 549,159,133 | 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 414,587 treasury shares have no voting rights.

Treasury shares

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

- the delivery of a total of 116,939 shares under a multi-year variable compensation plan and employee shareholding plans;
- the purchase of 75,361 shares under the Group's liquidity agreement, net of shares sold.

The Annual General Meeting has authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.

An authorization granted by the Annual General Meeting of May 25, 2022 and valid for 18 months set the maximum purchase price at €165 per share, thereby superseding the authorization granted by the Annual General Meeting of May 26, 2021.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, in first-half 2022 the Company purchased 1,920,787 shares for €199 million and sold 1,845,426 shares for €194 million.

At June 30, 2022, 319,240 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 2021 Universal Registration Document).

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

Key details of outstanding performance share plans at June 30, 2022 are shown below:

| | 2020 performance shares | 2021 performance shares | 2022 performance shares |
|--|-------------------------------|-------------------------------|-------------------------------|
| Shareholder authorization | May 23, 2019 | May 23, 2019 | May 26, 2021 |
| Grant date by the Board of Directors | March 26, 2020 | March 24, 2021 | March 24, 2022 |
| Vesting date | March 27, 2023 | March 26, 2024 | March 24, 2025 |
| Share price at the grant date | €91.92 | €116.65 | €104.56 |
| Number of beneficiaries at the grant date | 797 | 760 | 964 |
| Number of performance shares granted | 760,500 | 730,940 | 784,171 |
| Number of shares canceled or forfeited | (98,507) | (29,995) | - |
| Number of performance shares outstanding at June 30, 2022 | 661,993 | 700,945 | 784,171 |

The share-based payment expense for these performance share plans, recognized within personnel costs under "Other employee costs", totaled €15.8 million in first-half 2022 (€15 million in first-half 2021).

18.d. CONVERTIBLE BOND ISSUES

2020-2027 OCEANES

On May 15, 2020, Safran issued 7,391,665 bonds convertible into new shares and/or exchangeable for existing shares ("OCEANES") (the "initial bonds"), each with a par value of €108.23, i.e., representing a total nominal amount of €800 million. The 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 price of €218 million.

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

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

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

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

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

The bonds come with an early redemption option that the bearer may trigger in the event of a change of control and that the issuer may trigger if (i) as from June 5, 2024, the share price multiplied by the bond conversion ratio exceeds 130% of the par value of the bonds or (ii) at any time, the number of bonds outstanding represents less than 20% of the number of bonds originally issued.

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

OCEANEs are deemed a hybrid instrument comprising equity and debt.

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

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

2021-2028 OCEANEs

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

The bonds do not carry any coupon.

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

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

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

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

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

OCEANEs are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €712 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 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 for first-half 2021).

18.e. DIVIDEND DISTRIBUTION

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

Note 19 - Provisions

Provisions break down as follows:

| <i>(in € millions)</i> | Dec. 31, 2021 | Reversals | | | | | Changes in scope of consolidation | Other | June 30, 2022 |
|--|------------------|------------|-----------------------------|----------------------------------|------------------------|----------|---|--------------|------------------|
| | | Additions | Utilizations ⁽¹⁾ | Reclassifications ⁽¹⁾ | Surplus ⁽²⁾ | | | | |
| Performance warranties | 1,155 | 157 | (84) | - | (37) | - | 7 | 1,198 | |
| Financial guarantees | 2 | 6 | (2) | - | - | - | (6) | - | |
| Post-employment benefits ⁽³⁾ | 778 | 36 | (30) | - | (13) | - | (140) | 631 | |
| Sales agreements | 169 | 43 | (14) | - | (2) | - | 5 | 201 | |
| Provisions for losses on completion and losses arising on delivery commitments | 323 | 28 | (16) | - | (1) | - | (2) | 332 | |
| Disputes and litigation | 31 | 6 | (3) | - | (1) | - | - | 33 | |
| Other | 398 | 63 | (77) | - | (45) | - | 5 | 344 | |
| Total | 2,856 | 339 | (226) | - | (99) | - | (131) | 2,739 | |
| Non-current | 1,798 | | | | | | | 1,790 | |
| Current | 1,058 | | | | | | | 949 | |

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

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

(3) Of which a negative €140 million within "Other", corresponding to the impact of changes in the discount and inflation rates, which is recorded through equity.

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

| <i>(in € millions)</i> | First-half 2022 |
|---|--------------------|
| <i>Additions (-)/Reversals (+) recognized in recurring operating income with income statement impact</i> | (153) |
| <i>Utilization of provisions against operating expenses and therefore with no income statement impact</i> | 212 |
| <i>Additions (-)/Reversals (+) recognized in non-recurring operating income</i> | 2 |
| <i>Additions (-)/Reversals (+) recognized in financial income (loss)</i> | (75) |
| Total | (14) |

Movements in provisions had a €153 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, 2021 | 327 |
| New advances received | - |
| Advances repaid | (17) |
| Sub-total: changes with a cash impact | (17) |
| Cost of borrowings and discounting | 6 |
| Foreign exchange differences | 1 |
| Other | 8 |
| Adjustments to the probability of repayment of advances | - |
| Sub-total: changes with no cash impact | 15 |
| At June 30, 2022 | 325 |

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, 2021 | June 30, 2022 |
|---|---------------|---------------|
| Bond issue | 1,599 | 1,630 |
| Convertible bonds (OCEANEs) | 1,684 | 1,684 |
| Senior unsecured notes (USPP) | 1,014 | 1,029 |
| Lease liabilities | 512 | 512 |
| Long-term borrowings | 285 | 579 |
| Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception) | 5,094 | 5,434 |
| Senior unsecured notes (USPP) | 485 | - |
| Lease liabilities | 97 | 101 |
| Long-term borrowings | 359 | 553 |
| Accrued interest not yet due | 9 | 8 |
| Current interest-bearing financial liabilities, long-term at inception | 950 | 662 |
| Negotiable European Commercial Paper (NEU CP) | 100 | 80 |
| Short-term bank facilities and equivalent | 670 | 451 |
| Current interest-bearing financial liabilities, short-term at inception | 770 | 531 |
| Total current interest-bearing financial liabilities (less than 1 year) | 1,720 | 1,193 |
| Total interest-bearing financial liabilities⁽¹⁾ | 6,814 | 6,627 |

(1) The fair value of interest-bearing financial liabilities amounts to €6,413 million (€6,942 million at December 31, 2021).

Movements in this caption break down as follows:

| <i>(in € millions)</i> | |
|---|--------------|
| At December 31, 2021 | 6,814 |
| Increase in long-term borrowings at inception (excluding lease liabilities) | 514 |
| Decrease in long-term borrowings at inception | (539) |
| Change in short-term borrowings | (249) |
| Sub-total: changes with a cash impact | (274) |
| Net increase in lease liabilities | 37 |
| Accrued interest | (1) |
| Changes in scope of consolidation | (1) |
| Foreign exchange differences | 90 |
| Change in the fair value of borrowings hedged with interest rate instruments ⁽¹⁾ | (34) |
| Reclassifications and other | (4) |
| Sub-total: changes with no cash impact | 87 |
| At June 30, 2022 | 6,627 |

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

Analysis by maturity:

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|--|---------------|---------------|
| Maturing in: | | |
| 1 year or less | 1,720 | 1,193 |
| More than 1 year and less than 5 years | 1,949 | 2,745 |
| Beyond 5 years ⁽¹⁾ | 3,145 | 2,689 |
| Total | 6,814 | 6,627 |

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

Analysis by currency before hedging:

| <i>(in millions of currency units)</i> | Dec. 31, 2021 | | June 30, 2022 | |
|--|---------------|--------------|---------------|--------------|
| | Currency | EUR | Currency | EUR |
| EUR | 4,841 | 4,841 | 5,352 | 5,352 |
| USD | 2,038 | 1,801 | 1,146 | 1,103 |
| CAD | 8 | 6 | 8 | 6 |
| GBP | 26 | 31 | 25 | 29 |
| Other | N/A | 135 | N/A | 137 |
| Total | | 6,814 | | 6,627 |

Analysis by currency after hedging:

| <i>(in millions of currency units)</i> | Dec. 31, 2021 | | June 30, 2022 | |
|--|---------------|--------------|---------------|--------------|
| | Currency | EUR | Currency | EUR |
| EUR | 6,056 | 6,056 | 6,087 | 6,087 |
| USD | 662 | 586 | 381 | 368 |
| CAD | 8 | 6 | 8 | 6 |
| GBP | 26 | 31 | 25 | 29 |
| Other | N/A | 135 | N/A | 137 |
| Total | | 6,814 | | 6,627 |

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, 2021 | June 30, 2022 | Dec. 31, 2021 | | June 30, 2022 | | Dec. 31, 2021 | | June 30, 2022 | |
| | Base | Base | Base | Average interest rate | Base | Average interest rate | Base | Average interest rate | Base | Average interest rate |
| Fixed rate | 6,323 | 6,136 | 4,963 | 1.61% | 5,309 | 1.52% | 1,360 | 1.65% | 827 | 0.87% |
| Floating rate | 491 | 491 | 131 | 1.36% | 125 | 1.37% | 360 | 1.00% | 366 | 0.98% |
| Total | 6,814 | 6,627 | 5,094 | 1.60% | 5,434 | 1.52% | 1,720 | 1.51% | 1,193 | 0.90% |

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

| | Total | | Non-current | | | | Current | | | |
|------------------------|---------------|---------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|
| | Dec. 31, 2021 | June 30, 2022 | Dec. 31, 2021 | Average interest rate | June 30, 2022 | Average interest rate | Dec. 31, 2021 | Average interest rate | June 30, 2022 | Average interest rate |
| <i>(in € millions)</i> | Base | Base | Base | Average interest rate | Base | Average interest rate | Base | Average interest rate | Base | Average interest rate |
| Fixed rate | 6,116 | 5,932 | 4,756 | 1.24% | 5,105 | 1.17% | 1,360 | 0.67% | 827 | 0.87% |
| Floating rate | 698 | 695 | 338 | 1.13% | 329 | 1.18% | 360 | 1.00% | 366 | 0.98% |
| Total | 6,814 | 6,627 | 5,094 | 1.23% | 5,434 | 1.17% | 1,720 | 0.74% | 1,193 | 0.90% |

The Group's net debt position is as follows:

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|---|----------------|---------------|
| Cash and cash equivalents (A) | 5,247 | 6,208 |
| Interest-bearing financial liabilities (B) | 6,814 | 6,627 |
| Fair value of interest rate derivatives used as fair value hedges of borrowings (C) | 23 | (6) |
| Total (A) – (B) + (C) | (1,544) | (425) |

The Group's gearing ratio is shown below:

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|------------------------|---------------|---------------|
| Net debt | (1,544) | (425) |
| Total equity | 13,270 | 10,046 |
| Gearing ratio | 11.64% | 4.23% |

MAIN LONG-TERM BORROWINGS AT INCEPTION

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

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

At June 30, 2022, the average interest rate of the issue came out at 1.76% after taking into account the impact of interest rate derivatives.

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

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

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

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

- Issuance on April 11, 2014 of 10-year, 2.875% fixed-rate bonds for €200 million (maturing in April 2024). The bonds were issued at 99.529% of par. A floating-rate swap was set up on the issue. The effective coupon in first-half 2022 was 1.061% 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 on March 10, 2016 and falling due on March 10, 2023, on which €180 million was outstanding at June 30, 2022 at an adjustable rate of 2.902%.
- Bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") on May 15, 2020 for a nominal amount of €800 million. The bonds bear interest at 0.875% and were offered at an issue price representing 100% of par, or a gross yield to maturity at the issue date of 0.875%. Unless converted, redeemed or repurchased and canceled prior to maturity, the bonds are redeemable at par on May 15, 2027. The effective annual interest rate on the liability component of the OCEANEs is 1.63% including issuance fees (see Note 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 at the issue date of 0.419%. The bonds carry the same terms and conditions as those issued on May 15, 2020, with which they are fully fungible and with which they form a single series. The effective annual interest rate on the liability component of the OCEANEs issued on October 12, 2020 is 1.154% including issuance fees (see Note 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 at the issue date of 0.50%. Unless converted, redeemed or repurchased and canceled prior to maturity, the bonds are redeemable at par on April 1, 2028. The effective annual interest rate on the liability component of the OCEANEs is 0.38% including issuance fees (see Note 18.d, "Convertible bond issues").
- A bank loan from the European Investment Bank (EIB) for €500 million, at a fixed rate of 1.091%. It was signed on March 4, 2021 and drawn down in full on February 21, 2022 for 10 years (maturing in February 2032). The loan is being used to finance some of the Group's research into innovative propulsion systems for the next generation of single-aisle commercial aircraft, marking a major step forward in Safran's roadmap towards achieving carbon free air transportation.
- Negotiable European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €409 million at June 30, 2022. The average interest rate payable by Safran on this commercial paper was 0.95% at June 30, 2022. The sums managed by the corporate mutual fund and reinvested in Safran NEU CP are frozen for an initial period of five years. In view of the fund's commitments, the NEU CP is classified within long-term borrowings. At June 30, 2022, 84% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 84% of the €409 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 €613 million at June 30, 2022.

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

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

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

MAIN SHORT-TERM BORROWINGS

- Negotiable European Commercial Paper (NEU CP): €80 million (€100 million at December 31, 2021), reflecting the priority given to longer-term debt instruments.
- Financial current accounts with non-consolidated subsidiaries and joint ventures: €313 million (€328 million at December 31, 2021). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

SALE OF RECEIVABLES WITHOUT RECOURSE

Net debt at both June 30, 2022 and December 31, 2021 does not include the following trade receivables sold without recourse 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, reduced to USD 675 million in December 2021, and then increased to USD 1,065 million in June 2022, had been drawn in an amount of USD 401 million at June 30, 2022 (USD 200 million based on a 50% interest), versus USD 29 million at December 31, 2021 (USD 14.5 million based on a 50% interest).

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

Note 22 - Other current and non-current financial liabilities

| | Dec. 31, 2021 | Movements during the period | Changes in scope of consolidation | Foreign exchange differences | Reclassifications | June 30, 2022 |
|--|------------------|-----------------------------------|---|------------------------------------|-------------------|------------------|
| <i>(in € millions)</i> | | | | | | |
| Payables on purchases of property, plant and equipment and intangible assets | 176 | (2) | - | - | - | 174 |
| Payables on purchases of investments | 2 | - | - | - | - | 2 |
| Total | 178 | (2) | - | - | - | 176 |
| Non-current | 116 | | | | | 75 |
| Current | 62 | | | | | 101 |

These liabilities are not included in the Group's net financial position at June 30, 2022.

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, 2021 | | June 30, 2022 | |
|---|---------------|----------------|---------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Interest rate risk management | 23 | (8) | 6 | (6) |
| Floating-for-fixed interest rate swaps | - | (8) | 6 | - |
| Fixed-for-floating interest rate swaps | 23 | - | - | (6) |
| Foreign currency risk management | 705 | (1,788) | 570 | (7,145) |
| Currency swaps | - | (3) | 65 | - |
| Purchase and sale of forward currency contracts | 101 | (68) | 124 | (265) |
| Currency option contracts | 604 | (1,717) | 381 | (6,880) |
| Total | 728 | (1,796) | 576 | (7,151) |

All derivatives are categorized within Level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2021).

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 4 billion in first-half 2022 (USD 3 billion in first-half 2021).

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 adverse monetary environment.

HEDGING POLICY

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

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

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

MANAGEMENT POLICY

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

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

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

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

| <i>(in millions of currency units)</i> | Dec. 31, 2021 | | | | June 30, 2022 | | | |
|--|---------------------------|--------------------------------|------------------|--------------|---------------------------|--------------------------------|------------------|--------------|
| | Fair value ⁽¹⁾ | Notional amount ⁽¹⁾ | Less than 1 year | 1 to 5 years | Fair value ⁽¹⁾ | Notional amount ⁽¹⁾ | Less than 1 year | 1 to 5 years |
| Forward exchange contracts | 33 | | | | (141) | | | |
| Short USD position | (34) | 629 | 629 | - | (242) | 3,295 | 2,886 | 409 |
| <i>Of which against EUR</i> | <i>(34)</i> | <i>629</i> | <i>629</i> | <i>-</i> | <i>(242)</i> | <i>3,295</i> | <i>2,886</i> | <i>409</i> |
| Long USD position | (7) | (163) | (163) | - | 1 | (200) | (200) | - |
| <i>Of which against EUR</i> | <i>(7)</i> | <i>(163)</i> | <i>(163)</i> | <i>-</i> | <i>1</i> | <i>(200)</i> | <i>(200)</i> | <i>-</i> |
| Long GBP position against EUR | 37 | (249) | (202) | (47) | 32 | (249) | (249) | - |
| Short GBP position against EUR | - | - | - | - | - | - | - | - |
| Long CAD position against EUR | 12 | (89) | (89) | - | 17 | (104) | (104) | - |
| Short CAD position against EUR | - | - | - | - | (6) | 43 | 43 | - |
| Long MXN position against EUR | 25 | (16,304) | (10,066) | (6,238) | 72 | (17,412) | (9,745) | (7,667) |
| Short MXN position against EUR | - | - | - | - | (15) | 5,302 | 5,302 | - |
| Currency swaps | (3) | | | | 65 | | | |
| Cross currency swaps | (3) | (1,359) | (540) | (819) | 65 | (819) | - | (819) |
| Currency option contracts | (1,113) | | | | (6,499) | | | |
| USD put purchased against EUR | 404 | 37,143 | 34,483 | 2,660 | 159 | 39,940 | 38,660 | 1,280 |
| USD call purchased against EUR | 29 | (1,200) | (1,200) | - | 47 | (1,650) | (1,650) | - |
| USD put sold against EUR | (1) | (400) | (400) | - | (5) | (1,775) | (1,475) | (300) |
| USD call sold against EUR | (1,430) | 79,886 | 74,566 | 5,320 | (6,444) | 103,079 | 100,819 | 2,260 |
| CAD call purchased against EUR | 44 | (645) | (645) | - | 13 | (647) | (391) | (257) |
| CAD put sold against EUR | - | (1,202) | (1,202) | - | (3) | (1,208) | (698) | (510) |
| GBP call purchased against EUR | 55 | (552) | (552) | - | 41 | (553) | (553) | - |
| GBP put sold against EUR | (1) | (826) | (826) | - | (11) | (1,107) | (1,107) | - |
| MXN call purchased against EUR | 1 | (3,306) | (1,380) | (1,926) | 8 | (5,050) | (1,380) | (3,670) |
| MXN put sold against EUR | (20) | (6,613) | (2,760) | (3,853) | (9) | (10,100) | (2,760) | (7,340) |
| Accumulators – sell USD for EUR ⁽²⁾ | 10 | 2,323 | 863 | 1,461 | (285) | 6,212 | 1,670 | 4,543 |
| Accumulators – buy USD for EUR ⁽²⁾ | (204) | (4,190) | (2,805) | (1,385) | (10) | (3,594) | (1,198) | (2,396) |
| Total | (1,083) | | | | (6,575) | | | |

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

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

In the balance sheet, changes in the fair value of outstanding currency hedging instruments between December 31, 2021 and June 30, 2022 represent a negative €5,492 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 exposure to fluctuations in interest rates covers two types of risk:

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

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

EXPOSURE TO EUR INTEREST RATE RISK

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

These swaps are eligible for fair value hedge accounting.

| <i>(in € millions)</i> | Dec. 31, 2021 | | | | | June 30, 2022 | | | | |
|----------------------------|---------------|---------------------|------------------|--------------|-------------------|---------------|---------------------|------------------|--------------|-------------------|
| | Fair value | Notional amount (€) | Less than 1 year | 1 to 5 years | More than 5 years | Fair value | Notional amount (€) | Less than 1 year | 1 to 5 years | More than 5 years |
| Interest rate swaps | | | | | | | | | | |
| Fixed-for-floating | 8 | 200 | - | 200 | - | - | 200 | - | 200 | - |
| Total | 8 | | | | | - | | | | |

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the outstanding tranche of the US private placement (USPP) issued on February 9, 2012 was converted to a floating rate at inception. A floating-rate borrower/fixed-rate lender USD swap was set up on this 12-year tranche for USD 505 million. This swap is eligible for fair value hedge accounting.

In March 2019, this 12-year tranche for USD 505 million was reset to euros by means of a cross currency swap (USD floating-rate lender/EUR fixed-rate borrower).

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

| <i>(in € millions)</i> | Dec. 31, 2021 | | | | | June 30, 2022 | | | | |
|--------------------------------|---------------|-----------------------|------------------|--------------|-------------------|---------------|-----------------------|------------------|--------------|-------------------|
| | Fair value | Notional amount (USD) | Less than 1 year | 1 to 5 years | More than 5 years | Fair value | Notional amount (USD) | Less than 1 year | 1 to 5 years | More than 5 years |
| USD interest rate swaps | | | | | | | | | | |
| Fixed-for-floating | 15 | 1,045 | 540 | 505 | - | (6) | 505 | - | 505 | - |
| Floating-for-fixed | (8) | 1,359 | 540 | 505 | 314 | 6 | 819 | - | 505 | 314 |
| Total | 7 | | | | | - | | | | |

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

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

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

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

Credit facilities are taken out with top-tier banks.

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

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 that it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

At June 30, 2022, consolidated cash and cash equivalents amounted to €6,208 million.

In first-half 2022:

- Tranche 2 of the USPP issued on February 9, 2012 was redeemed at its maturity on February 9, 2022 for USD 540 million.
- On February 21, 2022, Safran drew down the entire €500 million loan granted by the European Investment Bank (EIB) on March 4, 2021.
- For more information on the above operations, see Note 21, "Interest-bearing financial liabilities".

On May 2, 2022, Safran also signed an agreement for a €2 billion revolving credit facility, available until May 2027. At June 30, 2022, the new liquidity line was undrawn. It includes two successive one-year extension options, which have not yet been exercised. The financial terms and conditions of the liquidity line are indexed to the achievement by the Group of two sustainable development criteria: CO₂ emissions (Scopes 1 and 2) and the proportion of women among senior executives. The new liquidity line replaces the €2.52 billion liquidity line set up in December 2015, which was due to expire in December 2022 and was terminated in advance at the same time as the new line was set up.

Issues of senior unsecured notes on the US private placement market (USPP) on February 9, 2012 and June 29, 2020 are subject to a financial covenant which states that the net debt to EBITDA ratio must be 2.5 or less (see Note 21, "Interest-bearing financial liabilities"). The covenant is tested every six months and the Group complied with the applicable ratio at June 30, 2022.

The following annual covenant applies to the euro private placement ("Euro PP") in the form of a syndicated loan, set up by the former Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years (see Note 21, "Interest-bearing financial liabilities"): net debt to EBITDA ratio of 3.5 or less. The Group complied with the covenant at June 30, 2022.

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

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

Note 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 2021 | First-half 2022 |
|--|-----------------|-----------------|
| Sales to related parties other than joint ventures | 2,023 | 2,126 |
| Purchases from related parties other than joint ventures | (47) | (48) |

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|---|---------------|---------------|
| Amounts receivable from related parties other than joint ventures | 2,380 | 2,157 |
| Amounts payable to related parties other than joint ventures | 2,755 | 3,101 |

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|---|---------------|---------------|
| Commitments given to related parties other than joint ventures ⁽¹⁾ | 2,256 | 2,382 |

(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 2021 | First-half 2022 |
|--|-----------------|-----------------|
| Sales to joint ventures ⁽¹⁾ | 55 | 139 |
| Purchases from joint ventures | (33) | (35) |

(1) Mainly with Shannon Engine Support Limited.

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|--|---------------|---------------|
| Amounts receivable from joint ventures | 230 | 323 |
| Amounts payable to joint ventures | 51 | 57 |

| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
|-------------------------------------|---------------|---------------|
| Commitments given to joint ventures | 389 | 382 |

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, 2021 | June 30, 2022 |
|---|---------------|---------------|
| Purchase commitments on intangible assets | 10 | 11 |
| Purchase commitments on property, plant and equipment | 120 | 135 |
| Guarantees given in connection with the performance of operating agreements | 6,290 | 6,682 |
| Lease commitments | 75 | 101 |
| Financial guarantees granted on the sale of Group products | 10 | 9 |
| Other commitments given | 706 | 722 |
| Total | 7,211 | 7,660 |

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".

Offset obligations

In some countries, as a condition to the Group securing major contracts, it may be required to fulfill direct, semi-direct or indirect local offset obligations, as required by law or regulations. This is particularly the case in the defense industry.

Failure to meet these obligations within the required timeframe may lead to penalties for the Group, which may, in some case, not discharge the obligation. When there are doubts as to the Group's ability to meet its obligations, a provision is recognized as a deduction from revenue in the amount of the penalty stipulated in the contract.

Lease commitments

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

Financial guarantees granted on the sale of Group products

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

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 9 million at June 30, 2022 (USD 11 million at December 31, 2021), or €9 million

(€9 million at December 31, 2021). However, these amounts do not reflect the actual risk to which Safran is exposed. In view of the value of the underlying assets pledged as security, the net exposure represents USD 1 million at June 30, 2022 (USD 2 million at December 31, 2021), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 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 €35 million at June 30, 2022.

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, the Group, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs (see Note 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, 2021 | June 30, 2022 |
|--|---------------|---------------|
| Commitments received from banks on behalf of suppliers | 9 | 8 |
| Completion warranties | 7 | 5 |
| Endorsements and guarantees received | 1 | 1 |
| Other commitments received | 54 | 52 |
| Total | 71 | 66 |

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 | | |
| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
| Vendor warranties given ⁽¹⁾ | 216 | 221 |
| <small>(1) Vendor warranties, the amount of which may be fixed or determinable.</small> | | |
| (ii) Vendor warranties received | | |
| <i>(in € millions)</i> | Dec. 31, 2021 | June 30, 2022 |
| Vendor warranties received | - | - |

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

In connection with the sale of the Identity and Security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at June 30, 2022, as well as a specific indemnity capped at BRL 200 million (€37 million) at June 30, 2022 to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

Guarantees given in connection with acquisitions

None.

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 syndicated credit facility for €2 billion, set up in May 2022 and undrawn at June 30, 2022 (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 the implementation of its compliance program, Safran detected a situation with regards to an activity within a company belonging to the former Zodiac Aerospace business scope acquired in 2018. The activity was sold on June 1, 2021.

After having conducted its internal investigation, Safran concluded that suspicion of non-compliance during a period between 2004 and 2015 could not be ruled out. Safran decided to self-disclose the matter to the competent authorities in Germany and the United States in accordance with applicable regulations and in France. The authorities in each of the countries concerned have opened an investigation. Safran is still waiting to find out what position the authorities will adopt. To date, it is not therefore possible to determine what decision the authorities will 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

- Acquisition of Orolia

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

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

Orolia is one of the world leaders in Resilient Positioning, Navigation and Timing (PNT) solutions which improve the reliability, performance and safety of critical civilian, military and space operations, including in harsh or altered Global Navigation Satellite System (GNSS) environments. Orolia generates revenue of around €100 million.



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