

# BOARD OF DIRECTORS' REPORT ON THE CONVERSION OF CLASS A PREFERRED SHARES INTO ORDINARY SHARES

## CONVERSION OF CLASS A PREFERRED SHARES INTO ORDINARY SHARES ADDITIONAL REPORT OF THE BOARD OF DIRECTORS (Article R.228-18 of the French Commercial Code)

To the Shareholders,

In accordance with Article R.228-18 of the French Commercial Code (*Code de commerce*), we hereby report to you on the automatic conversion of the Company's class A preferred shares into ordinary shares, on February 13, 2021.

### 1) Legal framework of the transaction

Annual General Meeting of June 15, 2017

In the 32<sup>nd</sup> resolution of the June 15, 2017 Extraordinary Shareholders' Meeting, in accordance with Articles L.228-11 *et seq.* of the French Commercial Code, the shareholders:

- resolved, subject to the use by the Board of Directors of the authorization granted by said Meeting under the 33<sup>rd</sup> resolution, to create a new class of preferred shares ("Class A Preferred Shares");
- resolved that the issue of Class A Preferred Shares could only be decided in the context of an issue, without pre-emptive subscription rights, in the event of a public exchange offer initiated by the Company, in accordance with the authorization to that effect in the 3<sup>rd</sup> resolution;
- established the characteristics of the Class A Preferred Shares as described in point 2 below;
- amended the bylaws to add the characteristics of the Class A Preferred Shares and the terms and conditions of their conversion, effective on the issue date of the Class A Preferred Shares, in the event of the use by the Board of Directors of the authorization granted by said Meeting under the 3<sup>rd</sup> resolution;
- gave full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:
  - place on record the issue of Class A Preferred Shares and the corresponding amendment of the Company's bylaws,
  - place on record the conversion of Class A Preferred Shares into ordinary shares and the corresponding amendment of the Company's bylaws,
  - more generally, take all appropriate measures, enter into any agreements, request any authorizations, carry out all formalities and do all that is necessary to implement the resolution.

In addition, under the 33<sup>rd</sup> resolution, in accordance with Articles L.225-129-2 to L.225-129-6, L.225-148 and L.228-15 of the French Commercial Code, the shareholders:

- granted the Board of Directors a twenty-six (26) month authorization to (i) issue Class A Preferred Shares as payment for securities of another company tendered to a public exchange offer initiated by the Company and (ii) cancel the pre-emptive rights of existing shareholders to subscribe for the Class A Preferred Shares issued under this authorization;
- noted that, in accordance with Article L.225-132 of the French Commercial Code, in the event of an issue of Class A Preferred Shares carried out under this authorization, existing shareholders would waive their pre-emptive rights to subscribe for the ordinary shares resulting from the conversion of said Class A Preferred Shares;
- resolved that the Board of Directors would have full powers to use this authorization, in particular to carry out issues of Class A Preferred Shares in connection with public offers falling within the scope of the 33<sup>rd</sup> resolution, and notably to:
  - determine the timing and other terms and conditions of the issue(s) and notably the price and cum-rights date (which could be retroactive) of the Class A Preferred Shares issued in accordance with this resolution,
  - take all appropriate measures and enter into any and all agreements to successfully carry out the issue(s), place on record the completion of the capital increase(s), and amend the Company's bylaws to reflect the new capital;
- authorized the Board of Directors, within the limits set in advance by the Board, to delegate to the Chief Executive Officer the authorization given under the 33<sup>rd</sup> resolution.

Decision taken by the Board of Directors on December 6, 2017 using the above-described authorizations

At its meeting of December 6, 2017, using the above-described authorizations granted by the Annual General Meeting, the Board of Directors decided that, as part of the tender offer on a principal basis, complemented on a subsidiary basis by a public exchange offer (the "Subsidiary Exchange Offer") initiated by Safran and targeting the shares of Zodiac Aerospace ("Zodiac"), Class A Preferred Shares to be used as payment of the Subsidiary Exchange Offer would be issued pursuant to the 32<sup>nd</sup> and 33<sup>rd</sup> resolutions.

The Board of Directors delegated to the Chief Executive Officer the power to carry out one or two increases of Safran's share capital, depending on whether or not the Subsidiary Exchange Offer was re-opened, by issuing the Class A Preferred Shares to be used as payment for the Zodiac shares in connection with the Subsidiary Exchange Offer, in accordance with the terms and conditions and ceilings set out in the Information Memorandum (section 2.3.2) filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) under number 17-648 on December 21, 2017, and notably but not exclusively, to:

- place on record the number of Zodiac shares tendered to the Subsidiary Exchange Offer and the number of Class A Preferred Shares to be issued based on the Exchange Ratio as well as the amount of the capital increase(s) and, where applicable, the amount of any cash compensation payable for any rights to fractional shares;
- determine the dates and terms and conditions of the issue(s); and
- more generally,
  - take all appropriate measures and enter into any and all agreements to successfully carry out the issue(s), place on record the completion of the capital increase(s), and amend the bylaws accordingly,
  - place on record the conversion of the Class A Preferred Shares into ordinary shares, and amend the bylaws accordingly.

Decision taken by the Chief Executive Officer on February 7, 2018 using the above-described delegation of powers

On February 7, 2018, having considered:

- the Exchange Ratio for the Subsidiary Exchange Offer,
- the notice of the results of the Offer published by the AMF on February 6, 2018,
- the notice of the results of the Offer published by Euronext on February 6, 2018 and the “Funds Flow” document issued by Euronext on February 6, 2018 for the purpose of organizing the settlement of the shares concerned;

the Chief Executive Officer:

- placed on record the number of Zodiac shares tendered to the Subsidiary Exchange Offer and that said shares should be paid for in the form of 26,651,058 Class A Preferred Shares;
- placed on record that Safran’s share capital was fully paid up.

Consequently, the Chief Executive Officer decided to use the delegation of powers granted to him by Safran’s Board of Directors on December 6, 2017 and decided to:

- increase Safran’s share capital by €5,330,211.60 by issuing, at the settlement date of the Offer, 26,651,058 Class A Preferred Shares (ISIN code: FR0013306479) as payment for the Zodiac shares tendered to the Subsidiary Exchange Offer. The Preferred Shares had a par value of €0.20, carried immediate dividend rights and had the same characteristics as Safran ordinary shares traded on Euronext Paris (compartment A) under ISIN code FR0000073272, but were not transferable for thirty-six (36) months as from their issue date;
- amend Articles 6, 7, 9, 11 and 12 of the Company’s bylaws relating to the share capital, to insert an Article 36 relating to Special Meetings of holders of Class A Preferred Shares and to amend the numbering of the bylaws accordingly.

On February 13, 2018, the Chief Executive Officer placed on record that the capital increase resulting from the above-described decision of February 7, 2018 had been completed on February 13, 2018 and that all the aforementioned amendments to the Company’s bylaws had taken effect on that date.

Reports relating to the use of the above-described authorizations and delegations of powers

The Chief Executive Officer reported to the Board of Directors on February 7, 2018 on the use of the powers delegated to him, as described in point 1.2 above, at the first Board meeting following such use.

On February 26, 2018, in accordance with Articles L.225-129-5 and R.225-116 of the French Commercial Code, the Board of Directors reported to the shareholders on the use of the authorization granted to it in the 32<sup>nd</sup> and 33<sup>rd</sup> resolutions of the June 15, 2017 Annual General Meeting. This report is presented in section 8.3.1 of Safran’s 2017 Registration Document.

In accordance with Article R.228-17 of the French Commercial Code, the Company’s Statutory Auditors prepared a report, dated March 5, 2018, to express an opinion on the capital increase and on certain other information, provided in the Board of Directors’ report, relating to the issue of Class A Preferred Shares on February 13, 2018. The Statutory Auditors’ report is presented in section 8.3.2 of Safran’s 2017 Registration Document.

## 2) Characteristics of the Class A Preferred Shares

The characteristics of the Class A Preferred Shares, as set in the 32<sup>nd</sup> resolution of the Annual General Meeting of June 15, 2017 and described in Articles 9, 11 and 12 of the bylaws, were as follows:

- the Class A Preferred Shares benefited from the same rights as the Company’s ordinary shares, subject to their cum-rights date, but were non-transferable for a period of thirty-six (36) months (the “Non-transferability Period”) as from the date of their issue, i.e., as of February 13, 2018;
- during said period, they could not be transferred in any way except in connection with (i) an inheritance, settlement of marital property or donation, (ii) a universal asset transfer (*transmission universelle de patrimoine*), (iii) a contribution to a public offer on the Company’s entire share capital, or (iv) the enforcement of a pledge;
- the par value of Class A Preferred Shares was equal to the par value of the Company’s ordinary shares, i.e., €0.20 per share;
- the Class A Preferred Shares had to be held in registered form, and were not admitted to trading on Euronext Paris;
- each Class A Preferred Share automatically became transferable, ranked *pari passu* with the Company’s ordinary shares and was converted into one ordinary share to be admitted to trading on Euronext Paris at the first of the following two dates:
  - the end of the Non-transferability Period,
  - the date at which the Company were to be merged into another company not controlled by it within the meaning of Article L.233-3 of the French Commercial Code;

■ in the event of a capital increase through the issue of ordinary shares with pre-emptive subscription rights, the holders of Class A Preferred Shares had, under the conditions set out in the applicable laws and regulations, a pre-emptive right to subscribe to ordinary shares in proportion to the number of Class A Preferred Shares held, exercisable under the same conditions as the pre-emptive subscription rights attached to ordinary shares.

### 3) Terms and conditions for the conversion of the Class A Preferred Shares on February 3, 2021

Decision of the Chief Executive Officer of February 10, 2021

On February 10, 2021, the Chief Executive Officer decided to use the delegation of powers granted to him by Safran's Board of Directors on December 6, 2017 to place on record the conversion of the Class A Preferred Shares into ordinary shares.

Having considered that:

- on February 13, 2021, the Non-transferability Period of the Class A Preferred Shares under Articles 11.2 and 12 of the Company's bylaws would end;
- on February 13, 2021, under Article 12.7 of Safran's bylaws, each Class A Preferred Share (ISIN code: FR0013306479):
  - would automatically, without any legal formality, become transferable,
  - as a result, would automatically, without any legal formality, be converted into one ordinary share (ISIN code: FR0000073272),
  - would automatically, without any legal formality, rank *pari passu* with the other ordinary shares of the Company;
- on February 13, 2021, Safran's share capital:
  - would remain unchanged and comprise the same total number of shares as previously, but
  - as a result of the above-described conversion, would be made up of 427,235,939 ordinary shares all in the same class;

the Chief Executive Officer noted that:

- the conversion of the 26,651,058 Class A Preferred Shares into ordinary shares would have no impact on the double voting rights attached to the Class A Preferred Shares or on the minimum holding period required to qualify for double voting rights as provided for in Article 31.8 of the bylaws, under the conditions provided for by law;
- he would report to the Board of Directors on the use of the powers delegated to him as indicated in point 1.2 above and the Board of Directors would prepare an additional report in accordance with the applicable regulations and within the time period provided for therein;

and decided to:

- make a request for the admission to trading on Euronext Paris of the 26,651,058 ordinary shares resulting from the conversion of the 26,651,058 Class A Preferred Shares on the first day of trading as from February 13, 2021;
- amend Article 6 of Chapter II "Share Capital – Shares" of the bylaws, as from February 13, 2021, as follows: "*The Company's share capital amounts to €85,447,187.80, divided into 427,235,939 shares with a par value of €0.20 each, all in the same class.*"

#### Conversion and admission

On Saturday February 13, 2021, each class A Preferred Share (ISIN code: FR0013306479) was converted automatically, without any legal formality, into one ordinary share (ISIN code: FR0000073272), ranking *pari passu* with the other ordinary shares of the Company.

The double voting rights to which the Class A Preferred Shares entitled their holders at the conversion date were not affected by the conversion.

There was no change in the form of the shares converted, i.e., they remained either pure registered or administered registered shares, as appropriate.

The 26,651,058 ordinary shares resulting from the conversion of 26,651,058 Class A Preferred Shares were admitted to trading on Euronext Paris on the first day of trading as from Saturday February 13, 2021, i.e., Monday February 15, 2021. They are freely transferable as from this date (for holders of administered registered ordinary shares resulting from the conversion of administered registered Class A Preferred Shares, subject to any procedures required by their financial intermediaries in line with their respective management and administration procedures).

#### Impact of the conversion on equity

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Following the conversion of each Class A Preferred Share (ISIN code: FR0013306479) into one ordinary share (ISIN code: FR0000073272) on February 13, 2021, the total number of shares making up Safran's share capital as well as the amount of Safran's share capital remained unchanged. The conversion therefore has no impact on equity per share calculated at parent company and Group level.

#### Impact of the conversion on shareholders' interests in the Company's capital

Following the conversion of each Class A Preferred Share (ISIN code: FR0013306479) into one ordinary share (ISIN code: FR0000073272) on February 13, 2021, the total number of shares making up Safran's share capital as well as the amount of Safran's share capital remained unchanged. The conversion therefore has no impact on the ownership interest of a shareholder holding 1% of the Company's share capital prior to the conversion.

## **Theoretical impact of the conversion of the Class A Preferred Shares on the Company's share price and market capitalization**

Following the conversion of each Class A Preferred Share (ISIN code: FR0013306479) into one ordinary share (ISIN code: FR0000073272) on February 13, 2021, as the total number of shares making up Safran's share capital as well as the amount of Safran's share capital remained unchanged and the Company did not receive or pay any amount as a result of the conversion, the conversion therefore has no impact on Safran's share price and market capitalization (including on a diluted or undiluted basis).

In accordance with the applicable laws and regulations, this report as well as the Statutory Auditors' report on the use of this authorization are available for consultation by shareholders at the Company's registered office and will be provided to them at the next Annual General Meeting.

French original signed in Paris, on February 24, 2021

For the Board of Directors

Ross McInnes (Chairman)