

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

Annual General Meeting for the approval of the financial statements for the year ended December 31, 2020

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements submitted for approval by the Annual General Meeting

In accordance with Article L.225-40 of the French Commercial Code, we were informed of the following agreements entered into during the year and authorized in advance by the Board of Directors.

1) With BNP Paribas

Person concerned

Monique Cohen, a Director of Safran and BNP Paribas.

Nature, purpose, terms and conditions

Agreement of March 31, 2020 entered into with BNP Paribas relating to the arrangement, underwriting and syndication of a credit facility.

On March 31, 2020, your Company and BNP Paribas entered into an agreement relating to the arrangement, underwriting and syndication of a €3 billion credit facility with a term of up to two years.

Under the terms of the agreement, BNP Paribas committed to arranging the structure of the credit facility, underwriting the full amount thereof and syndicating the facility with other credit institutions. The agreement was entered into under the market conditions prevailing at the date of signature for this type of transaction.

Safran appointed BNP Paribas because of the bank's leading position on the market and its commitment to underwrite the full amount and to syndicate the facility in a very short space of time, thereby making the additional liquidity reserve available to the Group as quickly as possible.

In respect of 2020, an expense of €5.25 million was recorded in Safran's financial statements corresponding to the commission paid to BNP Paribas in respect of the agreement.

The agreement was authorized by the Board of Directors on March 26, 2020.

Reasons given as to why the agreement is beneficial for the Company

The Board of Directors entered into the agreement for the following reason: to rapidly set up a €3 billion syndicated credit facility with a term of up to two years, supplementing the Group's liquidity reserves and helping to prudently maintain its financial flexibility during the Covid-19 crisis.

2) With a pool of banks including BNP Paribas

Person concerned

Monique Cohen, a Director of Safran and BNP Paribas.

Nature, purpose, terms and conditions

Agreement of April 22, 2020 entered into with BNP Paribas and a pool of banks relating to a syndicated credit facility.

On April 22, 2020, your Company, BNP Paribas and a pool of banks entered into an agreement relating to a syndicated credit facility for an amount of €3 billion and a term of up to two years. The syndicated credit facility supplements the Group's liquidity reserves.

Under the terms of the agreement, BNP Paribas acts as underwriter, bookrunner, mandated lead arranger, agent and initial lender for €285 million (highest amount equal to the amount allocated to other initial lenders that are also mandated lead arrangers). The agreement was entered into under the market conditions prevailing at the date of signature for this type of transaction and the commission and interest will be shared between the banks that are party to the agreement, including BNP Paribas, pro rata to their involvement in the credit facility.

Safran appointed BNP Paribas because of the bank's leading position on the market, further to the abovementioned related-party agreement of March 31, 2020.

In respect of 2020, an expense of €1.079 million was recorded in Safran's financial statements corresponding to the agent's commission and to BNP Paribas' share of the initial commission and the no-use fee (split between lenders based on their respective commitments).

The agreement was authorized by the Board of Directors on March 26, 2020.

Reasons given as to why the agreement is beneficial for the Company

The Board of Directors entered into the agreement for the following reason: to enable the Group to prudently maintain its financial flexibility during the Covid-19 crisis.

Agreements already approved by the Annual General Meeting

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements, approved by the Annual General Meeting in prior years, remained in force during the year.

1) With the French State (shareholder holding more than 10% of the Company's voting rights)

Persons concerned

Suzanne Kucharekova Milko, representative of the French State to the Board of Directors of your Company, and Vincent Imbert, a Director put forward by the French State.

a) Nature, purpose, terms and conditions

ArianeGroup Holding (AGH) Agreement, Arianespace Agreement, Pre-emption Agreement, addendum no. 6 to the Agreement of December 21, 2004 and addendum to the Environmental Guarantee Agreement (EGA).

On June 30, 2016, your Company and Airbus Group finalized the combination, carried out in two stages, of their launch vehicle business into Airbus Safran Launchers Holding (since renamed ArianeGroup Holding [AGH]) and its wholly-owned subsidiary Airbus Safran Launchers (since renamed ArianeGroup SAS [AGH SAS]).

In the first half of 2016, the following agreements and addendums, indivisible agreements required to establish the combination, were signed with the French State:

- AGH Agreement;
- Arianespace Agreement;
- Pre-emption Agreement;
- addendum no. 6 to the Agreement of December 21, 2004 (the "2004 Agreement", as described below in sections 1.4 and b);
- addendum to the Environmental Guarantee Agreement (EGA).

The AGH Agreement, the Arianespace Agreement and the Pre-emption Agreement as well as addendum no. 6 to the 2004 Agreement were authorized by the Board of Directors on December 17, 2015. They were signed on June 24, 2016 and entered into force on June 30, 2016. They were subsequently approved by the Annual General Meeting of June 15, 2017.

Effective from June 30, 2016, the protection of the French State's strategic interests is ensured via:

- **1.1 The AGH Agreement:** an agreement between the French State and AGH relating to protected assets and strategic subsidiaries and interests, entered into in the presence of Safran and Airbus Group SE.
- **1.2 The Arianespace Agreement:** an agreement between the French State and AGH relating to Arianespace Participation and Arianespace SA shares, entered into in the presence of Safran and Airbus Group SE.

The following agreements were entered into at the same time:

■ **1.3 The Pre-emption Agreement:** an agreement between Safran, Airbus Group and the French State, which sets out the conditions under which Airbus Group and Safran may exercise a pre-emptive right on the shares of the other partner in AGH if the French State exercises any of the call options granted to it by Airbus Group and Safran. The French State may only buy back AGH shares once the pre-emptive rights of Safran and Airbus have been used or expire.

■ **1.4 Addendum no. 6 to the 2004 Agreement between Safran and the French State:**

The 2004 Agreement was approved by shareholders at the May 11, 2005 Annual General Meeting. The agreement, as amended or supplemented by the three addendums signed in 2011 and approved at the May 31, 2012 Annual General Meeting and the two addendums signed in 2014 and approved at the April 23, 2015 Annual General Meeting as well as addendum no. 6, provided that:

■ the French State shall be entitled to appoint a non-voting representative to the Safran Board of Directors should its interest in the Company's share capital fall below 10%;

■ the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries and subsidiaries holding assets with a connection to French combat aircraft engines;

■ the French State shall have a prior right of approval over (i) sales of certain strategic or defense sensitive assets, and (ii) acquisitions of interests resulting in crossing certain ownership or voting rights thresholds in your Company and other Group entities that own sensitive strategic assets.

The Agreement of December 21, 2004 as amended by the six addendums, remained in force until March 22, 2018, when it was superseded by the Agreement of March 22, 2018 between your Company and the French State (see section b below).

■ **1.5** Moreover, the EGA Addendum, an addendum to an Environmental Guarantee Agreement (EGA) with SNPE authorized by the Board of Directors on December 17, 2015, was signed on May 17, 2016 and entered into force on June 30, 2016. It was subsequently approved by the Annual General Meeting of June 15, 2017. Some sites transferred to AGH, as part of the above-described business combination, are covered by an Environmental Guarantee Agreement (EGA) granted to Safran by SNPE and counter-guaranteed by the French State. With the French State's approval, the addendum to the EGA was entered into between SNPE, AGH and Safran in order to transfer the benefit of the EGA to AGH for said sites (Safran being substituted by AGH).

b) Nature, purpose, terms and conditions

Consolidation and update of the 2004 Agreement related to strategic defense assets and subsidiaries and its addendums in a single document

When Snecma was privatized following its merger with Sagem, the French State agreed to waive its right, pursuant to Article 10 of the privatization act of August 6, 1986, to take a golden share in Snecma, provided that equivalent contractual rights were granted in an agreement. In order to protect France's national interests and preserve the country's independence, the French State entered into an agreement on December 21, 2004 with Sagem and Snecma related to strategic defense assets and subsidiaries (the "2004 Agreement"). The 2004 Agreement is designed to (i) give the French State control over the ownership and, where applicable, the devolution of all or part of certain assets and shares of subsidiaries or other equity investments held by the companies party to the 2004 Agreement, combined with certain acquisition thresholds, and (ii) to give the French State rights of representation on the governing bodies of the strategic subsidiaries and subsidiaries holding assets related to French combat aircraft engines.

The merger between Snecma and Sagem which created Safran in 2005 and the various transactions completed by Safran since then have significantly changed the Group's scope, prompting Safran and the French State to amend the 2004 Agreement through a series of six successive addendums.

Safran and the French State wished to consolidate the 2004 Agreement and its amendments into a single document (the "Agreement") and to update its contents. The Agreement was authorized by the Board of Directors at its meeting on March 22, 2018. It was signed by your Company on March 26, 2018.

The Agreement supersedes the 2004 Agreement, and notably provides as follows:

On corporate governance matters:

■ Safran's competent bodies shall be invited to appoint the French State as a Director if its interest in the Company's share capital is less than 10% but more than 1%;

■ Safran's competent bodies shall in addition be invited to appoint a member proposed by the French State to the Board of Directors if its interest in the Company's share capital is more than 5%;

■ at the request of the French State, the Board of Directors shall be invited to appoint one of the persons referred to above to any Board committee that may be set up for the purpose of addressing matters directly related to its rights under the Agreement;

■ the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries (Safran Ceramics and Safran Power Units) and subsidiaries owning sensitive defense assets.

On strategic or sensitive defense assets and the entities that hold such assets:

■ the French State shall have a prior right of approval over:

● sales of assets (other than those that do not affect the defense activities) owned by strategic subsidiaries and accordingly identified as strategic; sales of shares in strategic subsidiaries Safran Ceramics and Safran Power Units; and sales of shares in AGH,

● sales by Group companies of certain assets identified as defense sensitive (such as engines, components and systems, high precision inertial navigation and missile guidance systems, financed directly or indirectly by the French Defense Ministry) owned by Group entities,

● sales of shares in Safran Electronics & Defense, which owns sensitive defense assets,

- acquisitions by Group companies of interests resulting in a holding of more than 33.33% or more than 50% of the share capital or voting rights of the other Group companies that own sensitive defense assets,
- projects conferring special management or information rights over strategic or sensitive defense assets or rights of representation on the administrative or management bodies of Safran Ceramics, Safran Power Units, AGH or another entity owning sensitive defense assets controlled by Safran;
- the French State's failure to respond within a period of 30 business days shall be deemed to constitute agreement, except in the case of proposals to sell shares in AGH, in which case failure to respond shall be deemed to constitute refusal;

■ the French State shall be informed beforehand of any proposal by a strategic subsidiary or an entity controlled by Safran that owns sensitive defense assets, to sell assets that do not fall into these protected categories but whose sale could have a material impact on the independent management on French territory of the entity's strategic assets or sensitive defense assets;

■ in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries Safran Ceramics and Safran Power Units and the stake in AGH at a price to be set by a panel of experts.

The Agreement was approved by shareholders at the May 25, 2018 Annual General Meeting.

2) Between the French State, ArianeGroup Holding (AGH) and CNES, in the presence of Safran

Persons concerned

The French State (shareholder holding more than 10% of the Company's voting rights).

Suzanne Kucharekova Milko, representative of the French State to the Board of Directors of your Company, and Vincent Imbert, a Director put forward by the French State.

Nature, purpose, terms and conditions

The CNES (French National Space Studies Center), the French State and AGH, in the presence of Airbus Group and Safran, signed the Arianespace Framework Protocol, which relates to the buying back by AGH of Arianespace shares and Ariane brand names held by CNES and establishes the principal terms and conditions of the sale to AGH of Arianespace shares held by CNES, as well as the parties' declarations and commitments. In its capacity as a shareholder of AGH, Safran undertakes to ensure that AGH fully complies with said agreement.

The protocol would provide for a new operating framework for European launchers.

The signature of the protocol was authorized by the Board of Directors on December 17, 2015. It was signed on February 8, 2016 and approved by the Annual General Meeting of May 19, 2016. It subsequently entered into force on June 30, 2016.

3) With a pool of banks including BNP Paribas

Person concerned

Monique Cohen, a Director of Safran and BNP Paribas.

Nature, purpose, terms and conditions

This agreement was authorized by the Board of Directors on October 29, 2015 and signed on December 4, 2015.

The facility amounts to €2,520 million and has a five-year term with two successive one-year extension options. It was granted by a pool of fifteen banks, including BNP Paribas, whose proportion of the facility is the same as that of the other banks that are parties to the agreement. Both one-year extension options have been exercised, extending the term to December 2022.

This revolving credit facility was put in place to ensure that the Group will have sufficient liquidity over the medium term and to enable it to cover its general financing requirements. By refinancing and replacing two existing facilities with shorter terms than the new facility, the Group was able to take advantage of the current favorable market interest rates.

It was approved by shareholders at the May 19, 2016 Annual General Meeting.

In respect of 2020, a €0.189 million expense was recorded in Safran's financial statements corresponding to BNP Paribas' share of the no-use fee (split between lenders based on their respective commitments).

Courbevoie and Paris-La Défense, March 26, 2021

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Gaël Lamant	Jérôme de Pastors	Jean-Roch Varon	Philippe Berteaux