SAFRAN

REGISTRATION DOCUMENT 2015

INCLUDING THE ANNUAL FINANCIAL REPORT

SAFRAN

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DOCUMENT 2015

INCLUDING THE ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of this Registration Document (*document de référence*) was filed with the French financial markets authority (*Autorité des Marchés Financiers – AMF*) on March 30, 2016 pursuant to Article 212-13 of the AMF's General Regulations. It may only be used in connection with a financial transaction if it is accompanied by a memorandum approved by the AMF. This document has been established by the issuer and is binding upon its signatories.

The English language version of this report is a free translation from the original, which was prepared in French. In all matters of interpretation, views or opinions expressed in the original language version of the document in French take precedence over the translation.

This Registration Document contains the Annual Financial Report in accordance with Article 222-3 of the AMF's General Regulations. The cross-reference table referring to information required in an annual financial report is provided in section 9.4.3.

The Registration Document is available on the website at www.safran-group.com

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

Ross McInnes
Chairman of the Board of Directors

Safran celebrated its tenth anniversary in 2015, crowning a decade that has seen us leverage our key strengths to take full advantage of our buoyant markets.

We achieved our goals again in 2015, with revenue rising from €15.4 billion to €17.4 billion and recurring operating income up 16.4% to €2.4 billion. This indicates that our strategy of focusing on technological differentiation, targeted investments and competitiveness is the right one.

In 2015, we successfully crossed major development milestones for the LEAP® engine, our future best seller. Packed with revolutionary technologies, this engine attracted its 10,000th order or order commitment in early January 2016, demonstrating our customer's faith in us. This is an unprecedented number of orders for an engine still under development, and puts the LEAP well on track to becoming the worthy successor of the CFM56®, which broke a new record in 2015 after 1,612 models were delivered.

Our broad array of aircraft equipment – landing gear, brakes, nacelles, wiring, power transmission systems and control units – all contribute to the success of our customers' new programs.

Our space activities are on the verge of moving into a new era with the creation of Airbus Safran Launchers, an Airbus-Safran joint venture intended to guarantee Europe independent access to space and secure its leadership in the area.

Our helicopter engines overcame a tough year for the industry at large by finding new customers.

In Defense, we witnessed high demand against a backdrop of global unrest. The export success of the Rafale, which is powered by our engines and equipped with our onboard technologies, has demonstrated that we are correctly positioned.

Our Security business, meanwhile, posted remarkable results that should encourage digital professionals to call on its expertise in their drive to secure cyberspace – a key challenge in the years ahead.

Safran owes its talent for making the best of the global economy first and foremost to its 70,000 employees, who are today spurred

"Safran achieved all its goals in 2015. And 2016 is shaping up to be a year of further improvements across the board."

Philippe Petitcolin
Chief Executive Officer

on by inspiring goals as we ramp up new programs. We are entering into this new stage in our history backed by strong, recognized experience, industrial plants geared to our customers' needs, and an optimized supply chain.

Achieving these goals also means becoming ever more integrated, competitive and efficient.

To build on our shared culture of innovation – our key strength – we will be focusing on Safran Tech, the driving force behind our research and technology; Safran Analytics, which was set up to harness the incredible reservoir of value that is Big Data; and Safran Corporate Ventures, which aims to secure stakes in innovative companies.

Created in 2015, the Corporate Performance & Competitiveness Department is tasked with streamlining and coordinating the collective cost reduction efforts required at all levels so that we can meet the long-term demands of our business while generating an attractive return for our shareholders today. On that note, a dividend of €1.38 per share has been put to the approval of the Annual General Meeting for 2015, representing a 15% increase on the previous year.

After a smooth management transition that showed the cohesion of our Group and our values, we have both been working hard since our appointment in April 2015 to maintain this balance between short- and long-term goals.

To show that we are one single high-technology group united by the same exacting standards, the Safran name will be extended to all our companies in May 2016. This change, which will not affect the scope of consolidation or the companies' organization, will boost Safran's visibility, particularly on the world stage.

At this pivotal moment in our Group's history, we would like to thank everyone, starting with our customers and shareholders, for placing their trust in Safran's women and men, and for joining them in their commitment to making the Group a leader in all its businesses.

Ross McInnes and Philippe Petitcolin

GROUP
PROFILE

Employing 70,087 people worldwide, Safran is an international high-technology group and tier-1 supplier of systems and equipment in its core markets of Aerospace, Defense and Security. It is a leading global player on markets in which the technological and financial barriers to entry are high, with sustainable and profitable service activities and long-lasting partnerships and customer relations built on trust.

The Group differentiates itself from the competition through its technological expertise. Its complementary businesses give it a genuine advantage, driving growth and enabling the Group to withstand economic cycles. From both a technological and managerial point of view, the Group's various businesses are integrated and complementary.

Safran has a strong positioning in Aerospace. Its installed fleet of engines, especially the CFM56, offers significant new vistas for value creation thanks to associated maintenance and overhaul activities. Its engines and equipment are present in most current and future aircraft programs, with the LEAP engine set to emulate the success of the CFM56 once it enters into commercial service in 2016. The Group is organized so as to deliver comprehensive offerings to aircraft manufacturers and airlines, including propulsion and landing systems. Safran has great confidence that the move toward more electric aircraft systems represents new opportunities and is therefore reinforcing its expertise in the whole electrical energy chain (through its own growth and through targeted acquisitions) to offer comprehensive, world-class electrical systems. In Defense, the Group is renowned for its avionics, electronics, critical software and optronics expertise, which contributes to the performance of armies, navies and air forces in numerous countries around the world. In Security, Safran develops a range of innovations that respond to growing security and authentication needs, including multi-biometric technologies that help identify people and secure identity documents and smart transactions, and solutions for detecting dangerous and illicit substances.

Safran enjoys particularly sound fundamentals with front-ranking technical and commercial positions, profitable and sustainable recurring service activities, truly innovative research and development, a healthy financial situation and strong operating cash flow, which allow it to leverage opportunities for organic growth and acquisition-led development across all of its businesses.

Safran must also integrate corporate social responsibility (CSR) into its strategy to meet the expectations of all of its stakeholders: employees, partners, customers, shareholders, suppliers and all the communities affected by its business. This commitment to CSR is based on ethical standards that are espoused and embodied by everyone within the Group. Civic responsibility, people development and recognition, meeting commitments and teamwork are the core values of Safran's corporate culture.

Firm in the belief that sustainably successful businesses are those able to manage the present in complete harmony with their vision of the future, Safran is as poised as it has always been to meet all of the challenges it encounters both today and going forward.

KEY FIGURES **BY BUSINESS**

(ADJUSTED DATA)

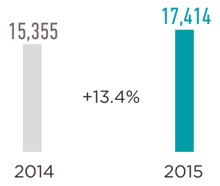
REVENUE	RECURRING OPERATING INCOME	HEADCOUNT
€17,414 m	€2,432 m	70,087

SAFRAN

	AEROSPACE PROPULSION	AIRCRAFT EQUIPMENT	DEFENSE	SECURITY	HOLDING COMPANY AND OTHER
REVENUE	€9,319 m 54% of revenue	€4,943 m 28% of revenue	€1,266 m 7% of revenue	€1,878 m 11% of revenue	€8 m
RECURRING OPERATING INCOME	€1,833 m 19.7% of revenue	€466 m 9.4% of revenue	€64 m 5.1% of revenue	€151 m 8% of revenue	€(82) m
HEADCOUNT	26,268 or 37% of total Group headcount	25,569 or 37% of total Group headcount	7,389 or 11% of total Group headcount	8,667 or 12% of total Group headcount	2,194 or 3% of total Group headcount

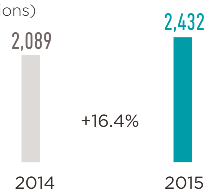
REVENUE

adjusted data[1]
(in € millions)



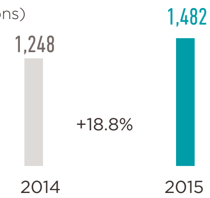
RECURRING OPERATING INCOME

adjusted data[1]
(in € millions)



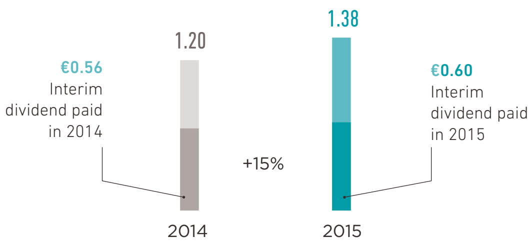
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

adjusted data[1]
(in € millions)



DIVIDENDS

(in € per share)



R&D EXPENDITURE

€2.1 billion

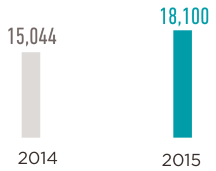
(86% of which in France)

2015 HEADCOUNT

70,087

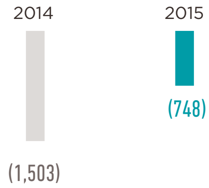
REVENUE

consolidated data
(in € millions)



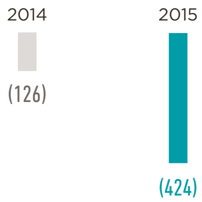
NET DEBT

consolidated data
(in € millions)



LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

consolidated data
(in € millions)



Unadjusted consolidated loss attributable to owners of the parent amounted to €424 million, or €1.02 per share, and includes a non-cash charge of €2,485 million, before related deferred tax impact, resulting from the change in fair value of the portfolio of currency derivatives used to hedge future cash flows.

BREAKDOWN OF HEADCOUNT BY GEOGRAPHIC AREA

59%
France

11%
Europe (excluding France)

20%
Americas

6%
Asia-Oceania

4%
Africa & Middle East

(1) *The table reconciling the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.1.1.*

CORPORATE GOVERNANCE

Membership structure of the Board of Directors

The Board of Directors, an independent body within Safran, is responsible for setting the Group's main strategic priorities and overseeing their implementation. Special committees assist the Board in its decisions.


Ross McInnes
Chairman of
the Board of Directors


Christian Streiff
Vice-Chairman of
the Board of Directors


Philippe Petitcolin
Chief Executive Officer


Marc Aubry


Giovanni Bisignani


Frédéric Bourges


Jean-Lou Chameau


Monique Cohen


Odile Desforges
Chair of the Audit
and Risks Committee


Jean-Marc Forneri
Chairman of the
Appointments and
Compensation Committee


Patrick Gandil


Christian Halary


Vincent Imbert


Xavier Lagarde


Elisabeth Lulin


Daniel Mazaltarim


Astrid Milsan(1)


Lucie Muniesa(2)

(1) Term expires February 8, 2016.
(2) Term commences February 8, 2016.

Board committees

The Audit and Risk Committee

Seven members – Chair: Odile Desforges

The Audit and Risk Committee's main duties involve examining the financial statements and addressing issues related to the preparation and auditing of accounting and financial information.

The Appointments and Compensation Committee

Seven members – Chairman: Jean-Marc Forneri

The Appointments and Compensation Committee assists the Board of Directors in its choice of members and corporate officers, and makes recommendations and proposals concerning the compensation of corporate officers.

Executive Management

Philippe Petitcolin
Chief Executive Officer

ZOOM

2015 REVENUE (ADJUSTED DATA)

€17,414 million

2015 RECURRING OPERATING INCOME (ADJUSTED DATA)

€2,432 million

2015 PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (ADJUSTED DATA)

€1,482 million

(€3.55 per share)

TOTAL R&D EXPENDITURE (INCLUDING THE PORTION FUNDED BY CUSTOMERS)

€2,057 million

INDUSTRIAL INVESTMENTS

€758 million

HEADCOUNT AT DECEMBER 31, 2015

70,087

THE GROUP'S POSITIONING

Safran is an international high-technology group and tier-1 supplier of systems and equipment in its core markets of Aerospace (Propulsion and Equipment), Defense and Security. It is a prime player on all of its markets.

Aerospace

Through its Aerospace Propulsion systems, Safran covers the entire lifecycle of systems for the propulsion of planes, helicopters, missiles and launch vehicles, in the civil, military and space markets, from design through to production, marketing, maintenance and repair.

Through its Aircraft Equipment systems, Safran covers the full lifecycle of equipment and subsystems for civil and military aircraft and helicopters.

Group companies provide both original equipment and services to leading global aircraft programs.

Defense

Safran holds a leading international position in optronics, avionics, inertial navigation, electronics and critical software for civil and defense markets.

Security

Safran fields a worldwide offering of solutions that bring enhanced safety and convenience for citizens, consumers and employees, that protect critical infrastructures and that ensure the safety of transportation systems. Safran's Security business covers systems for multi-biometric personal identification, online authentication and transaction security, and detection of dangerous and illicit substances.

RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. R&D is therefore essential to Group strategy. The total R&D effort, 66% of which is self-financed, amounted to around €2.1 billion in 2015, representing 12% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

SAFRAN QUALITY PERFORMANCE AND POLICY

Safran pursues an ambitious quality policy targeting two main goals:

- customer satisfaction;
- continuous progress in performance.

1 PRESENTATION OF THE GROUP

1.1 Overview

1.1.1 History

Safran is a leading international high-technology group in the Aerospace, Defense and Security industries, where it enjoys prime global or European market positions, either alone or in partnership with other companies. Safran is constantly seeking to adapt and reinvent itself to meet the critical technological and economic challenges of tomorrow.

Safran's roots and its technological and industrial hub are in France and Europe. From this base, it has extended its footprint to the American continent, Africa, the Middle East, Asia and Oceania. This presence enables the Group to develop and nurture industrial and commercial relations with the leading prime contractors and operators at national level, and to promptly deliver first-class local service to customers around the world.

Key dates in the Group's history

Safran was created on May 11, 2005 from the merger of Snecma and Sagem, and is the world's oldest aircraft engine manufacturer. It has been at the forefront of Aerospace and Defense for more than a century and is now also a leading name in Security.

1905 Louis and Laurent Seguin found the Société des Moteurs Gnome in the Paris suburb of Gennevilliers. In just a few short years, their Gnome rotary engines become the standard for planes around the world.

1912 Louis Verdet founds the engines company Le Rhône. Within two years, Le Rhône becomes Gnome's main competitor and is taken over by its rival to form Société des Moteurs Gnome & Rhône. After the First World War, Gnome & Rhône becomes one of the world's leading manufacturers of aircraft engines.

1924 Marcel Môme creates Société d'Applications Générales d'Électricité et de Mécanique (Sagem), whose main business is to supply power to telephone exchanges. A few years later, Sagem diversifies its business to include the manufacture of cameras, projectors and artillery equipment. It also sets up the first ever analog telephone network. Sagem creates Société d'Application Téléphonique, which in 1960 becomes Société Anonyme de Télécommunications (SAT). This company goes on to design the world's first infrared guidance system for air-to-air missiles.

1945 After the Second World War, Gnome & Rhône is nationalized and renamed Snecma (for Société Nationale d'Étude et de Construction de Moteurs d'Aviation). It groups together the majority of French aircraft engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).

1968 Hispano-Suiza, specializing in power transmission for the engines of civil and military aircraft and helicopters, joins Snecma. A few years later, it teams up with Messier to create Messier-Hispano-Bugatti (MHB) and consolidate all products relating to landing systems. Messier-Bugatti-Dowty is today the world's leading player on this market[1].

1974 Snecma becomes a civil aircraft engine manufacturer through a cooperation agreement with General Electric Aircraft Engines for the manufacture of the CFM56® ("CF" for General Electric's commercial engine line and "M56" for Snecma's fifty-sixth project). This engine currently represents the world's largest civil aircraft engine fleet[2]: an aircraft powered by the CFM56 takes off every two seconds[2].

1993 Sagem purchases Morpho, a specialist in fingerprint-based biometric recognition systems. Today, the business is the world leader in this sector.

1997 Snecma takes full control of Société Européenne de Propulsion (SEP) and enters the space propulsion market (Ariane launcher).

2000 Aircraft wiring specialist Labinal joins Snecma and becomes a leading world player in this market. Labinal helicopter engine manufacturer subsidiary Turbomeca also joins Snecma, to continue a technology success story that started in 1938 with company founder Joseph Szydlowski. Today, Turbomeca is the world's premier manufacturer of turbine engines for helicopters[2].

2002 Hurel-Dubois merges with the aircraft engine nacelle business of Hispano-Suiza to become Hurel-Hispano. Three years later the company is renamed Aircelle. It is currently one of the key players on the aircraft engine nacelle market.

2005 Safran is formed from the merger of Snecma and Sagem.

Safran strengthens its positions in the Security business with the acquisition of smartcard specialist Orga Kartensysteme GmbH.

2008 Safran extends its partnership with General Electric (GE) in the fields of aerospace propulsion and nacelles through to 2040. Safran's Security business acquires Sdu-I in the Netherlands, renamed Morpho BV.

2009 Safran acquires 81% of GE's Homeland Protection business, and Motorola's biometrics business (under the Printak brand, now MorphoTrak). Then in 2012, Safran acquires the remaining 19% of GE Homeland Protection, renamed Morpho Detection Inc.

2010 Labinal completes its acquisition of Harvard Custom Manufacturing – renamed Labinal Salisbury – an American company based in Salisbury (Maryland).

(1) Source: Safran.
(2) Source: Ascend, www.ascendworldwide.com

2011 Safran acquires L-1 Identity Solutions, now MorphoTrust USA, a leading identity management provider in the US market, to become a front-line world player in identity solutions and electronic documents. It also acquires SME (formerly SNPE Matériaux Énergétiques), to be merged with Snecma Propulsion Solide in 2012 to form Herakles, world number two in solid propellants for rockets[1].

2012 In optronics, Safran and Thales form the 50-50 joint venture Optrolead. The two companies also buy out the Areva stake to obtain 50% each of Sofradir and transfer their infrared businesses to this company.

2013 Safran acquires the electrical systems business of Goodrich (Goodrich Electrical Power Systems – GEPS).

Safran also acquires the 50% interest of Rolls-Royce (UK) in their joint RTM322 helicopter engine program, to strengthen its position on the strategic heavy-lift helicopters segment.

2014 Safran brings all the Group's electrical systems operations together into a single unit to form a leading world player in aircraft electrical systems: Labinal Power Systems. Safran also acquires the aerospace power distribution management solutions and integrated cockpit solutions businesses of Eaton Aerospace.

Morpho acquires Dictao, a prominent developer of software solutions for security and digital trust.

2015 Safran and Airbus Group found a new 50-50 joint venture, Airbus Safran Launchers (ASL), to support the onset of the Ariane 6 project that will be providing Europe with a new family of competitive, versatile, high-performance space launch vehicles.

Hispano-Suiza and Rolls-Royce found Aero Gearbox International, a joint venture specializing in design, development, production and after-sales for accessory drive trains (ADTs).

1.1.2 Organization and position of the issuer in the Group

Organization

Safran is an industrial group within which each subsidiary directly manages the operational side of its business activity and takes responsibility for the internal control system to be implemented in accordance with Group procedures and internal rules.

The organizational structure is based on:

- a parent company, Safran, the issuer, responsible for the Group's strategic management, organization and development;
- companies handling specific business lines, under strategies determined by the parent company's Board of Directors. Executive Management of the parent company ensures that the strategic orientations defined for each business line are implemented and complied with at the operational level.

First-tier entities (shown in section 1.1.3) are responsible for overseeing the second-tier entities with which they have operational ties.

Role of the issuer within the Group

Safran is listed in compartment A of the Euronext Paris Eurolist and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

As the Group's parent company, Safran performs the following functions for the Group companies:

- it holds and manages shares in the Group subsidiaries;
- it steers and develops the Group, determining: Group strategy; research and technology (R&T) policy; sales policy; legal and financial policy; human resources policy; personnel training, retraining and skills matching by Safran University; communications; and oversight of operations;
- it provides:
  - support services on legal, taxation and financial matters, and in particular:
    - centralized cash pooling to govern the terms and conditions of advances and investments between Safran and each Group company,
    - foreign currency management policy to reduce uncertainty factors and protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly USD),
    - commodity risk management policy to reduce uncertainty factors and protect the economic performance of operating subsidiaries from commodity price volatility,
    - tax consolidation, in jurisdictions such as France where Safran is liable for the entire income tax charge, additional income tax contributions and the minimal tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries;
  - services through Shared Services Centers (SSCs) in the following areas: payroll administration and management, recruitment, non-production purchases, materials purchases, IT, and some transaction accounting (customers, suppliers and fixed assets).

The list of consolidated companies is presented in section 3.1, Note 33.

(1) Source: Safran.

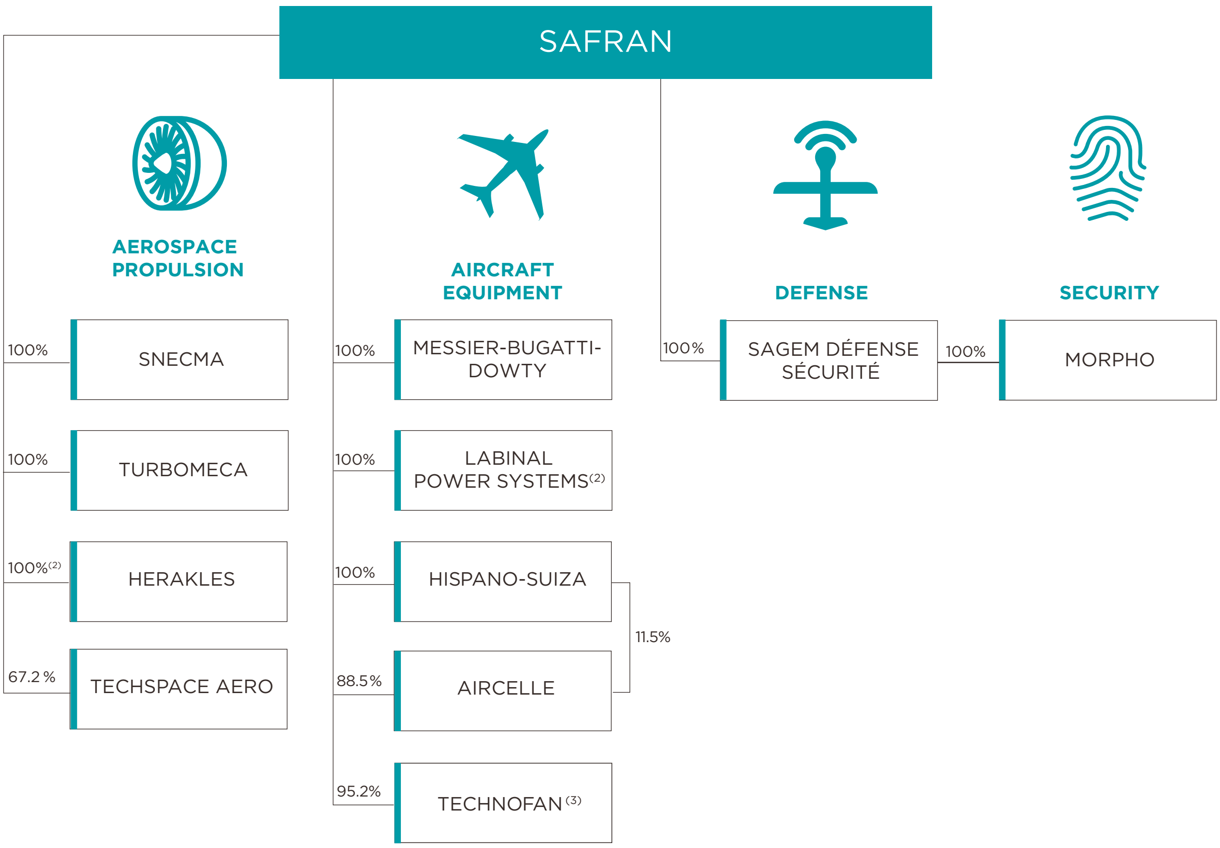
Financial flows between the issuer and Group companies

Safran receives dividends paid by its subsidiaries compliant with applicable regulations.

It receives payment for services provided to Group companies, and invoices them for services provided through the Shared Services Centers.

1.1.3 Simplified organization chart[1]

Safran, the issuer, is the parent company of the Group. The simplified organization chart as of December 31, 2015 is as follows:



The list of consolidated companies is presented in section 3.1, Note 33.

With a view to capitalizing on Safran's strong brand recognition in France and worldwide, the Group is rationalizing and simplifying its brand portfolio, making it clearer and easier to understand.

In 2016, Safran's first-tier companies will be renamed as follows:

- Snecma: Safran Aircraft Engines;
- Turbomeca: Safran Helicopter Engines;
- Herakles: Safran Ceramics[4];
- Techspace Aero: Safran Aero Boosters;
- Messier-Bugatti-Dowty: Safran Landing Systems;
- Labinal Power Systems: Safran Electrical & Power;
- Hispano-Suiza: Safran Transmission Systems;
- Aircelle: Safran Nacelles;
- Sagem: Safran Electronics & Defense;
- Morpho: Safran Identity & Security.

The simplification provides Safran with an opportunity to raise brand value outside the Group and to advance in the development of a strong Group-wide culture.

(1) First-tier operating companies and listed company.
(2) Less one share held by the French state.
(3) Company listed in compartment C of the Euronext Paris Eurolist.
(4) On completion of operations bringing together Airbus Group and Safran activities in space launch vehicles.

1.1.4 Main Group companies by business sector

Safran currently operates in three main markets: Aerospace, Defense and Security. Safran's Aerospace business breaks down into Aerospace Propulsion and Aircraft Equipment.

Aerospace Propulsion

Safran's Aerospace Propulsion business covers all activities (design, production, marketing, testing, maintenance and repair) relating to propulsion systems for planes, helicopters, missiles and launch vehicles, in the civil, military and space markets.

SNECMA

Engines for commercial and military aircraft, maintenance, repair and overhaul (MRO) services. Liquid-propellant rocket propulsion systems for launch vehicles and plasma propulsion systems for satellites and space vehicles.

TURBOMECA

Turboshaft engines for civil and military helicopters, auxiliary power units (APU), starting and propulsion systems for missiles, target drones and unmanned aerial vehicles (UAV). Maintenance, repair and overhaul (MRO) and associated services.

HERAKLES

Solid rocket motors for launchers and missiles, as well as energic materials, pyrotechnic equipment, thermostructural and organic composite materials for the aerospace, defense, automobile and manufacturing industries.

TECHSPACE AERO

Low-pressure compressors for aircraft engines. Equipment for aircraft and spacecraft. Test cells and equipment for engine testing.

Aircraft Equipment

Safran's Aircraft Equipment business covers equipment, subsystems and services for civil and military aircraft and helicopters.

MESSIER-BUGATTI-DOWTY

Aircraft landing and braking systems. Control and monitoring systems. Capabilities covering the entire product cycle, from design and production to maintenance, repair and overhaul (MRO).

LABINAL POWER SYSTEMS

Electrical power systems for the aerospace market, covering all onboard electrical functions (power generation, distribution and conversion, wiring, load management, ventilation). Engineering solutions for the aerospace, automobile and rail industries.

HISPANO-SUIZA

Mechanical power transmission systems for commercial and military airplane engines and helicopters. Maintenance, repair, overhaul (MRO) and associated services. Mechanical components for airplane and helicopter propulsion systems.

AIRCELLE

Complete nacelle systems for aircraft engines, associated support services, composite materials for aerostructures.

TECHNOFAN

Ventilation equipment for civil and military aircraft. Support and related services. Company listed in compartment C of the Euronext Paris Eurolist.

Defense

SAGEM(1)

Optronics, avionics and navigation systems and equipment, electronics and critical software for both civil and defense markets, covering land, sea, air and space applications. A full range of product support services.

Security

MORPHO

Multi-biometric identification technologies (fingerprint, iris and face recognition). Identity solutions and digital security. Smart cards, documents and secure elements. Explosives and narcotics detection systems. Solutions for road safety. Gaming and betting terminals.

(1) Sagem is the trade name of Sagem Défense Sécurité.

1.2 Group strategy

Safran builds front-line positions on the Aerospace, Defense and Security markets. In all its business areas, it enjoys wide recognition for technological excellence serving customers' critical applications.

In Aerospace Propulsion, Safran is a leading manufacturer of aircraft engines, helicopter turbine engines and space engines. Safran's extensive portfolio and installed base of products in service (the CFM56 engine in particular) offer significant new vistas for value creation, as do the related service and maintenance activities. To maintain its positioning, the Group also places a strong emphasis on development of innovative engine solutions, as shown from its investments in the following programs:

- in short- and medium-haul commercial aviation, CFM International, a 50-50 joint venture between Safran and GE, is developing the LEAP engine (successor to the best-selling CFM56) that will power the Airbus A320neo (-1A version), the Boeing 737 MAX (-1B version, exclusive source) and the COMAC C919 (-1C version, sole Western source);
- in long-haul commercial aviation, Safran partners GE on development of the GE9X engine, chosen as the sole source for the forthcoming Boeing 777X;
- in business aviation, Safran is developing the Silvercrest® engine selected by Dassault Aviation for its Falcon 5X;
- in helicopters, Safran is developing a range of high-power engines (3,000 shp) for medium-to-heavy-lift helicopters, following the 2013 acquisition of Rolls-Royce's share in the RTM322 program;
- in space vehicles, Airbus Safran Launchers is working on the Ariane 6 launch vehicle engine (P120C powder booster, Vulcain 2.1 and Vinci cryotechnic engines), under an agreement signed with the European Space Agency in August 2015 on the initial development phase for Ariane 6.

Safran is also a front-line player in Aircraft Equipment (landing systems, wheels and brakes, nacelles, power transmission systems, electrical systems and wiring systems), and in "more electric" aircraft architectures for aircraft manufacturers and airline companies. It is preparing technological differentiation in equipment for the future generation (around 2030) of short- and medium-haul aircraft. In all its Aerospace business lines, Safran has developed a very strong customer and operator service capability, notably through rate-per-flight-hour service contracts that offer customers guaranteed aircraft availability while improving the visibility and the recurrence of aftermarket revenues for Safran.

In Defense, Safran harnesses its strong innovative capacity to assert its leadership in optronics, navigation and avionics, and to develop full onboard solutions with a view to seizing growth opportunities in emerging countries.

On the Security market, Safran harnesses world-renowned experience to meet growing demand for multi-biometric identification systems, secure document systems (for passports, identity cards, etc.), public safety (as with the passenger name record system, or PNR) and tomographic systems for the detection of explosives and illicit substances. The Group pursues development in digital identity systems (bank applications, strong-authentication secure internet transactions, and cloud computing) using know-how and technologies derived from physical identity solutions.

Safran's development is guided by four main focuses:

- technological innovation, driving long-term growth;
- front-line positions in its various businesses;
- strong positions on high-growth markets;
- consistently sound financial position.

To back its strategy, Safran continues to forge alliances and long-term partnerships, as with GE on engines for short- and medium-haul aircraft (partnership dating back to 1974, then renewed in 2008 through to 2040). The joint venture Airbus Safran Launchers is a further illustration of this long-term alliance strategy.

Safran also executes targeted external growth operations, chiefly to round out its coverage of key technologies and to access new markets. Following the consolidation of Goodrich Electrical Power Systems in 2013, the 2014 acquisition of two Eaton Aerospace businesses broadened the scope of Labinal Power Systems to cover aircraft electrical distribution and complemented Sagem's cockpit solution positioning. The acquisition of Dictao brings know-how in strong authentication solutions for improved security of bank transactions. These levers strengthen and accelerate Safran's growth.

Safran is pushing ahead with its competitive performance improvement plan, through development of its industrial facilities and preparatory work on the Factory of the Future program, which involves additive manufacturing, digitization/automation of production processes, industrial Internet of Things, and maximization of plant running times.

Safran takes up positions on long-term markets on which sustained demand ensures growth and profitability. Growth opportunities are found in the strong development potential of emerging countries, and in mature US and European markets, where aircraft fleets are under renewal. Safran expects the worldwide fleet to double in size over the next 20 years. This is the global aerospace market on which Safran asserts its sustainable growth and profitability strategy.

Safran's financial fundamentals are very sound. Robust cash flow from operations underpins a strong long-term position at the technological frontline, sustained R&D investments, and an acquisitions policy geared to short- and medium-term growth.

Safran implements its development strategy in accordance with strong ethical principles, as set out in its guidelines on Group values and ethical conduct (see section 5.2.1).

1.3 Group businesses

1.3.1 Aerospace Propulsion

The Aerospace Propulsion business operates in three fields:

AIRCRAFT AND LIQUID-PROPELLANT ENGINES	
Civil aircraft engines	Business jets Regional jets Short- and long-haul aircraft Long-haul aircraft
Military aircraft engines	Fighters Training and support aircraft Patrol, tanker and transport aircraft
Liquid-propellant and plasma-propulsion engines	Launch vehicles and satellites

HELICOPTER TURBINE ENGINES	
Turbine engines for helicopters	Light helicopters Medium-weight helicopters Heavy-lift helicopters

SOLID-PROPELLANT ENGINES	
Civil space industry	Launch vehicles
Military industry	Ballistic missiles Tactical missiles and targets

1.3.1.1 Aircraft and liquid-propellant engines

CIVIL AIRCRAFT ENGINES

Key characteristics of the business sector

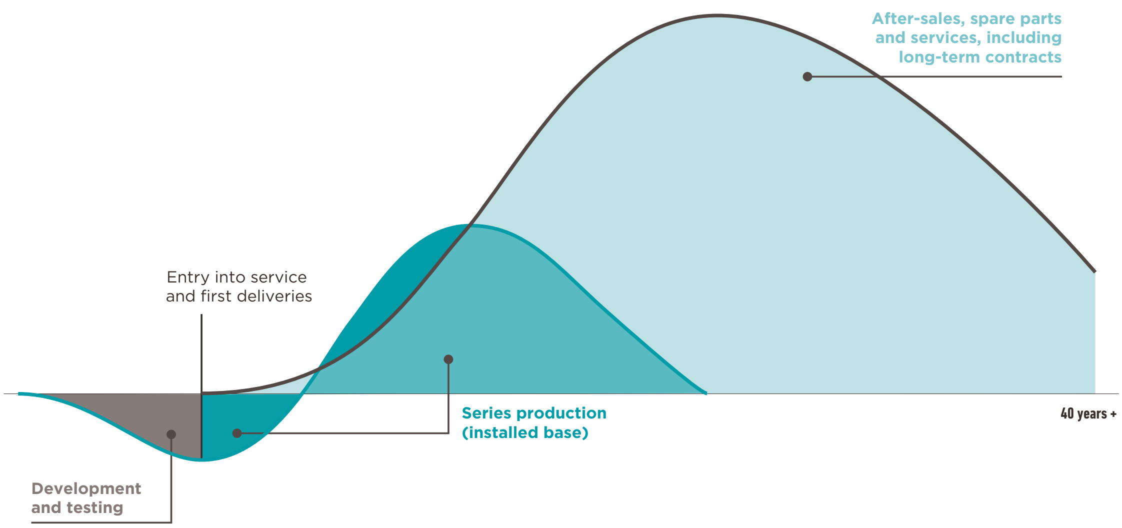
The civil aviation sector comprises four main segments:

- business jets powered with engines delivering between 5,000 and 18,000 pounds of thrust;
- regional jets (30 to 100 seats) powered by engines delivering between 8,000 and 18,000 pounds of thrust;
- short- and medium-haul aircraft with 100 to 200 seats, powered by engines delivering between 18,500 and 50,000 pounds of thrust;
- high capacity long-haul aircraft with a twin-aisle fuselage, powered by engines delivering over 50,000 pounds of thrust (currently up to 115,000 pounds).

In response to aircraft manufacturer requirements for specific engines for each of these business sectors, engine manufacturers invest in civil engine programs comprising two types of activity:

- original equipment activity, involving the sale of engines installed on new aircraft;
- service activity, comprising the sale of spare parts and service contracts entered into on a case-by-case or long-term basis with operators and approved maintenance centers.

ECONOMIC LIFECYCLE OF AN AIRCRAFT ENGINE(1)



(1) *For illustrative purposes only.*

These programs may span more than 40 years and have several phases. A significant portion of revenue generated by these programs comes from support services.

Addressing operators' expectations on this market, there is a growing tendency to offer long-term rate-per-flight-hour service contracts. This improves visibility for customers and offers engine manufacturers a better guarantee of revenues and a smoother cash profile throughout the engine lifecycle.

There are four major engine manufacturers in the sector that can act as prime contractors: GE (US), Rolls-Royce (UK), Pratt & Whitney (US) and Safran.

In the industry, the US dollar is used almost exclusively as the transaction currency.

Alliances and partnerships

Because of the very substantial investment involved in new engine programs, Safran often works in partnership with other engine manufacturers.

Partnerships may take the form of joint ventures, as with GE and NPO Saturn (Russia).

They can also be based on contractual risk-and-revenue-sharing agreements, under which Safran receives a share of sales revenue for the final delivered product, corresponding to its share in the program. The GE90 program is an example of this kind of arrangement.

Group products and programs

Safran's operations in the civil aircraft engines segment mainly involve Snecma and Techspace Aero.

Low-thrust engines for civil aircraft

This engine family powers regional transport jets and business jets.

Safran is the prime contractor for the SaM146 program, in partnership with the Russian engine manufacturer, NPO Saturn. The SaM146 is the sole engine for the Superjet 100, the 70- to 95-seater aircraft made by Russian manufacturer Sukhoi.

Safran also invests in engines for business jets through its Silvercrest program, in the category of engines delivering 10,000 pounds of thrust. This engine has been selected by Dassault Aviation for its Falcon 5X.

The Group also operates in this engine range through the participation of Techspace Aero in the following GE programs:

- CF34-10 (Embraer 190 and COMAC ARJ 21 regional jets);
- Passport (Bombardier Global 7000 business jet).

Medium-thrust engines for civil aircraft

The CFM56 engine program (including spare parts, maintenance and repair sales) generates around 50% of Safran's Aerospace Propulsion revenue. This engine is developed under equitable joint cooperation agreements by CFM International, a 50-50 joint venture between Safran and GE.

The majority of short- and medium-haul aircraft with more than 100 seats delivered over the last 20 years are powered by CFM56 engines. These engines power 57% of the Airbus A320ceo (current engine option) range[1]. Competition to power the Airbus range comes from the V2500 engine made by the IAE consortium (Pratt & Whitney, MTU Aero Engines and Japanese Aero Engines Corp).

The current generation of the Boeing 737 NG, like the previous version (Classic), is powered solely by CFM56 engines.

The success of this program with airlines has led to a steady rise in the fleet of CFM56 engines delivered over the past 30 years. This engine currently represents the world's largest engine fleet; just under 29,000 units have been delivered and some 27,700 are in operation.

CFM International is in the final stages of developing a new generation of engine called LEAP, which should achieve a significant reduction in fuel consumption and CO_2 emissions in comparison with the best CFM56 engines currently in service. The new engine will also significantly reduce nitrogen oxide emissions and noise levels, with no compromise on the reliability or competitive cost of ownership of CFM56 engines.

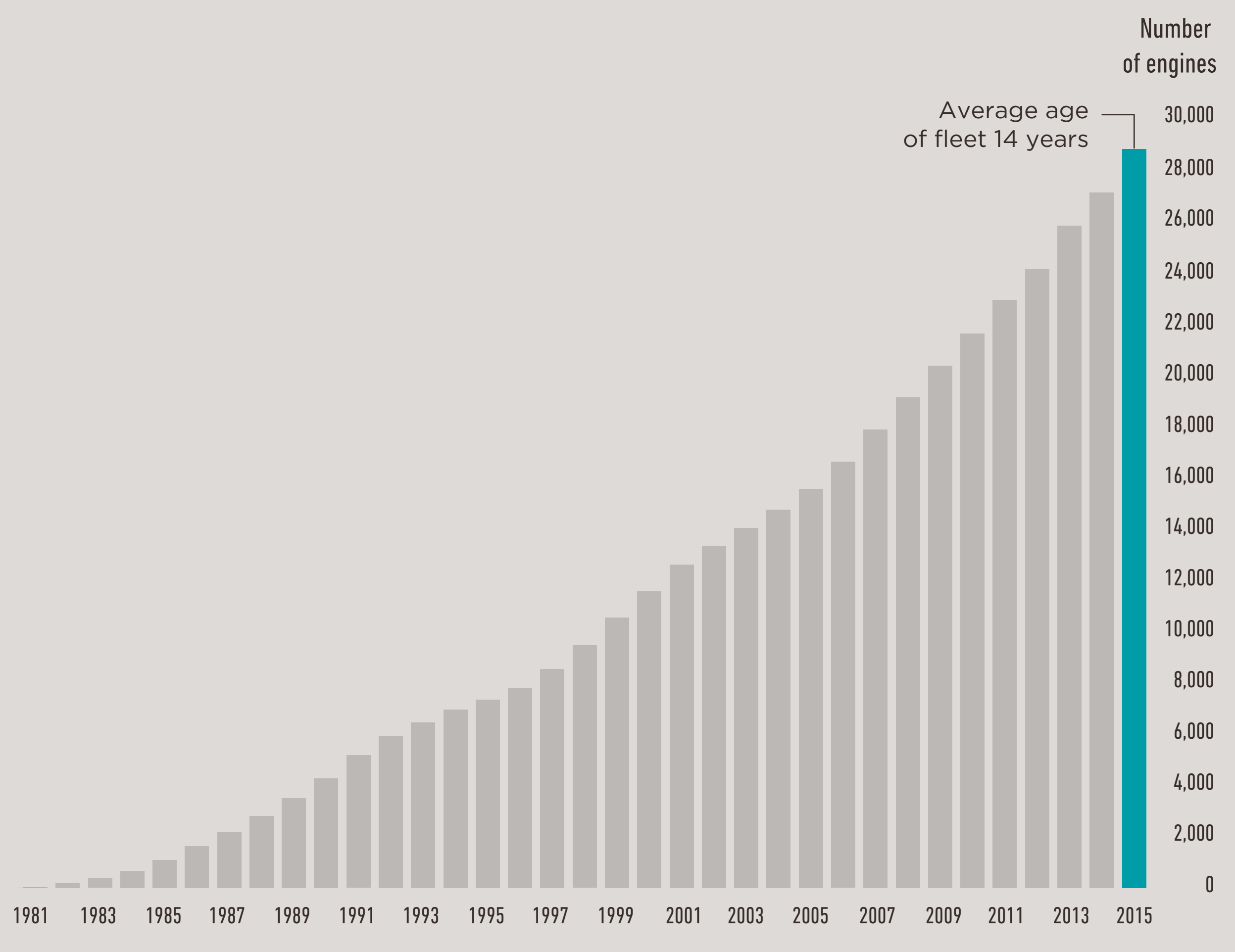
The LEAP® engine has so far been selected for use on three aircraft:

- the LEAP®-1A version is one of the two engine options for the new Airbus A320neo (new engine option), the other being the PurePower PW1000G developed by Pratt & Whitney;
- the LEAP®-1B version is the sole source for the new Boeing 737 MAX;
- the LEAP®-1C version is the sole Western source for the propulsion system (engine plus nacelle) on China-based COMAC's C919 aircraft.

The highly innovative LEAP engine is also a resounding market success, with more than 10,000 purchase intention and firm order agreements signed by January 2016. The release of the new engine has been staggered across three phases in line with aircraft manufacturers' schedules: 2016 for the LEAP-1A (on the Airbus A320neo), 2017 for the LEAP-1B (on the Boeing 737 MAX) and 2018 for the LEAP-1C (on the COMAC C919).

(1) *Source: Safran.*

TOTAL DELIVERIES OF CFM56 ENGINES



High-thrust engines for civil aircraft

The Group operates in this engine range as a risk and revenue sharing partner, primarily with GE. Participation rates vary between 7% and 24% across several engine programs in series production, including the CF6 powering the A330 (19.4%) and the Boeing 767 (10%), and the GE90 powering the Boeing 777 (23.7%). Safran is a partner on the GEnx engine program: 7.7% for the 1B version powering the Boeing 787 Dreamliner long-haul aircraft and 7.3% for the 2B version powering the Boeing 747-8. Safran also partners GE, at just over 11%, on the program for the forthcoming GE9X engine, the sole source for Boeing's new 777X long-haul aircraft. Finally, as part of its cooperative arrangements with the Engine Alliance consortium partners (GE, Pratt & Whitney, MTU Aero Engines), Safran has a 17.5% stake in the GP7200 engine which powers the A380.

Spare parts and services for civil aircraft engines

After-sales operations primarily involve the sale of spare parts and the provision of maintenance, repair and overhaul (MRO) services. They hold significant growth potential for the Group, owing to the size and lifespan of the aircraft fleets concerned.

For several years the Group has been developing long-term service contracts for CFM56 engines with airlines and major maintenance workshops to assert its position on this highly competitive market. Each CFM56 engine is removed for inspection and servicing in a maintenance workshop three to five times during its service life. Sales of spare parts for the fleet of CFM56 engines in service will continue to increase even after production of this engine has been discontinued.

For the new-generation LEAP engines, scheduled to come into service from 2016, long-term revenue may be generated by spare parts provision or service contracts signed at the same time as the OEM purchase intention and firm order agreements.

On other civil aircraft engine programs, including those for high-thrust engines in which Safran holds a minority stake alongside GE, the Group also benefits from revenue from spare parts and service contract sales.

MILITARY AIRCRAFT ENGINES

Key characteristics of the business sector

The military aviation sector comprises three main segments:

- fighters;
- training and support aircraft;
- patrol, tanker and transport aircraft.

The military aircraft engine and related services market is dependent on the budgets of customer air forces. The military market is also influenced by national independence and diplomatic considerations.

The nature and performance of engines vary considerably depending on the segment: jet engines with a high thrust-to-weight ratio for fighters, and jet engines or turboprops closer to those found in civil aircraft for training and patrol aircraft.

As in the civil aviation sector, military engine programs generally involve two types of activities, namely original equipment and after-sales service, the latter comprising the sale of spare parts, maintenance and repair activities, as well as other customer services.

Alliances and partnerships between engine manufacturers have been forged to bring together the best technological and commercial assets, pool risks, and meet the needs of pan-European programs.

The majority of civil engine manufacturers are active in military aircraft engines and benefit from the technical synergies that exist between the two activities.

The key Western players in the fighter jet engine sector, apart from Safran, are North American and British: Pratt & Whitney, GE and Rolls-Royce.

The main European players are: Safran, whose M53 engine powers the Mirage 2000 and whose M88 engine equips the Rafale; Rolls-Royce, whose Pegasus engine powers the Harrier; and the European Turbo-Union consortium comprising Rolls-Royce (UK), MTU Aero Engines (Germany) and Avio (Italy), for the RB199 engine powering the Tornado fighter. In addition, the European Eurojet consortium, comprising Rolls-Royce, MTU Aero Engines (Germany), Avio (Italy) and Industria de Turbo Propulsores – ITP (Spain), develops the EJ200 engine that powers the Eurofighter Typhoon.

The choice of engines in the training and support aircraft sector consists mainly of those made by Safran (the Larzac, which powers the Alpha Jet, and the Adour in cooperation with Rolls-Royce), Pratt & Whitney (PW500 and PW300) and Honeywell (TFE731 and F124 engine families).

In the engine segment for military tanker, transport and patrol aircraft, the fleet is primarily made up of the T56 and AE2100 turboprops developed by Rolls-Royce North America (formerly Allison) and the Tyne engines developed by Rolls-Royce and made under license by Tyne Consortium (Snecma 52%, MTU Aero Engines 28% and Rolls-Royce 20%). Safran is also involved in the program for the TP400 engine powering the A400M European military transport aircraft, with a 32% stake in the Europrop International GmbH (EPI) consortium, which also includes Rolls-Royce, Industria de Turbo Propulsores – ITP and MTU Aero Engines.

Group products and programs

Safran's operations in the military aircraft engines segment mainly involve Snecma, Turbomeca and Techspace Aero.

Fighter engines

Historically tied to Dassault Aviation, activity in this segment is based mainly around the following programs:

- the Atar engine (4.5 to 7.1 metric tons of thrust), which powers the Super-Étendard Marine jets and the Mirage III, IV, 5, F1 and 50 family. A total of 410 engines remain in service with 6 customers;
- the M53 engine (9.5 metric tons of thrust), which powers the Mirage 2000. There are 578 of these engines in service with 8 customers;
- the M88 engine (7.5 metric tons of thrust), which powers the Rafale. There are 350 of these engines in service with 2 customers.

Training and support aircraft engines

Activity in this segment is based on the following programs:

- the Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's Alpha Jet training aircraft. At the end of 2015, there were 484 engines in service with 7 customers;
- the Adour engine, which delivers thrust of 3.7 metric tons (with afterburner) or 2.9 metric tons (without afterburner). Made in cooperation with Rolls-Royce, it powers support and attack aircraft such as the Jaguar aircraft produced by Dassault Aviation and BAe Systems, and training aircraft such as the Hawk produced by BAe Systems and the Goshawk T-45A produced by Boeing. There are currently 1,100 Adour engines in service.

Patrol, tanker and transport aircraft engines

Activity in this segment is based on the following programs:

- the CFM56 engine powering military versions of the Boeing 707 (CFM56-2), the KC135 tanker aircraft and the Boeing 737 (CFM56-7), the C-40 transport aircraft, the P-8 Poseidon MMA (Multimission Maritime Aircraft), and the AEW&C (Airborne Early Warning & Control) aircraft;
- the 4,550 kW Tyne turboprop engine, developed by Rolls-Royce and manufactured under license by Tyne Consortium. This engine powers C-160 Transall transport aircraft and Breguet Atlantic and Atlantique 2 maritime patrol aircraft. Series production of this program has ceased but it continues to generate revenue through spare parts and repairs;
- the 8,203 kW TP400 turboprop engine powering the Airbus A400M European military transport aircraft, with 90 engines in service.

Spare parts and services for military aircraft engines

After-sales operations for military aircraft primarily involve the sale of spare parts and repair services. These activities are directly linked to the aircraft availability needs of governments using military aircraft. Two programs account for the bulk of these military aircraft service operations today: Mirage 2000 (M53 engine); and Rafale (M88 engine). The Group also continues to provide services for older aircraft fleets, to meet the needs expressed by customers.

Because of the extreme operating conditions involved, military aircraft engines are usually serviced before they reach 1,000 hours in flight. One of Safran's constant development objectives is to lengthen the interval between servicing visits. The Group has developed a new version of the engine that powers the Rafale, the M88 Pack CGP, helping to maintain the aircraft in optimal operating condition. Hot parts and rotating parts have a longer service life, lengthening inspection intervals for the main engine modules and considerably reducing the M88 cost of ownership. Most governments currently delegate the management of their spare parts to the engine manufacturer.

LIQUID-PROPELLANT AND PLASMA-PROPULSION ENGINES

Key characteristics of the business sector

This business sector comprises launch vehicle propulsion systems and satellite engines.

Two types of technology are involved: liquid-propellant rocket engines and electric thrusters (known as plasma thrusters).

To boost competitive performance and safeguard the future of the European space sector, faced with increasing international competition, Safran and Airbus Group joined forces in the space launch vehicle sector in 2015 through the Airbus Safran Launchers (ASL) joint venture. Airbus Safran Launchers now handles the management of Safran and Airbus Group civil space programs, and brings together some of the partners' shares in commercial launch vehicle operations. In the long term, there are plans to provide Airbus Safran Launchers with the assets and resources needed to run civil launch vehicle and military launcher (strategic missile) projects as an autonomous unit.

The main players on the liquid-propellant engine market are Safran, Aerojet Rocketdyne (US), NPO Energomash (Russia), Space X (US) and Mitsubishi Heavy Industries (Japan).

The main players on the electric (plasma) thruster market, besides Safran, are OKB Fakel (Russia) and Aerojet Rocketdyne (US).

Group products and programs

Safran's operations in the liquid-propellant engine segment mainly involve Snecma:

- ***series production,*** with manufacture of the Vulcain 2 cryogenic engine delivering 135 metric tons of thrust to power the main stage of the ES and ECA versions of Ariane 5, and manufacture of the HM7 cryogenic engine delivering 7 metric tons of thrust to power the upper stage of the Ariane 5 ECA rocket;
- ***development activities,*** with the Vulcain 2.1 upgrade for the Ariane 6 main stage and the new Vinci restartable cryogenic engine, delivering 18 metric tons of thrust, selected for the upper stage of the new-generation Ariane 6 launch vehicle.

Safran has been developing, integrating, testing and marketing plasma thrusters and plasma propulsion systems with power ratings from 300 W to 20 kW for satellites and space exploration probes for more than 30 years.

Plasma propulsion systems have a considerable advantage over traditional chemical propulsion systems as regards take-off mass. They can be found on the telecommunication platforms Eurostar 3000 EOR (Airbus Defence and Space), Alphabus (Thales Alenia Space and Airbus Defence and Space), Spacebus (Thales Alenia Space) and Small Geo (OHB – Orbitale Hochtechnologie Bremen, Germany). In 2015, Safran plasma thrusters were selected for the telecommunication platforms of Space Systems/Loral (US).

1.3.1.2 Helicopter turbine engines and auxiliary power units

Key characteristics of the business sector

The helicopter turbine engine market is characterized by significant diversity in applications and end-users. With the exception of armed forces and certain specific civil applications, current helicopter fleets are small in size.

Helicopter engine size is determined mainly by airframe weight and mission type. Helicopters may have one, two or sometimes three engines.

The Group serves:

- government and parapublic applications: police, border control, medical and emergency services;
- civil applications: off-shore oil industry, transportation, tourism and private ownership, and airborne work such as spraying and construction;
- military applications: transport, attack and ground support, maritime patrol.

This diversity, coupled with the fact that engines are tightly integrated into the helicopter airframe, gives rise to a wide variety of engines and associated versions.

The helicopter engine market, like the civil aviation market, comprises two activities:

- sale of turbine engines to helicopter manufacturers for installation in new airframes (original equipment);
- after-sales activities based on spare part, maintenance and repair contracts with operators, requiring a major global customer support network with local reach, given the large number of users and the helicopter's limited radius of action.

The profile of a helicopter turbine engine program is extremely similar to that of a civil aircraft engine program as presented earlier in the section.

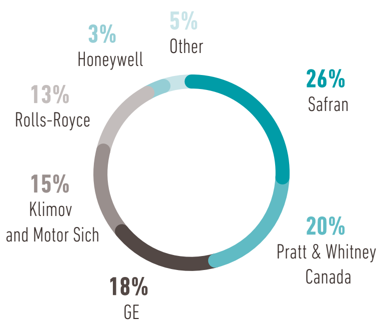
The airframe/engine pairing is often unique and at the origin of a new model. However, there is a trend toward multiple engine sizes among some helicopter manufacturers (offering a choice between two engines). This can also be seen where a helicopter is adapted for a specific purpose, thereby reintroducing competition to a given program.

There are fewer partnerships between engine manufacturers than in the civil aviation engine sector. The main partnership is MTRI (MTU Aero Engines, Turbomeca, Rolls-Royce and Industria de Turbo Propulsores – ITP), on the 1,450 shp[(1)] MTR390-E engine powering the Tiger. The growth of the helicopter market in emerging markets has also led Safran to develop other types of partnerships with consortiums of helicopter manufacturers looking to enter the propulsion sector. This is the case with HAL (Hindustan Aeronautics Ltd.) in India and AVIC in China, which are becoming both customers and partners.

The majority of major Western aircraft manufacturer groups are also present in the helicopter turbine engine market: Safran, GE, Pratt & Whitney Canada, Rolls-Royce and Honeywell.

Safran has also developed a range of auxiliary power units, based on turbine technology and featuring innovations developed through substantial technological investment and strategic partnerships.

MARKET SHARE: SALES OF HELICOPTER ENGINES, 2011-2015[(2)]



Group products and programs

Most of Safran's helicopter engines are modular turbine units adaptable to civil and military helicopters. Modularity makes for more efficient maintenance programs. Safran helicopter engines are designed with a large additional power potential (up to 15%), which means they address a broad application spectrum. Through Turbomeca, Safran is active in all of the helicopter engine categories described below.

Auxiliary power units are non-propulsive systems that generate energy on an aircraft for powering on-board systems. Safran fields a range of auxiliary power units through Microturbo.

Turbine engines for light helicopters

For single- and twin-engine light helicopters, Safran offers two types of engine: Arrius and Arriel.

These engines and their derivatives power many civil helicopters, from Airbus Helicopters (EC120, EC135, Écureuil, EC145, Dauphin, etc.), Sikorsky (S76) and Kamov (Ka-226T), along with the military versions of helicopters from Airbus Helicopters (Fennec, Lakota and Panther), AgustaWestland (A109 Power) and AVIC (Z9).

In December 2015, the latest variant of the Arrius engine – Arrius 2R – obtained certification from the European Aviation Safety Agency (EASA). This engine, set to come into service in 2016, was selected by Bell Helicopter (US) to power its new Bell 505 Jet Ranger X helicopter. It marks the successful outcome of the first long-term partnership between Safran and Bell Helicopter.

Turbine engines for medium-weight helicopters

For single-engine helicopters from 2 to 3 metric tons and twin-engine helicopters from 4 to 6 metric tons, Safran designed the Arrano, a new engine delivering 1,100 to 1,300 shp. It will consume 10% to 15% less fuel than other engines in service today, meaning enhanced performance (range, payload) and a smaller environmental footprint. Airbus Helicopters selected the Arrano as the sole source for its new twin-engine H160 helicopter (5.5 to 6 metric tons).

For helicopters from 5 to 7 metric tons, Safran is present on the military market for combat helicopters, with the MTR390 (developed jointly with Rolls-Royce and MTU) that powers the Airbus Helicopters Tiger, and the TM333 engine that powers HAL's Dhruv. A special development contract has been signed with Spain (including ITP as an additional engine partner) for a more powerful version of the MTR390 for the Tiger.

For helicopters from 5 to 8 metric tons, Safran's Ardiden range of engines covers power ratings from 1,400 to 2,000 shp. The Ardiden 1H1/Shakti powers the Dhruv and twin-engine light combat helicopters (LCHs) from Indian helicopter manufacturer HAL. HAL selected the Ardiden 1U variant to power its forthcoming light utility helicopters (LUHs). The Ardiden 3 currently under development is designed for helicopters of up to 8 metric tons, and has already won orders from AVIC in China (for the AC352/Z-15) and Kamov in Russia (for the Ka-62).

Turbine engines for heavy-lift helicopters

On the heavy-lift helicopters market, Makila turbine engines from 1,800 to 2,100 shp are used on helicopters including the H 225/225M and Super Puma from Airbus Helicopters.

The RTM322 turbine engine powers the NHIndustries NH90 helicopter and the AgustaWestland AW101 Merlin helicopter and Apache UK fighter helicopter.

In line with its investment and development policy on new engines in the high-power helicopter turbine engines segment (3,000 shp and above), Safran acquired Rolls-Royce's 50% share in the joint RTM322 engine program in 2013. Safran thus assumes global responsibility for design, production, product support and services for the RTM322 engine.

(1) shp: shaft horsepower.
(2) Source: Safran.

Spare parts and services for helicopter turbine engines

Following the example of its civil aviation activities, Safran has developed an international structure able to provide customers with local access to technical and sales support for their turbine engines, along with spare parts and services. Local coverage is provided through a worldwide network of repair centers (performing in-depth maintenance) and service centers.

Auxiliary power units

The auxiliary power units developed by Safran meet the demanding requirements of the world's leading aircraft and helicopter manufacturers. Safran supplies a large fleet of civil and military aircraft and helicopters, including Alenia Aermacchi's M-346, Dassault Aviation's Rafale, BAe Systems' Hawk, NHIndustries' NH90 and Airbus Helicopters' EC725. Safran auxiliary power units will also power future business jets from Dassault Aviation (the Falcon 5X) and Bombardier (the Global 7000).

Safran has developed a new auxiliary power unit, the e-APU, specially designed and optimized to meet the needs of new-generation business jets and "more electric" helicopters. This system is used on AgustaWestland's new-generation AW189 helicopter.

Safran also provides after-sales support for these high-technology systems.

1.3.1.3 Solid-propellant engines

Key characteristics of the business sector

This business sector comprises two main segments:

- the civil space industry, comprising launch vehicle propulsion to place satellites in orbit as well as satellite engines;
- the military industry, comprising propulsion for all types of ballistic and tactical missiles.

In the military sector, ballistic missiles are an essential component of national nuclear deterrent forces for countries possessing this capability. With the exception of the United Kingdom, production is entrusted to national manufacturers. In Western Europe, France is the only country to develop its own ballistic missiles.

In both the civil and military segments, engine manufacturers work closely with the launch vehicle or missile prime contractor. Development and engineering programs tend to be long and financed by institutional budgets, such as the European Space Agency (ESA) for civil space activities in Europe or national defense budgets for strategic operations. Tactical missile development is also financed by customer governments. Series production activities generally involve limited quantities and fixed costs are high.

It is planned for all these activities to come under the responsibility of the new joint venture, Airbus Safran Launchers (ASL).

The main players on this market, besides Safran, are Aerojet Rocketdyne (US) and Orbital ATK (US).

Group products and programs

Safran addresses the civil and military space segments through Herakles.

Civil space propulsion

This segment features the following activities:

- ***series production,*** with the manufacture of powder boosters (solid-propellant engines) for Ariane 5 boosters. Europropulsion, which assembles the engines, and Regulus, which produces the propellants, were joint ventures between Safran and Avio (Italy). Safran also contributes to the European Vega program, in which it is notably responsible for the nozzle on the P80 solid-propellant engine. Safran's shares in Europropulsion and Regulus were brought under the new joint venture ASL in January 2015;
- ***development activities,*** with the development and production of nozzles in advanced composite materials for US space engines. Safran is also responsible for preliminary design studies on the P120C solid propulsion engines common to the future Ariane 6 and Vega-C launch vehicles.

Ballistic missile propulsion

Safran provides rocket engines for the missiles of France's ocean-going strategic nuclear force, in particular for the fourth-generation program (M51).

Tactical missile and target propulsion

Safran provides engines for MBDA very-short-range ground-to-air Mistral missiles, and Apache and Scalp long-range air-to-ground missiles, as well as their Storm Shadow derivatives. It also supplies components for the production of SM-3 interceptor missiles, developed by the American company Raytheon for US missile defense programs.

Through Roxel, a 50-50 joint venture with MBDA, Safran has developed and assembled a substantial range of engines for tactical missiles of international renown (including Milan, MICA[1], AASM[2], Exocet, Aster and Meteor).

(1) *MICA: interception, combat and self-defense missile.*
(2) *AASM: Modular Air-to-Ground Weapon.*

1.3.2 Aircraft Equipment

Safran's Aircraft Equipment business operates in three sectors:

LANDING AND BRAKING SYSTEMS
Landing gear
Wheels and brakes
Landing and braking systems
Support services for landing gear, wheels and brakes and related systems

ENGINE SYSTEMS AND EQUIPMENT
Nacelles and thrust reversers
Power transmissions

ELECTRICAL SYSTEMS AND ENGINEERING
Wiring and electrical connection systems
Electricity distribution and generation
Engineering

This business covers design, manufacture and sale of various products, plus maintenance, repair, related services and sale of spare parts.

The Group enjoys leading positions in each of its sectors in recent and prospective major short-, medium- and long-haul commercial aircraft programs by Boeing (787, 777X and 737 MAX), Airbus (A350, A330neo and A320neo) and COMAC (C919).

Thanks to its technological expertise in a large number of aircraft equipment sectors, the Group is a preferred partner of aircraft manufacturers and is able to offer a comprehensive range of products and services. Safran is notably the sole comprehensive "ATA 32" supplier (landing gear + brakes + systems).

Safran's substantial capacity for innovation has enabled it to carve out either leading or major positions in its markets. Competitors such as UTC Aerospace Systems (US) and Honeywell are present in several sectors of the aircraft equipment market, whereas Liebherr (Germany), Spirit (US), Moog (US), Zodiac (France), Thales (France), Meggitt (UK), Avio Aero (Italy), LATelec (France) and Fokker (Netherlands) specialize in only one or two specific sectors.

Adopting a less systematic approach than in the Aerospace Propulsion business, Safran has formed a number of alliances and partnerships in the Aircraft Equipment sector, on an individual product and program basis.

Market characteristics are outlined individually below, for each business area.

1.3.2.1 Landing and braking systems

This business comprises three main product lines: landing gear, wheels and brakes, and landing/braking systems.

Safran merged its wheels and brakes, landing and braking systems, landing gear, and maintenance and repair businesses within Messier-Bugatti-Dowty. This organization is in response to market shifts toward more tightly integrated offerings addressing both aircraft manufacturers and airlines.

LANDING GEAR

Key characteristics of the business sector

The market for commercial aircraft landing gear is shared by Safran, UTC Aerospace Systems, Liebherr, Héroux-Devtek (Canada) and a handful of niche players positioned in specific market segments (business jets, helicopters, drones, etc.). Technology requirements are high, as landing gear must bear extreme loads during maneuvers on the ground: it must be light, compact and robust, while being fully adapted to and optimized for the aircraft's profile. The business model includes a long development period – which starts with the initial aircraft development phase – limited production volumes and regular service flows. Technological challenges include the use of new materials to improve the resistance and mass of parts, new, more eco-friendly production processes (including the elimination of chrome), and enhanced acoustics.

Group products and programs

Safran addresses the landing gear segment through Messier-Bugatti-Dowty, which holds around half the market[1] for commercial aircraft landing gear.

Safran designs, manufactures and provides after-sales services for landing gear for civil and military planes and helicopters of all sizes. It also handles integrated systems if requested by the customer, and provides the technical assistance, spare parts and repair services needed for its equipment.

Safran is number one worldwide[1] for landing gear structural units, having equipped a fleet of some 26,000 aircraft. The Group supplies the world's major aircraft manufacturers (including Airbus, Boeing, Bombardier and Dassault Aviation) and military and civil operators. Among the main commercial aircraft programs are the entire Airbus range, including the A350, and Boeing's 787 Dreamliner.

The Group also has a strong presence in military applications, where it equips the A400M, Rafale, Eurofighter Typhoon, F18 and V22 planes and helicopters from Airbus Helicopters, as well as in the business jet and regional jet markets (ATR, Bombardier, Dassault Aviation – Falcon, SuperJet 100, Fokker, Piaggio, etc.).

(1) *Source: Safran.*

WHEELS AND BRAKES

Key characteristics of the business sector

The present-day wheels and brakes market for commercial aircraft with 100 or more seats splits into two segments: aircraft with steel brakes (first-generation brakes), which account for 24%[1] of commercial aircraft of 100 or more seats, and aircraft with carbon brakes, invented by Safran, which account for 76%[1]. The market for carbon brakes has developed rapidly since the 1980s, with the increase in air traffic and the gradual phase-out of steel brakes, replaced by carbon units. The wheels and brakes market is currently shared among four major global players: Safran, UTC Aerospace Systems, Honeywell and Meggitt.

Group products and programs

Safran designs and manufactures wheels and carbon brakes for aircraft, and provides related after-sales services. It also provides electronic and electrohydraulic systems for aircraft braking, tire/brake/landing gear monitoring and landing gear steering systems.

The Group's wheels and brakes offering covers civil applications (on the A320ceo, A330/A340, Boeing 767 and Boeing 777) and the military sector (for the A400M, Rafale, KC135 refueler and C-17 and KC-390 transport aircraft). Recent contract wins for the A350, the A320neo range, the Boeing 737 NG, the Boeing 737 MAX and the Boeing 787 have bolstered its position as leader in this sector.

With almost 7,500 aircraft fitted with Safran wheels and carbon brakes, the Group holds more than half of the market[1] for aircraft having over 100 seats and fitted with carbon brakes. Given the size of the fleet equipped by Safran, 41% of which is less than five years old, the business model underpinning this activity offers the promise of strong revenue streams, since Safran is basically remunerated each time a plane equipped with its systems lands.

To address strong market growth in the Asia-Pacific region, Safran has set up a new facility in Malaysia, making and reconditioning carbon brakes.

EGTS™

In 2012, Safran and Honeywell formed the EGTS International joint venture to develop and offer airline companies an electric taxiing system (EGTS) enabling the aircraft to taxi without airport towing services and without using the aircraft engines.

Activities to promote the new system proceeded throughout the year.

LANDING AND BRAKING SYSTEMS

Key characteristics of the business sector

This market includes braking systems, orientation systems, landing gear and door extension/retraction systems, and monitoring systems. The main players are Safran and the US companies, UTC Aerospace Systems, GE Aviation Systems and Crane Aerospace & Electronics.

Group products and programs

Safran's operations in the landing and braking system segment mainly involve Messier-Bugatti-Dowty. Customers include Airbus, for all its programs, Boeing for the 747-8, Embraer for its KC-390 military program, Gulfstream for its G650 program and Dassault Aviation for its Falcon (7X, 2000 and 900) and Rafale programs.

In the landing and braking electronic control systems segment, Safran's position is buoyed by its technological advance in electric braking and its ability to propose a comprehensive offering to customers, which encompasses landing gear, wheels and brakes, and associated control systems.

Services for landing gear, wheels and brakes and related systems

Safran provides maintenance services for its own products and for competitor products on commercial aircraft with more than 100 seats. Through its partnerships in Asia, the US and France, the Group offers solutions tailored to regional and business jets.

To provide maintenance services for landing gear and landing and braking systems, Safran has developed regional repair centers in Mexico, the UK, France, Singapore and the US. Some of these repair centers are managed as joint ventures with partners such as ST Aero and Dassault Aviation Falcon Jet.

1.3.2.2 Engine systems and equipment

NACELLES AND THRUST REVERSERS

Key characteristics of the business sector

The nacelle is a complex piece of equipment which optimizes internal and external engine airflows, helps reduce noise and incorporates safety components. It is made up of an air inlet, a fairing, a thrust reverser and a nozzle. The thrust reverser, which reverses the engine's thrust to help brake the aircraft, represents more than half the value of the nacelle.

Nacelle research requires specific technical expertise in areas such as achieving acoustic, aerodynamic, thermal and mechanical performance through the intensive use of composite material and titanium technologies. Specifications vary with engine power and location (under the wings for airliners and regional jets, or at the rear of the fuselage for business jets). Along with its nacelle subassembly design and technical expertise, Safran has also developed know-how in nacelle-engine integration and interfacing with the aircraft manufacturer's engine pylon. Safran's main competitor on this market is UTC Aerospace Systems, the world number one.

Group products and programs

Safran is present in the nacelle and thrust reversers sector through the activities of Aircelle.

Safran ranks number two worldwide with a market share of more than 20%[1]. One characteristic of the world nacelles market is the large number of second-line players.

(1) *Source: Safran.*

Safran designs and manufactures nacelles, and provides related after-sales services. In the segment of nacelles for commercial aircraft with more than 100 seats, Safran enjoys strong, long-standing recognition for the manufacture of complete nacelle systems and large thrust reversers for the Airbus A320ceo, A320neo, A330, A330neo and A380 platforms. Boeing selected Safran to supply titanium exhaust systems for the 777X. Safran also supplies nacelles for regional jets (Sukhoi Superjet 100, Embraer 170) and is a leading supplier of nacelles for top-end business jets (Dassault Aviation, Gulfstream, Bombardier, Cessna, Embraer), with a market share of more than 30%[1].

Aircelle is working in partnership with a GE subsidiary, Middle River Aircraft Systems (MRAS), on the development of the nacelle for the Airbus A320neo version powered by the CFM LEAP-1A. Furthermore, Nexcelle, an alliance entered into with GE in 2009 through its subsidiary MRAS, is completing the development of the COMAC C919 nacelle as part of the CFM LEAP-1C "integrated propulsion system" package. This contract comes with an industrial cooperation agreement between Safran and the Chinese group AVIC. Nexcelle has also been selected by GE to supply the nacelle for its Passport engine on Bombardier Global 7000 business jets.

Services for nacelles and thrust reversers

Safran offers operators service solutions through its Customer Support and Service Development Division (CSSD), generating revenue in spare parts, services, repair and maintenance.

MECHANICAL POWER TRANSMISSION SYSTEMS

Key characteristics of the business sector

The mechanical power transmission market covers a range of applications, the main ones being accessory gearboxes (which deliver mechanical energy to engine accessories), reduction drives (which transfer power to the propeller blades on turboprop aircraft and are also used in turbofan engines with very high bypass ratios), and main transmission gearboxes (which transfer power to the blades on helicopters). The main players on this market are the engine and helicopter manufacturers themselves, along with equipment suppliers such as the UTC Aerospace Systems group, GE, KHI (Japan), Triumph (US) and Northstar (US).

Group products and programs

Safran's operations in the mechanical power transmission sector involve Hispano-Suiza.

Safran designs, manufactures, markets and maintains a wide range of mechanical power transmission systems for civil and military aircraft engines. Recognized technical expertise in mechanical power transmission systems is harnessed to develop applications for the world's leading aircraft manufacturers and for Airbus Helicopters.

In 2015, Safran and Rolls-Royce formed Aero Gearbox International, a 50-50 joint venture specializing in power transmission systems. This new company strengthens Safran's position among the leaders in this sector.

1.3.2.3 Electrical systems and engineering

The gradual shift toward more electric aircraft systems is a priority for aircraft manufacturers. As electrical systems begin to phase out most of the hydraulic and pneumatic systems on today's planes, this will bring a significant rise in the power required of electricity generation and distribution systems. The advantages of electrically powered systems include improved safety, lighter weight, smaller volume, and reductions in fuel consumption and greenhouse gas emissions. The introduction of new electrical systems will also reduce aircraft assembly and maintenance costs, and improve availability.

Step by step over the past few years, Safran has built a leading world position in electrical power systems, chiefly through a series of acquisitions. In 2013, Safran acquired Goodrich Electrical Power Systems (GEPS), a leading supplier of onboard aircraft electrical power generation and conversion systems. In 2014, Safran finalized the acquisition of Eaton Aerospace's power distribution businesses.

These external growth operations, coupled with a substantial internal research and technology effort, enable Safran to assert a strong legitimacy in aircraft electrical systems. Labinal Power Systems brings together all of Safran's electrical systems operations under a single dedicated unit, covering the following main specialties:

- electrical interconnection systems;
- onboard electrical energy (generation and distribution);
- power electronics;
- maintenance and repair of electrical equipment;
- ventilation systems and electric motors;
- engineering, design and production services, especially for electrical systems.

ELECTRICAL POWER GENERATION AND DISTRIBUTION SYSTEMS

Key characteristics of the business sector

The electrical systems market mostly covers power generation and distribution functions. This market is currently commanded by major players such as UTC Aerospace Systems, Esterline and Zodiac, which cover all or some system components. Only UTC Aerospace Systems and Safran field a comprehensive offering covering main and backup power generation, conversion, and primary and secondary distribution.

The power electronics market is more recent, arising directly from developments in electrically powered aircraft functions (electric thrust reversers, electric brakes, electric load control, etc.). UTC Aerospace Systems, Honeywell and Safran hold skills in this field.

(1) Source: Safran.

Group products and programs

Safran's operations in these segments involve part of the Labinal Power Systems electrical systems businesses brought in from Hispano-Suiza in 2014. Since the acquisition of GEPS, Safran has held critical experience and know-how in electrical power generation central to aircraft electrical systems. Safran filled out its portfolio of products in these areas with its acquisition of Eaton Aerospace's primary power distribution businesses.

Examples of Safran's capacity for innovation in power electronics include ETRAS (Electrical Thrust Reverser Actuation System), the world's first electric control system for nacelles, developed on the A380, and EBAC (Electrical Braking Actuation Controller), on the Boeing 787. These major technological advances, along with Safran's engine and electrical wiring expertise, enable the Group to offer aircraft manufacturers innovative electrical aircraft systems for their forthcoming programs.

For example, Safran provides all emergency backup power and primary and secondary distribution systems for the Embraer KC-390 military transport aircraft program, currently at the test-flight stage.

ELECTRICAL CONNECTION SYSTEMS

Key characteristics of the business sector

The Group is the leading worldwide supplier[1] on this market. Wiring and electrical connection systems mainly comprise electrical harnesses as well as main and secondary transformer stations and other electrical cabinets.

Much of the aircraft wiring market is still in the hands of aircraft manufacturers' internal departments. Safran's main rivals on the aircraft wiring market are GKN (UK), which bought the wiring businesses of Dutch company Fokker Elmo in 2015, LATelec and Ducommun LaBarge (US).

Group products and programs

Safran's operations in the wiring and electrical connection system segment involve the activities of Labinal Power Systems.

Safran provides electrical and layout design work in addition to harness production and installation support services at the aircraft manufacturer's site, for customers including Airbus and Boeing. If requested, as on upgrade programs, Safran can take on the planning and onboard installation stages. This can – as with major programs such as the A380 and A350 – extend to an "end-to-end" service covering engineering, manufacture and installation support.

VENTILATION SYSTEMS AND ELECTRIC MOTORS

Key characteristics of the business sector

Ventilation systems comprise various electrical, electronic, mechanical and pneumatic subsystems.

High-performance ventilation systems perform the following functions:

- management of air circulation in the cabin and cockpit;
- cooling of aircraft brakes on landing;
- cooling of avionics bays, which house systems including the main aircraft controllers (flight control systems, digital cockpit screens, etc.).

Safran, UTC Aerospace Systems and Honeywell are the main players with skills in this field.

Group products and programs

Safran designs, manufactures and markets ventilation systems for aircraft cabins and avionics, and brake cooling systems for commercial and military aircraft and helicopters, through its subsidiary, Technofan.

Safran supplies all ventilation circuit equipment (valves, air filters, nozzles, heat exchangers, flowrate sensors, pressure sensors, etc.) along with the ventilation regulation and control system. The Group has also developed expertise in electric motors fully integrated in the aircraft electrical chain.

ENGINEERING SERVICES

Key characteristics of the business sector

The engineering market is dependent on major development programs. As these approach completion (Airbus A350 and Boeing 787), aircraft manufacturers and equipment vendors have less need of specialist engineering skills.

At the same time, Safran's major aerospace customers are trimming back their supplier panels, and this gives rise to consolidations and opportunities for those suppliers that are selected.

Selection depends on the ability of suppliers to provide consistent support on their customers' international markets, and to sustain and develop their skills bases.

The Group's main competitors are leading full-service engineering groups such as Alten (France) and Altran (France) as well as niche aviation suppliers such as Assystem (France) and Aeroconseil (France).

Group products and programs

Safran is present in the engineering market through Safran Engineering Services. In Europe, North America, South America and Asia, Safran provides engineering services on the aviation market and on related markets. Its expertise, focused on five broad areas (electrical systems architecture, aerostructures, mechanical systems, embedded systems and certification support), is used by various Group companies, chief among which ranks Labinal Power Systems. Services are also provided to major aviation customers (Airbus Group, Boeing, Dassault Aviation and Embraer) and land transport companies (Bombardier Transport, Renault, Peugeot and Jaguar Land Rover).

For support in the design of new electrical system architectures, Safran's aircraft manufacturer customers see the expertise of Safran Engineering Services, backed by Labinal Power Systems, as a determining factor.

(1) Source: Safran.

1.3.3 Defense

The Defense business can be broken down into three key sectors:

OPTRONICS
Soldier modernization
Optronics and sights
Drones
High-performance optics

AVIONICS
Navigation and sensors
Seekers and guidance systems
Flight control systems
Onboard information systems and data management

ELECTRONICS AND CRITICAL SOFTWARE
Onboard electronic equipment
Onboard critical software

Through the French and international facilities of its subsidiary Sagem, Safran develops and manufactures electronic equipment, inertial navigation systems, and high-added-value optical and optronic products. It develops, produces or purchases, and maintains computers and printed circuit boards used in all types of platforms for the civil and military aviation and defense sectors. Safran develops onboard electronics and critical software for the systems it manufactures.

Safran's main partners and customers in the Defense sector are governments (ministries or armed forces) and European groups such as Thales, Airbus Group, Nexter, BAe Systems (UK), MBDA, Finmeccanica (Italy), Saab AB (Sweden), Dassault Aviation, DCNS and CMI (Belgium).

Other well-known integrators and equipment and system suppliers in the international aviation and defense sectors are also set to become partners or customers of the Group.

1.3.3.1 Optronics

Key characteristics of the business sector

The high-tech industry of optronics combines optics and electronics for use in detection, image processing and stabilization.

The optronics sector covers a wide range of equipment and systems, including the soldier modernization system, night vision goggles, thermal cameras, combat vehicle digitization (vectronics), gyrostabilized optronic surveillance platforms ("pods") for aircraft and drone systems, periscopes and optronic masts for submarines, and high-performance optics.

Safran's main competitors in these businesses in France and abroad include: Thales, Airbus Defence and Space, BAe Systems, Finmeccanica, Elbit (Israel), L-3 Wescam (Canada) and FLIR Systems (US).

Group products and programs

Safran's expertise and ability to innovate have enabled it to develop a comprehensive product portfolio and to become a global reference in several platforms: surface ships, submarines, combat vehicles, aircraft and drones and dismounted combatants. Safran is active in the optronics industry through Sagem and its subsidiaries Vectronix in Switzerland and the US (portable optronic products), Optics 1 Inc. in the US (integrated optical systems and subsystems), Optovac in Brazil and REOSC (high-performance optics), and through its stake, along with Thales, in Optrolead and Sofradir (world number one[(1)] in infrared detectors).

Soldier modernization

Safran harnesses experience from the *FELIN*[(2)] program on soldier modernization in the French armed forces to offer innovative solutions addressing the needs of various armed and security forces (army as well as police, civil security and firefighters) in France and further afield. The modular approach developed to give infantrymen optimal ease of movement provides enhanced climatic, NBC and ballistic protection, night and day target identification and engagement optronic systems and a network-based communication system particularly adapted to modern network-centric warfare.

Optronics and sights

Portable optronic equipment

In terms of portable optronics, Safran is both a trailblazer and the leading European producer[(1)]. It offers a full range of hardware and systems for observation under any weather conditions, day or night. Its multi-purpose night-vision imagers, such as the JIM LR long-range multifunction imager, are widely used in overseas operations by French and allied forces and are considered a global market reference.

Onboard systems

Safran equipment provides protection for land combat vehicles (tanks and lighter vehicles). Stabilized sighting is a key part of the performance of target identification and fire direction, under day or night conditions, including ambulant firing capability. Safran equips several French and export land vehicles (Leclerc, VBCI, BMP3, United Arab Emirates, Saudi Arabia, etc.) and artillery systems in around 20 countries with its range of terrestrial sighting systems, including the latest model in the range, the PASEO panoramic surveillance and fire direction sight.

(1) *Source: Safran.*
(2) FELIN: fantassin à équipements et liaisons intégrés *(infantrymen with integrated equipment and links).*

In the field of gyrostabilized sights, Safran participates in major combat helicopter programs: Tiger, NH90, Cougar, Panther and Caracal. The STRIX and OSIRIS infrared sighting systems fitted on Tiger helicopters meet exceptionally demanding operational conditions and guarantee the performance of the weapons systems.

Safran has applied its experience in the specialized field of conventional and nuclear submarine optronic masts and periscopes to equip several programs such as Scorpène and Agosta. The new generation of combat nuclear submarines, the Barracuda class, will be equipped with Safran's periscope system using non-penetrative optronic masts.

Drones

Safran is active in drone systems through its expertise in critical function chains: navigation and flight control, image chain, and data transmission. Safran's tactical drone systems are used in daily operations in both night- and day-time conditions.

For its experience in high-integrity drone flight control, Sagem sits on the Civil Drone Commission set up by the French Directorate General for Civil Aviation (DGAC), along with other aerospace companies, SMEs in the sector and major contractors. The purpose of this commission is to organize and promote the civil drones industry in France by drawing up technological roadmaps for the development of safe civil usages.

In early 2016, Safran's Patroller system was selected by the French army for its SDT tactical drone system.

High-performance optics

With its REOSC optic range, Safran is a leading world player in the design, manufacture and integration of high-performance optical systems for space, astronomy, large-scale lasers and the semiconductor industry.

Customer support

Safran's customer support includes high value-added services, including repairs, equipment delivery and technical support. All strive toward the same goal: ensuring that equipment is in full working order at all times.

1.3.3.2 Avionics

Key characteristics of the business sector

Safran's avionics segment covers onboard electronics technologies in four product lines: inertial navigation, flight control systems, guidance and seeker systems, and onboard information systems.

In addressing several different markets and platforms with common-core technology, Safran enhances competitive performance and optimizes its product portfolio, covering applications such as guided weapons, military and commercial planes and helicopters, and combat vehicles and ships.

Safran's main competitors in these businesses in France and abroad include: Thales, BAe Systems (UK), Finmeccanica, Rockwell Collins (US), Northrop Grumman (US), Honeywell, and Liebherr.

Group products and programs

Safran is present in the avionics sector through Sagem and its US subsidiary Sagem Avionics Inc. (automatic pilot systems for aircraft, actuators and onboard data acquisition and processing modules).

Safran is European number one[1] in inertial navigation, with a full technological portfolio comprising inertial sensors, gyrometers (mechanical, gyrolaser, fiber optic and vibrational), accelerometers (pendular and vibrational) and MEMS[2] sensors. Through its subsidiary Colibrys, which specializes in high-performance micro-movement (acceleration and vibration) sensors, Safran is a front-line player in MEMS technology. With its Montluçon facility in France, Safran has world-class industrial capabilities for making inertial sensors and systems.

In 2015, Safran continued its program of investments in France, extending operations at the Fougères site to cover production of controllers for LEAP engines, and developing a new R&D center at its Eragny site.

Full consolidation of the integrated cockpit solutions business of Eaton Aerospace during the year bolstered Safran's offering in avionics and flight controls.

Navigation and sensors

Safran offers a wide range of inertial and stabilization systems for all land, sea, air and space platforms and all performance classes. At the highest performance level, Safran's recognized expertise lies behind its involvement in programs such as Rafale, A400M and nuclear-powered ballistic missile submarines.

Seekers and guidance systems

Safran has combined expertise in optronics and inertial systems to provide infrared seekers for France's main missile systems, particularly Mistral and MICA IR. MICA IR missiles are carried by Rafale fighters and Mirage 2000-5 interceptor aircraft.

The AASM is a high-precision modular air-to-ground weapon that can be used in all conditions, day or night, and is in service on Rafale fighters belonging to the French air force and navy. It comes in several versions and harnesses Safran know-how in many areas – infrared and image processing technology, inertial components with hemispherical resonant gyro (HRG) and laser guidance. It has proved highly effective in recent operations.

Finally, Safran has been selected to supply infrared seekers for the French army's MMP medium range missiles[3] and for the future French-British light anti-ship missile, the FASGW[4].

(1) Source: Safran.
(2) MEMS: micro electro mechanical systems.
(3) MMP: missile moyenne portée *(medium range missile).*
(4) FASGW: Future Anti-Surface Guided Weapon.

Flight control systems

As a worldwide leader[1] in civil and military helicopter flight control, Safran offers systems, including autopilots, onboard computers, flight control actuators and navigation systems, designed to aid the pilot while maintaining a maximum level of security. Safran contributes to several ongoing programs in this segment, including Airbus Helicopters' next-generation helicopter, Embraer's KC390 and the MA700 aircraft made by Chinese manufacturer AVIC.

Onboard information systems and data management

Safran has developed flight-data recording systems (Aircraft Condition Monitoring System – ACMS) equipping ATR, Embraer, Boeing and Airbus civil aircraft. Under Airbus prime contractorship, Safran also provides the secure gateway between the cockpit and the cabin information system for the A380 and A350.

Given the extensive fleet it equips among many airline companies, Safran is ideally placed for developing its Cassiopée data management service, which inputs recorded flight data to yield results in areas such as flight analysis (Flight Data Management – FDM) and optimization of fuel consumption (SFCO2).

Customer support

Safran's customer support in avionics extends to high value-added services, including repairs, equipment delivery and technical support. Customer satisfaction is sustained through constant improvements in TAT (Turn Around Time), up to industry benchmark level, to ensure the best competitive performance in equipment availability. Given its highly varied worldwide avionics customer base, Safran may localize support services for closer contact with the customer. Customer support performance is a key issue: customer support is a long-term revenue source throughout the lifecycle of an avionics product, and it develops customer loyalty, thereby influencing customer choices on new programs.

1.3.3.3 Electronics and critical software

Given the strategic importance of onboard electronics and critical software today, Safran vertically integrates these technologies through Sagem's Safran Electronics Division. Subsidiaries in Canada, Asia and Europe offer good geographical reach to customers, for development projects and for repair and maintenance services.

Sagem's Safran Electronics Division provides all Group companies with world-leading electronic equipment and critical software. It develops, produces, and maintains electronic circuit boards and certified onboard computers for numerous systems, particularly in aviation (FADEC engines, thrust reversers, nacelles, landing gear, braking systems and flight control systems). With its partners it has woven strong, balanced links through FADEC International (joint venture with BAe Systems) and FADEC Alliance (joint venture between GE and FADEC International).

ELECTRONIC EQUIPMENT

Safran specializes in increasingly integrated electronic systems for harsh environments (temperature, vibration, etc.). It designs and produces onboard computers used in engine, flight, braking and landing gear control systems. Safran designs and installs electronic control systems for electromechanical actuators and for Labinal Power Systems' power converters[2]. In the space segment, Safran is conducting work on the electronic propellant flow-rate regulation demonstrator for the future Ariane 6 engines, and on electronic control systems for plasma thrusters. Safran's expertise in the production of electronic circuit boards and complex computers is maintained through a strong core of industrial excellence particularly at its Fougères plant.

ONBOARD CRITICAL SOFTWARE

Safran develops the complex critical software used in Group onboard systems. This software is said to be "critical" because it must comply with extremely demanding certification standards as regards dependability in harsh environments.

Safran teams handle software specification, architecture, coding, verification, quality assurance, configuration management and certification, using modern software platforms that yield ever-higher efficiency.

Computer maintenance and repair

At its Massy and Singapore repair centers, Safran performs maintenance of its own onboard computers along with systems from other Group and third-party manufacturers. It also maintains and repairs computers and electronic boards for many airlines and air forces worldwide.

(1) *Source: Safran.*
(2) *See section 1.3.2.3, Electrical systems and engineering.*

1.3.4 Security

Security activities can be split into two key areas:

IDENTITY AND SECURITY
Governmental solutions
Commercial solutions
Public safety

DETECTION
Detection by X-ray tomography and X-ray diffraction of explosives and dangerous and illicit substances
Spectrometry-based detection and analysis of traces of explosives and dangerous and illicit substances

Through its Morpho subsidiary, Safran is a world front-runner in biometric identity and security solutions. Safran's business here is driven by the emergence of new security and authentication needs in an increasingly digital and connected world. Safran addresses these needs by constant progress in technologies, backed by a targeted partnership and acquisitions policy.

Safran expertise covers all security-chain technologies, in the fields of biometrics, embedded security, cryptography, strong authentication, secure printing techniques, data analysis and detection of explosives and illicit substances. These technologies are needed to access key target markets.

Safran is present in the Security sector through Morpho, whose operations are mainly located outside France. Morpho's main subsidiaries are:

- Morpho Detection, LLC, specializing in the detection of explosives and illicit substances;
- Morpho Cards GmbH, specializing in smart cards and related trusted service management;
- Morpho BV, specializing in the printing of secure documents such as passports;
- MorphoTrust USA, LLC, which manages, under an agreement with the US government, the US activities of L-1 Identity Solutions regarding the issuance of identity documents such as driver's licenses in the US, biometric enrollment services for authorization control, and sensitive projects run by the US government;
- MorphoTrak, LLC, which supports Morpho's biometrics business development in the US, addressing local police services and government contracts in particular.

1.3.4.1 Identity and Security

Key characteristics of the business sector

Safran is one of the world's leading players in the biometrics market, which covers solutions in civil and criminal identification, production of identity documents, terminals, automatic biometric identification systems and enrollment services.

Identity

Civil identification management for governments includes biometric enrollment services, issuance of identity documents, automatic biometric data processing systems, verification solutions and digital identity service platforms. The civil identification sector is experiencing strong demand as a result of:

- developments in issuance and verification solutions for biometric passports and other electronic identity documents (identity cards, health insurance cards, etc.), worldwide;
- the emergence of new uses for these documents, such as the creation of a digital identity for secure access to public and private services via the internet.

The highly competitive civil identification market is served by Safran along with other industrial players including Gemalto (Netherlands), Giesecke & Devrient (Germany) and HID Global/Assa Abloy (Sweden).

Commercial identity solutions cover transaction and digital identity security, in areas such as telecom applications, bank applications, transportation and access to enterprise networks and the internet.

Safran is a major player on the digital identity market, along with Gemalto (Netherlands), Oberthur Technologies (France), Giesecke & Devrient, ATOS and HID Global/Assa Abloy (Sweden).

Security

Public security operations mainly involve biometric identification and automated analysis of video footage and passenger name record (PNR) data for air passengers.

Safran, NEC (Japan), 3M (US) and CrossMatch (US) are the main players on the market for automated fingerprint identification systems (AFIS), multi-modal platforms (fingerprint, iris and face recognition) and biometric enrollment stations addressing forensic applications. This market is governed very largely by technical performance considerations (rate and rapidity of crime solving, interoperability and ease of use).

Mounting risk levels raise new security needs, most pronounced in border control (as in the US and European entrance and exit control programs), and in surveillance and protection for sensitive sites.

In the airport sector, the continuing trend toward tighter security has brought about a considerable joint effort by numerous players, including airport and civil aviation authorities, airline companies, border police and customs authorities. On this market, Safran cooperates with all national and international organizations having an influence on the development of new technologies in the air travel sector, in order to offer solutions capable of ensuring air transportation safety and passenger convenience. The market for airport security and PNR data analysis systems is covered by many players, including SITA (Belgium) and ARINC (US).

Group products and programs

Safran's operations in the identity sector cover civil solutions for governments and commercial solutions for financial institutions, telecom operators and businesses.

Governmental solutions

Safran provides governments with civil identification services including population enrollment, electoral list compilation, production and personalization of identity documents (ID cards, voter cards, passports, health insurance cards, driver's licenses, etc.), and document lifecycle management. Safran has developed a comprehensive range of solutions and services in response to the new opportunities in electronic documents opened by the widespread growth of digital technologies in general and the intensifying shift toward electronic management of government services.

To help governments and administrations provide secure online services (tax declarations, monitoring of welfare services, etc.), Safran provides digital identity service platforms for: secure citizen data input to guard against identity theft; strong authentication; digital signatures; and online archiving to ensure data integrity and probative value over time.

Commercial solutions

In the banking sector, Safran offers a full range of innovative secure payment solutions, using smartcard technologies, mobile-phone security components, host card emulation (HCE) mobile payment and strong multi-factor authentication.

Via an extensive network of production and personalization centers, Safran's customers include the main banks in Europe, Latin America and Asia. This sector is currently benefiting from two major trends: magnetic stripe cards are giving way worldwide, including in the United States, to smart cards meeting the Europay MasterCard Visa (EMV) standard; and contactless technologies are gaining ground. Both technologies heighten the security of transactions, reduce the incidence of fraud and improve customer convenience.

Safran also provides banks with support on the ongoing transition toward digital practices; this typically concerns security in applications such as online banking, e-commerce, online contract signing, etc. The Group's digital identity management solutions help prevent the fraudulent use of personal information online. Specifically, customers can tighten authentication and security settings at all the stages in the mobile payment process: identification, electronic signature and multi-factor authentication, including biometric authentication, which is increasingly in demand due to its high level of security and ease of use.

On the telecommunications security market, Safran offers a variety of secure elements and services, including a wide range of SIM cards, subscription management, solutions for near-field communication (NFC), which enables users to identify themselves via their mobile phone, machine-to-machine (M2M) technology capable of tracking fleets of GSM-equipped vehicles, and digital identification, where a smart card becomes a means of internet user authentication. Safran supplies the world's biggest mobile phone operators (including Orange, AT&T, Deutsche Telekom, Telefonica, Vodafone and T-Mobile) via a worldwide logistics chain.

With its expertise in digital identity and trusted services management (online strong authentication and electronic signature systems, etc.), Safran can also meet industry-sector needs in areas such as physical and logical access control, data protection and confidentiality, document traceability, transaction proofs and probative-value archiving.

Public safety

Safran's public safety operations cover solutions for identifying persons, detecting threats, ensuring border control security and facilitation (in air travel especially), and protecting sensitive and high-traffic sites.

The biometric identification solutions developed by Safran are based on biometric enrollment stations, which are used to capture fingerprint, vein pattern, face or iris data, or a combination of the four. In crime investigation applications, Safran provides police forces and judicial authorities with systems for automated fingerprint identification (AFIS), face recognition and fast DNA identification. To meet growing needs for mobility, interoperability and rapid analysis, Safran is introducing new terminals for in-the-field identification and rolling out its identification systems on the cloud.

Safran provides a range of border control and airport security solutions, including automatic verification of passenger identity by biometric authentication with electronic passport data, a common European system for Schengen visas and visas for asylum-seekers, and verification of air passenger name record (PNR) data.

Safran's image analysis expertise finds applications in systems and services for transportation safety. This is particularly the case for road safety, where Safran products cover all safety rule control requirements (current and average speed, signaling, etc.) and include manual solutions and fully automated digital systems. In response to growing demand for processing large video volumes, Safran develops solutions, such as face recognition software and advanced video analysis functions, that substantially reduce the time investigators have to spend at the screen.

1.3.4.2 Detection

Key characteristics of the business sector

This sector covers all solutions for detecting CBRNE (chemical, biological, radiological, nuclear and explosive) threats and other illicit items. These systems improve security at airports, in air transportation (passenger and freight), at borders (land and maritime), and at sensitive sites and major events.

Safran holds a share of close to 50%[1] of the market for X-ray tomography hold-luggage control systems. Safran's main competitors are L3 Communications (US), Leidos/Reveal (US), Smiths Detection (UK), OSI/Rapiscan (US) and Nuctech (China). Safran is a front-runner on the market for analysis of traces of explosives, holding a market share approaching 40% in 2015[1]. With the new European Commission regulation requiring inspection of at least 10% of air passengers at checkpoints, the market for trace detection equipment was especially active across the European Union in 2015. Safran fields one of the fullest and highest-performance offerings in this sector, where its main competitors are Smiths Detection, Thermo Fisher Scientific (US), Bruker (US) and Implant Sciences (US).

Group products and programs

Safran's operations in the detection market primarily concern air transportation security. It also supplies explosive detection systems (EDS) for automated hold-luggage inspection, and explosive trace (vapor or particle) analysis systems for vetting luggage, passengers and air freight. Safran holds prime expertise in several key technologies, such as computerized 3D X-ray tomography, X-ray diffraction spectroscopy and ion mobility spectrometry. Safran has also extended its portfolio of technologies to include mass spectrometry, addressing applications that require very high sensitivity and precision.

Detection by X-ray tomography and X-ray diffraction of explosives and dangerous and illicit substances

This technology is used in automatic detection systems such as large-diameter luggage tunnels for airports. Safran's CTX 5800 and 9800 tomography systems meet European Standard 3. Safran also provides unique automatic detection solutions combining tomography and X-ray diffraction, allowing better detection capacity and considerably reducing the number of false alarms.

Spectrometry-based detection and analysis of traces of explosives and dangerous and illicit substances

Stationary and mobile systems detect and identify vapor traces of explosives or illicit substances using ion mobility spectrometry or mass spectrometry. Safran's wide product range addresses a broad spectrum of users' needs and operational environments. The systems are used by all types of security services worldwide (airport passenger control, civil security, prisons, police, customs, etc.), in border control applications (air freight, hold luggage, passengers and cabin luggage), and for protection of sensitive sites and major events. Advanced detection and screening capabilities are provided by the Itemiser 4DX (ETD) solution, which uses a non-radioactive ITMS™ (ion trap mobility spectrometer) to detect traces of explosives. Optimized for ease-of-use and mobility, Itemiser 4DX eliminates the administrative, regulatory, storage and shipping requirements associated with a radiation-emitting trace detection source.

1.4 Competitive position

Safran covers international high-technology markets in Aerospace, Defense and Security.

In all these fields, Safran faces competition from both global rivals and niche players on some markets.

The Group operates in the strictest observance of all applicable rules on competitive business practice in all of its host countries, complying with the specific measures governing competitive business practice on each market.

To mobilize sufficient resources and share the industrial risks involved in innovative and costly programs, players in the aviation industry can form partnerships capable of developing new technologies, products and services. Accordingly, it is not unusual to find otherwise rival companies joining forces on certain aviation programs.

1.5 Research and development

Safran operates in a high-technology and high value-added arena. In aircraft engines and equipment, as in defense and security systems, technology and reliability requirements are high, consistent with the highly critical nature of the applications concerned. To meet these requirements, Safran calls on the best capabilities available in mechanical engineering, aerodynamics, combustion, thermodynamics, metals, composite materials, fuel materials, electronic and electrical engineering, spectrometry, imaging, and information and communication technologies. Research and technology (R&T) comprises all studies, research and technological demonstrations needed to develop expertise for a given product at the lowest possible risk and cost and within the shortest possible timeframe.

Further downstream, research and development (R&D) corresponds to product design, prototype manufacture, development tests and certification tests showing that the product meets customer specifications and applicable regulations.

Spanning the R&T and R&D stages, the Innovation Department nurtures the emergence of new developments using innovative concepts, helping Group companies identify, produce and validate

(1) *Source: Safran.*

proof-of-concept demonstrators, thereby shortening development lead times to meet time-to-market targets.

Group R&T and innovation projects are guided by forward-looking considerations, and the substantial budgets they draw are in line with Safran's current or targeted positions on its markets. Research, technology, innovation and development are fundamental to the implementation of the Group's strategy. This commitment reflects the importance given to preparing for the future and developing new products and programs.

Under Safran's R&T policy, each company in the Group determines its own research program, and thus concentrates on its own objectives. In tandem, the Group is constantly working to develop technology synergies.

R&T operations are guided by roadmaps charting the strategic challenges faced by Group companies (competitive positioning sought at different time-frames, along with the corresponding technological demonstrations and fulfillment levers in terms of external partnerships and internal synergies). The roadmaps are analyzed by Group experts covering seven broad cross-functional areas, who issue recommendations accordingly.

In 2015, the Group opened the Safran Tech research and technology center at the Saclay high-tech cluster, France's biggest science and technology campus, near Paris. Initial teams have been formed for the new center, which is to employ a research workforce of around 300 in six units, covering energy & propulsion, materials & processes, sensors, electronics, information & communication technologies, and digital simulation for engineering. Safran Tech also runs platforms specially equipped for developing next-generation materials and processes. The specific areas covered here are composite materials, monocrystalline casting and additive manufacturing.

The Safran Tech center underlines the Group's resolve to intensify and mutualize research and technology endeavors on major technological disruptions. Safran Tech opens a new dimension to the Group's research and technology operations, with an emphasis on open innovation. Universities, public organizations, industrial partners and innovative startups work with Safran Tech teams in joint laboratories or on shared platforms, forming a creative, connected, top-level scientific campus open to the outside world.

1.5.1 Major technological focuses

1.5.1.1 Propulsion performance

Propulsion performance objectives and acceptability requirements for future aircraft engines derive from work carried out through ACARE[1]. Objectives are set for two dates: 2020 and 2050. For 2020, aircraft propulsion systems are to cut fuel consumption by 20%, pollutant emissions by 60% and noise levels by 50%. The Flightpath 2050 publication specifies reductions of 75% in greenhouse-gas emissions, 90% in NOx and 65% in noise levels by 2050.

The Group's roadmap for the aircraft propulsion systems of the future, though its subsidiary Snecma, incorporates two technology stages:

- the LEAP turbofan engine, with a very high bypass ratio. For those modules under Snecma's responsibility in CFM, this integrates advanced technologies such as a highly innovative lightweight fan made from composite materials and a high-efficiency low-pressure turbine. This engine will be available in 2016 and will bring about major improvements in line with the ACARE 2020 objective, particularly in terms of fuel consumption. It has been selected by Airbus for its A320neo, by Boeing for its 737 MAX and by COMAC for its C919, and obtained its first certification in 2015. R&T work is in progress on long-term continuous improvement in engine performance;
- the second phase is more ambitiously innovative, in line with Flightpath 2050, whose objectives call for breakthroughs in engine architecture through the exploration of developments such as the open rotor concept and faired architectures with very high bypass ratios. These have been addressed by advanced research under national and European programs outlined in the seventh FPRTD[2], and are to continue under the eighth FPRTD – Horizon 2020 (H2020). Specific initiatives here include the Clean Sky Joint Technology Initiative.

Helicopter turbine engines are subject to similar imperatives requiring reductions in fuel consumption and environmental impacts. Through its subsidiary Turbomeca, Safran has undertaken ambitious technology programs to address future market needs. A number of technologies developed under the TECH800 program have been adopted on the Arrano engine, selected by Airbus Helicopters as the sole source for its new H160. Then in 2016, tests will begin on the TECH3000 demonstrator to validate new concepts and technologies specific to the range of 3,000 shp engines for helicopters from 11 to 14 metric tons. Safran's technological progress strategy is backed by work in close liaison with customers to come up with innovative new engine integration developments such as hybrid power architecture concepts in drive systems.

The need to lighten planes, helicopters and their equipment has led to increased use of composite materials. Safran engines and equipment (whether nacelles, landing gear or brakes) are characterized by heavy mechanical loads and a more difficult environment than for other aircraft sections such as airframes. To develop its composite materials solutions, Safran set up the Safran Composites Center, now part of Safran Tech, with resources and skills in organic matrix composites. Herakles, the Group's center of competence for these technologies, provides core expertise in thermostructural composites for aircraft engines, a

(1) *ACARE: Advisory Council for Aeronautics Research in Europe.*
(2) *FPRTD: Framework Program for Research and Technological Development.*

major technological challenge addressed by substantial research efforts. This research, along with work on new metal alloys, and on high-performance coatings compliant with European REACh[1] regulations, is coordinated by the Safran Materials and Processes Department. Two platforms are being set up, one for developing the new monocrystalline casting techniques needed for engine development, and one for additive manufacturing, which offers promising openings in design, production and repair of mechanical components.

Research into rocket propulsion, an area in which technological demands are extremely high, remains a Safran priority. A decade's work stood behind the competitive proposal on the Ariane 6 launch vehicle that was put before the European Space Agency (ESA) member states at the December 2014 conference of ministers. To fulfill this major program, which is to provide Europe with sustained space capability over the decades to come, Group expertise in solid- and liquid-propellant space propulsion systems will be harnessed side by side with Airbus expertise through a joint venture, Airbus Safran Launchers.

Herakles also develops new missile propulsion technologies, including thruster and nozzle body technologies, solid propellant technologies and innovative thruster architectures. Research focuses include thrust modulation for tactical missiles, in partnership with MBDA and joint subsidiary Roxel, gas valving for interceptors, and higher-thrust solid propellants with more eco-friendly compositions.

1.5.1.2 The more electric aircraft

The move continues toward increased use of electrical energy for aircraft systems and actuators. The movement, which started with the A380 and Boeing 787 programs, will be a defining characteristic of the next generation of short- and medium-haul aircraft. The ultimate aim is overall aircraft energy optimization, covering energy production and energy consumption, for both propulsive and non-propulsive functions. The breadth of its aircraft engine and equipment expertise allows Safran to explore a huge spectrum of solutions to make tomorrow's aircraft more competitive, in terms of performance, functionality and cost of ownership.

By bringing all its aircraft electrical systems expertise together within a single unit, Labinal Power Systems, the Group not only possesses the best technologies in electricity generation, conversion and transmission, but is now able to adopt a whole-system approach to aircraft electricals.

Optimization involves investigation into all forms of electricity generation, from mechanical engine motion to auxiliary power units (APUs) in hybrid solutions combining turbines, fuel cells and batteries. This work involves Labinal Power Systems along with other Group companies (Microturbo, Herakles and Snecma). One of the units of the Safran Tech innovation center is dedicated to developing simulation systems for evaluating advanced global energy and propulsive architectures.

Safran is involved in several technology programs alongside aircraft manufacturers in a European or French context. Work benefits from numerous academic alliances with around 15 CNRS laboratories, and from technology projects undertaken with partners at the cutting-edge of electrical engineering in their sector, such as Alstom, Schlumberger, Schneider Electric and Valeo. Under a partnership with Honeywell, the Innovation Department has carried out a demonstration of the EGTS electric taxiing system on an A320. This new system will reduce aircraft fuel consumption during taxiing; instead of using the aircraft engines for ground maneuvers, electrical energy generated by an APU drives electric motors in the landing gear wheels.

1.5.1.3 Avionics

NAVIGATION

Air, land, sea, satellite and weapons navigation markets are constantly evolving and expanding: the integration of mobile units into cooperative groups, increasing autonomy requirements, and the required land-onboard continuum via secure links are drivers of renewed demand and associated technologies. Safran's approach relies strongly on breakthrough HRG[2] technology, whose characteristics make it possible to design and produce world-leading navigation equipment and weapons at competitive costs. Through its subsidiary Sagem and the Safran Tech sensors unit, the Group continues with the development of MEMS[3] technology accelerometers and gyrometers for portable geolocation applications. With its prime expertise in high-integrity navigation systems, Sagem leads the field in drone navigation.

ELECTRONIC SOLUTIONS AND CRITICAL SOFTWARE

Because onboard electronic systems for severe environments are key components of many Group products, the Safran Electronics Division runs ambitious projects on controller architectures featuring more efficient processors, and on component packaging capable of withstanding the hotter environments of future aircraft systems. On systems engineering, Safran is working on process harmonization: a modern software development workshop has been set up for Group-wide rollout.

1.5.1.4 New services

Innovation efforts are called for, consistent with the growing importance of services in the Group's business. Techniques used to diagnose and forecast the condition of airplane and helicopter equipment and systems bring value for Safran product users, as regards both operational considerations (optimization of maintenance), and fleet management support (evaluation of residual value). To address this need, Safran is developing its Monitoring Services system for managing fleet equipment operating data. Initial rollout of the new system has begun on helicopters.

(1) REACh: Registration, Evaluation and Authorization of Chemicals.
(2) HRG: hemispherical resonator gyro.
(3) MEMS: micro electro mechanical systems.

"Big data" information extraction techniques offer promising development opportunities. Here, the Safran Analytics teams at the Safran Tech center will be stepping up rollout of more agile services, better oriented to value creation for aircraft operators. In addition, Safran founded the Machine Learning – Big Data chair at the Suptelecom Paris Tech engineering school.

1.5.1.5 Dual-use technologies

Sagem harnesses advanced optronics and information and communication technology to develop innovations that will help the Group offer enhanced operational efficacy to armies, navies and air forces. Optronics needs range from imagers operating in one or more wavelength bands through to full image processing systems handling monitoring, detection, identification, fire control and self-protection. Integrated battlefield perception and soldier support solutions are developed using systems that couple infrared sensor and light intensification technologies with other functions such as geolocation and data analysis.

In infrared sensors Safran offers the technologies held by Sofradir, its joint venture with Thales. Both partners transferred their IR detector technologies to Sofradir, giving it one of the world's most extensive product ranges in this field. To extend its technological sources to other types of sensors and their integration in intelligent systems, Safran is working in partnership with Valeo on autonomous vehicle technologies. The partners fund a chair in this subject at the École de Mines engineering school in Paris, and a joint laboratory will be opening at the Safran Tech site in 2016.

1.5.1.6 Advanced security technologies

Safran's leadership, through its subsidiary Morpho, in biometric systems, associated terminals and identity document systems is maintained through significant R&T investment in improving biometric data identification and capture algorithms and in enhancing the performance of anti-fraud and information protection systems. This yields a capability to rapidly build, and then operate, large-scale biometric databases such as that covering the population of India, which has an enrollment rate topping a million individuals per day. Morpho's next challenge concerns the implementation of biometric identification techniques in online transactions systems, which require sensor technologies that can be integrated in mobile phones, along with hardware or software security features that go beyond the current state of the art in smartphone applications. The Morpho Detection Division holds a portfolio of technologies for detecting explosives and illicit substances: technological advances achieved by Morpho Detection since joining the Group include detection of liquid explosives by X-ray diffraction. The combination of high-performance detection systems with biometrics and secure electronic identity documents gives rise to a new strategic focus covering identification and flow control for people and goods, a key growth segment in the coming years, especially in the field of air transportation security.

1.5.2 Technical and scientific partnerships

In implementing its R&T strategy, Safran enjoys the support of its partners, which provide it with scientific and technological expertise. Safran thus meets the two prerequisites for success: it identifies known and latent market needs through customer contact, and it adopts an open approach to what is an increasingly complex and multidisciplinary scientific and technological environment.

In 2009, Safran created a scientific council, currently chaired by Professor Mathias Fink, which comprises eight leading international scientists bringing proven expertise in all the scientific disciplines underlying Group businesses. One of the council's main functions is to issue recommendations on the structure and quality of the Group's scientific partnerships.

For the first R&T levels, Safran has developed a network of scientific partners in France in the university and applied research sectors. Safran implements framework agreements with ONERA (the French National Aerospace Research Office), CEA (the French Atomic Energy Commission) and CNRS (the French Center for Scientific Research), which offer access to the best in French scientific research. The Group has long-term partnerships with many research and higher education organizations, some of whose laboratories form valuable external research hubs. These partnerships also help Safran recruit leading talents: Safran supports the work of around 180 PhD students, runs several international thematic networks on key issues (such as combustion, noise reduction, mechanical engineering and power electronics), and provides support for seven university chairs. Safran is also a founder member of the French Foundation for Aerospace Research (FNRAE), and a front-line contributor to the foundation of three IRT[(1)] technological research institutes. It is a major player in several competitiveness hubs, including System@tic, Aerospace Valley and ASTech.

Safran plays an active role in European Union bodies and programs. Since 2008, Safran has been closely involved in establishing the Clean Sky Joint Technology Initiative, bringing together the leading players in aviation R&D along with the European Commission in a demonstration program on airframes, engines and systems. In 2014, Safran worked to renew this public-private partnership through to 2024: Clean Sky 2 is now operational.

(1) IRT: technology research institutes formed under France's PIA Investments for the Future Program.

Safran takes part in many international cooperative research initiatives, with university laboratories in Europe, the US, Singapore and India. Initiatives to support the Group's international development will shortly be taking shape in a number of countries investing in aerospace technologies, such as Turkey and Morocco.

The intellectual property related to this cooperative work is defined contractually at the beginning of projects between partners. The general principle is that the intellectual property belongs to the partners who performed or co-financed the work, and, at the very least, Safran receives rights of use in its own field.

1.5.3 Innovation and intellectual property

Innovation is at the heart of Safran's strategy. The competitiveness of its products is largely based on the successful integration of technological innovation or adjustments, providing the customer with industry-leading performances. Safran's ability to produce innovations that mark a break with existing technology is amply demonstrated across a huge breadth of sectors: EGTS, composite fan blades, hemispheric resonator gyros, detection of liquid explosives by X-ray diffraction, on-the-fly fingerprint detection terminals, etc. The creation of cross-disciplinary teams, capitalizing on the wide range of expertise available in the Group, offers both an efficient and high-performance organizational structure. This approach is typified by the high-potential projects run by the Innovation Department. Safran also develops cooperative innovation, which involves seeking out, assessing and nurturing innovations proposed by suppliers or startups. The capacity to identify then implement efficient cooperative operations with outside partners helps Safran integrate the best technical and technological solutions in its systems and equipment under development, and to shorten time-to-market for innovative and mature solutions.

In 2015, Safran announced the formation of a new subsidiary, Safran Corporate Ventures, to handle financing for innovative startups. In line with the Group's strategy on innovation and transformation, this organization seeks primarily to support innovative startups in the following fields:

- advanced materials, robotics and new manufacturing techniques;
- connected sensors and processing of sensor data;
- onboard energy generation, distribution, transmission and storage systems;
- solutions and technologies in identity and authentication of connected things and persons.

In September 2015, Safran announced it was taking a stake in Krono-Safe, a spin-off of France's atomic and alternative energy commission, CEA, developing software for dependability-critical equipment in the high-growth sectors of transportation (connected and autonomous vehicles), industry (Internet of Things) and critical industries (Aerospace, Defense and Cyber-security).

The development of technical expertise is also key to preparing for the technological challenges of tomorrow. A process has been set up to determine companies' expertise needs Group-wide and thereby plan ahead for renewals and training of new experts.

Intellectual property is of increasing importance amid globalized markets and ever-fiercer competition. It responds to operational imperatives, while strengthening and securing Safran's commercial positions. The creative and innovative ability of teams is demonstrated by the increasing number of patents filed: more than 900 in 2015. This places the Group among the front-runners in French patents[(1)]. Thomson Reuters also ranks Safran among the one hundred most innovative research organizations worldwide. Overall, the Group's portfolio comprises close to 32,000 intellectual property rights around the world, bolstering its position in its areas of business.

In addition to patent protection, because of Safran's international reach and extensive partnership involvement, the Group gives great importance to ensuring close control over technology transfers and defining precise policy on the matter.

Some transfers are essential for market access reasons. Technologies for transfer, which do not belong to Safran's core technology portfolio, must be clearly identified, accurately valued, and covered by carefully structured long-term partnership arrangements. Under no circumstances may such partnerships restrict the Group's capacity for technological differentiation in the future.

Dependence

Safran has not identified any dependence on patents, licenses, industrial, commercial or financial contracts, or new manufacturing processes likely to have a material impact on the Group.

There are risks of production delays and cost penalties for Safran in the event of supplier or partner shortcomings, as set out in section 4.1.3, "Partnership and supplier risks".

(1) Second in INPI ranking, April 2015 (for patents filed in 2014).

1.5.4 Research and development expenditure

Including the portion funded by customers, the total expenditure on research, technology and development (RTD) was approximately €2.1 billion in 2015, representing 12% of revenue. RTD operations in France amounted to €1.8 billion, representing 86% of overall RTD expenditure. Some 66% of RTD expenditure was self-funded, and can be broken down as follows:

- Aircraft programs (including LEAP, Silvercrest and A350): 48%;
- Helicopter engines: 5%;
- Security and defense: 16%;
- R&T: 29%;
- Other: 2%.

(in € millions)	2014	2015
Total R&D	**(1,990)**	**(2,057)**
External financing	526	701
Self-funded RTD	**(1,464)**	**(1,356)**
% of revenue	*9.5%*	*7.8%*
Research tax credit	151	165
Self-funded RTD after research tax credit	**(1,313)**	**(1,191)**
Capitalized expenditure	644	495
Amortization and impairment of R&D expenditure[(1)]	(78)	(95)
Impact on recurring operating income	**(747)**	**(791)**
% of revenue	*4.9%*	*4.5%*

(1) Excluding non-recurring items.

Total R&D increased with the rise in external financing.

Two main factors explain the €108 million reduction in self-funded RTD (down by 7.4% on the 2014 figure):

- the first version of the A350 (A350-900) came into service in early 2015, thus lightening the RTD load in 2015 compared with 2014;
- RTD efforts on the LEAP engine programs eased off in the run-up to certification (see section 1.3.1.1).

The €149 million decrease in capitalized expenditure is explained mainly by the reduction in self-funded RTD on the programs for the A350 and the various LEAP engine versions, and by the end to capitalization on the Silvercrest program, as from April 1, 2014.

1.6 Industrial investments

1.6.1 Industrial policy and the Factory of the Future

Safran is an established industry reference and a major player in its core businesses of Aerospace, Defense and Security. Its aim is to supply its customers with increasingly advanced technological equipment, meeting ever stricter safety standards, at a lower cost and with shorter timeframes.

Safran's leadership results from the high standards imposed by the Group companies' operators, technicians and managers, under constant guidance from their industrial departments, coordinated by the Group's Industrial Department, which oversees the industrial strategies chosen by the Executive Committee. The Group's employees work in a continuously innovating environment and accept the daily challenge of achieving the highest standards of technological expertise while meeting ever greater demand and the need to produce new innovative products (the LEAP engine, Patroller drone, etc.).

The plants also respond to this demand for performance and innovation that is central to the success of Safran's products and services worldwide. The Group companies, working with the Industrial Department, focus their investments and organization on adapting production sites, preparing for tomorrow's industrial challenges and developing competitive advantages: expertise in new production technologies, digital and data revolutions, organizational transformation, etc.

Thanks to its constant drive for innovation and excellence, the Group has for many years been at the forefront of the Factory of the Future technologies and processes, both in France and Europe. This achievement owes much to close cooperation among the Safran teams responsible for developing the technologies that are successfully implemented on new products. Examples of new production techniques include additive manufacturing and metal injection molding (MIM), development work on which is closely coordinated both within the Group and with selected partners.

The aim is to develop industrially operable technologies capable of delivering an optimum response to the needs of Safran's customers.

In its work toward the Factory of the Future, Safran is committed to the digital transformation of its production units, by reducing and optimizing development cycles with digital tools, streamlining the supply chain and production line fluidity by networking machines and plants or better controlling manufacturing processes through data analysis.

Safran's proactive industrial strategy of anticipating future challenges and transformations is implemented in line with its make-or-buy strategic choices by including its French and global supply chain partners. Multiple sites and the reactivity of this industrial configuration allow Safran to develop an international production system capable of achieving local reach to end customers and the best possible balance of production costs across euro and dollar zones.

To keep pace with constant change in practices and technologies, Safran pays great attention to maintaining and developing its employees' skills. This is seen in the Group's training investment, which was exemplified in late 2014 by the opening of the Safran University campus in Massy, France. In 2015, Safran University training courses in industrial, supply chain and purchasing subjects were attended by more than 600 people (see section 5.4).

1.6.2 Main industrial investments

Safran's property, plant and equipment investments totaled €758 million in 2015, up by 12.5% on 2014.

The significant increase in investment is to prepare the Group for substantial growth in business, and the industrial upgrades needed for new programs.

Geographical zone *(in € millions)*	**2014**	**2015**
France	473	558
Europe (excluding France)	48	66
Americas	102	75
Asia & Oceania	44	49
Africa & Middle East	7	10
TOTAL	**674**	**758**

In 2015, most of Safran's property, plant and equipment investments (74%) were in France, primarily for:

- the creation of the new Safran Tech R&T center in Saclay (near Paris), which brings together Group-wide expertise to nurture the emergence of disruptive technologies, and includes an additive manufacturing unit;
- the extension to the Sagem site in Eragny (Paris region), with a view to forming a major technology cluster;
- the development of a new site in Toulouse (southern France) to accommodate Safran's regional office and Group Shared Services Centers, head office and service teams (Labinal Power Systems, Safran Engineering Services), branch offices for other Group companies and dedicated research laboratories specializing in areas such as the more electric aircraft.

Safran's other investments in France continue the policy of previous years, with:

- the renovation and modernization of industrial sites across all Group activities, to accommodate production ramp-up and the introduction of new Boeing 737 MAX, Boeing 787, Boeing 777X, A320neo, A330neo and A350 programs, etc.;
- plant renewal and upgrades at existing sites (Snecma in Gennevilliers, Villaroche and Corbeil);
- the installation and upgrade of test equipment (Snecma in Villaroche, Messier-Bugatti-Dowty in Villeurbanne).

Safran's main investments outside of France were:

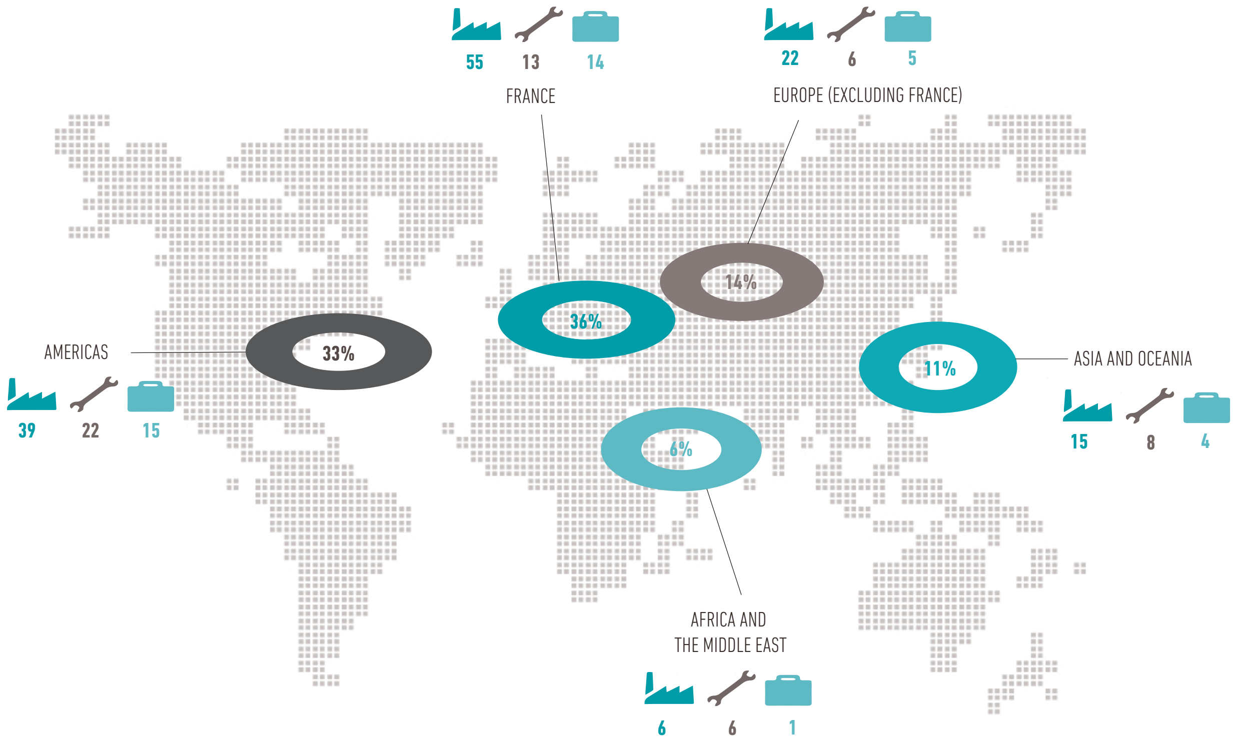
- the extension to the Snecma's industrial site in Suzhou (China), specializing in machining and assembly of low-pressure modules and parts;
- the start of construction work on a new production facility in Sedziszow Malopolski (south-west Poland), specializing in the manufacture of low-pressure turbine blades for LEAP and Silvercrest engines;
- the completion of construction work on an industrial facility in Springfield (Illinois, US) to handle an extension to security business for the US government;
- the construction of a new Messier-Bugatti-Dowty facility making carbon brakes in Malaysia.

1.7 Sites and production plants

Safran's registered office is located in Paris, France.

The Group carries out its activities at production, R&D, and service/maintenance sites worldwide.

The map below shows the Group sites[1] in each geographical region, broken down by the main type of site activity. Figures and locations shown here correspond to companies consolidated under the Group, as defined in section 3.1, Note 1.b.



Legend: number of sites

(1) A "site" is a legal entity that can cover one or more sites, each of which may have administrative, production, or service/maintenance functions.

	Main activities at Safran sites				Occupancy	
	Total sites	R&D/production	Service/ maintenance	Commercial/ administrative	Owner*	Tenant
Snecma	27	12	12	3	10	17
Turbomeca	16	6	9	1	7	9
Herakles	12	10	-	2	5	7
Techspace Aero	2	2	-	-	1	1
Messier-Bugatti-Dowty	17	11	5	1	10	7
Labinal Power Systems	39	28	10	1	9	30
Technofan	2	1	1	-	1	1
Hispano-Suiza	2	2	-	-	2	-
Aircelle	8	5	2	1	5	3
Sagem	26	20	2	4	9	17
Morpho	69	37	14	18	4	65
Safran	5	2	-	3	4	1
Other	4	1	-	3	-	4
TOTAL	**229**	**137**	**55**	**37**	**67**	**162**

* *Including seven sites under financial lease.*

The Group owns its major and strategic production sites, and tends toward rental of its commercial and administrative sites.

The bulk of Group research and development work is carried out at its main production sites. For this reason, the table shows "R&D" and "production" in the same column.

Because of the diversity of Safran's operations, the notion of "production capacity" does not apply.

There were two significant site and production plant additions in 2015:

In France

- The Safran Tech research and technology center opened in Saclay, outside Paris, accommodating various Group subsidiaries.

Elsewhere

- The Messier-Bugatti-Dowty carbon brakes plant opened in Sendayan, Malaysia.

Environmental factors liable to influence the Group's use of its property, plant and equipment are presented in section 5.5.3. The Group has drafted Health, Safety and Environment (HSE) guidelines which enable it to assess the compliance of its property, plant and equipment, and its operations, with HSE regulations. It also regularly conducts self-assessments and audits.

1.8 Group purchasing strategy

Safran pursues a purchasing policy consistent with its objectives of excellence and competitive performance, and with its industrial policy and corporate social responsibility (CSR) strategy. In accordance with its commitment to the United Nations Global Compact, Safran has developed dialogue with its suppliers on the basis of Global Compact principles on human rights, labor standards, the environment and the fight against corruption.

Safran's purchasing policy seeks to concentrate business with suppliers that meet the demanding requirements and specific rules applicable to the Aerospace, Defense and Security markets, and that are prepared to commit to long-term undertakings with Safran on a balanced, mutually beneficial basis.

The policy has four main objectives:

- to build a supplier panel that:
  - enables Safran to meet its current and future needs as regards performance (cost, quality, delivery times), know-how and technological innovation,
  - enables Safran to roll out its CSR strategy upstream through the supply chain;

- to involve suppliers early on in Group product development programs so that they can meet all customer demands, allowing them to propose innovations and harness the full extent of their know-how on obtaining the best possible cost and performance for products, and full compliance with HSE requirements;
- to promote common procedures, management tools and metrics across all Group companies to improve its operation and performance with suppliers;
- to support key suppliers on measures to adapt their organizations and industrial configurations to expectations and shifts in market demand.

It is rolled out:

- in compliance with the Group's Ethical Guidelines and best practices set out in its Responsible Supplier Relations mediation guidelines;
- in compliance with Safran's commitments with government authorities, business organizations and other partners;
- through constant cooperation among Group companies, development of a Safran purchasing network and culture, close coordination among all Group players in contact with suppliers, and involvement of the purchasing team in all product lifecycle phases.

Safran took a number of measures to ensure efficient rollout of its purchasing policy in 2015:

- supplier relations management was enhanced through an emphasis on value creation, achieved by a more individualized approach to the supplier panel. In September 2015, Safran held a series of Inner Circle meetings with the suppliers concerned;
- cooperative innovation with suppliers was stepped up to build on the success of open innovation achievements and help get innovative products and services to market more promptly;
- supplier standards were updated to include CSR aspects and a call to suppliers to commit to rollout of the Group's CSR strategy.

1.9 Safran quality performance and policy

Safran pursues an ambitious quality policy targeting two main goals:

- customer satisfaction;
- continuous progress in performance.

This policy involves a permanent drive on innovation, continuous improvement and risk control. It is based on Group-wide methods and tools derived from shared experience and best practices across all Group companies. For even greater efficacy, this year Safran decided to merge its Quality and Progress Initiative Departments, along with the Group's consultancy firm, Safran Consulting, into a single Quality and Progress Department. The resulting synergies strengthen the operations run by the separate teams. This new department seeks to lead Safran to excellence and make each of the Group's companies its customers' preferred supplier.

In 2015, customers continued to express confidence and satisfaction with regard to Safran teams' customer relations, attention and response times. The upward trend in internal quality performance continued, driven, among other things, by the rollout of QRQC (quick-response quality control), an effective method for tackling problems as and where they occur.

Quality and progress teams also started joint work on putting together an operational excellence system for simplifying and harmonizing processes across the Group, and standardizing best working practices. The industrial validation process was also improved in preparation for production ramp-up on new programs.

Safran's quality progress measures are defined and structured in line with the Group-wide quality vision, namely: *to be our customers' preferred supplier.*

The Safran+ progress initiative was launched in 2009 with the aim of driving performance improvements throughout the Group. To achieve this goal, Safran+ defines key areas for progress, sets targets and suggests possible methods. Safran+ is based on a network with centralized organization, and deployed within all of the Group's entities worldwide. This network allows for an array of improvement initiatives, either created by the Group and applicable to all of its companies, or created by the companies themselves for their own internal use. These initiatives may involve either continuous improvement or disruptive projects put forward and coordinated by the Group.

Two such initiatives are permanent and cross-functional:

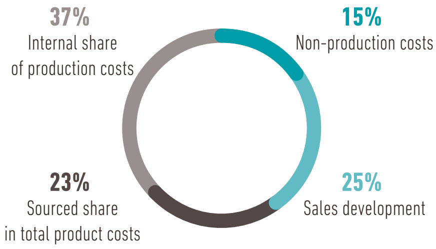
- participative innovation initiatives offering employees the possibility to improve the Company through their sector;
- Lean Sigma, with Green Belts, Black Belts and Master Black Belts driving the Group's transformation through a structured and standardized project management approach.

Most projects target at least one of the following objectives:

- improving customer satisfaction;
- increasing operating profit;
- reducing working capital requirements.

Throughout the year, the managers concerned report on progress initiatives to Group executive management at biannual reviews carried out at two different sites per company.

The savings achieved by the Safran+ initiative in 2015 break down as follows:



Progress plan highlights in 2015 include:

- rollout of the Lean Sigma and participative innovation programs continued throughout the Group:
  - new Green Belts, Black Belts and Master Black Belts were trained and robust rollout of the initiative was developed by an awareness-raising program reaching 80% of Group employees,
  - close to 95,000 on-site ideas were generated and put into practice in workshops and offices;
- an operational excellence initiative was launched on Group-wide process standardization and management;
- a self-evaluation system on R&D performance was run to focus individual companies' progress dynamics on their own specific challenges. Lean engineering and management-by-sight principles were extended to all Group companies. Design-to-cost (DTC) standards were drawn up and training courses run accordingly;
- the Purchasing Specification project was extended to new non-production areas, and expressions of needs were standardized to optimize Group purchasing decisions;
- QRQC[(1)] was rolled out across industrial operations throughout all Group companies. Rollout was also begun among an initial ten or so suppliers common to different Safran production teams;
- development of the cooperative enterprise network proceeded, to facilitate productive interaction throughout the Group, with regard to idea swapping, problem solving, project and program management, and coordination of teams across different sites in France and worldwide;
- efficacy was further enhanced by bringing together the Group's progress and quality organizations, along with its consultancy firm Safran Consulting, together under the new Safran Quality and Progress Department in late 2015.

(1) QRQC: Quick-Response Quality Control, a management method that emphasizes constant vigilance and immediate reactions, in order to swiftly solve problems.

BUSINESS HIGHLIGHTS IN 2015

Aerospace Propulsion

- A total of 1,612 CFM56 engines delivered in 2015, up 3% year-on-year (1,560 engines), and 13,252 CFM56 and LEAP engines in the backlog (firm orders and commitments), representing over eight years of production at current production rates;
- Continued development of engine programs, with the dual certification of the LEAP-1A engine for the Airbus A320neo by the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in the US. Roll-out of the first Boeing 737 MAX fitted with LEAP-1B engines and the first COMAC C919 fitted with LEAP-1C engines;
- Complementary developments on the Silvercrest engine;
- Export success in Egypt and Qatar for Rafale fighter jets fitted with M88 engines;
- The Arrius 2R engine for Bell Helicopters' Jet Ranger X certified by EASA and the Arrano engine selected as sole engine on Airbus Helicopters' new H160 helicopter;
- Airbus Safran Launchers informed by the European Space Agency that it had won the contract to develop Ariane 6.

Aircraft Equipment

- Successful ramp-up in deliveries of power transmissions, landing gear and wiring shipsets for the Airbus A350;
- Growth in deliveries of wiring shipsets and landing gear for the Boeing 787;
- Record production of thrust reversers, power transmissions, wiring shipsets and landing gear for the Airbus A320ceo;
- Continued leadership in carbon brakes;
- Partnership strengthened with Rolls Royce in power transmission systems.

Defense

- First commercial success of the PASEO multifunction viewfinder for armored vehicles;
- Delivery and installation of EOMS-NG observation and fire direction systems for the French navy;
- Selection of the BlueNaute® inertial navigation system by the US Coast Guard;
- Sale of the AASM air-to-ground weapons system in Egypt and Qatar.

Security

- No. 1 ranking maintained in the US, where Safran supplies 85% of all driving licenses;
- US-based TSA Pre✓® program extended;
- Selected to supply ID solutions for elections in Ivory Coast, Egypt and Chad;
- Participation in the digital ID project in the UK;
- Selected to help reinforce border controls in UAE, New Zealand and Estonia.

2015 ADJUSTED KEY FIGURES

(in € millions)	Aerospace Propulsion		Aircraft Equipment		Defense		Security		Holding co. and other		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Revenue	8,153	9,319	4,446	4,943	1,221	1,266	1,530	1,878	5	8	15,355	17,414
Recurring operating income (loss)	1,633	1,833	426	466	71	64	134	151	(175)	(82)	2,089	2,432
Profit (loss) from operations	1,624	1,214	368	423	74	54	109	133	(193)	(90)	1,982	1,734
Free cash flow(1)	380	727	149	153	17	-	97	45	97	49	740	974
Acquisitions of property, plant and equipment(2)	362	433	170	181	46	71	59	52	37	21	674	758
Self-funded R&D	894	875	308	229	133	119	129	133	N/A	N/A	1,464	1,356

(1) Free cash flow is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.

(2) Net of proceeds from disposals.

REVIEW OF OPERATIONS IN 2015 AND OUTLOOK FOR 2016

2.1 Comments on the Group's performance in 2015 based on adjusted data

2.1.1 Reconciliation of consolidated data with adjusted data

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 alongside its consolidated financial statements.

Readers are reminded that Safran:

- is the result of the May 11, 2005 merger of the Sagem and Snecma groups, 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 IAS 39 applicable to transactions not qualifying for hedge accounting (see section 3.1, "Accounting policies", Note 1.f).

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 revalued at the time of the Sagem-Snecma merger. With effect from the 2010 interim consolidated financial statements, the Group decided to restate the impact of purchase price allocations for all business combinations. In particular, this concerns the amortization of intangible assets recognized at the time of the acquisition and amortized over extended periods due to the length of the Group's business cycles, along with gains or losses on remeasuring the Group's previously held interests in an entity acquired in a step acquisition or assets contributed to a joint venture;
- 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 income statement items is as follows:

(in € millions)	2015 consolidated data	Currency hedges		Business combinations		2015 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)	
Revenue	**18,100**	**(686)**	**-**	**-**	**-**	**17,414**
Other recurring operating income and expenses	(15,272)	8	(5)	89	152	(15,028)
Share in profit from joint ventures	45	-	-	-	1	46
Recurring operating income	**2,873**	**(678)**	**(5)**	**89**	**153**	**2,432**
Other non-recurring operating income and expenses	(796)	-	-	133	(35)	(698)
Profit from operations	**2,077**	**(678)**	**(5)**	**222**	**118**	**1,734**
Cost of debt	(28)	-	-	-	-	(28)
Foreign exchange gains (losses)	(3,248)	678	2,485	-	-	(85)
Other financial income and expense	(111)	-	-	-	-	(111)
Financial income (loss)	**(3,387)**	**678**	**2,485**	**-**	**-**	**(224)**
Income tax benefit (expense)	508	-	(806)	(75)	(30)	(403)
Share in profit from associates	4	-	-	-	-	4
Gain on disposal of Ingenico Group shares	421	-	-	-	-	421
Profit (loss) from continuing operations	**(377)**	**-**	**1,674**	**147**	**88**	**1,532**
Profit (loss) for the period attributable to non-controlling interests	**(47)**	**-**	**-**	**(3)**	**-**	**(50)**
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**(424)**	**-**	**1,674**	**144**	**88**	**1,482**

(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 for the period.

(2) Changes in the fair value of instruments hedging future cash flows of €2,485 million excluding tax, and the negative impact of taking into account hedges when measuring provisions for losses on completion (€5 million).

(3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger (€89 million) and cancellation of impairment recognized against brands other than Safran (€133 million).

(4) Cancellation of amortization/impairment of assets identified during business combinations (€153 million) and cancellation of the capital gain on contributions to the Airbus Safran Launchers joint venture (negative impact of €35 million).

Readers are reminded that only the consolidated financial statements set out in section 3.1 of this document are audited by the Group's Statutory Auditors. The consolidated financial statements include the revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information" in section 3.1.

Adjusted financial data other than the data provided in Note 5, "Segment information" in section 3.1 are subject to the verification procedures applicable to all of the information provided in this report.

2.1.2 Overview of the Group's performance in 2015

Adjusted income statement

(in € millions)	2014 Adjusted data	2015 Adjusted data
Revenue	**15,355**	**17,414**
Other income	291	304
Income from operations	**15,646**	**17,718**
Change in inventories of finished goods and work-in-progress	275	261
Capitalized production	998	964
Raw materials and consumables used	(9,043)	(10,201)
Personnel costs	(4,744)	(5,061)
Taxes	(275)	(297)
Depreciation, amortization, and increase in provisions, net of use	(639)	(716)
Asset impairment	(66)	(190)
Other recurring operating income and expenses	(108)	(92)
Share in profit from joint ventures	45	46
Recurring operating income	**2,089**	**2,432**
Other non-recurring operating income and expenses	(107)	(698)
Profit from operations	**1,982**	**1,734**
Cost of net debt	(42)	(28)
Foreign exchange losses	(48)	(85)
Other financial income and expense	(75)	(111)
Financial loss	**(165)**	**(224)**
Profit before tax	**1,817**	**1,510**
Income tax expense	(522)	(403)
Share in profit from associates	18	4
Gain on disposal of Ingenico Group shares	-	421
PROFIT FOR THE PERIOD	**1,313**	**1,532**
Attributable to:		
◆ owners of the parent	1,248	1,482
◆ non-controlling interests	65	50
Earnings per share attributable to owners of the parent *(in €)*		
Basic earnings per share	3.00	3.55
Diluted earnings per share	3.00	3.55

Review of operations

ADJUSTED REVENUE

For full-year 2015, Safran's revenue was €17,414 million, up 13.4% compared to €15,355 million in the same period a year ago. This €2,059 million increase, which includes positive currency impacts amounting to €1,399 million, reflects growth in Aerospace (Propulsion and Equipment), Security and Defense revenue. On an organic basis (excluding the effects of acquisitions, disposals and currency variations), Group revenue increased by 3.9%, or €598 million.

Organic revenue was determined by applying constant exchange rates and by excluding the effects of changes in scope. Hence, the following calculations were applied:

Reported growth		**13.4%**
Impact of acquisitions, newly consolidated activities & disposals	€(62) million	-0.4%
Currency impact	€(1,399) million	-9.1%
Organic growth		**3.9%**

The €1,399 million favorable impact of currency variations reflects a globally positive translation effect on non-euro revenues, notably on the portion of the USD-denominated revenue naturally hedged via USD-denominated procurements. The average USD/EUR spot rate was 1.11 to the euro over 2015 compared to 1.33 over 2014. The Group's hedge rate improved to USD 1.25 to the euro for 2015 from USD 1.26 for 2014.

ADJUSTED RECURRING OPERATING INCOME

Recurring operating margin increased by 0.4pt to 14.0% of sales. Safran's recurring operating income was €2,432 million, up 16.4% compared to €2,089 million in 2014 (13.6% of revenue). Excluding a positive currency impact of €64 million, the improvement on an organic basis was €283 million, representing 13.5% year-over-year growth. The impact of acquisitions, disposals and changes in the scope of consolidation was not significant.

The improvement was primarily driven by Aerospace aftermarket activities and support services for the landing gear and wheels & brakes businesses. Recurring operating income in Security businesses was slightly up while it was down in Defense activities compared to the prior-year period.

(in € millions)	2014	2015
Recurring operating income	**2,089**	**2,432**
% of revenue	13.6%	14.0%
Total non-recurring items	**(107)**	**(698)**
Capital gain (loss) on disposals	-	-
Impairment net of reversals on intangible assets	(45)	(641)
Other non-recurring items	(62)	(57)
PROFIT FROM OPERATIONS	**1,982**	**1,734**
% of revenue	12.9%	10.0%

ADJUSTED PROFIT FROM OPERATIONS

Adjusted profit from operations fell 12.5% to €1,734 million, or 10.0% of revenue, versus €1,982 million (12.9% of revenue) in 2014. Non-recurring items represented an expense of €698 million during 2015, compared to only €107 million in 2014, including charges amounting to €654 million related to Silvercrest, of which all intangible assets and other specific assets were written down.

ADJUSTED FINANCIAL INCOME (LOSS)

The Group reported an adjusted financial loss of €224 million in 2015, compared to a loss of €165 million in 2014. The financial loss chiefly reflects the cost of net debt, which was down year-on-year owing to the fall in interest rates, at €28 million from €42 million in 2014. The financial loss also includes the cost of unwinding discounts on certain assets and liabilities (mainly provisions and repayable advances), as well as the impact of any changes in the discount rates used. The cumulative impact of these non-cash items was an expense of €60 million in 2015 and an expense of €55 million in 2014. The interest cost on post-employment benefit obligations amounted to €19 million in 2015 versus €25 million one year earlier. The financial loss for 2015 also includes a non-cash charge of €84 million arising on the translation of provisions denominated in US dollars (non-cash charge of €75 million in 2014) and a non-cash charge of €35 million relating to changes in the fair value of commodity derivatives (non-cash charge of €10 million in 2014).

ADJUSTED INCOME TAX EXPENSE

Adjusted income tax expense fell from €522 million in 2014 to €403 million in 2015, representing an effective tax rate of 26.7% (28.7% in 2014).

GAIN ON DISPOSAL OF INGENICO GROUP SHARES

During 2015, Safran sold its entire remaining stake in Ingenico Group, amounting to 5.5 million shares representing 9.1% of Ingenico Group's capital. The shares had been held by the Group since the contribution to Ingenico Group of the Sagem Monetel assets in 2008. The sale was accomplished via an off-market block trade with Bpifrance, announced on May 19, 2015, and the subsequent sale of the residual stake by a financial institution on behalf of Safran, which was completed on July 29, 2015. Safran received total proceeds of €606 million and recorded a post-tax capital gain of €421 million.

ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Adjusted profit attributable to owners of the parent grew by 18.8% year on year, to €1,482 million or €3.55 per share, compared to €1,248 million (€3.00 per share) in 2014.

2.1.3 Adjusted key figures by business

SUMMARY OF ADJUSTED KEY FIGURES BY BUSINESS

The backlog grew 7% to €68.1 billion in 2015 compared to €63.8 billion in 2014.

	Aerospace Propulsion		Aircraft Equipment		Defense		Security		Holding co. and other		Total	
(in € millions)	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Backlog(1)	41,532	44,181	18,435	19,674	2,209	2,389	1,578	1,902	N/A	N/A	63,754	68,147
Orders recorded during the year(2)	14,187	10,072	5,854	4,359	1,337	1,446	1,463	2,041	N/A	N/A	22,841	17,918
Revenue	8,153	9,319	4,446	4,943	1,221	1,266	1,530	1,878	5	8	15,355	17,414
Recurring operating income (loss)	1,633	1,833	426	466	71	64	134	151	(175)	(82)	2,089	2,432
Profit (loss) from operations	1,624	1,214	368	423	74	54	109	133	(193)	(90)	1,982	1,734
Free cash flow(3)	380	727	149	153	17	-	97	45	97	49	740	974
Acquisitions of property, plant and equipment(4)	362	433	170	181	46	71	59	52	37	21	674	758
Self-funded R&D	894	875	308	229	133	119	129	133	N/A	N/A	1,464	1,356
Headcount	25,498	26,268	25,447	25,569	7,411	7,389	8,578	8,667	2,011	2,194	68,945	70,087

(1) The backlog corresponds to orders recorded and not yet recognized in revenue.

(2) Orders recorded represent orders received during the year.

(3) Free cash flow is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.

(4) Net of proceeds from disposals.

2.1.3.1 Aerospace Propulsion

KEY FIGURES (ADJUSTED DATA)

	2014	2015	Year-on-year change
Quantities delivered			
CFM56 engines	1,560	1,612	3%
(in € millions)			
Backlog	41,532	44,181	6%
Orders recorded during the year	14,187	10,072	-29%
Revenue	8,153	9,319	14.3%
Recurring operating income	1,633	1,833	12.2%
Profit from operations	1,624	1,214	-25%
Free cash flow	380	727	91%
Acquisitions of property, plant and equipment	362	432	19%
Research and development			
Self-funded R&D	(894)	(875)	-2%
% of revenue	*11.0%*	*9.4%*	*-1.6 pts*
Research tax credit	58	66	14%
Self-funded R&D after research tax credit	(836)	(809)	-3%
Capitalized expenditure	475	357	-25%
Amortization and impairment of R&D expenditure	(25)	(27)	8%
Impact on profit from operations	(386)	(479)	24%
% of revenue	*4.7%*	*5.1%*	*+0.4 pts*
Headcount	25,498	26,268	3%

Aerospace Propulsion activities can be split into four key sectors that contribute to business line revenue as follows:

	% of business line revenue	
Sector	2014	2015
Civil aviation	66%	70%
Military aviation	10%	9%
Helicopter turbine engines	15%	13%
Ballistics and space	9%	8%

REVIEW OF AEROSPACE PROPULSION OPERATIONS IN 2015

Aerospace Propulsion recorded revenue of €9,319 million, an increase of 14.3% compared to revenue in the prior-year period of €8,153 million. On an organic basis, revenue was up 6.0%.

Revenue growth was primarily driven by services (+22.2%) which represented 53.5% of total revenues. The civil aftermarket (measured in USD) increased 18.9% year on year and continues to be driven by overhauls of recent CFM56 and GE90 engines in the context of a favorable environment for airline customers.

Helicopter turbines and military engines also contributed to overall service revenue growth.

Propulsion OE revenue increased 6.4%. Civil aircraft OE revenue grew slightly as deliveries of CFM56 engines reached a record rate (1,612 deliveries, 52 units more than in 2014). Military OE sales were lower due primarily to Rafale production initially destined for the French military being diverted towards export customers. Softer demand affected helicopter turbine OE unit deliveries, which declined 25%. Revenue was less affected due to currency, mix and pricing.

Recurring operating income, at 19.7% of revenue, was €1,833 million, up 12.2% compared to €1,633 million (20.0% of revenue) a year earlier. This improvement resulted from healthy growth in services as well as from increased OE deliveries of CFM56 engines. The level of expensed R&D increased compared to 2014, primarily due to the Silvercrest program, expenditure on which ceased to be capitalized from the second quarter 2014. The stronger USD and the improvement in the hedged rate had a positive impact on profitability. However, the increase in expenses rebilled by the Holding company had a negative impact on recurring income.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Civil aviation

Low-thrust engines for civil aircraft (regional and business jets)

Silvercrest (9,500 – 12,000 pounds of thrust)

The Silvercrest engine developed by Safran incorporates leading-edge technology to offer unrivaled performance, with very high targets in terms of fuel consumption, reliability and respect for the environment.

Silvercrest was chosen by Dassault Aviation for the company's new Falcon 5X twin-engine business jet, featuring a large cabin and long range (5,200 nautical miles, or more than 9,600 km). Safran supplies the complete integrated powerplant system for this new jet, including the Silvercrest engine (Snecma), nacelle and thrust reversers (Aircelle), and the engine suspension system. Silvercrest was also chosen by Cessna (a Textron Aviation subsidiary) for its new Citation Longitude business jet. In November 2015, Cessna announced changes to its range of business jets, including a redefinition of the Longitude and a different choice of engine appropriate for a smaller design.

At the end of 2015, the Silvercrest program was reviewed in line with the development of Dassault Aviation's Falcon 5X aircraft: complementary developments on the engine and a revised schedule have been agreed with the aircraft manufacturer. The revised schedule provides for engine certification in early 2018, 18 months later than the previous schedule given in May 2015.

On the basis of revised program assumptions, notably new development expenses, lower volumes and a later entry into service, Safran has decided to write down all program-related intangible assets and other program-specific assets resulting in a one-off, non-cash charge of €654 million.

Furthermore, potential contractual penalties during the development phase are capped and entirely covered by provisions.

SaM146 (13,500 – 17,800 pounds of thrust)

The SaM146 engine, developed in partnership with Russian engine manufacturer NPO Saturn and with the participation of Italian engine manufacturer Avio Aero, powers Sukhoi's Superjet 100.

A total of 55 SaM146 engines were delivered in 2015 (52 in 2014). PowerJet is a joint venture set up by Snecma and NPO Saturn to manage the engine program in terms of development, production, marketing and sales, and to provide customer support, maintenance, repair and overhaul services.

PowerJet has also been awarded service contracts for 43 aircraft operated by airline companies Aeroflot and Interjet.

Passport (13,000 – 18,000 pounds of thrust)

Through Techspace Aero, Safran has a 7% share in Passport, the new GE engine program designed for the future Bombardier Global 7000 business jet.

Tests continued in 2015 and two Passport engines were assembled onto a Global 7000 during the year. The engine should be certified in 2016 and is expected to come into operation in 2018.

Mid-thrust engines for civil aircraft (short- to medium-haul aircraft)

CFM56 – LEAP

The LEAP engine reported further commercial success in the year, with new orders and purchase commitments for 1,399 engines in 2015. The backlog for LEAP topped 10,000 for the A320neo, Boeing 737 MAX and C919 programs in January 2016.

On the A320neo, the LEAP-1A model competes with Pratt & Whitney's PurePower PW1100G engine. At December 31, 2015, LEAP-1A had a market share of 53%[1] in aircraft for which engines had already been chosen. The LEAP-1B model has been chosen as the sole engine for the Boeing 737 MAX. The LEAP-1C model is the sole Western source for the propulsion system (engine plus nacelle) on COMAC's C919 aircraft.

A record 1,612 CFM56 engines were delivered by Safran during the year, compared to 1,560 engines in 2014. More than 29,000 CFM56 engines have been delivered since the launch of the program. The in-service fleet of CFM56 engines passed the 780 million flying hours mark in 2015 and the engines are used by 559 customers and operators.

Taking into account the 736 orders for CFM56 engines and 1,399 orders for LEAP engines taken during the year, the overall backlog (CFM56 + LEAP) represents 13,252 engines at December 31, 2015, or more than eight years of production at current rates. This success confirms CFM as leader in the market for 100+ seater aircraft.

Throughout the year, the flight test program for the LEAP-1A engine on the A320neo continued under good conditions. Since the LEAP-1A engine obtained dual certification by the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in 2015, it will come into operation on commercial aircraft in 2016.

2015 also saw the roll-out of the first Boeing 737 MAX and C919 aircraft. The first flight of the Boeing 737 MAX powered by LEAP-1B engines took place on January 29, 2016 at the airport of Renton (Washington State, US). The LEAP-1B is expected to come into commercial operation in 2017 and the LEAP-1C in 2018 in line with the aircraft manufacturers' schedules.

(1) Source: Safran.

Safran's ceramic matrix composite (CMC) exhaust cone made its first commercial flight in 2015 on a CFM56 engine powering an Air France A320. This was the first time in the world that a CMC part flew on a jetliner in commercial service. Thanks to their exceptional properties, ceramic matrix composites will help meet the most ambitious goals of aircraft. For a given function, they provide significant weight savings over metal alloys.

High-thrust engines for civil aircraft (long-haul aircraft)

Deliveries of high-thrust engines were up slightly in 2015, with 695 modules delivered compared to 690 in 2014.

GE90

Safran has an interest of 23.7% in this GE program which currently enjoys a sole-source position on the Boeing 777, for which it delivered 221 modules in 2015 versus 234 modules in 2014.

GE9X

Since 2014 Safran has participated in the development of GE's high-thrust GE9X engine after it was chosen by Boeing as the exclusive powerplant on its new 777X long-range aircraft. Safran has a stake of just over 11% in the program through Snecma and Techspace Aero. Snecma will make the composite fan blades via CFAN, its joint venture with GE in San Marcos (Texas, US), as well as design and produce the forward fan casing and rear turbine frame using 3D woven composite parts thanks to its partnership with Albany International. Techspace Aero will manufacture the low-pressure compressor and the fan disk.

GP7200

Safran delivered 91 high- and low-pressure compressor modules in 2015 compared to 90 in 2014, and has a 17.5% interest in this engine program which powers the A380. In 2015, 78% of the A380 aircraft delivered in the year were fitted with the GP7200 engine.

GEnx

Safran is a partner on the two GEnx engine programs, with a 7.3% interest in the GEnx-2B version powering the long-haul Boeing 787 Dreamliner and a 7.7% interest in the GEnx-1B version powering the long-haul Boeing 747-8. To meet the needs of the US aircraft manufacturer, Safran delivered 268 compressor modules in 2015, 7 modules more than in 2014.

CF6 family – LM6000

A total of 115 modules for the CF6 engines powering certain A330 and Boeing 767 aircraft and LM6000 gas turbines were delivered in 2015. Safran's interest in this program ranges from 10% to 19.4% for the CF6 engine and from 8.6% to 12% for the LM6000 gas turbine.

Service agreements

Safran has signed service agreements with GE for its high-thrust GE90, GP7200 and GE9X engines. Service agreements for the GE90 engines were also signed in the year by GE with several airline companies.

Industrial operations

Continuing its efforts to develop the engines of the future, in September 2015 Safran kicked off construction of a second open-air engine test stand at its Istres facility (Bouches-du-Rhône, France). The new engine test stand, weighing over 100 tons, is based on a pylon stretching 18 meters high and has a data acquisition system with 1,200 measurement lines, including fuel consumption, dynamic and mechanical performance, and acoustic signature. The installation will be up and running in 2016 to test the LEAP engine and the Open Rotor[1] demonstrator. It could also be used for other engine configurations that Safran will be testing in the coming years.

Military aviation

M88

A total of 22 M88 engines were delivered for the Rafale in 2015, including those fitted on the first three Rafale fighter jets delivered to the Egyptian air force. The in-service fleet topped the 416,000 flying hours mark worldwide during the year.

In 2015, Safran took 48 orders for the Rafale for the export market (24 for Egypt and 24 for Qatar). At the beginning of 2016, during the French President's visit to India, the proposed purchase of Rafale aircraft by the Indian government took a further step forward, with certain marketing aspects still to be negotiated with manufacturers. Discussions are continuing with the United Arab Emirates (UAE) for the purchase of 60 Rafale aircraft and other prospective customers are being canvassed.

TP400

The TP400 is the Western world's largest ever turboprop engine. Having been awarded both civil and military certification, the TP400 meets the highest safety standards of global civil aviation and provides potential export opportunities for the A400M.

A total of 59 engines were delivered in 2015 (53 in 2014) and the backlog at the end of the year stood at 571 engines for the A400M aircraft ordered by Airbus Defence & Space.

ADOUR

A total of 20 Adour engines were delivered in 2015 for the BAe Hawk trainer aircraft. The backlog at the end of 2015 stood at 39 engines.

Spare part and service activities

During the year Snecma inaugurated a new site in Bordeaux (Gironde, France) that will house its Military Engine division. Located near France's Air Force Command (CFA), the SIMMAD military aircraft maintenance organization and the Bordeaux industrial aviation workshop (AIA), this new facility will optimize support services for military aircraft engines used by the French armed forces.

(1) Engine with two counter-rotating, unducted fans developed within the scope of the European Clean Sky research program.

Ballistics and space

Airbus Group and Safran joined forces during the year in a bid to boost the competitiveness of the European space launcher business by creating Airbus Safran Launchers (ASL). This new 50/50 joint venture opens a new chapter in the history of the space launcher industry, combining Airbus Defence and Space's launcher expertise with Safran's expertise in liquid and solid rocket propulsion.

The initial phase of merging the Airbus Group and Safran space launcher businesses began in January 2015 with the combination of their activities under civil launcher programs and ASL is now prime contractor for the European Ariane 5 launcher. Six launches were successfully carried out in 2015. The excellent reliability of the Ariane 5 heavy launcher was confirmed in the year with its 69th consecutive successful launch.

To guarantee Europe autonomous access to space in fully competitive conditions, ASL and the European Space Agency (ESA) signed an agreement in August 2015 to develop the Ariane 6 new-generation launcher, with a first launch slated for 2020. At the time of the agreement, the ESA also confirmed that ASL and European Launch Vehicle (ELV)[1] will work together on the P120C solid propellant boosters (for both the Ariane 6 and Vega-C launchers) and that ELV will continue to manage the evolution of the Vega to the Vega-C, whose first launch is expected in 2018.

As part of its new launcher policy, ESA will oversee procurement and the architecture of the overall launch systems, while industry is developing the launchers, with ASL as prime contractor and design authority for the Ariane 6, and ELV for Vega-C. CNES (French national center for space studies) is prime contractor for the Ariane 6 ground segment.

Ultimately, ASL will include all civil and military launch activities of both groups.

Safran is also an important contributor to Vega, the European launch vehicle. Three Vega launchers successfully achieved lift-off from the space center in French Guiana in 2015.

Regarding the naval component of France's nuclear deterrent force, a bench test for the thruster representing the third stage of the M51.3 strategic missile was completed successfully during the year. This test was chiefly designed to validate the technological developments used for the thruster.

In 2015, Space Systems/Loral (SS/L) selected Safran's PPS®1350 plasma thrusters for its telecom platforms, marking Safran's first export contract for Safran's plasma thrusters. The long-term contract comprises a firm order from SS/L for several thruster flight sets between 2016 and 2018, as well as options on additional deliveries. It covers different models of the PPS®1350, including the PPS®1350-E, which has increased discharge power up to 2.5 kW, enabling it to handle partial orbital raising, along with stationkeeping. The PPS® is the only thruster of its type now on the global market.

Safran's PPS®5000 thruster was selected by Airbus Defence and Space in 2014 as leading supplier to fit its Eurostar 3000 Electric Orbit Raising (EOR) satellite platform, for missions calling on electric propulsion for orbit raising. The contract to supply the first PPS® 5000 flight set was signed in 2015. Delivery of the first flight set to Airbus Defence and Space is scheduled for 2016.

Helicopter turbines and auxiliary power units

A total of 625 helicopter engines were delivered in 2015.

Light helicopters

This segment continued to grow throughout the year:

- Arriel 2N, the latest edition to the Arriel 2+ engine family, was certified by EASA in January 2015. Selected by Airbus Helicopters, the Arriel 2N will power the new AS565 military helicopter, the AS565 MBe Panther;
- Airbus Helicopters' H145M fitted with Arriel 2E engines was certified by EASA in May 2015. The first deliveries of this military version of the H145 (formerly EC145 T2) were made at the end of 2015;
- the Arrius 2R engine was certified by EASA in December. Selected to power the new Bell 505 Jet Ranger X helicopter, Arrius 2R is the only turbine engine equipped with dual-channel Full Authority Digital Entry Control (FADEC) system in the 500 shp engine class. Production of the new helicopter will begin in 2016 at Bell Helicopter's new plant in Lafayette (Louisiana, US).

At the China Helicopter Exhibition (Heli-Expo) held in Tianjun in mid-September, 100 light single-engine helicopters (Airbus Helicopters H125 and H130) fitted with Arriel turboshaft engines were ordered by a Chinese aircraft leasing company. Targeting general aviation operators, these products will enable Safran to play a part in the development of the helicopter market in China.

During the year, the Arriel 2C2 and 2L2 engines were also selected to respectively power the future South Korean Light Civil Helicopter (LCH) and Light Armed Helicopter (LAH). Jointly developed and marketed by Airbus Helicopter and Korean Aerospace Industries (KAI), these new helicopters should be in operation by 2020 (LCH) and by 2022 (LAH).

(1) European Launch Vehicle (ELV) is a joint venture between the Italian Space Agency and Avio S.p.A.

Medium-weight helicopters

Throughout the year, the Arrano engine underwent numerous development and certification tests enabling its performance levels to be validated. This engine incorporates the results of several research projects, including products and processes validated by the Tech800 demonstrator. Arrano was selected in 2015 as the sole engine for Airbus Helicopter's new H160 model. The engine completed its first flight on the H160 in January 2016 and is expected to enter into service in 2018.

In the first half of the year, the Ardiden 1H1/Shakti engine was chosen by the Indian helicopter manufacturer Hindustan Aeronautics Limited (HAL) to power its future twin-engine light combat helicopters (LCH). This win marks renewed success for Safran in the context of its 50-year partnership with HAL.

In September, the Ardiden 3C/WZ16 engine completed its first flight on an AC352/Z-15 (Chinese name for the helicopter developed in partnership with Airbus Helicopters on the basis of the EC175) at Marignane in France. This was the result of close cooperation with Aviation Industry Corporation of China (AVIC) and will allow Safran to benefit from opportunities offered by the growing helicopter market in China over the next decade.

Heavy-lift helicopters

Throughout the year, Safran continued tests on the Tech 3000 demonstrator, which will be at the heart of a new family of engines in the 3000 shp range designed to meet the engine needs of new-generation helicopters weighing 10 tons or more. Tech 3000 will enable Safran to validate the design and core performance of such new high-power engines, able to deliver a 25% improvement in fuel efficiency compared to the state-of-the-art engines available today on the market in this segment.

Helicopter turbine engine services

Although engine repair services and flying hours – particularly by helicopter operators in the oil industry and in emerging countries – are stagnating, maintenance services provided for Safran's turbine helicopter engines advanced in 2015 and new support-by-the-hour (SBH) contracts were signed. At the end of the year, 4,350 engines were covered by service agreements for 410 civil and military customers.

At the 2015 Paris Air Show in Le Bourget, Safran signed a memorandum of understanding with HAL (Hindustan Aeronautics Ltd.) establishing a joint venture to support customers in India and around the world. This joint venture will provide maintenance, repair and overhaul (MRO) services for Safran engines or engines made locally under license, and used in India, particularly by the country's armed forces. The venture will initially provide maintenance support for the TM333 and Ardiden 1H1/Shakti engines.

A new warranty program was launched in 2015. The Turbomeca Care Program® offers users of Safran helicopter engines a wide range of solutions such as warranty extensions for new engines and pre-buy inspections in the case of a resale. The new service, the first to be launched by an engine manufacturer on the helicopter market, will help to enhance the residual value of helicopters fitted with Safran engines.

At the 2015 Paris Air Show in Le Bourget, Safran demonstrated its commitment to remaining a first-choice engine provider of the helicopter industry as it celebrated its engine range passing the 100 million flying hours mark.

Auxiliary power units (APUs)

During the year Safran continued to develop new auxiliary power units (APUs) for business jets (the APS500[D] and APS2[800] will power Dassault Aviation's future Falcon 5X and Bombardier's Global 7000 business jets, respectively).

A new APU production facility for commercial aircraft was inaugurated in September in San Diego (California, US) to partner Safran's growth on the corporate aviation market.

In March, Safran and Bell Air Aviation A/S signed a five-year support agreement for the e-APU60 fitted on the Danish operator's AW189 helicopters.

As part of the Rafale program, Safran also signed export agreements to supply the APU and starter, and renewed the Global Support Package (MCO) with the SIMMAD military aircraft maintenance organization for a further five years.

2.1.3.2 Aircraft Equipment

ADJUSTED KEY FIGURES

(in € millions)	2014	2015	Year-on-year change
Backlog	18,435	19,674	7%
Orders recorded during the year	5,854	4,359	-26%
Revenue	4,446	4,943	11%
Recurring operating income	426	466	9%
Profit from operations	368	423	15%
Free cash flow	149	153	3%
Acquisitions of property, plant and equipment	170	181	6%
Research and development			
Self-funded R&D	(308)	(229)	-26%
% of revenue	*6.9%*	*4.6%*	*-2.3 pts*
Research tax credit	46	46	-
Self-funded R&D after research tax credit	(262)	(183)	-30%
Capitalized expenditure	122	98	-20%
Amortization and impairment of R&D expenditure	(37)	(40)	8%
Impact on profit from operations	(177)	(125)	-29%
% of revenue	*4.0%*	*2.5%*	*-1.5 pts*
Headcount	25,447	25,569	-

Aircraft Equipment activities can be split into three key sectors that contribute to business line revenue as follows:

Sector	% of business line revenue	
	2014	2015
Landing and aircraft systems	45%	48%
Engine systems and equipment	26%	23%
Electrical systems and engineering	29%	29%

REVIEW OF AIRCRAFT EQUIPMENT OPERATIONS IN 2015

The Aircraft Equipment segment reported revenue of €4,943 million, up 11.2%, or slightly down (-0.9%) on an organic basis, compared to €4,446 million in 2014. Service revenue grew by 15.6%, including the effect of the stronger USD, and accounts for 29.9% of sales.

Deliveries of wiring shipsets and landing gear to Airbus for the A350 program grew in line with the program production rate. Those for the 787 program, which had driven strong OE growth throughout 2014, showed modest increases this year. Lower deliveries of A330 thrust reversers are the reflection of an announced assembly rate drop of that aircraft. 104 nacelles for A380 were delivered in 2015, compared to 112 in 2014.

Growth in services was driven primarily by carbon brakes and landing gear aftermarket. Safran is the world leader in carbon brakes for commercial aircraft over 100 seats with over 7,500 aircraft equipped worldwide.

Recurring operating income was €466 million (9.4% of revenue), an increase of 9.4% compared to €426 million (9.6% of revenue) in 2014 including a 1.2% organic improvement. The good performance in carbon brakes and landing gear aftermarket activities, as a result of a larger installed base and continued air traffic growth, continued to contribute to profit growth. In nacelles, a favorable pricing effect was offset by lighter overall OE volumes (increasing A320 and regional business jet nacelle deliveries did not entirely compensate for lower A380 and A330 nacelle deliveries) and a slight decline in support activities. In electrical systems, pricing pressure is temporarily weighing on margins. Strong cost reduction and productivity actions are now in place to mitigate the impacts and drive operating margin improvements. Lastly, the increase in expenses rebilled by the Holding company to the various subsidiaries has had a negative impact on operating margins.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Landing and aircraft systems

Landing gear

A total of 1,370 landing gear units were delivered by Safran in 2015, on a par with the units delivered in 2014.

To meet the increase in production rates of the Boeing 787 aircraft, 127 units were delivered by Safran in the year (118 in 2014). Deliveries consisted of all landing gear versions, including the new Boeing 787-9 jetliner. A total of 32 units were also delivered during the year for the new A350 aircraft (16 in 2014).

During the year Safran was selected to become the main service provider for landing gear maintenance on the entire Airbus A320 fleet operated by IAG (International Airlines Group). This new contract cements Safran's position in landing gear maintenance and repair services.

Wheels and brakes

At December 31, 2015, more than 7,500 aircraft were equipped with carbon brakes, giving Safran a share of over 50% of the market[1] for 100+ seater civilian aircraft equipped with carbon brakes.

Safran's market share on Airbus A320ceo aircraft fitted with carbon brakes represented 72%[1] at December 31, 2015. Safran was also selected by Airbus to supply carbon brakes meeting the requirements of its new A320neo single-aisle aircraft. Already selected by eight airline companies for a cumulative total of almost 600 aircraft at December 31, 2015, Safran's carbon brakes for the A320neo offer better cooling and lower maintenance costs compared to those for the A320ceo.

Safran's market share on Boeing 737NG aircraft fitted with carbon brakes represents 65%[1]. A long-standing partner of Boeing, Safran was selected by the US aircraft manufacturer in 2014 to supply wheels and carbon brakes for all models of the Boeing 737 MAX (new engine option). At December 31, 2015, four airline companies had chosen Safran carbon brakes for the Boeing 737 MAX, representing a cumulative total of 50 aircraft.

Safran's electric brakes for the Boeing 787 Dreamliner continue to capture market share and at end-2015 had been chosen for 305 aircraft operated by 32 airline companies. Electric brakes are currently fitted on 187 in-service aircraft.

EGTS™

To meet the demand for more integrated equipment offerings from both aircraft manufacturers and airlines, Safran and Honeywell set up a joint venture, EGTS International, in 2012. This venture allows them to pool their complementary expertise and work together to develop and market a new EGTS, i.e., taxiing without the use of engine power.

Persistently low oil prices are contributing to a challenging environment. EGTS International continues to work with prospective partners and customers to assess alternative means of bringing EGTS to the market.

The EGTS joint venture has rolled out a campaign among its major future customers to confirm commercial assumptions.

Landing and braking control systems

In all, 2,850 landing and braking control systems and associated systems equipment were delivered by Safran to its clients' assembly lines in 2015.

Lifting, steering and braking systems continued to be successfully delivered for the A350 in the context of a major ramp-up.

In the field of innovation, Safran continues to offer its customers services that draw on the analysis of data from equipment and control systems so that it can offer preventive maintenance and therefore increase operational fleet availability, particularly for the Airbus.

Engine systems and equipment

Nacelles and thrust reversers

During the year Safran was selected to supply PERT® (Planar Exit Rear Target) thrust reversers to equip the two turbofan engines on the Citation Longitude, Cessna's future super-midsize business jet. The patented PERT thrust reverser features two blocker doors that serve as the engine's exhaust exit during flight, and are deployed on landing for the reverse thrust function. This concept combines thrust reverser effectiveness with an optimized weight.

A number of decisive advances were made in 2015:

- first flight for the A320neo fitted with the LEAP-1A engine nacelle;
- roll-out of China-based COMAC's first C919 aircraft featuring the LEAP-1C integrated propulsion system package (CFM engine/Nexcelle nacelle);
- first test flight of a A380 nacelle with electroluminescent marking developed by Safran.

During the year Safran also successfully completed the Critical Design Review of the nacelle for the Rolls-Royce Trent 7000 engine on the A330neo (Airbus A330 new engine option).

(1) Source: Safran.

Services

In nacelle-associated services, Safran signed a service agreement with Qatar Airways to provide maintenance support for nacelles fitted onto its A340 fleet.

Mechanical power transmission systems

In 2015, Safran and Rolls-Royce created Aero Gearbox International, a 50/50 joint venture specializing in the design, development and production of accessory drive train transmission systems and in aftermarket services. The new venture will capitalize on its parent companies' combined experience and expertise, encompassing the entire range of Rolls-Royce's future civil aircraft engines. Aero Gearbox International is already working on the Trent 7000 engine powering the Airbus A330neo and the BR 700 NG engine for Bombardier's new business jet programs.

Industrial operations

Within the scope of their Aero Gearbox International joint venture, Safran and Rolls-Royce began the construction of a new mechanical power transmission plant in south-east Poland. The new plant will ultimately house approximately 110 workers and is expected to be operational at the beginning of 2017.

To meet the needs of the LEAP and Silvercrest programs, Safran announced that it was to start building a new production plant in 2016 located in south-east Poland. The plant will have a surface area of 8,000 sq.m. and will employ approximately 100 people to produce low-pressure turbine blades. Safran will extend its existing capacity in Poland to produce low-pressure compressors.

Electrical systems and engineering

Power generation and distribution systems

Safran can call on its engineering and research teams to develop cutting-edge electrical solutions for all the energy needs of an aircraft. Driven by its ambition to continue developing in this critical Aerospace segment, in 2014 Safran finalized its acquisition of Eaton Aerospace's power distribution businesses, putting it in an ideal position to successfully pursue its development in the "more electric" aircraft field.

In 2015, Safran was selected by Textron Aviation to design, develop, produce and provide support for the main power unit generation system of the future Cessna Citation Longitude business jet.

It was also pre-selected by Honeywell to develop and supply the ram air turbine (RAT) for the Boeing 777X program.

At the 2015 Paris Air Show in Le Bourget, Safran entered into a long-term agreement with Pilatus Aircraft Ltd on the provision of power generation systems for the Pilatus Porter aircraft family. Safran will also provide in-service and aftermarket support for the lifetime of these aircraft.

Electrical wiring interconnection systems (EWIS)

Safran was chosen by Airbus to design and produce the wiring harness for the fuselage (excluding the nose section) of the Beluga XL, a modified version of the A330 cargo plane, whose maiden flight is planned for 2018. Design work has already begun for Safran Engineering Services teams working on-site at its client's premises in Toulouse. Production of the wiring harnesses will be shared between Safran's plants in France, Morocco and Mexico.

In February 2015, the first harness to be fitted to the wing-tips of the C919 was delivered by the joint venture Saifei (51%-owned by COMAC and 49%-owned by Safran). Based in Shanghai, Saifei specializes in design, development, production and customer support for EWIS systems for the Aerospace market in the Asia-Pacific region.

As part of the restructuring of its North American operations, in early 2015 Safran announced that it intended to transfer its EWIS activities currently based at Salisbury (Maryland, US) to its plant in Denton, Texas. The restructuring also includes the opening of a new plant in Chihuahua in Mexico to accommodate certain activities transferred from Denton. This strategic decision was taken in response to an increasingly competitive market resulting in strong downward pressure on prices.

Over the next four years, Matis Aerospace (a 50/50 joint venture between Safran and Boeing) will start to produce engine harnesses for CFM's LEAP program and wiring harnesses for the Boeing 737, 777 and 787 families and for Dassault's Falcon 5X business jet. In 2016, the Casablanca plant will be extended by 4,380 sq.m. in order to increase production capacity.

In the middle of May during Sikorsky's annual supplier summit in West Palm Beach (Florida, US), Safran was awarded Gold Supplier status by the helicopter manufacturer for the fifth consecutive year. Gold Supplier recognizes best-in-class performance in quality, delivery and customer satisfaction.

Safran has continued to step up its deliveries for the various aircraft in the A350 range. The engineering studies are nearing completion with the end of the development phase and the beginning of production.

Ventilation systems and electrical engines

Safran customer satisfaction in terms of both service and product quality was recognized and rewarded in 2015. The Company was awarded the prize for the most progress made in Airbus Helicopter's "SQIP" supplier category. Safran also ranked within the "Excellent" category in Airbus' survey of around 118 of its airline customers for the quality of its aftermarket services.

Safran was selected to produce FADEC (Full Authority Digital Engine Control) cooling systems for LEAP-1B engines. This new contract enables Safran to benefit from an exclusive partnership on the LEAP engines developed by CFM International, set to power the future generation of single-aisle civil aircraft.

Engineering services

In 2015, Duncan Aviation and Safran strengthened their existing partnership to create a new STC, or Supplemental Type Certificate (a US aviation authority-approved major modification or repair to an existing certified aircraft) for FANS-1/A (Future Air Navigation System), an avionics system that provides direct data-link communication between the pilot and the air traffic controller. This solution will power Bombardier's Challenger 601-3A/3R business jet.

Research expenses are set to decrease for engineering companies with the end of the development of major programs, such as Boeing 787-10 and Airbus A350. Since late 2014, this decrease has already been significant and is expected to amplify in the next few years, forcing Safran to find new areas for growth and to adapt the scope of its activities.

2.1.3.3 Defense

ADJUSTED KEY FIGURES

(in € millions)	2014	2015	Year-on-year change
Backlog	2,209	2,389	8%
Orders recorded during the year	1,337	1,446	8%
Revenue	1,221	1,266	4%
Recurring operating income	71	64	-10%
Profit from operations	74	54	-27%
Free cash flow	17	-	N/A
Acquisitions of property, plant and equipment	46	71	54%
Research and development			
Self-funded R&D	(133)	(119)	-11%
% of revenue	*10.9%*	*9.4%*	*-1.5 pts*
Research tax credit	35	37	6%
Self-funded R&D after research tax credit	(98)	(82)	-16%
Capitalized expenditure	26	24	-8%
Amortization and impairment of R&D expenditure	(11)	(21)	90%
Impact on profit from operations	(83)	(79)	-5%
% of revenue	*6.8%*	*6.2%*	*-0.2 pts*
Headcount	7,411	7,389	-

Defense activities can be split into three key sectors that contribute to business line revenue as follows:

Sector	% of business line revenue	
	2014	2015
Optronics	41%	41%
Avionics	49%	49%
Electronics and critical software	10%	10%

REVIEW OF DEFENSE OPERATIONS IN 2015

Full-year 2015 revenue of €1,266 million was up 3.7%, or down 1.6% on an organic basis, compared to revenue of €1,221 million in 2014. Revenue was flattish in all activities, as expected. In optronics, the end of deliveries of FELIN equipment to the French Army was offset by the strong increase in sales of sighting systems for combat vehicles and naval applications. The slight decline in Avionics sales was driven by a drop in volumes of inertial navigation and flight control systems, partially compensated by the growing contribution of support activities and aircraft information systems revenue. Order intake was strong in 2015 and indicative of a positive future revenue trend.

Full-year 2015 recurring operating income at €64 million (5.1% of revenue) was down 9.9% compared to €71 million (5.8% of revenue) in 2014. The decline is principally due to the run-off of the deliveries of FELIN equipment, not yet fully offset by new contracts, and to an unfavorable mix of products. Additionally, investments to improve industrial performance and sustained R&D effort to maintain technological differentiation put temporary pressure on margins and will drive future profitability improvements.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Optronics

Modernizing infantry

Following the last FELIN equipment suite deliveries for soldier modernization programs to the French armed forces, in 2015 Safran developed several upgrades to the system in response to an order from the French Directorate General of Weapons Procurement (DGA), reducing the equipment's mass and taking account of on-the-ground feedback.

Safran also provides support for the systems delivered and used in active service.

FELIN continues to attract interest outside France, with its good performance in the French armed forces further cementing its reputation.

Portable optronic equipment, sight equipment and drones

Thermal goggles and imagers

A host of commercial success stories in portable optronics in 2015 confirms the front-ranking position of Safran technology, particularly with its JIM multifunction goggles. Over 600 goggles were delivered to France and the export market in 2015, including 480 for the French Army. Over 8,000 goggles are now in-service or on-order across the globe.

Throughout the year, Safran supplied portable optronics equipment such as goggles (JIM, Vector and Moskito), telemetric rangefinders and digital magnetic compasses, either directly or through its subsidiary Vectronix (in Switzerland and the US) to various countries including the US and the UK. In 2015, Vectronix also launched its new higher-usability, lower-weight MOSKITO TI onto the market.

Safran also continued to invest in R&D to develop new portable optronics products allowing it to maintain its leadership over the long term.

Onboard optronic equipment

Sea: During the year Safran delivered and installed EOMS-NG observation and fire direction systems for anti-aircraft defense frigates operated by the French Navy. In the periscope business, Safran successfully completed the Critical Design Review for optronic attack masts following its selection in 2014 to develop and supply this equipment for the French Navy's Barracuda submarines. The last two optronic surveillance masts for the same Barracuda submarines also successfully completed the acceptance tests. On the export market, the Group scored a number of commercial wins in Canada, the Middle East and Asia with its Vigy Observer panoramic stabilized observation system, and with the Vampyr new-generation optronic surveillance system.

Air: Through Optrolead, its joint venture with Thales, Safran continues to take an active role in the design contract for fourth-generation airborne gyrostabilized pods incorporating several types of sensors, which will offer industry-beating performances particularly adapted to very long-range MALE (medium-altitude long-endurance) drones. The DGA awarded Safran the last tranche of this design contract in 2015.

As part of the Tiger helicopter program, the DGA awarded the Company the design contract for the first stages in the development of the STRIX new-generation turret-mounted observation and sighting systems.

Land: The new PASEO multifunction sight for armored vehicles was unveiled at the Eurosatory tradeshow in 2014 and has attracted keen interest both in France and from international customers. The first major commercial contract wins for PASEO were recorded in 2015:

- in France, as part of the infantry modernization program (Scorpion), the Ministry of Defense awarded Nexter, Thales and Renault Trucks Defense the contract to develop two vehicles: the Griffon multi-role armored vehicle and the Jaguar reconnaissance and combat armored vehicle. Through its joint venture Optrolead (Thales Optronique SA/Sagem), Safran took an order to adapt 500 PASEO optronic sights for these two vehicles;
- in the export market, the Group took an order from CMI Defence for around 1,500 PASEO sights to equip turrets on tanks operated by armed forces in the Middle East.

Renault Trucks Defense selected Safran to supply triple-sensor imagers that will be fitted to the remotely-operated turrets of the Griffon, representing 855 units in total under the Scorpion program.

Drones

In 2015, the Patroller drone operated successfully in homeland security tests in Portugal within the scope of AIRBEAM (AIRBorne information for Emergency situation Awareness and Monitoring), a European integrated project.

Harnessing its experience in drone flight control, during the year Safran took part in the Civil Drone Committee under the authority of the DGAC[1] with other major aviation players, contractors, drone operators and some 20 SMEs.

In early 2016, Safran was awarded the contract for the French Army's tactical drone system with Patroller. The contract provides for the delivery of 14 drones starting in 2018: two systems each with five drones, and four drones for training purposes.

Safran worked on the DGA's invitation to bid for the new French tactical drone throughout the year in an effort to meet the urgent needs of the armed forces. The Patroller system crystallizes the industrial drone expertise developed by Safran over the past 25 years and draws on a network of French SMEs. The contract will enable Safran to boost employment and the skills available in its plants, where the drone's final integration and the ground station will be completed. The Patroller system has aroused considerable international interest thanks chiefly to its versatility and dual positioning in both civil security and military air surveillance.

High-performance optics

Safran subsidiary Reosc was selected by the European Southern Observatory (ESO), the foremost intergovernmental astronomy organization in Europe, to manufacture the fourth mirror (M4) for the 39-meter diameter European Extremely Large Telescope (E-ELT). Installed in Chile and expected to be operational as from 2024, the E-ELT will be the biggest telescope ever made.

Avionics

Navigation systems and sensors

Investments made by Safran over the past few years in Coriolis, a world-class industrial facility based in Montluçon (France), has enabled it to meet the high-precision demands of its French customers in the following segments:

- aerospace (Rafale, A400M and NH90 for Dassault Aviation, Airbus Defence and Space and Airbus Helicopters, respectively);
- sea (deterrent and attack submarines and surface ships for the French Navy and DCNS);
- land (precision orientation and location for Nexter or TDA Armements);
- missiles and space (strategic and tactical equipment and engines for Airbus Defence and Space, Thales Alenia Space and MBDA).

Safran also met the needs of its export customers throughout the year.

Thousands of cutting-edge inertial systems and sensors were produced in Coriolis in 2015, including gyrolasers and hemispherical resonator gyros (HRG), vibrating Quapason™ gyroscopes and vibrating accelerometers. These technologies are incorporated into Safran's SIGMA, BlueNaute and EPSILON inertial systems, which are among the market leaders across the globe.

From a commercial standpoint, the BlueNaute navigation system was selected on two occasions for different types of ship by the US Coast Guard, the leading reference in navigation in the US.

Following the Rafale's advances in the export market (Egypt and Qatar), Safran received orders to deliver the equipment suite including the two inertial navigation systems, the load system interface unit (BISE), and the flight control units for each fighter aircraft.

Seekers and guidance systems

Sales of the Rafale in Egypt and Qatar were accompanied by major contracts for the AASM (Modular Air-to-Ground Weapon), allowing production to continue after 2018. Safran also took an order for ADIR infrared seekers for Mica air-to-air missiles in Egypt.

Flight control and actuation systems

In 2015, Airbus Helicopters chose Safran to supply the redundant backup computer for the electric flight control systems on its future X6 helicopter.

Throughout the year, Safran also continued to work on the flap controls for Dassault Aviation's Falcon 5X (computer and actuators), and on the Horizontal Stabilizer Trim Control System (HSTCS) for Embraer's KC-390 military transport aircraft, which completed its first flight in February 2015.

Onboard information systems/Data management and services

The Aircraft Condition Monitoring System (ACMS) data recording device and its upgraded version offering Wireless Extension For ACMS (WEFA) on the ground was selected by several new airline companies in 2015, including Indigo, GoAir and Lufthansa (second order), as well as a number of Chinese airlines.

Some 20 new Flight Data Management (FDM) service agreements based on Cassiopée infrastructure were signed in 2015 with customers in Europe, Africa and the Middle East. Demand remains brisk for the Analysis Ground Station (AGS) solution, which stores, reads and analyzes flight data, particularly at the end of 2015 in Japan with ANA and in China with China Southern.

(1) Directorate General for Civil Aviation.

Electronics and critical software

Fadec Alliance Inc., a joint venture set up by GE and Fadec International (itself a joint venture between Safran and BAe) supplies next-generation Full Authority Digital Engine Control (FADEC 4) devices to be fitted to the LEAP and Passport engines.

In 2015, FADEC 4 successfully completed the milestones for the three aircraft onto which it will be fitted (A320neo, Boeing 737 MAX and C919).

GE Aviation also chose Fadec Alliance to supply the FADEC for its GE9X engine powering the Boeing 777X. Several milestones were completed in 2015, including the launch and preliminary design review.

The 1,000th Electric Brake Actuation Controller (EBAC) for the Boeing 787 was produced in September.

Finally, the Group continued to develop the FADEC control software for Snecma's Silvercrest engine and for Turbomeca engines.

2.1.3.4 Security

ADJUSTED KEY FIGURES

(in € millions)	2014	2015	Year-on-year change
Backlog	1,578	1,902	21%
Orders recorded during the year	1,463	2,041	40%
Revenue	1,530	1,878	23%
Recurring operating income	134	151	13%
Profit from operations	109	133	22%
Free cash flow	97	45	-54%
Acquisitions of property, plant and equipment	59	52	-12%
Research & development			
Self-funded R&D	(129)	(133)	3%
% of revenue	*8.4%*	*7.1%*	*-1.3 pts*
Research tax credit	12	16	33%
Self-funded R&D after research tax credit	(117)	(117)	-
Capitalized expenditure	21	16	-24%
Amortization and impairment of R&D expenditure	(5)	(7)	40%
Impact on profit from operations	(101)	(108)	7%
% of revenue	*6.6%*	*5.8%*	*-0.8 pts*
Headcount	8,578	8,667	1%

Security activities can be split into two key sectors that contribute to business line revenue as follows:

	% of business line revenue	
Sector	**2014**	**2015**
Identity and Security	87%	85%
Detection	13%	15%

REVIEW OF SECURITY OPERATIONS IN 2015

The Security activities reported 2015 revenue of €1,878 million, up 22.7% compared to prior-year revenue of €1,530 million. On an organic basis, revenue increased strongly by 11.0%.

All activities reported organic increases in revenue. Identification grew strongly, particularly Government Solutions activities in South America, Europe and the Middle East/Africa. Revenue also grew in the US (Federal and State enrollment contracts and driving licenses). Smart chip sales increased thanks to higher volumes in banking and favorable mix in telco. Detection revenues were higher than a year ago due to the strong increase in CTX tomographic equipment shipments and to the success of the new trace detection system Itemizer 4DX.

Recurring operating income was up 12.7% at €151 million (8.0% of revenue) compared to €134 million (8.8% of revenue) in 2014. The growth results from the increased contribution of government ID contracts, principally in Europe, the Americas and the Middle East/Africa. Investments in new commercial offers to address new markets, notably in digital identity, were partially offset by the positive impact of cost reduction actions, particularly in the smart chip business.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Identity and Security

Government solutions

Safran supplies identification solutions for governments under various agreements. These can include population data collection and listing, and production and personalization of identity documents. The widespread growth of digital technologies and the intensifying shift towards electronic management of government services creates new opportunities for growth. Safran has a comprehensive range of solutions and services for government markets, from ID document management to use.

The main contracts won by Safran in 2015 in the field of civil identification solutions were linked to planned elections in Africa. In Ivory Coast, Safran updated the electoral roll and supplied over 6.3 million voter cards thanks to the deployment of 20,000 secure biometric MorphoTablets. These tablets made it possible to record citizens' biometric data and verify their identity on election day. MorphoTablets, which were used to secure the voting process, also helped to ensure a smooth legislative election process in Egypt. Safran also signed a contract with Chad's Independent National Electoral Commission to supply a biometric enrollment system that also manages electoral rolls along with biometric voter cards for the 2016 presidential elections.

Safran is the only supplier of enrollment services for the TSA Pre✓® program run by the US Transportation Security Administration (TSA). The TSA Pre✓® program is an expedited security screening program which allows passengers considered low-risk to receive expedited security screening when departing from over 150 US airports. In January 2016, over 2 million US passengers were enrolled in the program.

As part of the Aadhaar program in India, at end-December 2015 the Unique Identification Authority of India (UIDAI) had delivered almost 960 million unique identification numbers to Indian residents. Safran is the only supplier present at all levels of this project, which encompasses data base management, biometric sensor supply and population enrollment. Alternate usages have been confirmed for the technology following on from the project, in particular for the banking and telecom operator industries.

In digital identification solutions, Safran increased its business in the UK and the US. In the UK, it launched SecureIdentity, a new mobile application allowing citizens and residents to securely access online government services while guaranteeing data confidentiality. In the US, Safran launched its first project for mobile driving licenses on smartphones with employees of the Iowa Department of Transportation. Ultimately, Iowa residents will no longer need to present their physical driving licenses since the authorities will accept the digital license in routine checks. In 2015, Safran delivered over 70 million driver's licenses to 41 States in the US, covering around 85% of the US population.

Business solutions

Safran sold almost 160 million bank cards to financial institutions in 2015.

To consolidate its presence on the banking market, Safran put in place a number of strategic partnerships for the production and customization of bank cards mostly incorporating state-of-the-art EMV (Europay International, MasterCard, Visa) payment technology. Partnerships were established in Brazil with Elo, a Brazilian payment association founded by Banco do Brasil, Bradesco and Caixa; in the Philippines with Banner Plasticard; and in Panama with FESA Card Panama. Safran also teamed up with Visa for the JMV Wave dual interface chip card, available for Visa financial institution clients in Asia-Pacific, Eastern Europe, Africa and the Middle East. The JMV Wave card has been designed to meet all of Visa's current requirements for contactless payment technology, Visa payWave, in these regions. To reinforce online transaction security, Safran also acquired AirTag, a French start-up specialized in innovative mobile payment solutions for banks, payment networks and retail.

To meet the new digital needs of its customers, Safran is moving the full range of its technologies to the cloud. In the US, it launched Identix® Trusted Identity-as-a-Service (TIaaS), a new cloud-based multi-biometric platform designed to prevent fraud and identity theft and to protect consumers and businesses.

In telecommunications, Safran sold almost 600 million SIM cards and secure devices to operators in 2015.

Safran also supplied Airtel, India's leading mobile network operator, with an electronic Know-Your-Customer (eKYC) solution for its subscribers. In using Aadhaar, the Indian ID system, digitalizing ID data facilitates subscriber transactions thanks to electronic documents, prevents fraud and allows new customers faster access to the services subscribed. The growing market for the Internet of Things also represents an opportunity for strategic partnerships. Safran and Telit announced that they had developed a telecommunications solution within the scope of an ERA GLONASS (Emergency Road Assistance based on Global Navigation Satellite) project in Russia. This project has been launched to introduce a sensor-based in-vehicle emergency call system. In case of an accident, the system automatically dials an emergency number thanks to the integration of an embedded SIM card within the vehicle's telematics control system.

Public security

In the field of public security, Safran helps police forces and government bodies detect and identify potential threats in public places in order to protect people and property.

Safran has invested heavily in R&D to be able to offer a range of innovative solutions that facilitate the work of private security organizations and improve identification on the ground. Morpho Video Investigator (MVI), which combines face recognition software with advanced video analytics, is designed to expedite suspect identification on a large number of videos. The new handheld device MorphoRapID™ 2 features fingerprint and face matching algorithms and enables people identification and ID document verification in real time. Safran also joined forces with Microsoft to develop Morpho Cloud, a multi-biometric IaaS (Identity-as-a-Service) solution. Morpho Cloud is backed in the US by the Microsoft Azure Government platform and complies with the stringent security standards for data storage issued by the FBI and the US government. Since it was launched, MorphoWave™, the first contactless biometric fingerprint scanner that can capture four fingerprints from a single wave of the hand, has picked up a series of prestigious awards. It was certified by the FBI for meeting the image quality specifications standards and for its compatibility with existing systems.

Regarding work with police forces, Safran landed several contracts on the strength of its biometric expertise. In Australia, the police in the State of Victoria chose Safran to supply biometric identification systems under a ten-year contract. Safran will provide full service as part of this contract, including the upgrade of existing equipment and new biometric enrollment stations.

Safran was chosen by the Zambian Police Service to roll out and provide maintenance support for a rapid DNA search solution to expedite suspect identification. The Zambian Police Service has also been provided with enrollment stations, mobile handsets and the MorphoBIS mobile fingerprinting device.

In the field of border controls, Safran won several major contracts in the Middle East, Asia-Pacific and Europe. The Interior Ministry of the United Arab Emirates chose Safran to set up an "e-Border" project which covers implementation of a fully integrated multi-biometric border control system in five airports. The Group also signed a new five-year contract with New Zealand Customs Services to roll out next-generation e-Gates in the country's main airports. These technologies will help simplify and expedite passenger control at borders while providing enhanced security. Safran made a decisive breakthrough in air passenger data collection and processing by winning a tender to supply an Advanced Passenger Information/Passenger Name Record (API-PNR) system to the Estonian government. Following the contract it won in France in 2014, this marks its first international project on this booming market.

Detection

Computed tomography and X-ray diffraction detection systems

Following on from the five-year contract it announced in 2012, Safran received another order from the TSA to supply 40 CTX 9800 high-speed explosives detection systems (EDS) estimated to be worth over USD 40 million. These systems are to be deployed in 11 US airports. Safran also signed its third ILS (Integrated Logistics Services) contract with the TSA to provide system maintenance support. This three-year contract worth USD 221 million follows the success of the previous ILS contracts awarded in 2005.

Safran also signed major contracts in the UK, Turkey, India, Canada and Mexico for the supply of CTX explosives detection systems designed to improve security screening of luggage in hold and airport operational capacities. Some of these contracts also provide for the supply of maintenance services.

Spectrometry-based trace detection equipment

Safran supplies explosives trace detectors (ETD) for screening luggage, passengers and air freight. In response to the demands of new European legislation on screening passengers for explosives, Safran delivered over 900 Itemizer 4DX systems to major airports, including in Austria, Denmark, Germany, Italy, Portugal, Spain and the UK. These contracts place Safran as the leading supplier of explosives trace detector systems approved by the European Civil Aviation Conference (ECAC) for European airports.

2.2 Comments on the consolidated financial statements

2.2.1 Consolidated income statement

(in € millions)	2014	2015	Year-on-year change
Revenue	**15,044**	**18,100**	**+20.3%**
Other operating income and expenses	(13,589)	(15,272)	
Share in profit from joint ventures	45	45	
Recurring operating income	**1,500**	**2,873**	**+91.5%**
Other non-recurring operating income and expenses	(107)	(796)	
Profit from operations	**1,393**	**2,077**	**49.1%**
Financial income (loss)	(1,771)	(3,387)	
Income tax benefit	292	508	
Share in profit from associates	18	4	
Gain on disposal of Ingenico Group shares	-	421	
Profit (loss) from continuing operations	(68)	(377)	
Profit (loss) for the period attributable to non-controlling interests	(58)	(47)	
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**(126)**	**(424)**	

Consolidated revenue

Consolidated revenue climbed 20.3% year-on-year to €18,100 million from €15,044 million in 2014.

The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures (see section 2.1.1). Neutralizing the impact of foreign currency hedging increased consolidated revenue by €686 million in 2015 while it decreased consolidated revenue by €311 million in 2014. This year-on-year change in the revenue impact of foreign currency hedging results from movements in average exchange rates with regard to the effective hedged rates for the period on the portion of foreign currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate in 2015 was 1.25, against an annual average rate of 1.11, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is higher than adjusted consolidated revenue.

Year-on-year changes in revenue excluding the impact of adjusting items are analyzed below (see section 2.1.2).

Recurring operating income

Recurring operating income was €2,873 million versus €1,500 million in 2014. The difference between recurring operating income and adjusted recurring operating income (see section 2.1.1), which came in at €2,432 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for business combinations, representing €89 million for 2015 versus €147 million in 2014 for the May 2005 Sagem-Snecma business combination;
- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €153 million for 2015 versus €134 million for 2014;
- a positive €683 million impact resulting from foreign currency hedging transactions (negative €283 million impact in 2014).

Changes in adjusted recurring operating income are analyzed above (see section 2.1.2).

Profit from operations

Profit from operations came in 49.1% higher at €2,077 million for the year, compared to €1,393 million in 2014. Profit from operations includes recurring operating income of €2,873 million in 2015 (€1,500 million in 2014) and a non-recurring loss of €796 million (€107 million non-recurring loss in 2014).

The difference between consolidated non-recurring loss and adjusted non-recurring loss, which stands at €698 million, reflects:

- impairment losses of €133 million taken against brands other than Safran which were valued individually at the time of the Sagem-Snecma merger in May 2005;
- a gain of €35 million on the revaluation of operations and investments transferred by the Group to Airbus Safran Launchers (ASL). These transfers were carried out as part of the first phase of the operation to create a 50/50 joint venture between Safran and Airbus Group.

Changes in profit from operations based on adjusted figures are analyzed above along with other non-recurring items (see section 2.1.2).

Financial income (loss)

The Group reported a financial loss of €3,387 million in 2015 versus a financial loss of €1,771 million in 2014.

Two items account for the difference between consolidated and adjusted financial loss for 2015 (see section 2.1.2):

- changes in the fair value of currency instruments hedging future cash flows, which had a negative impact of €2,485 million in 2015 (negative €1,922 million impact in 2014). This amount is recognized in full in financial income (loss) in the consolidated financial statements. However, the impact of changes in the fair value of financial instruments hedging future cash flows is neutralized in the adjusted financial statements. These changes relate to volatility in the EUR/USD exchange rate, since the currency hedging portfolio was priced based on a year-end exchange rate of 1.09 at December 31, 2015 and 1.21 at end-2014;
- the impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by the Group, representing a net loss of €678 million in 2015 and a net gain of €316 million in 2014. This impact is recognized in financial income (loss) in the consolidated financial statements and within profit from operations (mostly in revenue) in the adjusted income statement.

Income tax benefit (expense)

Income tax benefit in 2015 came in at €508 million compared to €292 million in 2014.

Changes in the tax effect are primarily due to the impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by the Group, representing a net loss of €678 million in 2015 recorded in financial income (loss) (net income of €316 million in 2014), and changes in the fair value of currency instruments hedging future cash flows representing a negative impact of €2,485 million in 2015 recorded in financial income (loss) (€1,922 million in 2014).

Consolidated profit (loss) attributable to owners of the parent

Consolidated loss attributable to owners of the parent amounted to €424 million in 2015, including the net-of-tax gain on the sale of Safran's remaining shares in Ingenico Group totaling €421 million, compared to €126 million in 2014.

2.2.2 Simplified consolidated balance sheet at December 31, 2015

The simplified consolidated balance sheet at December 31, 2015 presented below is taken directly from the consolidated financial statements included in section 3.1 of this document.

(in € millions)	2014 adjusted (1)	2015
Assets		
Goodwill	3,420	3,590
Property, plant and equipment and intangible assets	8,464	8,593
Investments in equity-accounted companies	771	765
Other non-current assets	674	1,403
Derivatives (positive fair value)	406	408
Inventories and work-in-progress	4,265	4,518
Trade and other receivables	5,827	6,515
Other current assets	673	870
Cash and cash equivalents	1,633	1,845
TOTAL ASSETS	**26,133**	**28,507**
Equity and liabilities		
Share capital	6,491	5,893
Provisions	3,329	3,456
Borrowings subject to specific conditions	713	708
Interest-bearing financial liabilities	3,165	2,628
Derivatives (negative fair value)	1,636	4,108
Other non-current liabilities	836	703
Trade and other payables	9,618	10,602
Other current liabilities	345	409
TOTAL EQUITY AND LIABILITIES	**26,133**	**28,507**

(1) The data published for December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see section 3.1, Note 3.b).

2.2.3 Change in net debt

The year-on-year change in the Group's net debt for 2014 and 2015 breaks down as follows:

(in € millions)	2014	2015
Cash flow from operations	**2,468**	**2,813**
Change in working capital	(111)	(60)
Acquisitions of property, plant and equipment	(674)	(758)
Acquisitions of intangible assets	(267)	(500)
Capitalization of R&D expenditure	(676)	(521)
Free cash flow	**740**	**974**
Dividends paid	(511)	(540)
Divestments/acquisitions of securities and other	(512)	321
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(283)**	**755**
Net debt at January 1	(1,220)	(1,503)
Net debt at December 31	**(1,503)**	**(748)**

Cash flow from operations is calculated by taking profit or loss before tax and adjusting for income and expenses with no cash impact, for example net charges to depreciation, amortization and provisions and changes in the fair value of financial instruments hedging future cash flows[1]. The Group's ability to finance working capital needs, acquisitions of property, plant and equipment and intangible assets, and dividends out of operating activities rose by €345 million over the year, from €2,468 million in 2014 to €2,813 million in 2015.

Operations generated €974 million of free cash flow (40% of adjusted recurring operating income in 2015 compared to 35% in 2014), €234 million more than in 2014. Free cash flow generation of €974 million results from cash from operations of €2,813 million, an increase in working capital needs of €60 million – a modest increase in light of the rise in production volumes and the resources needed to meet output rates – and rising R&D and capital expenditure in preparation for future growth. Working capital needs were kept in check in the second half of 2015 despite delays in payments due from the French government, amounting to €118 million at December 31, 2015.

Dividends paid in the year include the final dividend payment of €0.64 per share in respect of 2014 and an interim dividend of €0.60 per share in respect of 2015, representing a total payout of €517 million.

Divestments/acquisitions of securities chiefly relate to the sale of Safran's remaining interest in Ingenico Group during the year, which generated gross cash inflows of €606 million in 2015.

The net debt position was €748 million at December 31, 2015 compared to €1,503 million at December 31, 2014.

At December 31, 2015, Safran had cash and cash equivalents of €1,845 million and €2,520 million of secured and undrawn facilities available.

(1) See section 3.1, "Consolidated statement of cash flows".

2.3 Comments on the parent company financial statements

The financial statements of Safran for the year ended December 31, 2015 were prepared using the same accounting principles as those used for the 2014 parent company financial statements.

2.3.1 Safran income statement

(in € millions)	2014	2015
Revenue	461	563
Other operating income and expenses	(645)	(640)
Loss from operations	(184)	(77)
Financial income	753	1,645
Non-recurring items	(16)	(19)
Income tax benefit	101	99
PROFIT FOR THE PERIOD	**654**	**1,648**

Revenue came in at €563 million in 2015 versus €461 million in 2014 and chiefly includes billings of general assistance services provided by the parent company to its subsidiaries, as well as specific amounts billed to certain subsidiaries (rent, employees, IT services) and miscellaneous services related to projects (research projects for example) managed by the parent company on behalf of all of its subsidiaries. The €102 million year-on-year increase in revenue in 2015 results primarily from the development of centralized research projects and from the growth in volume of IT services and services provided by Shared Services Centers on behalf of subsidiaries and rebilled to those companies.

Other operating income and expenses represented a net expense of €640 million in 2015 and a net expense of €645 million in 2014, reflecting the tight rein on external charges and payroll costs despite the increase in business.

Loss from operations totaled €77 million in 2015 and €184 million in 2014.

Safran reported financial income of €1,645 million in 2015 and €753 million in 2014. This figure includes dividends and, in 2015 in particular, interim dividends received from subsidiaries for €1,661 million (€758 million in 2014), net interest income of €8 million (net interest expense of €8 million in 2014), foreign exchange losses of €2 million (foreign exchange gains of €10 million in 2014), and net additions to provisions for impairment of financial assets or exchange losses totaling €22 million (€7 million in 2014).

The Company reported a non-recurring loss of €19 million in 2015 (€16 million in 2014), chiefly reflecting the impact of (i) derecognizing the share of the merger deficit allocated to the Snecma brand (negative €56 million impact) and (ii) the net capital gain of €32 million on the transfer of shares in Europropulsion, Regulus, Arianespace and Arianespace Participation to Airbus Safran Launchers (ASL).

The income tax line represented a benefit of €103 million under the Group's tax consolidation regime in 2015 (€136 million income tax benefit in 2014). This benefit also includes a net charge to the provision for the transfer of the tax saving relating to the French tax group from Safran to its loss-making subsidiaries, in an amount of €4 million (€34 million in 2014).

On account of the above, profit for the year came in at €1,648 million, compared to €654 million in 2014.

2.3.2 Safran simplified balance sheet at December 31, 2015

(in € millions)	2014	2015
Assets		
Non-current assets	9,912	10,131
Cash equivalents and marketable securities	1,363	1,489
Other current assets	2,866	3,314
TOTAL ASSETS	**14,141**	**14,934**
Equity and liabilities		
Share capital	5,806	6,927
Provisions	728	746
Borrowings	2,815	2,327
Other payables	4,792	4,934
TOTAL EQUITY AND LIABILITIES	**14,141**	**14,934**

The increase in share capital in 2015 reflects profit for the year of €1,648 million, dividends paid in 2015 for a total of €517 million (€267 million for the remaining 2014 dividend balance and €250 million in 2015 interim dividends paid in December 2015), and a net reversal from tax-driven provisions amounting to €11 million.

Changes in non-current assets result chiefly from the change in intragroup loans accounting for an increase of €266 million, and the derecognition of the share of the merger deficit allocated to the Snecma brand, accounting for a decrease of €56 million.

The decrease in borrowings chiefly reflects the €662 million decrease in commercial paper debt and the remeasurement of USD senior unsecured notes at the closing exchange rate (positive impact of €114 million).

2.3.3 Information concerning supplier payment periods

		Amounts not yet due		
(in € millions)	Amounts due	Amounts due in 0-30 days	Amounts due in 30-60 days	Total trade payables
December 31, 2015	2	10	88	100
December 31, 2014	8	19	132	159

2.4 Outlook for 2016

Safran's 2016 outlook is applicable to the Group's structure as of December 31, 2015 and does not take into account the impact in 2016 of the finalization of the regrouping of its space launcher activities with those of Airbus Group in their joint venture, Airbus Safran Launchers (ASL). Guidance will be revised as necessary upon finalization of Phase 2 of the operation. Safran expects the contribution of its space launchers activities to ASL to be accretive to adjusted recurring operating margin.

Safran expects on a full-year basis:

- Adjusted revenue to increase by a percentage rate in the low single digits compared to 2015 (at an estimated average rate of USD 1.11 to the euro);
- Adjusted recurring operating income likely to increase by around 5% with a further increase in margin rate compared to 2015 (at a hedged rate of USD 1.24 to the euro). The hedging policy largely isolates adjusted recurring operating income from current EUR/USD variations except for the part generated in USD by activities located in the US, subject to the translation effect when converted into euro;
- Free cash flow representing more than 40% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by State-clients.

The full-year 2016 outlook is based on the following underlying assumptions:

- Healthy increase in Aerospace OE deliveries;
- Civil aftermarket growth by a percentage in the high single digits;
- Start-up costs of series LEAP production;
- Reduction of self-funded R&D of the order of €100 – 150 million with a greater drop in capitalized amounts as spending declines on LEAP, A350, helicopter turbines as they come closer to certification and entry into service. As a result of decreasing capitalization and increasing amortization of R&D costs, expensed R&D is expected to rise by around €100 million;
- Sustained level of tangible capex, including expansions, new production capacity and tooling, around €850 million, as requested by production transitioning and ramp-up;
- Profitable growth for the Security business;
- Continued benefits from productivity improvement.

Factors with a potential impact on results

Major risk factors that could have an adverse impact on the Group's business, financial position or results of operations are described in chapter 4.

2.5 Subsequent events

OCEANE bond issue

On January 5, 2016, Safran launched an offering of €650 million worth of zero-coupon bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE"), maturing on December 31, 2020. The bond issue was settled on January 8, 2016. The bonds were issued at a price of 104% of par, offering a negative yield of 0.79%. The conversion price of €89.32 corresponds to an issuance premium of 45% on the reference share value, reflecting investors' appetite for the quality of Safran's signature.

Considering that the issuance comprises 7,277,205 bonds, each potentially convertible into one Safran share, the maximum dilution would be 1.7% if Safran decided to provide only new shares.

The issuance is described in section 3.1, Note 32 (Group consolidated financial statements), section 3.3, Note 5.6 (parent company financial statements) and section 7.2.3.2.

Capital Markets Day 2016

On March 14, 2016, Safran held an investor meeting (Capital Markets Day) for financial analysts and investors. In plenary sessions, the Group's management presented Safran's strategy, its business model and its innovation initiatives notably in civil engines and aircraft equipment. The Group also identified financial trends and objectives for the medium term. The presentations, of which a summary was disseminated using a regulatory information service, are available on Safran's website www.safran-group.com/finance.

The salient points of this communication were:

- the announcement of the divestment of the detection business, and review of strategic options to ensure the development of the identity and security businesses;
- Safran reiterated its outlook for 2016 and identified trends and specified objectives for the following years.

The period 2016-2020 will see several trends, on which Safran will keep investors current, in particular concerning currency exchange rates, as follows:

- renewal of the Group's flagship product with the transition from CFM56 to LEAP, the effect of which on OE margins will be visible from 2016 to 2020, while maintaining an overall margin for this segment in the mid to high teens, in particular thanks to the momentum of the civil aftermarket activity;
- improvement of about one point per year in the operational performance of the Aircraft Equipment, Defense and Security activities;
- during the transition period, the Group margin (adjusted recurring operating income as a percentage of adjusted sales) should remain consistent with the record set in 2015;
- average free cash flow for the period at 50% of adjusted recurring operating income.

Safran has three main objectives for 2020, exiting this transition period:

- adjusted consolidated sales in excess of €21 billion;
- adjusted recurring operating margin trending above 15%;
- a very strong increase in free cash flow compared with 2015.

These trends assume current accounting standards. They include the advantages of a medium-term hedging policy that enables Safran to benefit from the improvement in the EUR/USD exchange rate, at least until 2020, under the conditions specified in the Group's latest publications. They also take into account the average spot rate assumption given in the presentations published on March 14, 2016. Safran is assuming that ASL will be consolidated using the equity method as a joint venture during 2016, with full-year consolidation starting in 2017. The free cash flow objective is subject to the usual uncertainties regarding the rhythm of payments by state-clients.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union at the date the consolidated financial statements were approved by the Board of Directors.

Simplified consolidated income statement

(in € millions)	2014	2015
Revenue	15,044	18,100
Recurring operating income	1,500	2,873
Profit from operations	1,393	2,077
Profit (loss) for the period	(68)	(377)

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

The parent company financial statements of Safran have been prepared in accordance with French generally accepted accounting principles pursuant to ANC Regulation 2014-03 issued by the French accounting standards setter on June 5, 2014.

Simplified parent company income statement

(in € millions)	2014	2015
Revenue	461	563
Profit from ordinary activities before tax	568	1,568
Profit for the year	654	1,648

In accordance with article 28 of Regulation (EC) 809/2004 of the European Commission, the following information is incorporated by reference in this Registration Document:

- the consolidated and parent company financial statements for the year ended December 31, 2013 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2013 Registration Document filed with the AMF on March 28, 2014 under number D. 14-233; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union;
- the consolidated and parent company financial statements for the year ended December 31, 2014 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2014 Registration Document filed with the AMF on March 19, 2015 under number D. 15-0172; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Those sections of the 2013 and 2014 Registration Documents that are not incorporated by reference in this document are either considered no longer pertinent for investors or are dealt with in another section of the 2015 Registration Document.

FINANCIAL STATEMENTS

3.1 Group consolidated financial statements at December 31, 2015

Consolidated income statement

(in € millions)	Note	Dec. 31, 2014	Dec. 31, 2015
Revenue	**6**	**15,044**	**18,100**
Other income	6	291	304
Income from operations		**15,335**	**18,404**
Change in inventories of finished goods and work-in-progress		255	261
Capitalized production		998	964
Raw materials and consumables used	6	(9,048)	(10,209)
Personnel costs	6	(4,744)	(5,061)
Taxes		(275)	(297)
Depreciation, amortization, and increase in provisions, net of use	6	(894)	(955)
Asset impairment	6	(59)	(187)
Other recurring operating income and expenses	6	(113)	(92)
Share in profit from joint ventures	14	45	45
Recurring operating income		**1,500**	**2,873**
Other non-recurring operating income and expenses	6	(107)	(796)
Profit from operations		**1,393**	**2,077**
Cost of net debt		(42)	(28)
Foreign exchange losses		(1,654)	(3,248)
Other financial income and expense		(75)	(111)
Financial loss	**7**	**(1,771)**	**(3,387)**
Profit (loss) before tax		**(378)**	**(1,310)**
Income tax expense	8	292	508
Share in profit from associates	14	18	4
Gain on disposal of Ingenico Group shares	4	-	421
Profit (loss) from continuing operations		**(68)**	**(377)**
PROFIT (LOSS) FOR THE PERIOD		**(68)**	**(377)**
Attributable to:			
◆ owners of the parent		(126)	(424)
◆ non-controlling interests		58	47
Earnings per share attributable to owners of the parent (in €)	**9**		
Basic earnings (loss) per share		(0.30)	(1.02)
Diluted earnings (loss) per share		(0.30)	(1.02)

Consolidated statement of comprehensive income

(in € millions)	Note	Dec. 31, 2014	Dec. 31, 2015
Profit (loss) for the period		**(68)**	**(377)**
Other comprehensive income (expense)			
Items to be recycled to profit		**318**	**248**
Available-for-sale financial assets	13	21	(9)
Translation differences and net investment hedges		230	189
Income tax related to components of other comprehensive income to be recycled to profit		30	31
Share in other comprehensive income of equity-accounted companies (net of tax)	14	37	37
Items not to be recycled to profit		**(79)**	**41**
Actuarial gains and losses on post-employment benefits	21.c	(113)	50
Income tax related to components of other comprehensive income not to be recycled to profit		34	(9)
Other comprehensive income for the period		**239**	**289**
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD		**171**	**(88)**
Attributable to:			
◆ owners of the parent		113	(138)
◆ non-controlling interests		58	50

In 2015

Other comprehensive income relating to available-for-sale financial assets includes a negative amount of €4 million reclassified within profit for the period following the sale of Myriad shares.

Other comprehensive income relating to translation differences and net investment hedges includes:

- €3 million in translation gains (gains of €39 million in 2014) arising in the period on long-term financing for 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;
- €114 million in translation losses (losses of €118 million in 2014) arising in the period on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market, classified as a hedge of the net investment in some of the Group's US operations;
- €300 million in translation gains (gains of €309 million in 2014) arising in the period on foreign operations.

Other comprehensive income relating to equity-accounted companies (net of tax) includes (see Note 14.a, "Associates (Ingenico Group)" and Note 14.b, "Joint ventures"):

- €36 million in translation gains (gains of €37 million in 2014) arising in the period on foreign joint ventures;
- €1 million reclassified within profit for the period following the sale of Ingenico Group shares.

Consolidated balance sheet

Assets

(in € millions)	Note	Jan. 1, 2014*	Dec. 31, 2014*	Dec. 31, 2015
Goodwill	10	3,399	3,420	3,590
Intangible assets	11	4,620	5,536	5,321
Property, plant and equipment	12	2,463	2,928	3,272
Non-current financial assets	13	370	446	419
Investments in equity-accounted companies	14	680	771	765
Non-current derivatives (positive fair value)	27	-	29	35
Deferred tax assets	8	203	228	984
Other non-current financial assets		12	-	-
Non-current assets		**11,747**	**13,358**	**14,386**
Current financial assets	13	195	221	247
Current derivatives (positive fair value)	27	864	377	373
Inventories and work-in-progress	15	3,998	4,265	4,518
Trade and other receivables	16	4,967	5,827	6,515
Tax assets	8	380	452	623
Cash and cash equivalents	17	1,547	1,633	1,845
Current assets		**11,951**	**12,775**	**14,121**
TOTAL ASSETS		**23,698**	**26,133**	**28,507**

Equity and liabilities

(in € millions)	Note	Jan. 1, 2014*	Dec. 31, 2014*	Dec. 31, 2015
Share capital	19	83	83	83
Consolidated retained earnings	19	5,150	6,259	5,927
Net unrealized gains on available-for-sale financial assets	19	29	50	41
Profit (loss) for the period		1,386	(126)	(424)
Equity attributable to owners of the parent		**6,648**	**6,266**	**5,627**
Non-controlling interests		**178**	**225**	**266**
Total equity		**6,826**	**6,491**	**5,893**
Provisions	20	1,738	1,870	1,802
Borrowings subject to specific conditions	22	670	713	708
Non-current interest-bearing financial liabilities	23	1,291	1,658	1,752
Non-current derivatives (negative fair value)	27	36	-	-
Deferred tax liabilities	8	1,271	735	677
Other non-current financial liabilities	25	140	101	26
Non-current liabilities		**5,146**	**5,077**	**4,965**
Provisions	20	1,220	1,459	1,654
Current interest-bearing financial liabilities	23	1,445	1,507	876
Trade and other payables	24	8,648	9,618	10,602
Tax liabilities	8	199	220	287
Current derivatives (negative fair value)	27	150	1,636	4,108
Other current financial liabilities	25	64	125	122
Current liabilities		**11,726**	**14,565**	**17,649**
TOTAL EQUITY AND LIABILITIES		**23,698**	**26,133**	**28,507**

(*) The data published for January 1 and December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.a, "Impacts at January 1, 2014" and Note 3.b, "Impacts at December 31, 2014").

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Translation differences and net investment hedges	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total
At Jan. 1, 2014*	**83**	**3,360**	**(19)**	**29**	**29**	**1,986**	**(297)**	**1,386**	**91**	**6,648**	**178**	**6,826**
Comprehensive income (expense) for the period	-	-	-	21	267	-	(113)	(126)	64 [(a)]	113	58	171
Dividends	-	-	-	-	-	(267)	-	-	-	(267)	(11)	(278)
2014 interim dividend	-	-	-	-	-	(233)	-	-	-	(233)	-	(233)
Other movements	-	-	-	-	-	1,386	-	(1,386)	5	5	-	5
At Dec. 31, 2014*	**83**	**3,360**	**(19)**	**50**	**296**	**2,872**	**(410)**	**(126)**	**160**	**6,266**	**225**	**6,491**
Comprehensive income (expense) for the period	-	-	-	(9)	226	-	47	(424)	22 [(a)]	(138)	50	(88)
Dividends	-	-	-	-	-	(267)	-	-	-	(267)	(23)	(290)
2015 interim dividend	-	-	-	-	-	(250)	-	-	-	(250)	-	(250)
Other movements	-	-	-	-	-	(126)	-	126	16	16	14	30
DEC. 31, 2015	**83**	**3,360**	**(19)**	**41**	**522**	**2,229**	**(363)**	**(424)**	**198**	**5,627**	**266**	**5,893**

(*) The data published for January 1 and December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.a, "Impacts at January 1, 2014" and Note 3.b, "Impacts at December 31, 2014").

(a) See table below:

	Tax impact on actuarial gains and losses	Tax impact on translation adjustments	Total
Comprehensive income (expense) for 2014 (attributable to owners of the parent)	34	30	64
Comprehensive income (expense) for 2015 (attributable to owners of the parent)	(9)	31	22

Consolidated statement of cash flows

(in € millions)	Note	Dec. 31, 2014	Dec. 31, 2015
I. Cash flow from operating activities			
Profit (loss) attributable to owners of the parent		(126)	(424)
Depreciation, amortization, impairment and provisions(1)		1,160	2,057
Share in profit from associates (net of dividends received)	14	(36)	(8)
Change in fair value of currency and commodity derivatives(2)		1,934	2,475
Capital gains and losses on asset disposals(3)		(12)	(452)
Profit attributable to non-controlling interests		58	47
Other(4)		(510)	(882)
Cash flow from operations, before changes in working capital		**2,468**	**2,813**
Change in inventories and work-in-progress	15	(185)	(287)
Change in operating receivables and payables(5)	16, 24, 27	(58)	157
Change in other receivables and payables(6)	16, 24	132	70
Change in working capital		**(111)**	**(60)**
Total I(7)		**2,357**	**2,753**
II. Cash flow used in investing activities			
Capitalization of R&D expenditure(8)	11	(676)	(521)
Payments for the purchase of intangible assets, net of proceeds(9)		(267)	(500)
Payments for the purchase of property, plant and equipment, net of proceeds(10)		(674)	(758)
Payments arising from the acquisition of investments or businesses, net		(272)	(51)
Proceeds arising from the sale of investments or businesses, net(11)		5	624
Proceeds (payments) arising from the sale (acquisition) of investments and loans		(70)	(62)
Total II		**(1,954)**	**(1,268)**
III. Cash flow used in financing activities			
Change in share capital – owners of the parent		-	-
Change in share capital – non-controlling interests		-	(5)
Acquisitions and disposals of treasury shares	19.c	(1)	-
Repayment of borrowings and long-term debt	23	(850)	(78)
Increase in borrowings	23	209	9
Change in repayable advances	22	3	(14)
Change in short-term borrowings	23	809	(650)
Dividends and interim dividends paid to owners of the parent	19.c	(500)	(517)
Dividends paid to non-controlling interests		(11)	(23)
Total III		**(341)**	**(1,278)**
Effect of changes in foreign exchange rates	**Total IV**	**24**	**5**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**I+II+III+IV**	**86**	**212**
Cash and cash equivalents at the beginning of the period		1,547	1,633
Cash and cash equivalents at the end of the period	17	1,633	1,845
NET INCREASE IN CASH AND CASH EQUIVALENTS		**86**	**212**

(1) Including in 2015 €922 million in depreciation and amortization (€818 million in 2014), €1,004 million in impairment (€137 million in 2014) and €131 million in provisions (€205 million in 2014).

(2) Including in 2015 gains of €2,438 million arising on currency derivatives (€1,924 million in 2014) (see Note 27, "Management of market risks and derivatives").

(3) Including the capital gain on the disposal of the interest in Ingenico Group amounting to €446 million (€421 million net of tax).

(4) Including in 2015 deferred tax of €856 million arising on the change in fair value of currency derivatives (€730 million in 2014).

(5) Including in 2015 premiums for €3 million collected on currency options (see Note 27, "Management of market risks and derivatives"), shown on the balance sheet under current derivatives with a negative fair value (€36 million in premiums collected in 2014).

(6) Excluding changes in deferred income arising on the research tax credit (see Note 1.h, "Current and deferred tax"), which amounted to a negative €9 million in 2015 (a positive €13 million in 2014).

(7) Including in 2015 taxes paid amounting to €406 million (€279 million in 2014), of which €65 million in interest paid (€85 million in 2014) and €33 million in interest received (€38 million in 2014).

(8) Including in 2015 capitalized interest of €26 million (€32 million in 2014).

(9) Including in 2015 €474 million in payments for purchases of intangible assets (€265 million in 2014), adverse changes in amounts payable on acquisitions of non-current assets representing €30 million (€3 million in 2014) and €4 million in proceeds from disposals (€1 million in 2014).

(10) Including in 2015 €808 million in payments for purchases of property, plant and equipment (€727 million in 2014), €36 million in proceeds from disposals (€38 million in 2014) and positive changes in amounts payable on acquisitions of non-current assets representing €14 million (€15 million in 2014).

(11) Including in 2015 €606 million in proceeds from the disposal of Ingenico Group shares (see Note 4, "Scope of consolidation").

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

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

The Board of Directors' meeting of February 24, 2016 adopted and authorized the publication of the 2015 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders' Meeting.

Note 1 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 (available from http://ec.europa.eu/finance/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

Changes in accounting policies

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2015

- Annual Improvements to IFRSs published in December 2013 (2011-2013 cycle).
- IFRIC 21, Levies.

The changes and impacts resulting from the application of IFRIC 21 are detailed in Note 3, "Change in accounting policy".

Other standards, interpretations and amendments effective for reporting periods beginning on or after January 1, 2015 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, 2015

None.

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE OR NOT EARLY ADOPTED BY THE GROUP

- IFRS 9, Financial Instruments.
- IFRS 15, Revenue from Contracts with Customers.
- IFRS 16, Leases.
- Amendments to IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income and Disclosure Initiative.
- Amendments to IAS 7, Statement of Cash Flows – Disclosure Initiative.
- Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses.
- Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.
- Amendments to IAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions.
- Amendments to IAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 12, Disclosure of Interests in Other Entities; and IAS 28, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception.
- Amendments to IFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.
- Annual Improvements to IFRSs published in December 2013 (2010-2012 cycle).
- Annual Improvements to IFRSs published in September 2014 (2012-2014 cycle).

Except for the amendments to IAS 1, IAS 16, IAS 19, IAS 27, IAS 38, IFRS 11 and improvements to IFRSs, these new standards and amendments have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even if early adoption were permitted by the texts concerned.

The Group is in the process of assessing the impacts resulting from the first-time application of these standards, amendments and interpretations. It has set up a specific project focused on the implementation of the new IFRS 15. The first phase of this project consists of identifying and quantifying differences in accounting treatment between the new standard and current accounting policies, based on a sample of contracts representative of the Group's various activities. This phase is currently in progress and will span the whole of 2016. It will be followed by a second phase focused on implementation (changes to be made to information systems, modifications to the notes to the financial statements, training of employees concerned, etc.).

a) Basis of measurement used to prepare the consolidated financial statements

The consolidated financial statements are prepared on a historical cost basis except for certain assets and liabilities, as allowed by IFRS. The categories of assets and liabilities not measured at historical cost are disclosed in the sections below.

b) Consolidation

BASIS OF CONSOLIDATION

Entities over which Safran directly or indirectly exercises permanent de facto or de jure control are fully consolidated. These are entities over which the Group has the power to direct the relevant activities in order to earn returns and can affect those returns through its power over the investee. Power generally results from holding a majority of voting rights (including potential voting rights when these are substantive) or contractual rights. When the Group has a majority interest in an entity managed as part of a US proxy agreement, the Group has sole control over that entity since the proxy holders act as agents charged with carrying out the Group's strategy and do not hold any substantive rights.

Entities controlled jointly by Safran and another group, known as joint arrangements, are entities for which decisions about the relevant activities (budget, management appointments, etc.) require the unanimous consent of the parties sharing control. There are two types of joint arrangement:

- joint operations are entities where, based on the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement, and other facts and circumstances, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Each partner accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation, unless the arrangement specifies otherwise;
- joint ventures are entities where the parties that have joint control of the arrangement have rights to the net assets of the arrangement only. Each partner recognizes its share in the net assets of the venture using the equity method.

Entities over which Safran exercises significant influence (associates) are accounted for under the equity method. Significant influence is presumed to exist when the Group holds at least 20% of voting rights. However, significant influence must be demonstrated when the Group holds less than 20% of the voting rights. The fact that the Group is represented on its investee's management body (Board of Directors, etc.) indicates that it exercises significant influence over that investee.

A company effectively enters the scope of consolidation at the date on which sole or joint control is acquired or significant influence is exercised.

The removal of a company from the scope of consolidation is effective as of the date sole or joint control or significant influence is relinquished. If the loss of control occurs without any transfer of interest, for example due to dilution, the Company's removal from the scope of consolidation is simultaneous with the event that triggers such loss of control or significant influence.

Non-controlling interests represent the portion of profit and net assets not held by owners of the parent, and are presented separately in the income statement, statement of comprehensive income and shareholders' equity.

IFRS 10 states that any changes in the percent interest in a fully consolidated company that do not result in the loss or acquisition of control are to be recognized in equity attributable to owners of the parent. This applies to acquisitions of additional shares in a subsidiary after control has been obtained in a previous acquisition or to sales of shares that do not result in a loss of control.

Sales of shares that result in a loss of control are to be recognized in profit or loss and the gain or loss on disposal is to be calculated on the entire ownership interest at the date of the transaction. Certain other items of comprehensive income attributable to majority shareholders will be recycled to income. Any residual interest retained is to be remeasured at fair value through profit or loss when control is relinquished.

Acquisitions of shares that give the Group sole control over an entity will be recognized in accordance with the policies governing business combinations described in Note 1.c.

INTRAGROUP TRANSACTIONS

All material transactions between fully consolidated companies are eliminated, as are internally generated Group profits.

When a fully consolidated company carries out a transaction (e.g., sale or transfer of an asset to a joint operation), any resulting gains or losses are recognized in the consolidated financial statements solely to the extent of the percentage interest held in the joint operation outside the Group.

However, when a fully consolidated company carries out a transaction (e.g., purchase of an asset) with one of its joint operations, its share of the gain or loss is only recognized in the consolidated financial statements when the fully consolidated entity resells that asset to a third party.

Such transactions are not eliminated when the joint operation acts solely as an intermediary (agent) or renders balanced services for the benefit of, or as a direct extension of, the businesses of its various shareholders.

When a fully consolidated company carries out a transaction with or transfers an asset to a joint venture or associate accounted for under the equity method, any resulting gains or losses are recognized in the consolidated financial statements solely to the extent of the percentage interest held in the joint venture or associate outside the Group.

c) Business combinations

The Group applies the revised IFRS 3.

ACQUISITION METHOD

Business combinations are accounted for using the acquisition method at the date on which control is obtained:

- identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value;
- where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments). This option is available for all business combinations based on a case-by-case analysis of each transaction;

- acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred;
- adjustments to contingent consideration for a business combination are measured at fair value at the acquisition date, even if it is unlikely that an outflow of resources will be required to settle the obligation. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. The cost of the combination, including where appropriate the estimated fair value of any contingent consideration, is finalized within the 12 months following the acquisition (measurement period). Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss. Only items that should have been taken into account at the date of the combination but for which the acquirer did not hold all of the relevant information at that date can give rise to an adjustment in the purchase price consideration.

Any previously held interests in the acquiree are remeasured to fair value, with the resulting gain or loss recognized in profit or loss.

GOODWILL

At the acquisition date, goodwill is measured as the difference between:

- the acquisition-date fair value of the consideration transferred, plus the amount of any non-controlling interest in the acquiree, measured based on the share in the net assets acquired (including fair value adjustments), or on the overall value of the acquiree; and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

When goodwill arises on the acquisition of fully consolidated companies or interests in joint operations, it is carried under assets in the balance sheet under the heading "Goodwill". Negative goodwill is recorded immediately in profit or loss. However, goodwill arising on the acquisition of interests in joint ventures and associates is recorded on the line "Investments in equity-accounted companies", in accordance with IAS 28.

Goodwill may be adjusted within 12 months of the acquisition to take into account the definitive estimate of the fair value of the assets acquired and liabilities assumed. Only new information about facts and circumstances existing at the date of the combination can give rise to an adjustment against goodwill. Beyond this period, adjustments are recorded in profit or loss.

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs)[1], as described in Note 1.l. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 1.l. Impairment charged against goodwill is taken to profit or loss and may not be reversed.

d) Discontinued operations and assets (or disposal groups) held for sale

A non-current asset or group of non-current assets and associated liabilities are classified as held for sale if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable within a maximum period of one year. Non-current assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented on separate lines of the consolidated balance sheet.

A discontinued operation represents a separate major line of business or geographic area of operations for the Group that either has been disposed of, or is classified as held for sale. The results and cash flows attributable to the activities disposed of or held for sale are presented on separate lines of the consolidated financial statements for all periods presented.

e) Translation methods

The financial statements of subsidiaries with a different functional currency than that used by the Group are translated into euros as follows:

- assets and liabilities are translated at the year-end closing exchange rate, while income statement and cash flow items are translated at the average exchange rate for the year;
- translation gains and losses resulting from the difference between the closing exchange rate at the previous year-end and the closing exchange rate at the end of the current reporting period, and from the difference between the average and closing exchange rates for the period, are recorded in equity as translation adjustments.

On disposal of a foreign operation, cumulative translation differences are recognized in the income statement as a component of the gain or loss on disposal.

Note 1.v. discusses the net investment hedge set up by the Group for some of its foreign operations.

f) Translation of foreign currency transactions and foreign currency derivatives

Transactions denominated in currencies other than the presentation currencies of Group entities are translated into euros at the exchange rate prevailing at the transaction date.

At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any resulting foreign exchange gains and losses are recognized in "Financial income (loss)" for the period, except for translation differences relating to a financial instrument designated as a net investment hedge, which are reported in other comprehensive income (see Note 1.v).

(1) A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Long-term monetary assets held by a Group entity on a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, represent an investment in a foreign operation. In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, exchange differences arising on these items are recorded in other comprehensive income (OCI) up to the date on which the investment is sold. If the transaction does not qualify as a net investment in a foreign operation, the corresponding exchange differences are recognized in the income statement.

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency purchases. The Group's forex hedging policy along with the forward currency contracts and options it uses are described in Note 27, "Management of market risks and derivatives".

Pursuant to IAS 39, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem-Snecma business combination, the Group decided that none of its foreign currency derivatives qualified for hedge accounting. Accordingly, any changes in the fair value of these derivatives are recognized in "Financial income (loss)".

g) Revenue

The main types of contracts identified in the Group are standard product and spare part sales contracts, installed base maintenance and/or support contracts, and design sales contracts.

If a payment deferral has a material impact on the calculation of the fair value of the consideration to be received, the future payments are discounted in order to calculate the fair value. This reduces the revenue recognized in proportion to the financial component inherent to the payment deferral.

Conversely, when the Group receives payments on account from customers, the revenue recognized is not increased by the financial component inherent to prepayments.

STANDARD PRODUCT AND SPARE PART SALES CONTRACTS

Revenue is only recognized if the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and if it is probable that the economic benefits associated with the transaction will flow to the entity. Revenue on standard product and spare part sales contracts is generally recognized on delivery of the goods. If there is a risk that the transaction will be canceled or that the receivable identified at the inception of the contract will not be collected, no revenue is recognized. When this is no longer the case, revenue is recorded.

SERVICE CONTRACTS (INCLUDING DESIGN SALES CONTRACTS, INSTALLED BASE MAINTENANCE AND SUPPORT CONTRACTS)

Under service contracts, revenue may only be recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred in respect of the contract and the costs to complete the contract can be measured reliably.

Revenue from Group service contracts is chiefly recorded under the percentage-of-completion method. The stage of completion is formally determined based on units of labor such as flying hours (for installed base maintenance and support contracts for example), or on technical objectives formally set down in such contracts (for example in the case of design sales contracts). Revenue earned on certain design sales contracts is recognized based on the percentage of costs incurred.

If contract income cannot be measured reliably, revenue is only recognized to the extent of the contract costs incurred.

If revenue billed to the customer is representative of the contractual stage of completion, the costs to be recognized are measured on the basis of the margin set forth in the contract. If calculated costs are less than actual costs, the temporarily excess costs are maintained in inventories and work-in-progress. If calculated costs are greater than actual costs, a provision for services to be rendered is recognized for the difference.

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable.

h) Current and deferred tax

Tax expense (tax income) is the aggregate of current tax and deferred tax recorded in the income statement.

Current tax expense is the amount of income tax payable for a period, calculated in accordance with the rules established by the relevant tax authorities on the basis of taxable profit for the period. Current tax expense also includes any penalties recognized in respect of tax adjustments recorded in the period. The tax expense is recognized in profit or loss unless it relates to items recognized directly in equity, in which case the tax expense is recognized directly in equity.

Deferred tax assets and liabilities are calculated for each entity on temporary differences arising between the carrying amount of assets and liabilities and their corresponding tax base. The tax base depends on the tax regulations prevailing in the countries where the Group manages its activities. Tax losses and tax credits that can be carried forward are also taken into account.

Deferred tax assets are recognized in the balance sheet if it is more likely than not that they will be recovered in subsequent years. The value of deferred tax assets is reviewed at the end of each annual reporting period.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when tax is levied by the same tax authority and offsetting is permitted by the local tax authorities.

The liability method is applied and the impact of changes in tax rates is recognized in profit or loss for the period in which the corresponding tax law was enacted and the change in tax rate decided, unless the transactions concerned are recognized directly in equity.

The 3% tax on dividend distributions applicable in France is recognized as a tax expense in the period in which the related dividends were paid.

Research tax credits in France, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development expenses incurred during the period. Accordingly, they are classified under the heading “Other income” in the income statement, and not as a decrease in income tax expense. The recognition of all or part of research tax credits received in the year as revenue can be deferred over several periods provided the tax credits relate to development expenditures capitalized in the Group’s consolidated financial statements.

The CICE tax credit introduced to boost competitiveness and employment in France is also recognized in “Other income” as it is treated as an operating subsidy.

i) Earnings per share

Basic earnings per share is calculated by dividing profit by the weighted average number of ordinary shares issued and outstanding during the period, less the average number of ordinary shares purchased and held as treasury shares.

Diluted earnings per share is calculated by dividing profit by the weighted average number of shares issued or to be issued at the end of the reporting period, including the impact of all potentially dilutive ordinary shares and the dilutive impact of stock options but excluding treasury shares. The dilutive impact of stock options and free share grants is calculated using the treasury stock method taking into account the average share price for the period concerned.

j) Intangible assets

Intangible assets are recognized on the balance sheet at fair value, historical cost or production cost, depending on the method of acquisition. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset are included in the cost of that asset when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months). The initial amount recorded on the balance sheet is reduced by accumulated amortization and impairment losses, where appropriate.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

These assets are recognized at fair value at the date control was acquired and are amortized on a straight-line basis, as described below:

- intangible assets recognized at the time of the 2005 Sagem-Snecma merger and on the acquisition of Rolls Royce’s stake in the RTM322 program and classified under “Aircraft programs” are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;
- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangible assets acquired) are amortized over the estimated useful life of each identified intangible asset (3 to 23 years);
- other brands with a finite life are amortized over 20 years.

Indefinite-lived brands are not amortized but are tested for impairment as described in Note 1.l.

SEPARATELY ACQUIRED INTANGIBLE ASSETS

Software is recognized at acquisition cost and amortized on a straight-line basis over its useful life (between one and five years).

Patents are capitalized at acquisition cost and amortized over their useful life, i.e., the shorter of the period of legal protection and their economic life.

Contributions paid to third parties in connection with aircraft programs (participation in certification costs, etc.) are considered as acquired intangible assets and are therefore capitalized unless the program proves unprofitable.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are recognized as expenses in the period in which they are incurred. However, internally financed development expenditures are capitalized if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset and the intention and ability (availability of technical, financial and other resources) to complete the intangible asset and use or sell it;
- the probability that future economic benefits will flow from the asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

In the Group's businesses, all criteria for capitalizing development expenditures are met when the decision to launch the development concerned is taken by management and program/project profitability as validated by relevant internal or external sources can be demonstrated. Development expenditures cannot be capitalized before this time.

Capitalization of development expenditures ceases as soon as the product to which the expenditures relate is brought into service.

Capitalized development expenditures are stated at production cost and amortized using the straight-line method as from the initial delivery of the product, over a useful life not exceeding 20 years.

Intangible assets are tested for impairment in accordance with the methods set out in Note 1.l.

Design and development contracts can precede the series production phase. When the financing for these contracts is contractually guaranteed by the customer for a specific number of units to be produced and delivered, the design and development expenditures incurred are first recognized in "Inventories and work-in-progress". On delivery of each unit, a portion of these costs is expensed and the related guaranteed financing is booked in revenue.

When the financing for these contracts is received in advance from the customer, the associated revenue is recognized on a percentage-of-completion basis. The stage of completion is determined based on the costs incurred in order to perform the service or according to contractually defined technical objectives for the design and development phases. In this last case, design and development expenditures incurred are first recognized in "Inventories and work-in-progress". These costs are then expensed as and when the technical objectives defined upstream for the design and development phases are met, at which time a portion of the financing received is recognized in revenue.

k) Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical purchase cost or production cost less accumulated depreciation and impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are included in the cost of that item when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months).

Replacement and major overhaul costs are identified as components of property, plant and equipment. Other repair and maintenance costs are expensed as incurred.

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the reduction of the debt in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

The gross amount of items of property, plant and equipment is depreciated over the expected useful life of their main components, mainly using the straight-line method.

If the transfer of ownership at the end of a finance lease term is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the item of property, plant and equipment is depreciated over the shorter of its useful life and the term of the lease.

The main useful lives applied are as follows:

◆ buildings	15-40 years
◆ technical facilities	5-40 years
◆ equipment, tooling and other	5-15 years

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.l.

l) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units (CGUs). Two types of CGUs are defined within the Group:

- CGUs corresponding to programs, projects, or product families associated with specific assets: development expenditures, property, plant and equipment used in production;
- CGUs to which goodwill is allocated, corresponding to the business segments monitored by Group management and relating chiefly to the Group's main subsidiaries.

In the event of a sale or restructuring of the Group's internal operations which affects the composition of one or more of the CGUs to which goodwill has been allocated, the allocations are revised using a method based on relative value. This method takes the proportion represented by the business sold or transferred in the cash flows and terminal value of the original CGU at the date of sale or transfer.

Impairment tests are performed at least once a year (in the first half of the year) on assets with indefinite useful lives or on non-amortizable assets such as goodwill. Impairment tests are also carried out on amortizable assets, where the amortization/depreciation period has not yet begun. Impairment testing is carried out whenever there is an indication of impairment irrespective of whether the assets are amortizable/depreciable.

At the end of each reporting period, the Group's entities assess whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes which in the long-term impact the economic environment (commercial prospects, procurement sources, index or cost movements, etc.) or the Group's assumptions or objectives (medium-term plan, profitability analyses, market share, backlog, regulations, disputes and litigation, etc.).

If such events or circumstances exist, the recoverable amount of the asset is estimated. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered as impaired and its carrying amount is reduced to its recoverable amount by recognizing an impairment loss under "Profit from operations".

Recoverable amount is defined as the higher of an asset's or group of assets' fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, determined using a benchmark discount rate that reflects the Group's weighted average cost of capital (WACC). This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

Future cash flows are calculated differently depending on the assets tested:

(i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group's operating cycles (aircraft and defense), where assets tend to have a long useful life and slow product development;

(ii) goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years five to ten (or beyond year ten for certain activities with a longer development and production cycle), and are discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years five to ten (or beyond year ten for certain activities), taking into account a perpetual growth rate.

Should a test on a CGU's assets indicate an impairment loss, the Group first establishes the recoverable amount of the assets considered separately. Any impairment loss is initially allocated to goodwill and then to the assets of the CGU prorata to their carrying amount.

In the event of an identified loss in value, any impairment loss recognized against goodwill cannot be reversed. For other assets, indications of impairment loss are analyzed at the end of each subsequent reporting period, and if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed through profit or loss.

m) Equity investments, loans and receivables

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, equity investments in non-consolidated companies are classified as available-for-sale and therefore measured at fair value. For listed securities, fair value corresponds to market price. If fair value cannot be measured reliably, investments are recognized at amortized cost, less any impairment losses. Changes in fair value are recognized directly in equity, unless there is an objective indication that the financial asset is impaired (see below). In this case, an impairment loss is recognized in profit or loss. The impairment loss is reversed through profit or loss only upon the disposal of the investments.

Loans and receivables are carried at historical cost and may be written down if there is an objective indication of impairment. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount, and is recognized in profit or loss. It may be reversed if the recoverable amount subsequently increases to above the carrying amount.

An objective indication of impairment is a significant or prolonged reduction in the value of the asset:

- for assets available for sale, an objective indication results from a significant drop in the estimated future cash flows associated with these assets, major difficulties of the issuer, a substantial drop in the expected return on these assets, or a significant or prolonged fall in the fair value of listed financial assets;
- for loans and receivables, an objective indication results from the Group's awareness that the debtor is in financial difficulty (payment default, liquidation, etc.).

n) Inventories and work-in-progress

Inventories and work-in-progress are measured at the lower of cost determined using the weighted average cost formula, and net realizable value.

Cost is calculated based on normal production capacity and therefore excludes any idle capacity costs.

Net realizable value represents the estimated selling price less the costs required to complete the asset or make the sale.

Borrowing costs incurred during the production phase are included in the value of inventories when the eligibility conditions are met.

o) Cash and cash equivalents

Cash and cash equivalents include available funds, highly liquid short-term investments (three months or less) and term deposits with exit options exercisable at no penalty within less than three months that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

These assets are recognized at market value (fair value) or amortized cost, as appropriate.

p) Treasury shares

All treasury shares held by the Group are deducted from consolidated shareholders' equity based on their acquisition price. Gains and losses on the disposal of treasury shares are recorded directly in equity and do not impact profit or loss for the period.

q) Share-based payment

The Group occasionally grants various share-based payments to its employees, including free shares, long-term variable compensation and leveraged or unleveraged savings plans.

In accordance with IFRS 2, Share-based Payment, these arrangements are measured at fair value taking into account any lock-up period for shares granted. The fair value of equity-settled instruments is determined at the grant date. The fair value of cash-settled instruments is revised up to the date of payment. These employee benefits represent personnel costs and are recognized on a straight-line basis over the period during which the rights vest, with an offsetting entry to consolidated retained earnings for equity-settled plans and to liabilities for cash-settled plans.

r) Provisions

The Group records provisions when it recognizes a present probable or potential (in the event of a business combination) legal or constructive obligation as a result of a past event for which an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

For taxes levied by public authorities, the liability is recognized at the date of the obligating event for each levy, such as defined by applicable local regulations.

PROVISIONS FOR LOSSES ON COMPLETION AND LOSSES ARISING ON DELIVERY COMMITMENTS

A provision for losses on completion is recognized for contracts managed on a percentage-of-completion basis, and a provision for losses arising on delivery commitments is recognized for sales contracts, when:

- it is highly probable that a contract (or combination of contracts) will be onerous (the unavoidable costs of meeting the obligations under the contract [or combination of contracts] exceed the associated economic benefits);
- the contract (or combination of contracts), signed before the end of the reporting period, gives rise to obligations for the Group in the form of the delivery of goods, the provision of services or the payment of some form of termination indemnities;
- the Group's obligation and the expected economic benefits can be measured reliably.

Unavoidable costs for which a provision is recognized represent the lower of the net cost of executing the contract (i.e., the forecast loss on the contract) and the cost of failing to execute the contract (e.g., withdrawal costs in the event of early termination).

The cash flows used in this analysis are discounted to take into account their spread over time.

Under onerous contracts subject to a firm delivery commitment, losses arising on delivery commitments are recognized primarily as a deduction from inventories and work-in-progress (for the completed portion of the contract and directly related to the contract or combination of contracts), and shown in provisions for work to be completed.

PROVISIONS FOR FINANCIAL GUARANTEES ON SALES

As part of its civil engine sales campaigns, the Group grants two types of guarantees to its customers:

- financial guarantees under which it provides a guarantee to the lending institutions that finance its customer;
- guarantees covering the value of assets, under which Safran grants the customer an option to return the aircraft at a given date for an agreed price.

These commitments are undertaken by the Group together with its partner General Electric, and form part of financing packages proposed by aircraft manufacturers to airline companies. They generally correspond to the share represented by Group engines in the financing of the aircraft.

Financial commitments are generally granted on signature of the sales agreement, but do not actually take effect until the customer so requests.

These guarantees generate risks. However, the total gross amount of the guarantees does not reflect the net risk to which the Group is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, i.e., the aircraft pledged.

A provision is recognized in respect of these guarantees, reflecting events likely to generate a future outflow of resources for the Group.

PROVISIONS FOR PERFORMANCE WARRANTIES AND PERFORMANCE BONDS

These provisions are recorded to cover the Group's share of probable future disbursements with respect to performance warranties and bonds on deliveries of engines and equipment. Performance warranties generally cover a period of one to three years depending on the type of equipment delivered. Performance bonds are generally granted for longer periods. These provisions are calculated as appropriate based on technical files or statistics, particularly with respect to the return of parts covered by a warranty for performance warranties, or performance tracking indicators (consumption, noise, emissions, etc.) for performance bonds.

s) Post-employment benefits

In compliance with the laws and practices of each country in which it operates, the Group grants its employees post-employment benefits (pensions, termination payments, early retirement plans, etc.) as well as other long-term benefits including long-service awards, jubilee benefits and loyalty premiums.

For its basic plans and other defined contribution plans, the contribution paid in the period is recognized in expenses when due. No provision is recorded.

Provisions recognized for obligations under defined benefit plans are measured using the projected unit credit method. This determines, for each employee, the present value of the benefits to which the employee's current and past services will grant entitlement on retirement. The actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial (discount rate, salary increase rate, etc.) assumptions, and are performed at the end of each reporting period for which accounts are published.

When plans are funded, the plan assets are placed with entities that are responsible for paying the benefits in the countries concerned. These assets are measured at fair value. Provisions are recorded to cover shortfalls in the fair value of plan assets compared with the present value of the Group's obligations.

An asset surplus is only recognized in the balance sheet when it represents future economic benefits effectively available to the Group.

In accordance with the revised IAS 19, changes in actuarial gains and losses arising on defined benefit plans are recognized in "Other comprehensive income" within equity and not subsequently recycled to profit.

The Group distinguishes between operating components and financial components when presenting defined benefit expense:

- service cost for the period is shown in profit from operations, along with past service costs arising on the introduction of a new plan or curtailments or settlements of an existing plan, which are recognized immediately in this caption;
- the cost relating to unwinding the discount on the net pension liability (asset) is shown in financial income (loss).

t) Borrowings subject to specific conditions

The Group receives public financing in the form of repayable advances to develop aircraft and defense projects. These advances are repaid based on the revenue generated by future sales of engines or equipment.

Repayable advances are treated as sources of financing and are recognized in liabilities in the consolidated balance sheet under the heading "Borrowings subject to specific conditions".

At inception, they are measured at the amount of cash received or, when acquired, at the value of probable future cash flows discounted at market terms at the acquisition date. They are subsequently measured at amortized cost at the end of each reporting period, taking into account the most recent repayment estimations.

The present value of estimated repayments, based on management's best estimates, is regularly compared with the net carrying amount of repayable advances, defined as the sum of amounts received, plus any interest capitalized at the end of the reporting period, less repayments made. If as a result of this analysis the present value of estimated repayments is durably more or less than the carrying amount of the repayable advances over three consecutive years, that unrecognized portion of the present value of the advance which is higher or lower than the carrying amount is taken to profit or loss.

For certain contracts, the Group has to pay a fee based on replacement sales realized under the program once the advance has been fully repaid. This fee is not considered as repayment of an advance but as an operating expense.

u) Interest-bearing financial liabilities

On initial recognition, interest-bearing financial liabilities are measured at the fair value of the amount received, less any directly attributable transaction costs. Besides the specific conditions applicable to hedge accounting (Note 1.v), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

v) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates. Derivatives are also used to hedge changes in interest rates and to a lesser extent, changes in commodity prices. The derivatives used can include forward currency contracts and currency options or interest rate swaps. The Group's market risk management policy is described in Note 27, "Management of market risks and derivatives".

Most derivatives are traded over-the-counter and no quoted prices are available. Consequently, they are measured using models commonly used by market participants to price such instruments (discounted cash flow method or option pricing models).

The counterparty risk and the Group's own credit risk taken into account in pricing derivatives are not material.

For a derivative or non-derivative hedging instrument to be eligible for hedge accounting, the hedging relationship must be formally designated and documented at inception and its effectiveness must be demonstrated throughout the life of the instrument using documented effectiveness tests.

The accounting principles applicable to foreign currency derivatives used to hedge foreign exchange risk are set out in Note 1.f.

The Group contracted a net investment hedge of some of its US operations using USD debt. Changes in the fair value of the debt attributable to the hedged foreign exchange risk are recognized within other comprehensive income for the effective portion of the hedge. Changes in fair value attributable to the ineffective portion of the hedge are taken to profit or loss. Amounts carried in equity are taken to profit or loss when the hedged investment is sold or unwound. The interest rate component of the hedging instrument is shown in "Financial income (loss)".

Certain derivatives used to hedge interest rate risk on fixed-rate financial assets and liabilities may be designated as hedging instruments in a fair value hedging relationship. In this case, the borrowings hedged by the interest rate derivatives (mainly interest rate swaps) are adjusted to reflect the change in fair value attributable to the hedged risk. Changes in the fair value of hedged items are taken to profit or loss for the period and offset by symmetrical changes in the fair value of the interest rate swaps (effective portion).

The Group uses derivative instruments to hedge the risk of fluctuations in the price of certain listed commodities. This price risk affects its purchases of semi-finished products with a high raw material component. The Group's commodity price hedging strategy is described in Note 27, "Management of market risks and derivatives". Pursuant to IAS 39, these commodity derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. Given the difficulty in documenting hedging relationships between these derivatives and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

w) Sale of receivables

The Group sells some of its trade receivables to financial institutions, generally within the scope of confirmed factoring facilities. The related assets may only be removed from the balance sheet if the rights to the future cash flows from the receivables are transferred, along with substantially all of the associated risks and rewards (payment default, late-payment risk, etc.).

x) Structure of the consolidated balance sheet

The Group is engaged in a variety of activities, most of which have long operating cycles. Consequently, assets and liabilities generally realized or unwound within the scope of the operating cycle (inventories and work-in-progress, receivables, advances and downpayments received from customers, trade and other payables, and foreign currency and commodity derivatives, etc.) are presented with no separation between current and non-current portions. However, other financial assets and liabilities as well as provisions are considered as current if they mature within 12 months of the end of the reporting period. All other financial assets, liabilities and provisions are considered non-current.

y) Recurring operating income

To make the Group's operating performance more transparent, it includes an intermediate operating indicator known as "Recurring operating income" in its reporting.

This sub-total includes the share of profit from joint ventures accounted for under the equity method, since all joint ventures are involved in businesses directly related to the Group's core activities.

This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature, such as:

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., decrease in forecast volumes, difficulties encountered during the development phase, renegotiated sales agreements, changes in the production process, etc.);
- capital gains and losses on disposals of operations;
- gains on remeasuring any previously held equity interests in the event of step acquisitions or transfers made to joint ventures;
- other unusual and/or material items not directly related to the Group's ordinary operations.

Note 2 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.

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 anticipate the impact of volatility and lack of visibility in the global economic environment and particularly in certain Group sectors. 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 of each such program and contract.

These estimates primarily draw on assumptions about the volumes, output and selling prices of products sold, associated production costs, exchange rates for foreign-currency-denominated sales and purchases as well as normal risks and uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each contract. Where such information is available, particularly for major civil aviation programs and contracts, volume and output assumptions used by the Group for products sold are analyzed in light of the assumptions published by major contractors.

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 Note 1.l. The recoverable amount of these assets is generally determined using cash flow forecasts as defined above;
- **capitalization of development expenditures:** the conditions for capitalizing development expenditures are set out in Note 1.j. 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 drawing on the key assumptions described above. The Group also uses estimates when determining the useful life of its projects;
- **profit (loss) on completion of contracts accounted for under the percentage-of-completion method:** the Group uses the percentage-of-completion method to account for certain contracts. Under this method, it recognizes revenue based on the percentage of work completed, calculated by reference to the technical objectives met or 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 is recognized within losses on completion;
- **losses arising on delivery commitments:** sales contracts (or combinations of contracts) may be onerous. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when it is firmly committed to delivering goods under an onerous contract (or combinations of contracts) and is likely to incur a loss within the foreseeable future. It uses estimates, notably as regards the term of the firm production/delivery commitment, 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 using the main assumptions discussed above.

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 provided by independent experts.

In particular, contractual provisions relating to performance warranties given by the Group take into account factors such as the estimated cost of repairs and, where appropriate, the discount rate applied to cash flows. 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, and is not aware of any developments that could materially impact the provisions recognized.

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 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.

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 price. 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 31, "Disputes and litigation").

The Group's management takes stock of any outstanding proceedings and monitors their progress. It also decides whether to book a provision or adjust the amount of any existing provision if events arise during the proceedings that require a reassessment of the risk involved. The Group consults legal experts both within and outside the Group in determining the costs that may be incurred.

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

Note 3 CHANGE IN ACCOUNTING POLICY

The Group has applied IFRIC 21, Levies, with effect from January 1, 2015. IFRIC 21 defines when to recognize liabilities to pay levies imposed by a government. The date of recognition now corresponds to the obligating event that gives rise to the levy as defined by applicable local regulations.

As such, liabilities to pay certain levies, as well as the corresponding annual expense, are now recognized in full on the date of the obligating event (generally January 1). For the Group, this primarily concerns French and US levies. Prior to this change, the liability and the expense were recognized progressively over the full year.

In accordance with IAS 8 on changes in accounting policy applied retrospectively, comparative information for the prior period is presented in the 2015 consolidated financial statements.

The impacts of this change in accounting policy on the 2014 consolidated financial statements are the following:

a) Impacts at January 1, 2014

OPENING BALANCE SHEET AT JANUARY 1, 2014

Assets

(in € millions)	Jan. 1, 2014 (published)	IFRIC 21 impact	Jan. 1, 2014 (restated)
Non-current assets	**11,747**	**-**	**11,747**
Current assets	**11,951**	**-**	**11,951**
TOTAL ASSETS	**23,698**	**-**	**23,698**

Equity and liabilities

(in € millions)	Jan. 1, 2014 (published)	IFRIC 21 impact	Jan. 1, 2014 (restated)
Equity attributable to owners of the parent	6,635	13	6,648
Non-controlling interests	178	-	178
Total equity	**6,813**	**13**	**6,826**
Provisions	1,738	-	1,738
Borrowings subject to specific conditions	670	-	670
Non-current interest-bearing financial liabilities	1,291	-	1,291
Non-current derivatives (negative fair value)	36	-	36
Deferred tax liabilities	1,264	7	1,271
Other non-current financial liabilities	140	-	140
Non-current liabilities	**5,139**	**7**	**5,146**
Provisions	1,220	-	1,220
Current interest-bearing financial liabilities	1,445	-	1,445
Trade and other payables	8,668	(20)	8,648
Tax liabilities	199	-	199
Current derivatives (negative fair value)	150	-	150
Other current financial liabilities	64	-	64
Current liabilities	**11,746**	**(20)**	**11,726**
TOTAL EQUITY AND LIABILITIES	**23,698**	**-**	**23,698**

The impacts on the opening consolidated balance sheet at January 1, 2014 derive from cancelation of the following:

- the liability due in respect of the French social security financing tax (*Contribution Sociale de Solidarité des Sociétés* – C3S), which was recognized on the consolidated balance sheet at December 31, 2013 but for which the obligating event took place on January 1, 2014; and
- the deferred tax arising from the temporary difference between the date on which the related expense was recognized and the date on which it became deductible for tax purposes.

b) Impacts at December 31, 2014

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2014

Assets

(in € millions)	Dec. 31, 2014 (published)	IFRIC 21 impact	Dec. 31, 2014 (restated)
Non-current assets	**13,358**	**-**	**13,358**
Current assets	**12,775**	**-**	**12,775**
TOTAL ASSETS	**26,133**	**-**	**26,133**

Equity and liabilities

(in € millions)	Dec. 31, 2014 (published)	IFRIC 21 impact	Dec. 31, 2014 (restated)
Equity attributable to owners of the parent	6,253	13	6,266
Non-controlling interests	225	-	225
Total equity	**6,478**	**13**	**6,491**
Provisions	1,870	-	1,870
Borrowings subject to specific conditions	713	-	713
Non-current interest-bearing financial liabilities	1,658	-	1,658
Deferred tax liabilities	728	7	735
Other non-current financial liabilities	101	-	101
Non-current liabilities	**5,070**	**7**	**5,077**
Provisions	1,459	-	1,459
Current interest-bearing financial liabilities	1,507	-	1,507
Trade and other payables	9,638	(20)	9,618
Tax liabilities	220	-	220
Current derivatives (negative fair value)	1,636	-	1,636
Other current financial liabilities	125	-	125
Current liabilities	**14,585**	**(20)**	**14,565**
TOTAL EQUITY AND LIABILITIES	**26,133**	**-**	**26,133**

SEGMENT DATA AT DECEMBER 31, 2014

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Reported gross operating working capital	(201)	1,137	398	151	1,485	(147)	1,338	-	-	1,338
IFRIC 21 impact	12	5	2	-	19	1	20	-	-	20
Restated gross operating working capital	(189)	1,142	400	151	1,504	(146)	1,358	-	-	1,358

The impact of IFRIC 21 on gross working capital requirements for operating segments at December 31, 2014 stems from the elimination of the French social security financing tax (C3S) at this date following the change in the accounting for this levy.

IFRIC 21 has no impact on 2014 profit as published since the social security financing tax expense in the published 2014 financial statements is the same as in the 2014 restated financial statements.

Note 4 SCOPE OF CONSOLIDATION

Main changes in the scope of consolidation in 2015

AIRBUS SAFRAN LAUNCHERS JOINT VENTURE (ASL)

On December 3, 2014, following the decisions from the European Space Agency (ESA) concerning development and production orientations for a new Ariane 6 launcher, Safran and Airbus Group announced that they had signed an agreement to create a 50-50 joint arrangement to be known as Airbus Safran Launchers (ASL). The partners decided to structure the operation in two successive phases.

The first phase was completed on January 14, 2015, with ASL operational as from January 2015. During this phase, the coordination and the management of all existing civil launchers programs along with Safran's investments in Europropulsion, Regulus and Arianespace have been contributed to the joint venture. In exchange, Safran received 50% of the shares issued by ASL, which were recognized within "Investments in equity-accounted companies" for €69 million. The loss of control in these operations and the investments transferred during this first phase led to a revaluation gain of €35 million, included within "Other non-recurring operating income and expenses".

During the second phase, all contracts, assets and industrial resources of Airbus Group and Safran relating to launchers business and associated propulsion activities will be contributed to the joint venture.

On June 16, 2015, an agreement was reached between ASL and CNES (French national center for space studies) on the contemplated acquisition by ASL of the 34.68% stake held by CNES in Arianespace, which would bring ASL's total stake in Arianespace to 74%. On August 12, 2015, the ESA awarded ASL the Ariane 6 development contract.

The second phase will be initiated and implemented once all legal and financial terms and conditions are completed between both partners. ASL will be then ready to perform the design, development, production and commercial activities related to launchers and the associated propulsion systems for civil and military applications.

DISPOSAL OF SHARES IN INGENICO GROUP

On May 19, 2015, Morpho sold 5.5% (3.3 million shares) of its interest in Ingenico Group to Bpifrance in an off-market block trade. The transaction was carried out for a price of €109 per share, representing an aggregate sale price of €364 million.

At the same time, Safran mandated a financial institution to sell Morpho's remaining 3.6% stake in Ingenico Group. The sale was hedged by a tunnel which enabled Morpho to sell the remaining 2.2 million shares on July 29, 2015 at €110.8 per share, representing a total amount of €242 million and bringing the gross proceeds from these share sales to €606 million.

Following these two sales, the Group recognized a gain of €421 million net of tax, shown on a separate line of the consolidated income statement.

Main changes in the scope of consolidation in 2014

EATON

On May 9, 2014, Safran completed the acquisition of the aerospace power distribution solutions and integrated cockpit solutions business of Eaton Aerospace, a North American supplier positioned in the commercial and military aviation market.

The cash consideration for the transaction amounted to €197 million.

The final purchase price accounting can be summarized as follows:

(in € millions)	Provisional allocation	Final allocation
Acquisition cost of shares	**197**	**197**
Fair value of net assets:		
Net assets at acquisition date	21	16
Fair value of technology	29	29
Fair value of customer relationships	57	57
Remeasurement of inventories	1	1
Other property, plant and equipment	3	3
Fair value of identifiable assets acquired and liabilities assumed	**111**	**106**
Goodwill	**86**	**91**

The finalization of the purchase price accounting in first-half 2015 resulted in a €5 million increase in goodwill compared to end-2014.

The power distribution activities are consolidated within the Labinal Power Systems business (Aircraft Equipment), while the integrated cockpit solutions are consolidated within Sagem (Defense).

The contribution of this business to the Group's performance in 2014 was as follows:

(in € millions)	2014
Revenue	50
Recurring operating income(1)	2

(1) Excluding depreciation and amortization expense on identified property, plant and equipment and intangible assets and consumption of inventories remeasured in the scope of the provisional allocation of the purchase price (€6 million at December 31, 2014).

ACQUISITION OF SABENA TECHNICS' STAKE IN HYDREP

On September 15, 2014, Safran finalized the acquisition of Sabena technics' 50% stake in Hydrep, their 50-50 joint venture. Hydrep is a leading provider of repair services for landing gear on regional and business aircraft and helicopters.

Hydrep was considered to be a joint venture at January 1, 2014 within the meaning of IFRS 11, Joint Arrangements. Accordingly, it was accounted for under the equity method at 50% for the first three quarters of 2014, and fully consolidated (100%) in the last quarter. Hydrep is part of Safran's "Aircraft Equipment" operating segment.

This transaction is classified as a business combination as defined by IFRS 3. It generated €20 million in goodwill along with an €8 million gain on remeasuring the Group's previously held interest, shown in "Other non-recurring operating income and expenses" in 2014.

Hydrep's contribution to the Group's performance in the fourth quarter of 2014 was as follows:

(in € millions)	2014
Revenue	10
Recurring operating income	4

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"). These consolidation sub-groups are organized based on the type of products and services they sell. Four operating segments have been identified based on these criteria.

AEROSPACE PROPULSION

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

AIRCRAFT EQUIPMENT

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, engine systems and associated equipment such as thrust reversers and nacelles, and mechanical power transmission systems. The Group is also present at the different stages of the electrical power generation cycle, associated engineering services, and ventilation systems. Aircraft Equipment also includes maintenance, repair and related services and the sale of spare parts.

DEFENSE

Defense includes all businesses serving naval, land and aviation defense industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defense applications.

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, air surveillance systems), as well as defense equipment and systems.

SECURITY

Safran's global Security businesses include a suite of solutions designed to increase safety and simplify the lives of individuals in their roles as citizens, consumers and employers. They also protect critical infrastructure and ensure travel safety. The Security businesses offer identification solutions based on multibiometric technologies (fingerprint, iris and face recognition) including transaction security and authentication solutions (identity and security solutions), as well as tomographic systems for the detection of dangerous or illicit substances in baggage.

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

The segment information presented in the tables hereafter is identical to that 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 section 2.1).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, "Accounting policies"), except for the restatements made in respect of adjusted data (see introduction to section 2.1).

Inter-segment sales are performed on an arm's length basis.

Free cash flow represents cash flow from operating activities less any net disbursements relating to acquisitions of property, plant and equipment and intangible assets.

Gross operating working capital represents the gross balance of trade receivables, inventories and trade payables.

Segment assets represent the sum of goodwill, intangible assets, property, plant and equipment, investments in joint ventures and all current assets except cash and cash equivalents and tax assets.

Non-current assets comprise goodwill, property, plant and equipment, intangible assets and investments in equity-accounted associates and joint ventures.

Quantified segment information for 2014 and 2015 is presented below.

Segment information

The operating segments and key indicators shown are defined above.

AT DECEMBER 31, 2015

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**9,319**	**4,943**	**1,266**	**1,878**	**17,406**	**8**	**17,414**	**686**	**-**	**18,100**
Recurring operating income (loss)[(1)]	**1,833**	**466**	**64**	**151**	**2,514**	**(82)**	**2,432**	**683**	**(242)**	**2,873**
Other non-recurring operating income and expenses	(619)	(43)	(10)	(18)	(690)	(8)	(698)	-	(98)	(796)
Profit (loss) from operations	**1,214**	**423**	**54**	**133**	**1,824**	**(90)**	**1,734**	**683**	**(340)**	**2,077**
Free cash flow	**727**	**153**	**-**	**45**	**925**	**49**	**974**	**-**	**-**	**974**
Gross operating working capital	**(174)**	**1,142**	**405**	**217**	**1,590**	**(123)**	**1,467**	**-**	**-**	**1,467**
Segment assets	**13,040**	**5,940**	**1,855**	**2,829**	**23,664**	**939**	**24,603**	**-**	**-**	**24,603**
(1) of which depreciation, amortization and increase in provisions, net of use	*(372)*	*(163)*	*(51)*	*(87)*	*(673)*	*(43)*	*(716)*	*2*	*(241)*	*(955)*
of which impairment	*(176)*	*(2)*	*(3)*	*(8)*	*(189)*	*(1)*	*(190)*	*3*	*-*	*(187)*

AT DECEMBER 31, 2014*

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**8,153**	**4,446**	**1,221**	**1,530**	**15,350**	**5**	**15,355**	**(311)**	**-**	**15,044**
Recurring operating income (loss)[(1)]	**1,633**	**426**	**71**	**134**	**2,264**	**(175)**	**2,089**	**(283)**	**(306)**	**1,500**
Other non-recurring operating income and expenses	(9)	(58)	3	(25)	(89)	(18)	(107)	-	-	(107)
Profit (loss) from operations	**1,624**	**368**	**74**	**109**	**2,175**	**(193)**	**1,982**	**(283)**	**(306)**	**1,393**
Free cash flow	**380**	**149**	**17**	**97**	**643**	**97**	**740**	**-**	**-**	**740**
Gross operating working capital	**(189)**	**1,142**	**400**	**151**	**1,504**	**(146)**	**1,358**	**-**	**-**	**1,358**
Segment assets	**12,102**	**5,585**	**1,815**	**2,697**	**22,199**	**992**	**23,191**	**-**	**-**	**23,191**
(1) of which depreciation, amortization and increase in provisions, net of use	*(338)*	*(173)*	*(44)*	*(64)*	*(619)*	*(20)*	*(639)*	*26*	*(281)*	*(894)*
of which impairment	*(41)*	*(17)*	*(2)*	*(6)*	*(66)*	*-*	*(66)*	*7*	*-*	*(59)*

(*) The data published for December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at December 31, 2014").

Revenue (adjusted data)

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Aerospace Propulsion		
Original equipment and related products and services	3,723	3,922
Services	4,080	4,985
Sales of studies	281	323
Other	69	89
Sub-total	**8,153**	**9,319**
Aircraft Equipment		
Original equipment and related products and services	2,912	3,076
Services	1,280	1,479
Sales of studies	192	289
Other	62	99
Sub-total	**4,446**	**4,943**
Defense		
Sales of equipment	790	802
Services	300	326
Sales of studies	127	134
Other	4	4
Sub-total	**1,221**	**1,266**
Security		
Sales of equipment	1,209	1,496
Services	307	355
Sales of studies	6	22
Other	8	5
Sub-total	**1,530**	**1,878**
Holding company and other		
Other	5	8
Sub-total	**5**	**8**
TOTAL	**15,355**	**17,414**

Information by geographic area

AT DECEMBER 31, 2015

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa and Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	3,965	3,554	6,147	2,427	1,321	17,414	686	18,100
%	23%	20%	35%	14%	8%			
Non-current assets by location[1]	8,241	1,749	2,607	234	117			12,948
%	63%	14%	20%	2%	1%			

(1) Excluding financial assets and deferred tax assets.

AT DECEMBER 31, 2014

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa and Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	3,227	3,325	5,745	1,971	1,087	15,355	(311)	15,044
%	21%	22%	37%	13%	7%			
Non-current assets by location[1]	8,361	1,598	2,385	193	118			12,655
%	66%	13%	18%	2%	1%			

(1) Excluding financial assets and deferred tax assets.

In 2015, the General Electric group accounted for 11% of consolidated revenue (12% in 2014). The bulk of revenue with General Electric derives from spare parts used in connection with fleet maintenance services provided to airline companies. Virtually all business with this customer is shown in the “Americas” region and in the “Aerospace Propulsion” operating segment. No other individual customer alone accounted for more than 10% of Group revenue in either 2015 or 2014.

Note 6 BREAKDOWN OF THE MAIN COMPONENTS OF PROFIT FROM OPERATIONS

Revenue

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Original equipment and related products and services	6,473	7,320
Sales of defense and security equipment	1,993	2,309
Services	5,840	7,459
Sales of studies	594	798
Other	144	214
TOTAL	**15,044**	**18,100**

Other income

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Research tax credit(1)	151	165
Competitiveness and employment tax credit (CICE)	39	40
Other operating subsidies	86	82
Other operating income	15	17
TOTAL	**291**	**304**

(1) Of which €7 million in connection with additional research tax credits in respect of 2014, included in 2015 income (€11 million in respect of 2013 included in 2014 income).

Raw materials and consumables used

This caption breaks down as follows for the period:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Raw materials, supplies and other	(2,681)	(2,848)
Bought-in goods	(200)	(273)
Changes in inventories	(70)	26
Sub-contracting	(3,391)	(4,065)
Purchases not held in inventory	(422)	(554)
External service expenses	(2,284)	(2,495)
TOTAL	**(9,048)**	**(10,209)**

Personnel costs

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Wages and salaries	(2,993)	(3,219)
Social security contributions	(1,214)	(1,284)
Statutory employee profit-sharing	(136)	(136)
Optional employee profit-sharing	(152)	(161)
Additional contributions	(62)	(59)
Profit-sharing bonus for employees	(5)	-
Corporate social contribution	(75)	(76)
Other employee costs	(107)	(126)
TOTAL	**(4,744)**	**(5,061)**

The increase in wages and salaries reflects compensation policies, the rise in headcount resulting from new hires recruited by Group companies in response to the growth in business, and the impact of translating the financial statements of foreign operations, due chiefly to the appreciation of the average rate of the US dollar.

The profit-sharing bonus scheme was abolished by France's 2015 social security financing act.

Depreciation, amortization and increase in provisions, net of use

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Net depreciation and amortization expense		
◆ intangible assets	(452)	(428)
◆ property, plant and equipment	(366)	(494)
Total net depreciation and amortization expense[1]	**(818)**	**(922)**
Net increase in provisions	**(76)**	**(33)**
DEPRECIATION, AMORTIZATION, AND INCREASE IN PROVISIONS, NET OF USE	**(894)**	**(955)**

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €89 million in 2015 and €147 million in 2014; and during recent acquisitions: €152 million in 2015 and €134 million in 2014.

Asset impairment

	Impairment expense		Reversals	
(in € millions)	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Property, plant and equipment and intangible assets	(13)	(41)	5	5
Financial assets	(9)	(9)	4	-
Inventories and work-in-progress	(254)	(377)	235	285
Receivables	(76)	(101)	49	51
TOTAL	**(352)**	**(528)**	**293**	**341**

Other recurring operating income and expenses

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Capital gains and losses on asset disposals	1	27
Royalties, patents and licenses	(22)	(30)
Losses on irrecoverable receivables	(9)	(17)
Other operating income and expenses	(83)	(72)
TOTAL	**(113)**	**(92)**

Other non-recurring operating income and expenses

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Gains on remeasuring previously held equity interests	8	35
Impairment net of reversals on intangible assets	(53)	(774)
Other non-recurring items	(62)	(57)
TOTAL	**(107)**	**(796)**

In 2015, the revaluation gain relating to the assets transferred by the Group on the creation of the Airbus Safran Launchers joint venture by Safran and the Airbus group was included within "Other non-recurring operating income and expenses" for €35 million (see Note 4, "Scope of consolidation").

The Group decided to analyze the situation of the assets associated with the Silvercrest program further to:

- additional developments and the changes to the development schedule drawn up with Dassault, which selected the engine for its Falcon F5X program; and
- Cessna's November 2015 announcement that it was to reposition its Citation Longitude program, leading it to change its choice of engine in favor of another manufacturer.

These analyses led the Group to write down all of the intangible assets specifically relating to the development of this engine for a total amount of €617 million (see Note 11, "Intangible assets") and to write down other specific assets committed by the Group to this program for an amount of €37 million. This second impairment charge was recognized in other non-recurring items.

In addition, following the Group's decision to capitalize on the strength of the Safran brand name, the brands valued individually at the time of the Sagem-Snecma merger in 2005 were written down in an amount of €133 million (see Note 11, "Intangible assets").

Write-downs were also recognized against intangible assets relating to a helicopter engine program (€16 million), a Defense program (€5 million) and a Security program (€3 million) (see Note 11, "Intangible assets").

Following the closure of Aircelle Ltd's contracted-out pension fund, which was replaced by a defined contribution plan, a curtailment gain was recognized in other non-recurring items for an amount of €12 million. Other non-recurring items chiefly include non-recurring expenses related to the restructuring of industrial plants in the Security business (€15 million) and transaction and integration costs incurred in connection with business combinations (€8 million).

In 2014, gains on remeasuring the Group's previously held interest in Hydrep (see Note 4, "Scope of consolidation") were recognized in non-recurring operating items.

An impairment loss of €15 million was recognized against intangible assets relating to technologies and commercial relationships (see Note 11, "Intangible assets").

Further to Bombardier Inc.'s January 15, 2015 announcement that it was to pause its Learjet 85 business aircraft program, Safran recognized a non-recurring operating expense of €52 million. This expense reflects €38 million in impairment taken against development expenditures (see Note 11, "Intangible assets") and €14 million in impairment taken against other assets pledged by the Group to meet its contractual commitments to Bombardier Inc. This second impairment charge was recognized in other non-recurring items. On October 29, 2015, Bombardier Inc. announced the definitive cancelation of the program due to insufficient orders.

Besides impairment, other non-recurring items chiefly include €17 million in transaction and integration costs arising on recent business combinations.

Note 7 FINANCIAL INCOME (LOSS)

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Financial expense on interest-bearing financial liabilities	(80)	(61)
Financial income on cash and cash equivalents	38	33
Cost of net debt	**(42)**	**(28)**
Gain (loss) on foreign currency hedging instruments	(1,922)	(2,485)
Foreign exchange gains and losses	343	(679)
Net foreign exchange gains (losses) on provisions	(75)	(84)
Foreign exchange gains (losses)	**(1,654)**	**(3,248)**
Gain or loss on interest rate and commodity hedging instruments	(11)	(40)
Net expenses on disposals of financial assets	3	6
Impairment of available-for-sale financial assets	(1)	(3)
Dividends received	3	4
Other financial provisions	(3)	(4)
Interest component of IAS 19 expense	(25)	(19)
Impact of discounting	(55)	(60)
Other	14	5
Other financial income and expense	**(75)**	**(111)**
FINANCIAL INCOME (LOSS)	**(1,771)**	**(3,387)**
of which financial expense	**(2,172)**	**(3,435)**
of which financial income	**401**	**48**

In 2015, the €2,485 million loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to future cash flows. This loss results chiefly from the fall in the EUR/USD spot price (1.09 at end-2015 versus 1.21 at end-2014).

The €679 million foreign exchange loss includes €678 million relating to the loss on unwinding currency derivatives hedging operating cash flows in the period. The offsetting entry for this foreign exchange loss was a gain posted to recurring operating income – essentially under revenue – reflecting favorable changes in the EUR/USD exchange rate during the period.

Note 8 INCOME TAX

Income tax expense

Income tax expense breaks down as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Current income tax benefit (expense)	(275)	(310)
Deferred tax benefit (expense)	567	818
TOTAL TAX BENEFIT (EXPENSE)	**292**	**508**

Effective tax rate

The effective tax rate breaks down as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Profit (loss) before tax	(378)	(1,310)
Standard tax rate applicable to the parent company	38.00%	38.00%
Tax expense at standard rate	**144**	**498**
Impact of permanent differences	41	5
Impact of research and CICE tax credits	72	89
Impact of different tax rates	19	47
Impact of unrecognized tax	(3)	(6)
Impact of tax on dividends paid by Safran	(15)	(15)
Impact of other items	34	(110)
Current income tax benefit (expense) recognized in profit or loss	**292**	**508**
EFFECTIVE TAX RATE	**N/A**	**N/A**

The 10.7% surtax introduced by the amending French Finance Law for 2013, applicable to French companies with over €250 million in revenue, will not be renewed in 2016. Accordingly, the tax rate used to calculate deferred taxes decreased from 38% at December 31, 2014 to 34.43% at December 31, 2015, representing a negative amount of €125 million recorded on the "Impact of other items" line.

The 3% tax on dividend distributions introduced by the amending French Finance Law for 2012 is recognized as a tax expense in the period in which the related dividends were paid.

Deferred tax assets and liabilities

DEFERRED TAX ASSETS (LIABILITIES) IN THE BALANCE SHEET

(in € millions)	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2014*	**228**	**735**	**(507)**
Deferred taxes recognized in profit or loss[(1)]	887	69	818
Deferred taxes recognized directly in equity	(9)	-	(9)
Reclassifications	(128)	(139)	11
Translation differences	11	11	-
Changes in scope of consolidation	(5)	1	(6)
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2015	**984**	**677**	**307**

(*) The data published for December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at December 31, 2014").

(1) Including €824 million relating to financial instruments (IAS 39).

DEFERRED TAX ASSET BASES

(in € millions)	Dec. 31, 2014*	Dec. 31, 2015
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(4,891)	(4,636)
Inventories	115	132
Current assets/liabilities	424	456
Financial assets/liabilities	1,075	3,706
Provisions	2,043	1,686
Tax adjustments	(426)	(485)
Losses carried forward and tax credits	476	640
TOTAL DEFERRED TAX ASSET BASES	**(1,184)**	**1,499**
Total gross deferred tax balance (A)	**(411)**	**431**
Total unrecognized deferred tax assets (B)	**96**	**124**
TOTAL NET DEFERRED TAXES RECOGNIZED (A)-(B)	**(507)**	**307**

(*) *The data published for December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at December 31, 2014").*

Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

(in € millions)	Assets	Liabilities	Net
Net tax assets (liabilities) at December 31, 2014	**452**	**220**	**232**
Movements during the period	147	82	65
Current taxes recognized directly in equity	(2)	(33)	31
Translation differences	18	19	(1)
Other movements	8	(1)	9
NET TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2015	**623**	**287**	**336**

Note 9 EARNINGS PER SHARE

	Index	Dec. 31, 2014	Dec. 31, 2015
Numerator *(in € millions)*			
Profit (loss) for the period attributable to owners of the parent	(A)	(126)	(424)
Denominator *(in shares)*			
Total number of shares	(B)	417,029,585	417,029,585
Number of treasury shares held	(C)	603,327	605,704
Number of shares excluding treasury shares	(D)=(B-C)	416,426,258	416,423,881
Weighted average number of shares (excluding treasury shares)	(D')	416,413,368	417,569,031
Potentially dilutive ordinary shares	(E)	-	-
Weighted average number of shares after dilution	(F)=(D'+E)	416,413,368	417,569,031
Ratio: earnings per share *(in €)*			
Basic earnings (loss) per share	(G)=(A*1million)/(D')	(0.30)	(1.02)
Diluted earnings (loss) per share	(H)=(A*1million)/(F)	(0.30)	(1.02)

Note 10 GOODWILL

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2014 Net	Changes in scope of consolidation	CGU combinations	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	Dec. 31, 2015 Net
Snecma – Aircraft engines	405	-	-	-	-	-	405
Turbomeca (incl. Microturbo) – Helicopter engines	306	-	-	-	-	-	306
Techspace Aero – Aircraft engine components	47	-	-	-	-	-	47
Herakles – Aerospace and strategic propulsion	202	(16)	-	-	-	-	186
Other	1	-	-	-	-	-	1
Total Aerospace Propulsion	**961**	**(16)**	**-**	**-**	**-**	**-**	**945**
Aircelle – Nacelles and aerostructures	213	-	-	-	-	-	213
Safran Engineering Services – Engineering	78	-	-	-	-	-	78
Messier-Bugatti-Dowty (incl. Sofrance) – Landing and braking systems	188	-	-	-	-	-	188
Technofan – Ventilation systems	10	-	-	-	-	-	10
Labinal Power Systems – Electrical systems	464	9	-	-	2	27	502
Total Aircraft Equipment	**953**	**9**	**-**	**-**	**2**	**27**	**991**
Sagem – Defense	123	-	-	-	3	8	134
Total Defense	**123**	**-**	**-**	**-**	**3**	**8**	**134**
Morpho – Identification	986	-	(986)	-	-	-	-
Morpho – Business Solutions	65	-	(65)	-	-	-	-
Morpho – Detection	332	-	-	-	-	37	369
Morpho – Identity and Security Solutions	-	-	1,051	-	3	97	1,151
Total Security	**1,383**	**-**	**-**	**-**	**3**	**134**	**1,520**
TOTAL	**3,420**	**(7)**	**-**	**-**	**8**	**169**	**3,590**

Goodwill relating to joint ventures is now included within investments in equity-accounted companies (see Note 14, "Investments in equity-accounted companies").

Movements in the period

The main movements in this caption during the period under review concern:

- the transfer of Regulus to Airbus Safran Launchers (see Note 4, "Scope of consolidation"), which resulted in a €16 million reduction in goodwill relating to the "Herakles" CGU;
- the first-time consolidation of Aerosource, Inc. specialized in the maintenance and repair of electrical equipment, which led to a €9 million increase in goodwill relating to the "Labinal Power Systems" CGU;
- the final allocation of the purchase price of Eaton Aerospace's power distribution solutions and integrated cockpit solutions businesses, which added €2 million to the Labinal Power Systems CGU goodwill and €3 million to the Sagem CGU goodwill (see Note 4, "Scope of consolidation");
- the reorganization of the Group's identification (identity solutions, biometric equipment and biometric enrollment services), transaction security and corporate identity security operations, which have been brought together within a single unit of expertise, "identity and security solutions". This new CGU results from the aggregation of the "identification" and "enterprise solutions" CGUs. The reorganization responds to the security market's shift towards digital and mobility solutions, which has led to the growing interdependence of technologies, markets and organizational structures.

Annual impairment tests

The Group tests goodwill for impairment during the first half of the year.

The Group performed annual impairment tests on the cash-generating units (CGUs) presented above, by comparing their value in use with their net carrying amount.

The main assumptions used in determining the value in use of CGUs are described below:

- expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at 10 years but may be longer for businesses with longer development and production cycles;
- operating forecasts 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. These forecasts and assumptions are based on the Group's medium-term plan for the next four years, while forecasts and assumptions beyond this period are based on its long-term plan;
- the value in use of CGUs is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year in the long-term plan;
- the average USD exchange rate adopted is 1.22 for years 2016 to 2018 and 1.35 thereafter (2014: 1.24 for years 2015 to 2017 and 1.35 thereafter). These exchange rate assumptions were used for forecasting during the first half of the year, and take into account the foreign currency hedging portfolio (see Note 27, "Management of market risks and derivatives");
- the growth rate used to calculate terminal value was set at 1.5% for the Defense CGU (unchanged from 2014) and at 2% for the Aerospace Propulsion, Security and Aircraft Equipment CGUs (unchanged from 2014);
- the benchmark post-tax discount rate used is 7.5% (unchanged from 2014) and is applied to post-tax cash flows. However, a post-tax discount rate of 8.5% is used for the Security CGUs (unchanged from 2014).

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized as a result of the annual impairment tests in 2014.

A sensitivity analysis was carried out in respect of the Group's main goodwill balances, by introducing the following changes to the main assumptions:

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

In 2015 as in 2014, the above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances.

Note 11 INTANGIBLE ASSETS

Intangible assets break down as follows:

(in € millions)	Dec. 31, 2014 Gross	Dec. 31, 2014 Amortization/ impairment	Dec. 31, 2014 Net	Dec. 31, 2015 Gross	Dec. 31, 2015 Amortization/ impairment	Dec. 31, 2015 Net
Aircraft programs[1]	3,103	(1,841)	1,262	2,408	(1,280)	1,128
Development expenditures	3,241	(574)	2,667	3,726	(1,237)	2,489
Commercial agreements and concessions	587	(200)	387	786	(264)	522
Software	520	(406)	114	548	(450)	98
Brands	147	(14)	133	-	-	-
Commercial relationships	752	(329)	423	823	(445)	378
Technology	406	(153)	253	438	(207)	231
Other	384	(87)	297	616	(141)	475
TOTAL	**9,140**	**(3,604)**	**5,536**	**9,345**	**(4,024)**	**5,321**

(1) Including €1,975 million remeasured to fair value in the context of the Sagem-Snecma merger in 2005 (€2,670 million at December 31, 2014), and €433 million remeasured to fair value in connection with the acquisition of the RTM322 business (helicopter turbines).

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2014	**9,140**	**(3,604)**	**5,536**
Capitalization of R&D expenditure[1]	521	-	521
Capitalization of other intangible assets	259	-	259
Acquisitions of other intangible assets	215	-	215
Disposals and retirements	(39)	14	(25)
Depreciation	-	(428)	(428)
Impairment losses recognized in profit or loss	-	(798)	(798)
Retirement of intangible assets amortized or written down in full	(842)	842	-
Reclassifications	(36)	9	(27)
Translation differences	127	(59)	68
AT DECEMBER 31, 2015	**9,345**	**(4,024)**	**5,321**

(1) Including €26 million in capitalized interest in 2015 (€32 million in 2014).

Research and development expenditure recognized in recurring operating income for the period totaled €956 million including amortization (€898 million in 2014). This amount does not include the research tax credit recognized in recurring operating income within other income (see Note 6, "Breakdown of the main components of profit from operations").

Amortization and impairment were recognized in respect of revalued assets for €242 million (of which €1 million included in the share of profit from joint ventures), including €89 million recognized in respect of the allocated purchase price of the Snecma group (a €58 million decrease on December 31, 2014) following the end of the amortization period for one of the main remeasured aircraft programs, and €153 million recognized in respect of other acquisitions.

Following the Group's decision to capitalize on the strength of the Safran brand name, the brands valued individually at the time of the Sagem-Snecma merger in 2005 were written down in an amount of €133 million. This amount primarily relates to the Snecma brand (€85 million) and the Turbomeca brand (€34 million), the useful life of which had been considered indefinite in 2005. These write-downs are shown in non-recurring operating expenses for the period (see Note 6, "Breakdown of the main components of profit from operations").

The €842 million change in the gross value and accumulated amortization/impairment marks the end of the amortization period for programs that were remeasured in the context of the Sagem-Snecma merger (€695 million) and for brands valued individually as part of the same merger (€147 million).

2015 impairment tests

The main assumptions used to determine the recoverable amount of intangible assets relating to programs, projects and product families are as follows:

- the average USD exchange rate adopted is 1.22 for years 2016 to 2018 and 1.35 thereafter (2014: 1.24 for years 2015 to 2017 and 1.35 thereafter). These exchange rate assumptions correspond to the assumptions updated during the second half of the year;
- the benchmark discount rate used is 7.5% (unchanged from 2014). Depending on the intangible asset concerned, the discount rate may be increased by a specific risk premium to take account of any technological or product/market risks. Discount rates therefore range from 7.5% to 9.5%.

As a result of the impairment tests carried out in 2015, intangible assets relating specifically to the development of the Silvercrest engine were written down in full for a total amount of €617 million. Impairment losses were also recognized against intangible assets relating to a helicopter engine program (€16 million), a Defense program (€5 million) and a Security program (€3 million). All these impairment losses are shown in non-recurring operating expenses for the period (see Note 6, "Breakdown of the main components of profit from operations").

A sensitivity analysis was carried out in respect of the Group's main intangible assets relating to programs, projects and product families, by introducing the following changes to the main assumptions:

- a 5% increase or decrease in the USD/EUR exchange rate;
- a 1% increase or decrease in the benchmark discount rate;
- a 10% increase or decrease in the standard sales contract volumes.

In 2015 as in 2014, the above changes in the main assumptions taken individually do not result in a material risk with respect to the recoverable amounts of intangible assets relating to other programs, projects and product families.

2014 impairment tests

As a result of the impairment tests carried out in 2014, intangible assets relating to a technology in the Security business were written down in an amount of €8 million, while intangible assets relating to Aircraft Equipment commercial relationships were written down in an amount of €7 million.

Following Bombardier Inc.'s January 15, 2015 announcement that it was to pause its Learjet 85 business aircraft program, development expenditures relating to this Aircraft Equipment program were written down in an amount of €38 million. These write-downs are shown in non-recurring operating expenses for the period (see Note 6, "Breakdown of the main components of profit from operations").

Note 12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

	Dec. 31, 2014			Dec. 31, 2015		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	237	-	237	243	-	243
Buildings	1,564	(756)	808	1,685	(810)	875
Technical facilities, equipment and tooling	4,379	(3,131)	1,248	4,738	(3,361)	1,377
Assets in progress, advances	539	(2)	537	733	(56)	677
Site development and preparation costs	58	(34)	24	60	(37)	23
Buildings on land owned by third parties	73	(42)	31	81	(50)	31
Computer hardware and other equipment	449	(406)	43	475	(429)	46
TOTAL	**7,299**	**(4,371)**	**2,928**	**8,015**	**(4,743)**	**3,272**

Movements in property, plant and equipment can be analyzed as follows:

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2014	**7,299**	**(4,371)**	**2,928**
Internally produced assets	210	-	210
Additions[(1)]	644	-	644
Disposals and retirements	(226)	173	(53)
Depreciation	-	(494)	(494)
Impairment losses recognized in profit or loss	-	(55)	(55)
Reclassifications	(36)	61	25
Changes in scope of consolidation	34	(5)	29
Translation differences	90	(52)	38
AT DECEMBER 31, 2015	**8,015**	**(4,743)**	**3,272**

(1) Including €46 million in assets held under finance leases.

As a result of the impairment tests carried out in 2015, property, plant and equipment specifically committed by the Group to the Silvercrest program were written down in an amount of €37 million. This impairment loss is shown in non-recurring operating expenses for the period (see Note 6, "Breakdown of the main components of profit from operations").

Assets held under finance leases and recognized in property, plant and equipment break down as follows:

	Dec. 31, 2014			Dec. 31, 2015		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land and improvements	18	(1)	17	21	(1)	20
Buildings	191	(36)	155	236	(50)	186
Technical facilities, equipment and tooling	13	(5)	8	13	(6)	7
Computer hardware and other equipment	20	(20)	-	20	(20)	-
TOTAL	**242**	**(62)**	**180**	**290**	**(77)**	**213**

Note 13 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets include:

	Dec. 31, 2014			Dec. 31, 2015		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments[(1)]	546	(213)	333	497	(192)	305
Other financial assets[(2)]	438	(104)	334	452	(91)	361
TOTAL	**984**	**(317)**	**667**	**949**	**(283)**	**666**

(1) Of which listed securities for €58 million at December 31, 2015 (Embraer) and €70 million at December 31, 2014 (Embraer and Myriad), classified in Level 1 of the IFRS 13 fair value hierarchy (as at December 31, 2014).

(2) Of which a net receivable of €34 million at December 31, 2015 (€38 million at December 31, 2014) in respect of warranties received in connection with the SME acquisition (see Note 30.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation").

Non-consolidated investments are classified as available-for-sale and measured at fair value or at cost if fair value cannot be reliably measured.

At December 31, 2015, the Group no longer held any Myriad shares.

The Group reviewed the value of each of its available-for-sale investments in order to determine whether any impairment loss needed to be recognized based on available information and the current market climate.

No material write-downs were recognized in 2015.

Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Loans to non-consolidated companies	224	234
Loans to employees	30	31
Deposits and guarantees	8	8
Loans linked to sales financing	11	16
Other	61	72
TOTAL	**334**	**361**
Non-current	**113**	**114**
Current	**221**	**247**

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2014	**334**
Increase	88
Decrease	(31)
Impairment (reversals/additions)	2
Translation adjustments	2
Reclassifications	(32)
Changes in scope of consolidation	(2)
AT DECEMBER 31, 2015	**361**

The increase in other financial assets at December 31, 2015 results mainly from a rise in loans granted to non-consolidated companies and a downpayment made in connection with a real estate lease agreement.

Note 14 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

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

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Associates (Ingenico Group)	153	-
Joint ventures	618	765
TOTAL	**771**	**765**

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

(in € millions)	
At December 31, 2014	**771**
Share in profit from associates	4
Share in profit from joint ventures	45
Dividends received from joint ventures and associates	(41)
Changes in scope of consolidation	(102)
Translation differences	61
Other movements	27
AT DECEMBER 31, 2015	**765**

The main changes to the scope of consolidation related to investments in equity-accounted companies are the disposal of the Group's interest in Ingenico Group, and the first-time consolidation of Airbus Safran Launchers (see Note 4, "Scope of consolidation").

There were no off-balance sheet commitments relating to the Group's joint ventures and associates at either December 31, 2015 or December 31, 2014.

a) Associates (Ingenico Group)

The Group disposed of its entire interest in Ingenico Group in 2015 (see Note 4, "Scope of consolidation").

Ingenico Group's contribution to Safran's consolidated comprehensive income before the disposal was as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Profit from continuing operations	18	4
Other comprehensive income	-	1
TOTAL COMPREHENSIVE INCOME	**18**	**5**

b) Joint ventures

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

- Shannon Engine Support Ltd: leasing of CFM56 engines, modules, equipment and tooling to airline companies;
- ULIS: manufacture of uncooled infrared detectors;
- SOFRADIR: manufacture of cooled infrared detectors;
- SEMMB: 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;
- EIMASS: identification;
- SAIFEI: electrical wiring;
- Airbus Safran Launchers: space launchers.

The contribution of these joint ventures to the Group's comprehensive income in 2015 was as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Profit from continuing operations	45	45
Other comprehensive income	37	36
TOTAL COMPREHENSIVE INCOME	**82**	**81**

Note 15 INVENTORIES AND WORK-IN-PROGRESS

Inventories and work-in-progress break down as follows:

(in € millions)	Dec. 31, 2014 Net	Dec. 31, 2015 Net
Raw materials and supplies	541	602
Finished goods	1,883	2,140
Work-in-progress	1,825	1,756
Bought-in goods	16	20
TOTAL	**4,265**	**4,518**

Movements in inventories and work-in-progress can be analyzed as follows:

(in € millions)	Gross	Impairment	Net
At December 31, 2014	**4,841**	**(576)**	**4,265**
Movements during the period	287	-	287
Net impairment expense	-	(92)	(92)
Reclassifications	2	-	2
Changes in scope of consolidation	18	(3)	15
Translation differences	49	(8)	41
AT DECEMBER 31, 2015	**5,197**	**(679)**	**4,518**

Note 16 TRADE AND OTHER RECEIVABLES

(in € millions)	Dec. 31, 2014 Net	Movements during the period	Impairment/ reversal	Changes in scope of consolidation	Reclassifications	Translation adjustments	Dec. 31, 2015 Net
Operating receivables	**5,316**	**593**	**(55)**	**(3)**	**8**	**23**	**5,882**
Debit balances on trade payables/advance payments to suppliers	219	118	-	-	(1)	-	336
Trade receivables	5,072	487	(55)	(3)	9	23	5,533
Current operating accounts	5	(1)	-	-	-	-	4
Employee-related receivables	20	(11)	-	-	-	-	9
Other receivables	**511**	**121**	**(1)**	**8**	**(10)**	**4**	**633**
Prepayments	69	(10)	-	-	-	3	62
VAT receivables	383	113	-	7	-	(1)	502
Other State receivables	15	(3)	-	1	-	-	13
Other receivables	44	21	(1)	-	(10)	2	56
TOTAL	**5,827**	**714**	**(56)**	**5**	**(2)**	**27**	**6,515**

In both 2015 and 2014, the Group sold trade receivables under agreements requiring deconsolidation of the related receivables under IFRS. The terms and conditions of these agreements are presented in Note 23, "Interest-bearing financial liabilities".

The table below provides a breakdown of trade receivables by maturity:

(in € millions)	Carrying amount at Dec. 31	Neither past due nor impaired	Past due but not impaired at Dec. 31 (in days)					Total past due but not impaired	Past due and impaired
			< 30	31-90	90-180	181-360	> 360		
At December 31, 2014									
Trade receivables	5,072	4,609	160	108	75	50	69	462	1
AT DECEMBER 31, 2015									
Trade receivables	5,533	4,902	176	206	76	59	81	598	33

Note 17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows at December 31, 2015:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Money-market funds	22	15
Short-term investments	795	863
Sight deposits	816	967
TOTAL	**1,633**	**1,845**

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

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2014	**1,633**
Movements during the period	207
Translation differences	5
AT DECEMBER 31, 2015	**1,845**

Note 18 SUMMARY OF FINANCIAL ASSETS

The table below presents the carrying amount of the Group's financial assets at December 31, 2015 and December 31, 2014:

At December 31, 2014 *(in € millions)*	Carrying amount				
	At amortized cost		At fair value		Total
	Loans and receivables (A)	Assets held to maturity (B)	Financial assets at fair value (through profit or loss) (C)	Financial assets available for sale (through equity) (D)	= A+B+C+D
Non-current financial assets					
Non-consolidated investments				333	333
Non-current derivatives (positive fair value)			29		29
Other non-current financial assets	113				113
Sub-total non-current financial assets	**113**	**-**	**29**	**333**	**475**
Other current financial assets	221				221
Current derivatives (positive fair value)			377		377
Trade receivables	5,072				5,072
Current operating accounts and other receivables	49				49
Cash and cash equivalents	1,611		22		1,633
Sub-total current financial assets	**6,953**	**-**	**399**	**-**	**7,352**
TOTAL FINANCIAL ASSETS	**7,066**	**-**	**428**	**333**	**7,827**

At December 31, 2015 *(in € millions)*	Carrying amount				
	At amortized cost		At fair value		Total
	Loans and receivables (A)	Assets held to maturity (B)	Financial assets at fair value (through profit or loss) (C)	Financial assets available for sale (through equity) (D)	= A+B+C+D
Non-current financial assets					
Non-consolidated investments				305	305
Non-current derivatives (positive fair value)			35		35
Other non-current financial assets	114				114
Sub-total non-current financial assets	**114**	**-**	**35**	**305**	**454**
Other current financial assets	247				247
Current derivatives (positive fair value)			373		373
Trade receivables	5,533				5,533
Current operating accounts and other receivables	60				60
Cash and cash equivalents	1,830		15		1,845
Sub-total current financial assets	**7,670**	**-**	**388**	**-**	**8,058**
TOTAL FINANCIAL ASSETS	**7,784**	**-**	**423**	**305**	**8,512**

The Group did not reclassify any financial assets between the amortized cost and fair value categories in 2015 or 2014.

Fair value of financial assets

The fair value of financial assets recorded at amortized cost is close to their carrying amount.

Safran uses the fair value hierarchy set out in IFRS 13 to determine the classification of financial assets at fair value:

- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets;
- Level 3: unobservable inputs.

The Group's financial assets carried at fair value at December 31, 2014 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments*	70	-	-	70
Derivatives (positive fair value)	-	406	-	406
Cash and cash equivalents	22	-	-	22
TOTAL	**92**	**406**	**-**	**498**

(*) Excluding investments at cost.

The Group's financial assets carried at fair value at December 31, 2015 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments*	58	-	-	58
Derivatives (positive fair value)	-	408	-	408
Cash and cash equivalents	15	-	-	15
TOTAL	**73**	**408**	**-**	**481**

(*) Excluding investments at cost.

In 2015 and 2014, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

Offsetting of financial assets and financial liabilities

At December 31, 2014 *(in € millions)*	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (positive fair value)	406	-	406	401	5

(1) See Note 27, "Management of market risks and derivatives".

At December 31, 2015 *(in € millions)*	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (positive fair value)	408	-	408	402	6

(1) See Note 27, "Management of market risks and derivatives".

The tables above show the financial assets for which an offsetting agreement exists with respect to financial liabilities.

At both December 31, 2015 and December 31, 2014, the Group did not offset any financial assets and liabilities on its balance sheet, since it did not meet the conditions specified in IAS 32. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offset agreement but not offset comprise a portion of the Group's derivatives with a negative fair value, since amounts can only be offset if they relate to the same counterparty.

Note 19 CONSOLIDATED SHAREHOLDERS' EQUITY

a) Share capital

At December 31, 2015, Safran's share capital was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20.

Safran's equity does not include any equity instruments issued other than its shares.

b) Breakdown of share capital and voting rights

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

December 31, 2014

Shareholders	Number of shares	% share capital	Number of voting rights*	% voting rights*
Private investors	264,821,713	63.50%	270,605,602	52.73%
French State	91,693,131	21.99%	130,693,131	25.47%
Current and former employee shareholders	59,911,414	14.37%	111,926,730	21.80%
Treasury shares	603,327	0.14%	-	-
TOTAL	**417,029,585**	**100.00%**	**513,225,463**	**100.00%**

(*) *Exercisable voting rights.*

December 31, 2015

Shareholders	Number of shares	% share capital	Number of voting rights*	% voting rights*
Private investors	295,646,137	70.89%	301,378,500	56.25%
French State	64,193,131	15.39%	128,386,262	23.96%
Current and former employee shareholders	56,584,613	13.57%	106,066,171	19.79%
Treasury shares	605,704	0.15%	-	-
TOTAL	**417,029,585**	**100.00%**	**535,830,933**	**100.00%**

(*) *Exercisable voting rights.*

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights.

The 605,704 treasury shares have no voting rights.

On March 3, 2015, the French State finalized the sale of a 3.96% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. On December 1, 2015, the French State carried out a similar operation on 2.64% of Safran's share capital. At December 31, 2015, the French State therefore held 15.39% of Safran's share capital.

The French State indicated that pursuant to the law on growth, business and equal economic opportunities, 1.2 million additional shares, representing 0.29% of the share capital, will be offered to the Group's current and former employees at a later date.

TREASURY SHARES

Since December 31, 2014, the number of treasury shares has increased following the Group's net purchase of 2,377 of its own shares in connection with its liquidity agreement.

On May 31, 2012, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations. In 2012, the Group signed a liquidity agreement with Oddo aimed at enhancing the liquidity for the market in Safran shares. A total of €10 million was assigned to this agreement.

This authorization was renewed by the Shareholders' Meeting of April 23, 2015.

Pursuant to these authorizations and the liquidity agreement, the Company purchased 2,734,658 shares for €176 million, and sold 2,732,281 shares for €176 million.

At December 31, 2015, 87,100 shares were held in connection with the liquidity agreement.

c) Equity

Movements in equity are as follows:

(in € millions)	
Equity attributable to owners of the parent prior to profit at December 31, 2014*	**6,392**
Appropriation of 2014 profit	(126)
Payment of the outstanding dividend for 2014	(267)
Payment of the 2015 interim dividend	(250)
Change in translation adjustment and net investment hedges	226
Current taxes on net investment hedges recognized in equity	31
Change in actuarial gains and losses on post-employment benefits	47
Deferred taxes on changes in actuarial gains and losses recognized in equity	(9)
Delivery and sale of treasury shares	-
Available-for-sale financial assets	(9)
Other	16
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT PRIOR TO PROFIT AT DECEMBER 31, 2015*	**6,051**

(*) *The data published for December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at December 31, 2014").*

d) Dividend distribution

A dividend payout of €1.20 per share was approved in respect of 2014 and partially paid in that year in the form of an interim dividend of €0.56 per share, representing a total of €233 million. The remaining €0.64 dividend per share was paid in first-half 2015, representing a total of €267 million.

The Board of Directors' meeting of December 17, 2015 approved payment of an interim dividend of €0.60 per share in respect of 2015, representing a payout of €250 million.

At the Shareholders' Meeting to be called on May 19, 2016 in order to approve the financial statements for the year ended December 31, 2015, the Board of Directors will recommend payment of a dividend of €1.38 per share in respect of 2015, representing a total payout of €576 million (before deducting the interim dividend paid). Taking account of the interim dividend already paid, the amount still to be distributed totals €326 million.

Note 20 PROVISIONS

Provisions break down as follows:

(in € millions)	Dec. 31, 2014	Additions	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus	Changes in scope of consolidation	Other	Dec. 31, 2015
Performance warranties	765	315	(141)	-	(127)	-	(3)	809
Financial guarantees	24	5	-	-	(18)	-	10	21
Services to be rendered	734	471	(263)	-	(29)	-	5	918
Post-employment benefits	918	76	(89)	-	(12)	-	(38)	855
Sales agreements and long-term receivables	173	51	(19)	-	(20)	2	(16)	171
Provisions for losses on completion and losses arising on delivery commitments	404	146	(89)	(72)	(99)	3	-	293
Disputes and litigation	31	32	(8)	-	(6)	-	(2)	47
Other[(1)]	280	129	(81)	-	(21)	(1)	36	342
TOTAL	**3,329**	**1,225**	**(690)**	**(72)**	**(332)**	**4**	**(8)**	**3,456**
Non-current	**1,870**							**1,802**
Current	**1,459**							**1,654**

(1) Of which a provision of €74 million (December 31, 2014: €79 million) for environmental liabilities and contingent liabilities subject to a specific guarantee granted by SNPE to Safran in connection with the acquisition of SME and its subsidiaries (see Note 30, "Off-balance sheet commitments and contingent liabilities").

(in € millions)	Dec. 31, 2015
Net amount recognized in profit from operations[(1)]	34
Net amount recognized in financial income (loss)	97
TOTAL NET AMOUNT RECOGNIZED	**131**

(1) Including €33 million recognized in recurring operating items (see Note 6, "Breakdown of the main components of profit from operations").

The Group makes a number of reclassifications when provisions initially recognized in liabilities – namely provisions for losses on completion and for losses arising on delivery commitments – are subsequently recognized in assets, for example writedowns of inventories and work-in-progress.

Relating to the Silvercrest program, the Group recorded all necessary provisions to cover its contractual obligations in the current status of contracts, including penalties payable to Dassault Aviation in connection with the development phase.

Note 21 POST-EMPLOYMENT BENEFITS

The Group has various commitments in respect of defined benefit pension plans, retirement termination benefits and other commitments, mainly in France and the United Kingdom. The accounting treatment applied to these commitments is detailed in Note 1.s.

a) Presentation of post-employment benefits

FRANCE

Defined benefit pension plans

The Group's supplementary pension plan for former managerial-grade staff (*cadres*) of Snecma between 1985 and 1995 and still employed by the Group is closed and has been frozen since 1995. The plan is funded by contributions paid to an insurance company which then manages payment of the pensions. At December 31, 2015, around 172 claimants were still in active service and the last retirement is planned for 2016.

Following the closure of this plan, the managerial-grade staff were moved to a new supplementary defined contribution pension plan, in place at most Group companies.

In late 2013, the Board of Directors approved a new supplementary pension plan in France for Group executive managers.

The plan, effective as of January 1, 2014, provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to ten years are taken into account in determining entitlement) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement).

The additional benefits payable are capped at three times the annual social security ceiling ("PASS") in France. Total benefits under all regimes cannot exceed 35% of the benchmark compensation.

Retirement termination benefits

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry.

The Group also signed a three-year agreement starting in December 2012 increasing retirement termination benefits for the over 50s.

Other long-term benefits

In France, this heading mainly comprises obligations in respect of long-service awards, loyalty premiums and executive bonuses.

UNITED KINGDOM

Defined benefit pension plans

There are three pension funds in place at Messier-Dowty/Messier Services Ltd, Aircelle Ltd and Safran UK. These pension funds have been contracted out, which means they replace the mandatory supplementary pension plan. The plans are managed by trusts. Employees participate in the funding through salary-based contributions. With the exception of the Safran UK pension fund, the average breakdown of contributions between the employer and the employee is 94% and 6%, respectively. The Safran UK pension fund only covers pensions for retired employees of Cinch UK, which was sold in 2009.

REST OF THE WORLD

The Group offers its other employees post-employment benefits and long-service bonuses in accordance with local laws and practices. The main regions concerned are:

- Americas: pension funds mainly in Canada and to a lesser extent in the US; retirement termination benefits in Mexico;
- Europe: pension funds in Belgium, Germany, the Netherlands and Switzerland; retirement termination benefits in Poland; long-service bonuses in the Netherlands and Poland;
- Asia: retirement termination benefits in India.

b) Financial position

(in € millions)	Dec. 31, 2014	Dec. 31, 2015	France	United Kingdom	Rest of the world
Gross obligation	1,460	1,457	699	570	188
Fair value of plan assets	542	602	13	480	109
Provision recognized in the accounts	**918**	**855**	**686**	**90**	**79**
◆ Defined benefit pension plans	275	212	65	90	57
◆ Retirement termination benefits	601	599	580	-	19
◆ Long-service bonuses and other employee benefits	42	44	41	-	3
RECOGNIZED NET PLAN ASSETS	**-**	**-**	**-**	**-**	**-**

3

(in € millions)	2014	2015	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,460	1,457	814	599	44
Fair value of plan assets	542	602	602	-	-
Provision recognized in the accounts	**918**	**855**	**212**	**599**	**44**
RECOGNIZED NET PLAN ASSETS	**-**	**-**	**-**	**-**	**-**

The gross obligation remained stable compared with end-2014 due to the following offsetting effects: (i) a decrease in the obligation relating to a curtailment gain of €14 million and to a change in the actuarial assumptions used to measure employee benefit obligations (0.25-point rise in the discount rate for the eurozone and the United Kingdom) and (ii) an increase in the obligation due to translation differences arising on foreign operations.

The €60 million increase in the value of plan assets is chiefly related to translation differences arising on foreign operations and to the return on pension plan assets, mainly in the United Kingdom.

The cost of the Group's pension obligations in 2014 and 2015 can be analyzed as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Current service cost	(47)	(59)
Actuarial gains and losses (on other long-term benefits)	(3)	1
Change in retirement plans (implementation, curtailment and settlement)(1)	2	14
Plan administration costs	(1)	(1)
Total operating component of the pension expense	**(49)**	**(45)**
Interest cost on the net benefit obligation	(25)	(19)
Total financing component of the pension expense	**(25)**	**(19)**
TOTAL	**(74)**	**(64)**

(1) Including in 2015 €12 million recognized in other non-recurring income following the closure of the pension fund operated by Aircelle Ltd, replaced by a defined contribution plan (see Note 6, "Breakdown of the main components of profit from operations").

The Group expects to pay a total of €32 million into its defined benefit pension plans in 2016.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	Dec. 31, 2014	1.75%	3.50%
	Dec. 31, 2015	**2.00%**	**3.75%**
Inflation rate	Dec. 31, 2014	1.75%	3.20%
	Dec. 31, 2015	**1.75%**	**3.05%**
Rate of annuity increases	Dec. 31, 2014	1.75%	3.20%
	Dec. 31, 2015	**1.50%**	**3.05%**
Rate of future salary increases	Dec. 31, 2014	1.12%-5.00%	N/A
	Dec. 31, 2015	**1.12%-5.00%**	**N/A**
Retirement age	Dec. 31, 2014	Managerial: 64/65 years	
		Non-managerial: 62/65 years	65 years
	Dec. 31, 2015	**Managerial: 64/65 years**	
		Non-managerial: 62/65 years	**65 years**

The discount rates are determined by reference to the yield on private investment-grade bonds (AA), using the Iboxx index for the Group's two main regions (eurozone and United Kingdom).

SENSITIVITY ANALYSIS

A 0.5% increase or decrease in the main actuarial assumptions would have the following impacts on the gross value of the projected benefit obligation at December 31, 2015:

(in € millions)

Sensitivity (basis points)	-0.50%	+0.50%
Discount rate	104	(95)
Inflation rate	(42)	49
Rate of future salary increases	(45)	53

For the purpose of the analysis, it was assumed that all other variables remained the same.

The change in the value of the gross projected benefit obligation would have mainly affected actuarial gains and losses recognized in other comprehensive income.

c) Change in the gross benefit obligation and plan assets

CHANGE IN GROSS BENEFIT OBLIGATION

(in € millions)	Dec. 31, 2014	Dec. 31, 2015	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
GROSS BENEFIT OBLIGATION AT BEGINNING OF PERIOD	**1,232**	**1,460**	**817**	**601**	**42**
A. Pension expense					
Current service cost	47	59	17	37	5
Actuarial gains and losses (on other long-term benefits)	3	(1)	-	-	(1)
Change in retirement plans (implementation, curtailment and settlement)	(2)	(14)	(14)	-	-
Interest cost	45	38	26	11	1
Total expense recognized in the income statement	**93**	**82**	**29**	**48**	**5**
B. Actuarial gains and losses arising in the period on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	7	1	-	1	-
Actuarial gains and losses resulting from changes in financial assumptions	143	(44)	(31)	(13)	-
Experience adjustments	(2)	4	(10)	14	-
Total remeasurement recognized in other comprehensive income for the period	**148**	**(39)**	**(41)**	**2**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Benefits paid	(72)	(86)	(31)	(52)	(3)
Changes in scope of consolidation	18	-	-	-	-
Other movements	-	(2)	(2)	-	-
Translation differences	38	39	39	-	-
Total other items	**(13)**	**(46)**	**9**	**(52)**	**(3)**
GROSS BENEFIT OBLIGATION AT END OF PERIOD	**1,460**	**1,457**	**814**	**599**	**44**
Average weighted term of pension plans	14	14	17	11	8

CHANGE IN FAIR VALUE OF PLAN ASSETS

(in € millions)	Dec. 31, 2014	Dec. 31, 2015	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	**442**	**542**	**542**	**-**	**-**
A. Income					
Interest income on plan assets	20	19	19	-	-
Plan administration costs	(1)	(1)	(1)	-	-
Total income recognized in the income statement	**19**	**18**	**18**	**-**	**-**
B. Actuarial gains and losses arising in the period on post-employment plans					
Return on plan assets (excluding interest income component)	35	11	11	-	-
Total remeasurement recognized in other comprehensive income for the period	**35**	**11**	**11**	**-**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Employer contributions	20	33	33	-	-
Benefits paid	(21)	(31)	(31)	-	-
Changes in scope of consolidation	13	-	-	-	-
Other movements	2	(2)	(2)	-	-
Translation differences	29	28	28	-	-
Total other items	**46**	**31**	**31**	**-**	**-**
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**542**	**602**	**602**	**-**	**-**

d) Asset allocation

	United Kingdom % allocation at		Other European countries % allocation at	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Shares	35.17%	31.30%	16.57%	19.19%
Bonds and debt instruments	28.27%	24.87%	64.89%	59.74%
Property	6.77%	8.23%	10.09%	7.53%
Mutual funds and diversified funds	20.62%	21.63%	0.00%	0.00%
Cash and cash equivalents	0.65%	5.91%	2.02%	2.59%
Other	8.52%	8.06%	6.43%	10.95%

An active market price exists for all plan assets except property.

In the United Kingdom, the Group's long-term aim is to limit its exposure to defined benefit plans and ultimately endeavor to contract out these obligations to insurance firms under favorable market conditions. In the meantime, the Group is committed to ensuring that its pension obligations are adequately funded.

The Group's investment policy for pension funds in the United Kingdom combines safe harbor investments (in monetary funds, government bonds, bond funds), to secure the medium-term funding of obligations, with riskier investments such as in equity funds and real estate funds, whose expected profitability over the long term guarantees the financial stability of the plans.

e) Contributions to defined contribution plans

The expense for 2015 in respect of defined contribution plans amounts to €239 million (€228 million in 2014).

The expense is broken down into contributions paid into standard retirement plans and contributions paid into Art. 83 supplementary retirement plans which have been set up within the Group's main French companies.

Note 22 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption mainly includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2014	**713**
New advances received	22
Advances repaid	(36)
Cost of borrowings and discounting	32
Translation differences	(3)
Other	10
Adjustments to the probability of repayment of advances	(30)
AT DECEMBER 31, 2015	**708**

Estimates as to the repayable amounts and the timing of repayments are made regarding borrowings subject to specific conditions. No reliable estimate can be made of the fair value of such borrowings.

Note 23 INTEREST-BEARING FINANCIAL LIABILITIES

Breakdown of interest-bearing financial liabilities

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Bond issue	214	210
Senior unsecured notes in USD	999	1,127
Finance lease liabilities	143	159
Other long-term borrowings	302	256
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**1,658**	**1,752**
Finance lease liabilities	19	28
Other long-term borrowings	347	226
Accrued interest not yet due	12	12
Current interest-bearing financial liabilities, long-term at inception	**378**	**266**
Commercial paper	946	415
Short-term bank facilities and equivalent	183	195
Current interest-bearing financial liabilities, short-term at inception	**1,129**	**610**
Total current interest-bearing financial liabilities (less than 1 year)	**1,507**	**876**
TOTAL INTEREST-BEARING FINANCIAL LIABILITIES	**3,165**	**2,628**

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2014	**3,165**
Increase in borrowings[1]	55
Accrued interest	1
Decrease in borrowings	(78)
Change in short-term borrowings	(650)
Changes in scope of consolidation	(3)
Translation differences	117
Reclassifications and other	21
AT DECEMBER 31, 2015	**2,628**

(1) Including €46 million in finance lease liabilities.

Analysis by maturity:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Maturing in:		
1 year or less	1,507	876
More than 1 year and less than 5 years	469	487
Beyond 5 years	1,189	1,265
TOTAL	**3,165**	**2,628**

Analysis by currency:

	Dec. 31, 2014		Dec. 31, 2015	
(in millions of currency units)	Currency	EUR	Currency	EUR
EUR	2,001	2,001	1,360	1,360
USD	1,386	1,142	1,365	1,254
CAD	-	-	4	3
Other	N/A	22	N/A	11
TOTAL		**3,165**		**2,628**

Analysis by type of interest rate:

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

	Total		Non-current				Current			
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014		Dec. 31, 2015		Dec. 31, 2014		Dec. 31, 2015	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,320	1,477	1,264	4.06%	1,377	4.10%	56	1.35%	100	1.00%
Floating rate	1,845	1,151	394	1.25%	375	0.92%	1,451	0.64%	776	0.35%
TOTAL	**3,165**	**2,628**	**1,658**	**3.39%**	**1,752**	**3.42%**	**1,507**	**0.67%**	**876**	**0.42%**

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

	Total		Non-current				Current			
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014		Dec. 31, 2015		Dec. 31, 2014		Dec. 31, 2015	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	235	282	179	3.92%	182	4.12%	56	1.35%	100	1.00%
Floating rate	2,930	2,346	1,479	1.88%	1,570	2.11%	1,451	0.64%	776	0.35%
TOTAL	**3,165**	**2,628**	**1,658**	**2.10%**	**1,752**	**2.32%**	**1,507**	**0.67%**	**876**	**0.42%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Cash and cash equivalents (A)	1,633	1,845
Interest-bearing financial liabilities (B)	3,165	2,628
Fair value of interest rate derivatives hedging borrowings (C)	29	35
TOTAL (A) - (B) + (C)	**(1,503)**	**(748)**

Safran's issue of USD 1.2 billion in senior unsecured notes on the US private placement market on February 9, 2012 was maintained in US dollars and no currency swaps were taken out in this respect. Changes in the euro value of this issue had a negative impact of €114 million on the Group's net debt at December 31, 2015. Since this issue classified as a net investment hedge, the offsetting entry was a reduction in consolidated equity (see the consolidated statement of comprehensive income).

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2014*	Dec. 31, 2015
Net debt	(1,503)	(748)
Total equity	6,491	5,893
GEARING RATIO	**23.16%**	**12.69%**

(*) The data published for December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at December 31, 2014").

MAIN LONG-TERM BORROWINGS AT INCEPTION

- On February 9, 2012, Safran issued USD 1.2 billion in senior unsecured notes on the US private placement market, which included:
  - USD 155 million of 7-year notes due February 2019 at a 3.70% fixed-rate coupon (tranche A),
  - USD 540 million of 10-year notes due February 2022 at a 4.28% fixed-rate coupon (tranche B),
  - USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon (tranche C).

  A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.

  The issue's initial fixed-rate interest came out at 2.84% in 2015 after taking account of interest rate derivatives.
- Safran ten-year bonds: €200 million issued to French investors on April 11, 2014 and maturing on April 11, 2024. The interest rate on these bonds was hedged by a floating rate swap on 3-month Euribor.

  The issue's initial fixed-rate interest came out at 1.40% in 2015 after taking account of interest rate derivatives.
- European Investment Bank (EIB) borrowings: €187.5 million (€225 million at December 31, 2014). These borrowings bear floating-rate interest indexed to 3-month Euribor plus 0.73% and are repayable in equal yearly installments between December 17, 2013 and December 17, 2020.
- Employee savings financing under the Group employee savings plan: €286 million (€417 million at December 31, 2014).

  The maximum maturity is five years and the amount falling due within one year is €184 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 1.15% for 2015 and 1.87% for 2014.

- Turbomeca real estate lease financing contract: €35 million (€41 million at December 31, 2014), of which €5 million was due within one year. The lease bears fixed-rate interest of 4.7% and expires in November 2021.
- Safran University real estate lease financing contract: €47 million (€36 million at December 31, 2014), of which €4 million was due within one year. The lease bears floating-rate interest and expires in October 2026.
- Safran R&T Center real estate lease financing contract: €42 million (€23 million at December 31, 2014), of which €4 million was due within one year. The lease bears floating-rate interest and expires in February 2026.

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

MAIN SHORT-TERM BORROWINGS

- Commercial paper: €415 million (€946 million at December 31, 2014).

  This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.
- Financial current accounts with subsidiaries: €52 million (€126 million at December 31, 2014). Interest is indexed to Euribor.

Other short-term borrowings are not material taken individually.

SALE OF RECEIVABLES WITHOUT RECOURSE

Net debt at both December 31, 2015 and December 31, 2014 does not include the trade receivables factoring facilities without recourse (two of which matured in first-half 2015 and were not renewed).

- CFM Inc.:
  - confirmed USD 200 million facility granted by General Electric Capital Corp., which expired during the first half of 2015. At December 31, 2014, an amount of USD 160 million (USD 80 million at 50%) had been drawn on this facility,
  - confirmed 364-day facility for USD 2,150 million, renewed in December 2015 by a syndicate of 10 banks led by Bank of Tokyo – Mitsubishi UFJ (USD 1,650 million at December 31, 2014), on which USD 1,623 million (USD 811.5 million at 50%) had been drawn at December 31, 2015, versus USD 1,126 million (USD 563 million at 50%) at December 31, 2014. At June 30, 2015, an amount of USD 1,754 million (USD 877 million at 50%) had been drawn on this facility.
- CFM SA:
  - the USD facility granted by Medio Credito (Intesa San Paolo group) for an equivalent amount of €110 million expired in early 2015. At December 31, 2014, a total of USD 70 million (USD 35 million at 50%) had been drawn on this facility.

Note 24 TRADE AND OTHER PAYABLES

(in € millions)	Dec. 31, 2014*	Movements during the period	Changes in scope of consolidation	Translation differences	Reclassifications	Dec. 31, 2015
Operating payables	**8,555**	**734**	**(18)**	**39**	**48**	**9,358**
Credit balances on trade receivables	1,501	176	-	-	-	1,677
Advance payments from customers	3,219	578	(1)	3	46	3,845
Trade payables	2,546	(66)	(14)	31	-	2,497
Current operating account	4	(2)	-	-	1	3
Employee-related liabilities	1,285	48	(3)	5	1	1,336
Other liabilities	**1,063**	**193**	**1**	**10**	**(23)**	**1,244**
State aid, accrued payables	-	(7)	-	-	-	(7)
State, other taxes and duties	186	97	5	(1)	(1)	286
Deferred income	699	82	2	8	(2)	789
Other	178	21	(6)	3	(20)	176
TOTAL	**9,618**	**927**	**(17)**	**49**	**25**	**10,602**

(*) The data published for 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at December 31, 2014").

Deferred income primarily concerns revenue billed on a percentage-of-completion basis and revenue deferred.

Trade and other payables fall due as shown below:

(in € millions)	Total	Less than 12 months	More than 12 months
Operating payables	9,358	8,733	625
Other liabilities	1,244	1,105	139
TOTAL	**10,602**	**9,838**	**764**

Note 25 OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

(in € millions)	Dec. 31, 2014	Movements during the period	Changes in scope of consolidation	Translation differences	Reclassifications	Dec. 31, 2015
Payables on purchases of property, plant and equipment and intangible assets	188	(16)	3	(1)	(46)	128
Payables on purchases of investments	38	(6)	-	-	(12)	20
TOTAL	**226**	**(22)**	**3**	**(1)**	**(58)**	**148**
Non-current	**101**					**26**
Current	**125**					**122**

Note 26 SUMMARY OF FINANCIAL LIABILITIES

The table below presents the carrying amount of the Group's financial liabilities at December 31, 2014 and December 31, 2015:

AT DECEMBER 31, 2014

(in € millions)	Carrying amount		
	Financial liabilities at amortized cost(1)	Financial liabilities at fair value	Total
Borrowings subject to specific conditions	713		713
Non-current interest-bearing financial liabilities	1,658		1,658
Current interest-bearing financial liabilities	1,507		1,507
Trade payables	2,546		2,546
Payables on purchases of investments	38	-	38
Payables on purchases of property, plant and equipment and intangible assets	188		188
Current operating accounts	4		4
Current derivatives (negative fair value)		1,636	1,636
TOTAL FINANCIAL LIABILITIES	**6,654**	**1,636**	**8,290**

(1) Including financial liabilities hedged by fair value hedging instruments.

AT DECEMBER 31, 2015

(in € millions)	Carrying amount		
	Financial liabilities at amortized cost[1]	Financial liabilities at fair value	Total
Borrowings subject to specific conditions	708		708
Non-current interest-bearing financial liabilities	1,752		1,752
Current interest-bearing financial liabilities	876		876
Trade payables	2,497		2,497
Payables on purchases of investments	20	-	20
Payables on purchases of property, plant and equipment and intangible assets	128		128
Current operating accounts	3		3
Current derivatives (negative fair value)		4,108	4,108
TOTAL FINANCIAL LIABILITIES	**5,984**	**4,108**	**10,092**

(1) Including financial liabilities hedged by fair value hedging instruments.

The fair value of financial liabilities is determined by reference to the future cash flows associated with each liability, discounted at market interest rates at the end of the reporting period, with the exception of borrowings subject to specific conditions, whose fair value cannot be estimated reliably given the uncertainties regarding the amounts to be repaid and the timing of repayment.

At December 31, 2015 and December 31, 2014, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

(in € millions)	2014		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	713	N/A	708	N/A
Interest-bearing financial liabilities[1]	3,165	3,184	2,628	2,644

(1) This fair value measurement relates to Level 2 in the fair value hierarchy (see Note 18, "Summary of financial assets").

Safran uses the fair value hierarchy described in Note 18, "Summary of financial assets" to determine the classification of financial liabilities at fair value.

The Group's financial liabilities carried at fair value at December 31, 2014 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	1,636	-	1,636
TOTAL	**-**	**1,636**	**-**	**1,636**

The Group's financial liabilities carried at fair value at December 31, 2015 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	4,108	-	4,108
TOTAL	**-**	**4,108**	**-**	**4,108**

In 2015 and 2014, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

Offsetting of financial liabilities and financial assets

AT DECEMBER 31, 2014

(in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (negative fair value)	1,636	-	1,636	401	1,235

(1) See Note 27, "Management of market risks and derivatives".

AT DECEMBER 31, 2015

(in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet[1] (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (negative fair value)	4,108	-	4,108	402	3,706

(1) See Note 27, "Management of market risks and derivatives".

The tables above show the financial liabilities for which an offsetting agreement exists with respect to financial assets.

At both December 31, 2015 and December 31, 2014, the Group did not offset any financial liabilities and financial assets on its balance sheet, since it did not meet the conditions specified in IAS 32. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offsetting agreement but not offset comprise a portion of the Group's derivatives with a positive fair value, since amounts can only be offset if they relate to the same counterparty.

Note 27 MANAGEMENT OF MARKET RISKS AND DERIVATIVES

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

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

(in € millions)	Dec. 31, 2014		Dec. 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	**29**	**-**	**35**	**-**
Fixed-for-floating interest rate swaps	29	-	35	-
Foreign currency risk management	**375**	**(1,616)**	**373**	**(4,055)**
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	163	(364)	153	(2,072)
Currency option contracts	212	(1,252)	220	(1,983)
Commodity risk management	**2**	**(20)**	**-**	**(53)**
Forward purchases of commodities	2	(20)	-	(53)
TOTAL	**406**	**(1,636)**	**408**	**(4,108)**

Foreign currency risk management

Most Aerospace Propulsion and Aircraft Equipment 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 7.4 billion for 2015.

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 a volatile monetary environment.

HEDGING POLICY

Two 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).

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 four-year timeframe.

MANAGEMENT POLICY

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and options (EUR call/USD put).

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, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators, and purchases and sales of options (USD call/EUR put).

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2014				Dec. 31, 2015			
(in millions of currency units)	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	**(201)**				**(1,919)**			
Short USD position	(307)	9,036	7,054	1,982	(1,980)	16,460	16,260	200
Of which against EUR	*(306)*	*8,457*	*6,675*	*1,782*	*(1,948)*	*15,915*	*15,915*	*-*
Long USD position	70	(917)	(667)	(250)	58	(324)	(164)	(160)
Of which against EUR	*48*	*(497)*	*(297)*	*(200)*	*43*	*(214)*	*(114)*	*(100)*
Short CAD position against CHF	3	36	36	-	4	30	30	-
Short EUR position against GBP	48	550	200	350	54	350	200	150
Short EUR position against CAD	27	240	-	240	15	240	120	120
Long EUR position against CHF	1	(11)	(11)	-	-	-	-	-
Long EUR position against SGD	(18)	(280)	(280)	-	-	-	-	-
Long SGD position against USD	-	-	-	-	(4)	(200)	(100)	(100)
Long PLN position against EUR	1	(255)	(85)	(170)	1	(360)	(120)	(240)
Long MXN position against USD	(26)	(6,900)	(2,300)	(4,600)	(67)	(6,800)	(2,500)	(4,300)
Currency option contracts	**(1,040)**				**(1,763)**			
USD put purchased	179	12,400	5,900	6,500	91	7,700	6,100	1,600
USD put sold	15	(1,800)	(1,800)	-	60	(2,300)	(500)	(1,800)
USD call sold	(1,001)	28,350	12,350	16,000	(1,940)	24,150	16,500	7,650
USD call purchased	6	(3,600)	(3,600)	-	(43)	(5,200)	(1,600)	(3,600)
EUR put purchased	3	280	280	-	-	-	-	-
EUR call sold	(3)	560	560	-	-	-	-	-
Accumulators – sell USD[2]	(198)	6,434	6,434	-	-	-	-	-
Accumulators – buy USD[2]	(41)	(503)	(503)	-	69	(3,309)	(868)	(2,441)
TOTAL	**(1,241)**				**(3,682)**			

(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.

The €2,441 million decrease in the fair value of foreign currency derivatives between December 31, 2014 and December 31, 2015 reflects a €2,438 million decrease in the fair value of currency hedging instruments not yet settled at December 31, 2015 and premiums received (negative impact of €3 million).

In view of the accounting constraints resulting from the application of IAS 39, the Group decided not to apply hedge accounting and to recognize all changes in the fair value of its derivatives in "Financial income (loss)". Accordingly, the €2,438 million decrease in the fair value of derivatives not yet settled at December 31, 2015 has been recognized in financial items: €2,485 million in "Gain or loss on foreign currency hedging instruments" for derivatives hedging revenue net of future purchases, €14 million in "Foreign exchange gains and losses" for derivatives hedging balance sheet positions, and a positive amount of €61 million in the same caption for premiums matured during the period.

In order to reflect the economic effects of its currency hedging policy, the Group also prepares adjusted financial statements in which gains or losses on the hedging instruments are presented for the same periods as the gains or losses on the items hedged (see Foreword).

EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

The exposure of the Group's financial instruments to EUR/USD foreign currency risk can be summarized as follows:

(in USD millions)	Dec. 31, 2014	Dec. 31, 2015
Total assets excluding derivatives	1,655	1,589
Total liabilities excluding derivatives	(2,582)	(2,605)
Derivatives hedging balance sheet positions(1)	(334)	(191)
NET EXPOSURE AFTER THE IMPACT OF DERIVATIVES HEDGING BALANCE SHEET POSITIONS	**(1,261)**	**(1,207)**

(1) Notional amount.

Assets and liabilities excluding derivatives primarily consist of operating receivables and payables denominated in USD in the balance sheets of Group subsidiaries whose functional currency is the euro, and unsecured notes issued by Safran on the US private placement market for USD 1.2 billion.

In addition to this net exposure, the Group has EUR/USD currency derivatives hedging revenue net of future purchases. These had a negative fair value of USD 3,975 million, compared to a total negative fair value of USD 3,994 million for EUR/USD currency derivatives at December 31, 2015 (negative fair value of USD 1,571 million and USD 1,576 million, respectively, at December 31, 2014).

The sensitivity of financial instruments to a 5% increase or decrease in the EUR/USD exchange rate is as follows:

Impact on balance sheet positions *(in € millions)*	Dec. 31, 2014 USD		Dec. 31, 2015 USD	
Closing rate	1.21		1.09	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.15	1.27	1.03	1.14
Impact recognized through profit or loss (before tax)	(1,232)	1,058	(1,761)	1,364
Impact recognized through equity (before tax)	(53)	48	(60)	54

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;
- cash flow risk 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 EURO INTEREST RATE RISK

An interest rate swap was taken out to convert the fixed rate payable on the new €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.

(in € millions)	Dec. 31, 2014					Dec. 31, 2015				
	Fair value	Notional amount *(in €)*	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount *(in €)*	Less than 1 year	1 to 5 years	More than 5 years
Interest rate swaps										
Fixed-for-floating	14	200	-	-	200	11	200	-	-	200
TOTAL	**14**					**11**				

For the €200 million bond issue, changes in the fair value of the hedging instrument and the hedged item within the scope of this hedge are recognized in "Financial income (loss)" as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Change in fair value of hedging instrument	14	(2)
Change in fair value of hedged item	(14)	2
IMPACT OF FAIR VALUE INTEREST RATE HEDGES ON PROFIT	**-**	**-**

Exposure to euro interest rate risk before and after hedging:

Dec. 31, 2014 *(in € millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	15	1,327	265	394	280	1,721
Other financial assets	-	118	-	113	-	231
Cash and cash equivalents	51	1,276			51	1,276
Net exposure before hedging	**(36)**	**(67)**	**265**	**281**	**229**	**214**
Derivatives[(1)]	-	-	(200)	200	(200)	200
Net exposure after hedging	**(36)**	**(67)**	**65**	**481**	**29**	**414**

(1) Notional amount.

Dec. 31, 2015 *(in € millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	19	725	247	369	266	1,094
Other financial assets	-	114	-	67	-	181
Cash and cash equivalents	40	1,420			40	1,420
Net exposure before hedging	**(21)**	**(809)**	**247**	**302**	**226**	**(507)**
Derivatives[(1)]	-	-	(200)	200	(200)	200
Net exposure after hedging	**(21)**	**(809)**	**47**	**502**	**26**	**(307)**

(1) Notional amount.

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market (USPP) has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate.

These swaps are eligible for fair value hedge accounting.

	Dec. 31, 2014					Dec. 31, 2015				
(in € millions)	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	-	-	1,045	24	1,045	-	-	1,045
TOTAL	**15**					**24**				

Changes in the fair value of the hedging instrument and hedged item within the scope of this hedge are recognized in "Financial income (loss)" as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Change in fair value of hedging instrument	51	9
Change in fair value of hedged item	(51)	(9)
IMPACT OF FAIR VALUE INTEREST RATE HEDGES ON PROFIT	**-**	**-**

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2014 *(in USD millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	29	145	1,212	-	1,241	145
Other financial assets	39	86	-	-	39	86
Cash and cash equivalents	161	83			161	83
Net exposure before hedging	**(171)**	**(24)**	**1,212**	**-**	**1,041**	**(24)**
Derivatives[(1)]	-	-	(1,045)	1,045	(1,045)	1,045
Net exposure after hedging	**(171)**	**(24)**	**167**	**1,045**	**(4)**	**1,021**

(1) Notional amount.

Dec. 31, 2015 *(in USD millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	81	53	1,231	-	1,312	53
Other financial assets	40	102	11	-	51	102
Cash and cash equivalents	176	64			176	64
Net exposure before hedging	**(135)**	**(113)**	**1,220**	**-**	**1,085**	**(113)**
Derivatives[(1)]	-	-	(1,045)	1,045	(1,045)	1,045
Net exposure after hedging	**(135)**	**(113)**	**175**	**1,045**	**40**	**932**

(1) Notional amount.

SENSITIVITY TO INTEREST RATE RISK

The aggregate sensitivity of net exposures to EUR and USD interest rate risk after the impact of hedging is shown below:

Impact of changes in interest rates *(in € millions)*	**Dec. 31, 2014**	**Dec. 31, 2015**
Interest rate assumptions used	+1%	+1%
Impact on profit or loss (before tax)	(13)	(5)
Impact on equity (before tax)	-	-

Management of commodity risk

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2015 represented 4,161 tons of nickel (3,038 tons at December 31, 2014), including contracts for 967 tons maturing in less than one year (1,059 tons at end-2014) and 3,194 tons in one to five years (1,979 tons at end-2014).

The notional amount of platinum forward purchase contracts at December 31, 2015 represented 2,184 ounces (4,257 ounces at December 31, 2014), including contracts for 2,184 ounces maturing in less than one year (2,073 ounces at end-2014) and zero ounces in one to five years (2,184 ounces at end-2014).

The notional amount of oil forward purchase contracts at December 31, 2015 represented 899,276 barrels (1,085,000 at December 31, 2014), including contracts for 179,127 barrels maturing in less than one year (186,000 barrels at end-2014) and 720,149 barrels in one to five years (899,000 barrels at end-2014).

These instruments had a negative fair value of €53 million at December 31, 2015. Given the difficulty in documenting hedging relationships between these derivatives and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

Equity risk management

Safran is exposed to fluctuations in the stock market price of the Embraer share, which is the only listed security that it holds.

A 5% decrease in the price of this share would have a net negative pre-tax impact of €3 million on equity at both end-2015 and end-2014.

Counterparty risk management

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

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

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

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

Note 16, "Trade and other receivables" provides a breakdown of trade receivables by maturity.

Liquidity risk management

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

Since the Group has an undrawn, confirmed liquidity line at December 31, 2015, it is relatively insensitive to liquidity risk. This €2,520 million line was set up in December 2015 and expires in December 2020. It includes two successive one-year extension options and is not subject to any covenants. This new facility replaces the previous two lines (€1,600 million expiring in December 2015 and €950 million expiring in October 2016), which were canceled in December 2015.

A number of financial covenants apply to the EIB borrowings set up in 2010 (see Note 23, "Interest-bearing financial liabilities").

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

The “net debt/EBITDA <2.5” covenant also applies to the senior unsecured notes issued on the US private placement market (see Note 23, “Interest-bearing financial liabilities”).

The terms “net debt”, “EBITDA” and “total equity” used in connection with the EIB borrowings and senior unsecured notes issued on the US private placement market are defined as follows:

- net debt: 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);
- total equity: equity attributable to owners of the parent and non-controlling interests.

Note 28 INTERESTS IN JOINT OPERATIONS

The Group has interests in a number of joint operations whose contribution is recognized line-by-line in the financial statements. The joint operations are:

- CFM International Inc. and CFM International SA: coordination of the CFM56 engine program with General Electric and program marketing;
- Famat: manufacture of large casings subcontracted by Snecma and General Electric;
- Matis: manufacture of aircraft wiring;
- CFAN: production of composite fan blades for turbo engines;
- Propulsion Technologies International: engine repair and maintenance;
- Regulus: aerospace propulsion (transferred to ASL on January 14, 2015).

The table below shows the Group’s share in the various financial indicators of these joint operations, included in the consolidated financial statements:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Current assets	142	143
Non-current assets	155	175
Current liabilities	199	198
Non-current liabilities	5	6
Operating income	92	84
Operating expenses	(68)	(56)
Financial income (loss)	(2)	(4)
Income tax expense	(2)	(2)
Profit (loss) for the period	21	22
Other comprehensive income	9	9
Comprehensive income	30	31
Cash flows from operating activities[1]	40	1
Cash flows used in investing activities	(3)	(6)
Cash flows used in financing activities[1]	(8)	(7)

(1) See Note 23, “Interest-bearing financial liabilities” – trade receivables factoring programs at CFM Inc.

Note 29 RELATED PARTIES

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

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

Transactions with associates were not material in 2015 or 2014, and they are not therefore included in the table below.

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

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Sales to related parties other than joint ventures	3,665	3,333
Purchases from related parties other than joint ventures	(139)	(98)

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Amounts receivable from related parties other than joint ventures	1,865	1,777
Amounts payable to related parties other than joint ventures	1,470	1,204

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Guarantees granted to related parties other than joint ventures (off-balance sheet commitments)[1]	1,815	2,025

(1) See Note 30.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.

The following transactions were carried out with joint ventures:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Sales to joint ventures	175	464
Purchases from joint ventures	(76)	(86)

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Amounts receivable from joint ventures	51	217
Amounts payable to joint ventures	247	305

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Guarantees granted to joint ventures (off-balance sheet commitments)[1]	-	-

(1) See Note 14, "Investments in equity-accounted companies".

Management compensation

Management executives comprise members of the Board of Directors and Executive Management, as well as any persons with the power to take management decisions with regard to the Group's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Group.

In 2014 and up to April 23, 2015, management executives included the 17 members of the Board of Directors, including the Chairman and Chief Executive Officer, as well as the three Deputy Chief Executive Officers and the two Directors declared in submissions to the French financial markets authority (*Autorité des Marchés Financiers* – AMF) as having equivalent management executive status *(assimilés dirigeants)* within the meaning of the French Monetary and Financial Code, i.e., considered as having the power to take management decisions with regard to the Group's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Group.

Since April 23, 2015, the date on which the Board of Directors decided to separate the role of Chairman and Chief Executive Officer, management executives have included the 17 members of the Board of Directors, including the Chairman of the Board and the Chief Executive Officer, along with the five Directors declared in submissions to the AMF as having equivalent management executive status within the meaning defined above.

All compensation and benefits awarded to members of the Board of Directors and to members of Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Short-term benefits(1)	9.3	8.9
Post-employment benefits	1.6	1.1
Other long-term benefits	-	0.3
Termination benefits	-	-
Share-based payment	-	-

(1) Compensation, social security contributions, attendance fees and benefit payments, where applicable.

The Group's total post-employment benefit commitments and other long-term benefit commitments in respect of management executives amounted to €11.6 million at December 31, 2015 and €13.7 million at December 31, 2014.

Note 30 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

a) Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities

COMMITMENTS GIVEN AND CONTINGENT LIABILITIES

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

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Purchase commitments on intangible assets	367	317
Purchase commitments on property, plant and equipment	289	322
Guarantees given in connection with the performance of operating agreements	3,275	3,708
Operating lease commitments	385	395
Financial guarantees granted on the sale of Group products	43	46
Other commitments given	247	393
TOTAL	**4,606**	**5,181**

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 29, "Related parties".

Operating lease commitments

Commitments under operating leases can be analyzed as follows:

	Dec. 31, 2014	Dec. 31, 2015	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	385	395	89	221	85
TOTAL	**385**	**395**	**89**	**221**	**85**

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 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 50 million at December 31, 2015 and USD 52 million at December 31, 2014. 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 32 million at December 31, 2015 (USD 35 million at December 31, 2014), for which a provision is booked in the financial statements (see Note 20, "Provisions").

Financing commitments granted in principle 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 banking, credit insurance and investor markets.

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation requests for late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the statutory performance warranties provisioned or included within contract costs (see Note 2.b, "Provisions", and Note 20, "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.

In the absence of an agreement between the parties, some of these claims may lead to litigation proceedings, the most significant of which are discussed in Note 31, "Disputes and litigation".

COMMITMENTS RECEIVED

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

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Commitments received from banks on behalf of suppliers	16	11
Completion warranties	32	22
Endorsements and guarantees received	52	56
Other commitments received	7	9
TOTAL	**107**	**98**

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.

VENDOR WARRANTIES GIVEN

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Vendor warranties given[1]	5	5

(1) Vendor warranties, the amount of which may be fixed or determinable.

VENDOR WARRANTIES RECEIVED

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Vendor warranties received(1)	38	46

(1) *Vendor warranties received at December 31, 2015 do not include those received from SNPE in connection with the SME acquisition, which are described below.*

Warranties received from SNPE

Under the terms of the SME share transfer agreement, SNPE granted Safran a specific warranty for a period of 30 to 40 years concerning environmental liabilities due to past operations at eight sites. This warranty is capped at €240 million for 15 years and at €200 million thereafter. Safran is liable for 10% of the costs. The agreement provides for specific warranty sublimits totaling €91 million for cleanup during operations, including €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. Safran will be liable for 10% of the cleanup costs and 50% of the Perchlorate Plan costs. The plan was jointly drawn up by Safran and SNPE within 18 months of the acquisition date in order to define, reduce and/or restrict the sources of ammonium perchlorate pollution, and must be executed over a period of five years. These warranties granted by SNPE to Safran are counter-guaranteed by the French State for €216 million. When preparing the opening balance sheet and calculating goodwill, environmental studies were conducted in order to assess these environmental liabilities and contingent environmental liabilities as well as the abovementioned warranties.

The share transfer agreement also provides for other warranties granted by the seller which are capped at €25 million and have time limits of three to ten years depending on their nature.

The environmental warranty given to Safran by SNPE is called upon on an ongoing basis in proportion to the costs effectively incurred to treat pollution resulting from past operations.

At December 31, 2015, no other such warranties had been called, and no provisions were therefore recognized in the Group's consolidated financial statements.

c) Off-balance sheet commitments and contingent liabilities relating to the Group's financing

Commitments received in respect of financing relate to:

- the unused portion of the trade receivables factoring facility requiring deconsolidation of the receivables concerned (see Note 23, "Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit line (see Note 27, "Management of market risks and derivatives").

Note 31 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, legal action and regulatory proceedings outside the scope of their ordinary operations. The most important are described below.

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.

- 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.
- The urban community of Bordeaux (*Communauté Urbaine de Bordeaux* – CUB) served Herakles with a writ of summons for summary proceedings before the Paris Large Claims Court *(Tribunal de Grande Instance).* In an order handed down on May 3, 2012, a legal expert was appointed in order to determine the cause and impact of traces of ammonium perchlorate in parts of the drinking water source. At the time of the forensic analysis the CUB, which owns the water supply source, estimated its claim for damages at approximately €1 million. Lyonnaise des Eaux, holder of the concession, has filed for damages of around €2 million. In its final report dated July 27, 2015, the legal expert did not uphold the heads of claim put forward by Bordeaux Métropole (formerly CUB) and allowed an aggregate amount of approximately €1.6 million after excluding certain heads of claim put forward by Lyonnaise des Eaux. The expert's opinion is purely technical and does not address issues of legal liability, which fall within the jurisdiction of the trial judge.

  The agreements governing Safran's acquisition of SME (now Herakles) include an environmental guarantee given by SNPE to Safran. Under this guarantee, Herakles is also to carry out additional analyses and adopt a plan to manage the perchlorate (see Note 30, "Off-balance sheet commitments and contingent liabilities").

- At the end of 2002, a group of French manufacturers, including the former Snecma group, was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers in which Snecma's participation was approximately 10%. An agreement was signed by the parties in June 2003, whereby the claimant withdrew from the proceedings. In November 2012, the claimant filed a new request for arbitration on similar grounds to those invoked in 2002 and for a revised amount of €226 million. The parties are strongly challenging this claim. At the date of this report, it is not possible to evaluate any potential financial risk. Consequently, Safran has not recognized a provision. The proceedings are still ongoing.
- On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim with Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings for reimbursement of overcharges against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. At the date of this report, it is not possible to evaluate the potential financial risk and Safran has not recognized a provision.

Tax litigation and contingencies

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expenses between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007 before the tax authorities who rejected this claim on June 24, 2011. Safran filed a statement of claim with the Administrative Court. In a ruling handed down on July 4, 2013, the Montreuil Administrative Court ruled partially in Safran's favor by granting relief from the €7.2 million in additional tax payments. Safran appealed this decision before the Versailles Administrative Court as regards the remainder. In an order dated December 30, 2014, the Court granted Safran's requests. On March 2, 2015, the French Minister for Finance and Public Accounts filed an appeal with the Council of State to set aside the court's decision. Safran submitted a statement of defense on June 10, 2015.
- In late 2006, the French tax authorities challenged the deductibility of certain expenses accounted for in 2003 and proceeded to collect from Safran SA the sum of €11.7 million in September 2009 (income tax, penalties and interest). The adjustment was contested in a claim filed by Safran with the tax authorities in 2011, which was dismissed by the tax authorities on June 20, 2012. On August 3, 2012, Safran referred the case to the Montreuil Administrative Court, which subsequently found against Safran on November 18, 2014. Safran has decided to file an appeal against this decision with the Versailles Administrative Court of Appeal.
- A Group subsidiary in Brazil is accused of not having levied a value added tax known as ICMS in the period 2010-2011 when selling products to its customers. Following the decisions handed down at first instance and the first appeal rulings, certain of which found in favor of the Company, the risk now represents BRL 136.2 million, or around €38.7 million (including BRL 111.5 million in late-payment interest at December 31, 2015). The Company continues to challenge the grounds for these reassessments, relying primarily on a legal opinion and on Brazilian Supreme Court case law. No provision has therefore been set aside in this respect to date.
- The Canadian tax authorities have challenged the transfer pricing methods used by a Group subsidiary, and issued an adjustment of CAD 26 million, or approximately €17 million (tax and penalties). To date, the Company has had to pay CAD 16 million despite fully contesting these claims. As well as challenging the grounds of the adjustment, it has appealed to the competent authorities in Canada, the United Kingdom and France in order to avoid any risk of double taxation should the adjustment be confirmed in Canada. In the context of this appeal, the Canadian tax authorities asked the Company to provide additional financial information which was duly supplied in November 2015.

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 32 SUBSEQUENT EVENTS

OCEANE bond issue

On January 5, 2016, Safran launched an offering of €650 million worth of zero-coupon bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE"), maturing on December 31, 2020. The bond issue was settled on January 8, 2016.

The issue comprised 7,277,205 bonds each with a par value of €89.32, issued at €92.8928 (i.e., 104% of par) and bringing the total issue proceeds to €676 million. The effective interest rate on the liability component after separating out the conversion option is 1.5%.

Note 33 LIST OF CONSOLIDATED COMPANIES

	Country	2014 Consolidation method	2014 % interest	2015 Consolidation method	2015 % interest
Safran SA	**France**	**Parent company**			
Aerospace Propulsion					
Snecma	France	FC	100.00	FC	100.00
CFAN Company	United States	JO	50.00	JO	50.00
CFM International SA	France	JO	50.00	JO	50.00
CFM International Inc.	United States	JO	50.00	JO	50.00
CFM Materials LP	United States	EQ	50.00	EQ	50.00
Famat	France	JO	50.00	JO	50.00
Fan Blade Associates, Inc.	United States	FC	100.00	FC	100.00
Safran Aero Composite SAS(1)	France	-	-	FC	100.00
Safran Aero Composites LLC(1)	United States	-	-	FC	100.00
Shannon Engine Support Ltd	Ireland	EQ	50.00	EQ	50.00
Snecma America Engine Services SA de CV	Mexico	FC	100.00	FC	100.00
Snecma Morocco Engine Services	Morocco	FC	51.00	FC	51.00
Snecma Participations	France	FC	100.00	FC	100.00
Snecma Participations Inc.	United States	FC	100.00	FC	100.00
Snecma Services Brussels	Belgium	FC	100.00	FC	100.00
Snecma Suzhou Co, Ltd	China	FC	100.00	FC	100.00
Snecma Xinyi Airfoil Castings Co	China	FC	90.00	FC	90.00
Propulsion Technologies International, LLC	United States	JO	50.00	JO	50.00
Techspace Aero	Belgium	FC	67.19	FC	67.19
Cenco, Inc.	United States	FC	67.19	FC	67.19
Techspace Aero, Inc.	United States	FC	67.19	FC	67.19
Turbomeca	France	FC	100.00	FC	100.00
Microturbo	France	FC	100.00	FC	100.00
Turbomeca Africa	South Africa	FC	51.00	FC	51.00
Turbomeca America Latina	Uruguay	FC	100.00	FC	100.00
Turbomeca Asia Pacific Pte Ltd	Singapore	FC	100.00	FC	100.00
Turbomeca Australasia Pty Ltd	Australia	FC	100.00	FC	100.00
Turbomeca Canada, Inc.	Canada	FC	100.00	FC	100.00
Turbomeca do Brasil Industria e Commercio Ltda	Brazil	FC	100.00	FC	100.00
Turbomeca Germany GmbH	Germany	FC	100.00	FC	100.00
Turbomeca Manufacturing, LLC	United States	FC	100.00	FC	100.00
Turbomeca Tianjin Helicopter Engines Trading Co Ltd	China	FC	100.00	FC	100.00
Turbomeca UK Ltd	United Kingdom	FC	100.00	FC	100.00
Turbomeca USA, Inc.	United States	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.
(1) First-time consolidation in 2015.
(2) Left the Group in 2015.
(3) Merged into Colibrys AG.
(4) Merged into Morpho Canada.
(5) Merged into Morpho France.
(6) Merged into Morpho Cards Singapore Pte Ltd.
(7) Merged into Morpho Detection LLC.
(8) Disposal of securities.

		2014		2015	
	Country	Consolidation method	% interest	Consolidation method	% interest
Turbomeca Mexico	Mexico	FC	100.00	FC	100.00
Herakles (formerly SME)	France	FC	100.00	FC	100.00
Europropulsion SA[(2)]	France	EQ	50.00	-	-
Pyroalliance	France	FC	85.00	FC	85.00
Regulus[(2)]	France	JO	40.00	-	-
Roxel France	France	EQ	50.00	EQ	50.00
Roxel Ltd	United Kingdom	EQ	50.00	EQ	50.00
Roxel	France	EQ	50.00	EQ	50.00
Structil	France	FC	80.00	FC	80.00
Airbus Safran Launchers Holding[(1)]	France	-	-	EQ	50.00
Aircraft Equipment					
Aircelle	France	FC	100.00	FC	100.00
Aircelle Ltd	United Kingdom	FC	100.00	FC	100.00
Aircelle Maroc	Morocco	FC	100.00	FC	100.00
SLCA	France	FC	100.00	FC	100.00
Messier-Bugatti-Dowty	France	FC	100.00	FC	100.00
A-Pro	United States	EQ	50.00	EQ	50.00
Hydrep	France	FC	100.00	FC	100.00
Messier-Bugatti USA, LLC	United States	FC	100.00	FC	100.00
Messier-Bugatti-Dowty Malaysia Sdn bhd	Malaysia	FC	100.00	FC	100.00
Messier-Dowty LLC	Canada	FC	100.00	FC	100.00
Messier-Dowty Ltd	United Kingdom	FC	100.00	FC	100.00
Messier Dowty Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Messier Services Americas	Mexico	FC	100.00	FC	100.00
Messier Services Asia Pte Ltd	Singapore	FC	60.00	FC	60.00
Messier Services Inc.	United States	FC	100.00	FC	100.00
Messier Services Ltd	United Kingdom	FC	100.00	FC	100.00
Messier Services Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Messier Services Pte Ltd	Singapore	FC	100.00	FC	100.00
Sofrance	France	FC	100.00	FC	100.00
Messier Dowty Suzhou II Co Ltd	China	FC	100.00	FC	100.00
Labinal Power Systems	France	FC	100.00	FC	100.00
Aerosource[(1)]	United States	-	-	FC	100.00
Labinal de Chihuahua, SA de CV	Mexico	FC	100.00	FC	100.00
Labinal GmbH	Germany	FC	100.00	FC	100.00
Labinal Investments LLC	United States	FC	100.00	FC	100.00
Labinal LLC	United States	FC	100.00	FC	100.00
Labinal Maroc SA	Morocco	FC	100.00	FC	100.00
Labinal de Mexico SA de CV	Mexico	FC	100.00	FC	100.00

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(7) Merged into Morpho Detection LLC.
(8) Disposal of securities.

	Country	2014 Consolidation method	2014 % interest	2015 Consolidation method	2015 % interest
Labinal Salisbury LLC	United States	FC	100.00	FC	100.00
Matis Aerospace	Morocco	JO	50.00	JO	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India Pvt Ltd	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Safran Engineering Services UK Ltd(1)	United Kingdom	-	-	FC	100.00
Safran Power UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Power USA, LLC	United States	FC	100.00	FC	100.00
Technofan	France	FC	95.15	FC	95.15
Technofan LLC	United States	FC	100.00	FC	100.00
SAIFEI	China	EQ	49.00	EQ	49.00
Hispano-Suiza	France	FC	100.00	FC	100.00
Hispano-Suiza Polska	Poland	FC	100.00	FC	100.00
SEM MB	France	EQ	50.00	EQ	50.00
Defense					
Sagem Défense Sécurité	France	FC	100.00	FC	100.00
Optics1, Inc.	United States	FC	100.00	FC	100.00
Safran Electronics Asia Pte Ltd	Singapore	FC	51.00	FC	60.00
Safran Electronics Canada, Inc.	Canada	FC	100.00	FC	100.00
Sagem Avionics, LLC	United States	FC	100.00	FC	100.00
Sagem Navigation GmbH	Germany	FC	100.00	FC	100.00
Sofradir	France	EQ	50.00	EQ	50.00
ULIS	France	EQ	50.00	EQ	50.00
Vectronix AG	Switzerland	FC	100.00	FC	100.00
Vectronix Inc.	United States	FC	100.00	FC	100.00
REOSC	France	FC	100.00	FC	100.00
Colibrys AG	France	FC	100.00	FC	100.00
Colibrys Schweiz AG(3)	Switzerland	FC	100.00	-	-
Security					
Morpho	France	FC	100.00	FC	100.00
Aleat	Albania	FC	75.00	FC	75.00
Bioscrypt Canada Inc.	Canada	FC	100.00	FC	100.00
ComnetiX, Inc.(4)	Canada	FC	100.00	-	-
EIMASS, LLC	United Arab Emirates	EQ	40.00	EQ	40.00
Dictao(5)	France	FC	100.00	-	-
L-1 Secure Credentialing, LLC	United States	FC	100.00	FC	100.00
Morpho Australasia Pty Ltd	Australia	FC	100.00	FC	100.00
Morpho BV (formerly Sagem Identification BV)	Netherlands	FC	100.00	FC	100.00
Morpho Canada, Inc.	Canada	FC	100.00	FC	100.00

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	Country	2014 Consolidation method	2014 % interest	2015 Consolidation method	2015 % interest
Morpho Maroc	Morocco	FC	100.00	FC	100.00
Morpho South Africa (Pty) Ltd	South Africa	FC	100.00	FC	100.00
MorphoTrak LLC	United States	FC	100.00	FC	100.00
MorphoTrust USA LLC	United States	FC	100.00	FC	100.00
Morpho UK Ltd	United Kingdom	FC	100.00	FC	100.00
Morpho USA Inc.	United States	FC	100.00	FC	100.00
TransDigital Technologies LLC	United States	FC	100.00	FC	100.00
Morpho Cards GmbH	Germany	FC	100.00	FC	100.00
Cassis International Pte Ltd(3)	Singapore	FC	100.00	-	-
Morpho Cards Sdn Bhd	Malaysia	FC	100.00	FC	100.00
Morpho do Brasil SA	Brazil	FC	100.00	FC	100.00
Morpho Cards de Colombia SAS	Colombia	FC	100.00	FC	100.00
PT Morpho Cards Indonesia	Indonesia	FC	100.00	FC	100.00
Morpho Cards (Singapore) Pte Ltd	Singapore	FC	100.00	FC	100.00
Morpho Cards de Peru SAC	Peru	FC	100.00	FC	100.00
Morpho Cards Portugal Lda	Portugal	FC	100.00	FC	100.00
Morpho Cards Romania SRL	Romania	FC	100.00	FC	100.00
Morpho Cards UK Ltd	United Kingdom	FC	100.00	FC	100.00
Morpho N.A. Inc.	United States	FC	100.00	FC	100.00
Morpho South Africa (Pty) Ltd	South Africa	FC	100.00	FC	100.00
CPS Technologies	France	FC	100.00	FC	100.00
Morpho Cards Czech S.R.O	Czech Republic	FC	100.00	FC	100.00
Smart Chip Private Ltd	India	FC	100.00	FC	94.86
Syscom Corporation Private Ltd	India	FC	100.00	FC	94.86
Orga Zelenograd Smart Cards and Systems - ZAO	Russia	FC	100.00	FC	100.00
Morpho Cards FZ LLC	United Arab Emirates	FC	100.00	FC	100.00
Morpho Cards Mexico	Mexico	FC	100.00	FC	100.00
Morpho Detection LLC	United States	FC	100.00	FC	100.00
Morpho Detection International LLC	United States	FC	100.00	FC	100.00
Morpho Detection Germany GmbH	Germany	FC	100.00	FC	100.00
Morpho Detection UK Ltd	United Kingdom	FC	100.00	FC	100.00
Quantum Magnetics LLC(7)	United States	FC	100.00	-	-
Syagen Technology LLC	United States	FC	100.00	FC	100.00
Ingenico(8)	France	EQ	9.60	-	-
Holding co. and other					
Établissements Vallaroche	France	FC	100.00	FC	100.00
Safran UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran USA Inc.	United States	FC	100.00	FC	100.00
Soreval	Luxembourg	FC	100.00	FC	100.00

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(8) Disposal of securities.

3.2 Statutory auditors' report on the consolidated financial statements
Year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the group's management report.

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 compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2015 on:

- the audit of the accompanying consolidated financial statements of Safran;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

As indicated in the Note 2 to the consolidated financial statements, the preparation of the group's consolidated financial statements requires the management of your company to define assumptions in order to make estimates that have an impact on the book values of the assets and liabilities and on the income and expenses recorded in the consolidated financial statements, as well as on the disclosures in the notes to the consolidated financial statements.

We consider that the matters that are the subject of significant estimates and for which our assessments require justification include estimates relating to contracts and programs, especially with regards to fixed asset impairment tests and the valuation of certain provisions.

FIXED ASSET IMPAIRMENT TESTS

At least once a year and at any time if there are indications of impairment, the group performs impairment tests on goodwill. Also, at each annual close, the group performs impairment tests on assets allocated to programs (aerospace programs, development costs and tangible assets used in production) when occurrence of events or circumstances indicating a risk of impairment. These tests are based on the discounting of future cash flows expected from cash generating units, projects or programs to which the dedicated assets are attached, according to the conditions described in note1.l to the consolidated financial statements. We reviewed the conditions of implementation of these impairment tests and verified the consistency of the assumptions adopted. We also verified that the notes 10 and 11 to the consolidated financial statements give the appropriate disclosure.

PROVISIONS

Safran recognizes provisions for losses upon completion, losses on delivery commitments, provisions for financial guarantees relating to sales and provisions for commercial guarantees, as described in note 1.r to the consolidated financial statements. Our work consisted notably in assessing the assumptions, the contractual and forecast data, and the technical and statistical bases on which these estimates are based, reviewing group's calculations by means of sampling, and examining the procedures for the management's approval of these estimates. On that basis, we assessed the reasonable nature of these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

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

Courbevoie and Paris-La Défense, March 29, 2016

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

3.3 Parent company financial statements at December 31, 2015

Parent company income statement

(in € millions)	Note	Dec. 31, 2014	Dec. 31, 2015
Operating income			
Revenue	4.1	461	563
Operating expense transfers	4.2	6	2
Reversal of depreciation, amortization and provisions		6	26
Other income		2	2
Operating income		**475**	**593**
Operating expenses			
Cost of goods sold in the period:			
◆ Raw materials		(1)	(1)
◆ Sub-contracting purchases		(2)	-
◆ Purchases not held in inventory and supplies		(5)	(9)
◆ External services		(378)	(359)
Taxes and duties other than income tax		(11)	(14)
Payroll costs:			
◆ Wages and salaries		(125)	(134)
◆ Social security contributions		(76)	(88)
Charges to depreciation, amortization, provisions and impairment:			
◆ Charges to depreciation, amortization and impairment of non-current assets		(37)	(38)
◆ Charges to provisions for contingencies and losses		(22)	(26)
Other expenses		(2)	(1)
Operating expenses		**(659)**	**(670)**
Loss from operations		**(184)**	**(77)**
Financial income		866	1,728
Financial expenses		(114)	(83)
Financial income	**4.3**	**752**	**1,645**
Profit from ordinary activities before tax		**568**	**1,568**
Non-recurring income		438	201
Non-recurring expenses		(454)	(220)
Non-recurring expense	**4.4**	**(16)**	**(19)**
Income tax benefit (expense)	4.6	136	103
Movements in provisions set aside to cover income taxes of loss-making subsidiaries		(34)	(4)
PROFIT FOR THE YEAR		**654**	**1,648**

Parent company balance sheet at December 31, 2015

Assets

(in € millions)	Note	Dec. 31, 2014	Dec. 31, 2015 Gross carrying amount	Dec. 31, 2015 Depreciation, amortization and impairment	Dec. 31, 2015 Net
Intangible assets	**3.1**	**3,315**	**3,326**	**84**	**3,242**
◆ Purchased goodwill		3,268	3,212	-	3,212
◆ Other intangible assets		47	114	84	30
Property, plant and equipment	**3.1**	**100**	**182**	**79**	**103**
Financial assets	**3.1**	**6,497**	**6,922**	**136**	**6,786**
◆ Equity investments		6,231	6,304	59	6,245
◆ Other financial assets		266	618	77	541
Total non-current assets		**9,912**	**10,430**	**299**	**10,131**
Payments on account		5	7	-	7
Trade receivables	3.2	64	42	-	42
Other receivables	3.2	315	438	1	437
Group current accounts		2,326	2,484	-	2,484
Marketable securities	3.3	810	882	-	882
Cash at bank and in hand	3.3	553	607	-	607
Prepayments	3.5	10	11	-	11
Total current assets		**4,083**	**4,471**	**1**	**4,470**
Redemption premiums	3.6	1	1	-	1
Unrealized foreign exchange losses	3.6	145	332	-	332
TOTAL ASSETS		**14,141**	**15,234**	**300**	**14,934**

Equity and liabilities

(in € millions)	Note	Dec. 31, 2014	Dec. 31, 2015
Share capital	3.7	83	83
Other equity	3.7	5,018	5,156
Tax-driven provisions	3.7	51	40
Profit for the year	**3.7**	**654**	**1,648**
Total equity		**5,806**	**6,927**
Provisions for contingencies and losses	3.8	728	746
Bond issue	3.9	200	200
USD senior unsecured notes issue	3.9	988	1,102
Other loans and borrowings	3.9	1,627	1,025
Group current accounts	3.9	3,627	3,617
Trade payables	3.9	229	153
Other liabilities	3.10	837	978
Deferred income	3.11	10	9
Financial liabilities, operating payables and miscellaneous liabilities		**8,246**	**7,830**
Unrealized foreign exchange gains	3.12	89	177
TOTAL EQUITY AND LIABILITIES		**14,141**	**14,934**

Parent company statement of cash flows

(in € millions)		Dec. 31, 2014	Dec. 31, 2015
I. Cash flows from operating activities			
Profit for the year		654	1,648
Non-cash income and expenses			
Depreciation, amortization, impairment and provisions		(300)	19
Capital gains and losses on asset disposals		393	61
Net cash from operations before changes in working capital		**747**	**1,728**
Net change in current accounts*		(458)	(168)
Net change in other receivables and payables		90	(138)
Change in working capital		**(368)**	**(306)**
	Total I	**379**	**1,422**
II. Cash flow used in investing activities			
Payments for purchases of intangible assets and property, plant and equipment, net of proceeds		(46)	(43)
Payments for purchases of equity investments and other financial assets, net of proceeds		(79)	(249)
	Total II	**(125)**	**(292)**
III. Cash flow used in financing activities			
Dividends paid to shareholders		(266)	(267)
Interim dividend		(233)	(250)
Increase in borrowings		4	34
Decrease in borrowings		(38)	(67)
New bond issue		200	-
Bond redemption		(750)	-
Change in long-term borrowings**		118	114
Change in short-term borrowings		715	(568)
	Total III	**(250)**	**(1,004)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**I+II+III**	**4**	**126**
Opening cash and cash equivalents		1,359	1,363
Closing cash and cash equivalents		1,363	1,489
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4**	**126**

(*) Classified in operating items in view of the nature of the Company's operations.
(**) Impact resulting from the translation into euros of USD senior unsecured notes at the closing exchange rate.

Notes to the parent company financial statements

FOREWORD

The data set out below are an integral part of the parent company financial statements. They are expressed in millions of euros unless otherwise indicated.

The 2015 financial year spans 12 months.

Safran may also be referred to as "the Company" in these notes.

The total balance sheet at December 31, 2015 prior to the appropriation of profit represents €14,934,393,826.38.

Accounting profit for 2015 represents €1,648,209,396.95.

Note 1 ACTIVITY OF THE COMPANY AND 2015 HIGHLIGHTS

1.1 Activity of the Company

As the Group's parent company, Safran performs the following functions for the Group's companies:

- it holds and manages shares in the main Group subsidiaries;
- it steers and develops the Group, determining: Group strategy; research and technology (R&T) policy; sales policy; legal and financial policy; human resources policy; personnel training, retraining and skills matching by Safran University; communications; and oversight of operations;
- it provides:
  - support on legal, taxation and financial matters, essentially in the following areas: cash pooling as part of the management of advances and investments between Safran and each Group company; currency and commodity risk management policy as part of efforts to protect companies and reduce uncertainty regarding the economic performance of operating subsidiaries resulting from fluctuations in exchange rates (mainly USD) and in the price of commodities; and tax consolidation in jurisdictions where Safran is liable for the entire income tax charge, additional income tax contributions and the annual minimum tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, and
  - services within the scope of Shared Services Centers in the following areas: payroll administration and management, recruitment, non-production purchases, IT, and some accounting services.

1.2 2015 highlights

On December 3, 2014, following the decisions handed down by the European Space Agency (ESA) on the strategy for the development and production of the new Ariane 6 launcher, Safran and the Airbus group announced that they had signed an agreement to create a 50-50 joint arrangement to be known as Airbus Safran Launchers (ASL).

During the initial phase, which was finalized on January 14, 2015, Safran SA contributed its shares in Europropulsion, Regulus, Arianespace Participation and Arianespace to the joint arrangement, receiving shares issued by ASL for an amount of €54 million in exchange.

Note 2 ACCOUNTING POLICIES

2.1 Accounting rules and methods

2.1.1 ACCOUNTING STANDARDS APPLIED

The parent company financial statements for the year ended December 31, 2015 have been prepared in accordance with the rules and regulations applicable in France pursuant to Regulation 2014-03 issued by the *Autorité des Normes Comptables* (ANC), the French accounting standards board, on June 5, 2014 and subsequent opinions and recommendations issued by the ANC (which was formed by the 2009 merger of *Conseil National de la Comptabilité* (CNC) and *Comité de la Réglementation Comptable* (CRC)).

For reporting periods beginning on or after January 1, 2014, the Company applied Recommendation 2013-02 on the measurement and recognition of employee benefit obligations.

The financial statements have been prepared on a going concern basis using the accruals method, in accordance with the basic principle of prudence and with the general rules for preparing and presenting parent company financial statements, in order to provide a true and fair value of the Company. Accounting policies have been applied consistently from one period to the next.

Unless otherwise stated, accounting items are carried at historical cost.

2.1.2 CHANGE IN ACCOUNTING POLICY

The application of Recommendation 2013-02 on the measurement and recognition of employee benefit obligations as of January 1, 2014 had no impact on the Company's financial statements since it allows entities to continue using the accounting methods permitted under the previous standard.

2.2 Intangible assets

All intangible assets are valued at purchase cost.

The gross cost of intangible asset items is amortized over the expected useful life of these assets using the straight-line method:

- patents and licenses are amortized over the shorter of the period of legal protection and period of effective use;
- application software is carried at purchase cost plus any development costs incurred in order to bring it into operation, and is amortized on a straight-line basis over a period of one to five years.

Increases in standard depreciation rates permitted by the tax authorities to encourage investment are considered as "accelerated tax depreciation" and are recorded in tax-driven provisions in equity.

Research and development costs are recorded as expenses in the period in which they are incurred.

The "technical" merger deficit generated by the 2005 merger of Snecma into Sagem SA based on carrying amounts was recorded as an asset.

Of the total, 83.39% – based on Sagem SA's stake in Snecma following the tender offer but before the merger – corresponded to unrealized capital gains on certain assets carried in Snecma's balance sheet. The capital gains were determined using the same approach as that applied to measure the fair values of the identifiable assets and liabilities of the Snecma group companies at April 1, 2005 for recognition in Safran's consolidated balance sheet. The merger deficit was therefore allocated to Snecma's various assets as described in Note 3.1, without adjusting their carrying amounts in the accounts of Safran. The merger deficit is not amortizable and is therefore tested annually for impairment. In the event that any of the underlying assets are sold, the portion of the deficit allocated to the assets concerned without adjusting their carrying amount will be written off to the income statement.

2.3 Property, plant and equipment

As required by the applicable accounting regulations (CRC Regulation 2004-06), since January 1, 2005, property, plant and equipment have been depreciated over their useful lives.

Property, plant and equipment are recorded in the balance sheet at historical purchase cost less accumulated depreciation and impairment losses.

Purchase cost comprises the purchase price, ancillary fees and all costs directly attributable to bringing the asset to the location and condition ready for its intended use.

Assets purchased in a foreign currency are translated into euros at the exchange rate prevailing on the transaction date.

Assets produced by the Company are recorded at production cost.

In compliance with CRC Regulation 2004-06, significant components of certain assets such as buildings whose useful lives differ from that of the asset as a whole are recognized and depreciated separately.

2.3.1 DEPRECIATION

The main useful lives applied to property, plant and equipment are as follows:

◆ buildings	15 to 40 years
◆ building improvements; fixtures and fittings	10 years
◆ office furniture	6 years and 8 months
◆ office equipment	6 years and 8 months
◆ vehicles	4 years
◆ technical installations, equipment, industrial tools and other	3 to 10 years

Property, plant and equipment are depreciated on a straight-line or declining-balance basis.

Increases in standard depreciation rates permitted by the tax authorities to encourage investment are considered as "accelerated tax depreciation" and are recorded in tax-driven provisions in equity.

2.3.2 IMPAIRMENT

If there is evidence that an asset may be impaired at year-end, the Company performs an impairment test. The Company considers external indications of impairment such as events or changes in the market environment with an adverse impact on the entity that occurred during the reporting period or will occur in the near future, along with internal indications of impairment such as obsolescence or significant changes in the way in which an asset is used.

Impairment is recognized in the income statement when the recoverable amount of the asset falls below its carrying amount. Recoverable amount is the higher of fair value and value in use.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell. Value in use is based on the present value of expected future cash flows, calculated using a benchmark discount rate which reflects the Group's weighted average cost of capital.

2.4 Financial assets

Financial assets are recorded at purchase price.

The 2007 French Finance Act introduced a tax treatment for equity investment acquisition expenses, requiring their capitalization (inclusion in the cost price of securities) and amortization over a period of five years by way of accelerated tax depreciation.

Therefore, in accordance with the opinion issued by the CNC Urgent Issues Taskforce (*Comité d'urgence*) on June 15, 2007, the Company elected for a change in tax option from January 1, 2007, whereby the gross carrying amount of equity investments purchased after this date corresponds to the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of five years.

Where the recoverable amount of equity investments is less than their carrying amount, impairment is recognized for the amount of the difference.

The fair value of equity investments is calculated:

- based on their average stock market price for the month preceding the year-end for listed investments;
- based on their share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes; or
- based on the intrinsic value of equity, reflecting the present value of the expected future cash flows (enterprise value), less debt where appropriate, for other equity investments.

Provisions are recorded in respect of loans and other financial assets when their recovery is uncertain.

Treasury shares

Treasury shares are recorded at purchase cost. Fair value is equal to the lower of purchase cost and the average stock market price for the month preceding the year-end. Impairment is recorded when the purchase cost exceeds the average stock market price. However, the following specific accounting rules apply for stock option and free share plans or any other type of employee share ownership plan:

- when shares are earmarked for a specific stock option plan whose exercise is considered probable, an additional calculation is performed for each plan. A contingency provision is recorded when the option exercise price is less than the fair value;
- when shares are allocated to a specific free share plan, their carrying amount corresponds to either (i) the purchase price of the shares if they were allocated to the plan as from its inception, or (ii) the carrying amount of the shares at the date they are reclassified if they were allocated to the plan subsequent to their acquisition. These shares are not measured at fair value due to the underlying commitment to grant them to employees, which is covered by a provision recorded under liabilities in the balance sheet.

2.5 Receivables and payables

Receivables and payables are recorded at nominal value.

Impairment in value is recognized for receivables where their recoverable amount is less than their carrying amount.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate applicable at the transaction date.

Receivables and payables in foreign currencies are translated into euros at the exchange rate prevailing at year-end, while any resulting translation gains or losses are recorded under unrealized foreign exchange gains or losses. A provision is set aside for any unrealized foreign exchange losses at December 31, unless the losses are offset by potential gains in the same currency and over the same period.

On August 20, 2014, the Company set up a net investment hedge relating to one of its US subsidiaries using debt denominated in US dollars (unsecured notes issued on the US private placement market).

2.6 Marketable securities

Marketable securities are measured as described below:

- the gross value of marketable securities reflects their purchase price excluding ancillary fees;
- when the fair value of marketable securities, determined based on their value in use and their probable trading value, is less than their gross carrying value, impairment is recognized for the amount of the difference. The fair value of listed securities is determined based on their average stock market price for the month preceding the year-end.

2.7 Cash at bank and in hand

This caption consists mainly of bank accounts held by the Company.

Foreign-currency-denominated liquid assets and current liabilities held at year-end are translated into euros at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded in financial income and expenses.

2.8 Tax-driven provisions

Increases in standard depreciation and amortization rates for intangible assets and/or property, plant and equipment, as permitted by the tax authorities to encourage investment, are considered as "accelerated tax depreciation/amortization" and are recorded in tax-driven provisions in equity.

Provisions for accelerated tax depreciation/amortization are also recorded in respect of equity investment acquisition expenses.

2.9 Provisions for contingencies and losses

A provision is recognized when the Company has a present obligation and it is likely or certain that this obligation will give rise to an outflow of economic resources with no equivalent consideration in return.

Provisions for contingencies and losses are recognized as described below:

- provisions for contingencies are set aside based on the risk known at the end of the current reporting period. The amount of the provision reflects the amount of any damages claimed or estimated based on the progress of proceedings and on the opinion of the Company's legal counsel;

- provisions for losses relate mainly to:
  - income tax expenses for loss-making subsidiaries, and
  - employee benefit obligations (see Note 2.9.1).

2.9.1 EMPLOYEE BENEFIT OBLIGATIONS

The Company has various obligations under defined benefit plans, the most important of which are described below:

The Company's obligations for end-of-career bonuses payable pursuant to the metallurgy industry collective bargaining agreement or Company agreements are covered by provisions.

Depending on their age brackets, managerial-grade staff are also covered by a supplementary defined contribution plan as well as a defined benefit top-hat retirement plan.

These obligations are recognized and measured in accordance with ANC Recommendation 2013-02 on the recognition and measurement of employee benefit obligations. All obligations under defined benefit plans are measured by an independent actuary.

Where appropriate, the impact of changes in actuarial assumptions underlying the calculation of post-employment benefits (end-of-career bonuses and top-hat retirement plans) is spread over the expected average remaining working lives of employees in accordance with the corridor method. Any liabilities not covered by a provision (actuarial differences and unrecognized past service costs) are recorded in off-balance sheet commitments.

All components of the net periodic pension cost (service cost, amortization of actuarial gains and losses, impacts of plan amendments, interest cost, return on plan assets) are recorded in the income statement.

2.9.2 FINANCIAL INSTRUMENTS

Foreign currency hedges

Given the high number of foreign-currency-denominated transactions carried out by certain subsidiaries, Safran manages foreign currency risk on behalf of these companies by hedging forecast commercial transactions using forwards and options.

The fair value of financial instruments set up by Safran to hedge the net position of foreign-currency-denominated operating receivables and payables of subsidiaries covered by a Safran foreign exchange guarantee is recorded in the balance sheet.

The fair value of financial instruments used to hedge future transactions denominated in foreign currencies is not recorded in the balance sheet.

Premiums paid and received on options are initially recorded in the balance sheet and then released to profit or loss on maturity or expiration of the options.

Foreign currency gains and losses arising on these transactions along with hedging gains and losses transferred to subsidiaries are recorded as foreign exchange gains and losses.

Interest rate hedges

The Company may use interest rate swaps to hedge its exposure to changes in interest rates.

Commodity hedges

The Company enters into forward purchases of commodities to hedge its subsidiaries' exposure to fluctuations in the prices of certain listed commodities such as nickel, platinum and oil. All gains and losses arising on these hedging transactions are transferred to subsidiaries.

2.10 Revenue

Revenue recognized by the Company mainly comprises revenue for the provision of services and general assistance provided to the Group's subsidiaries.

Recurring services are billed on a monthly basis.

2.11 Non-recurring items

The Company uses the definition of non-recurring items laid down in the French General Chart of Accounts.

In particular, non-recurring items include capital gains and losses arising on the sale of non-current assets.

2.12 Income tax and tax consolidation in France

The Company elected for the Group tax consolidation regime set out in Articles 223A to 223Q of the French Tax Code *(Code Général des Impôts)*, and a tax consolidation group was set up by Safran, registered in Paris under number RCS 562 082 909 on January 1, 2005.

In fiscal 2015, the tax consolidation group included the following companies:

- Safran (head of the tax group);
- Aircelle;
- Aircelle Europe Services;
- Établissements Vallaroche;
- Herakles;
- Hispano-Suiza;
- Labinal Power Systems;
- Lexvall 22;
- Lexvall 24;
- Lexvall 25;
- Messier-Bugatti-Dowty;
- Microturbo;
- Morpho;
- REOSC;
- Safran Aéro Composite;
- Safran Corporate Ventures;
- Safran Consulting;
- Safran Engineering Services;
- Safran International Resources;

- Safran Sixty;
- Sagem Défense Sécurité;
- Société Lorraine de Constructions Aéronautiques (SLCA);
- Société de Motorisations Aéronautiques;
- Snecma;
- Snecma Participations;
- Snecmasat;
- Sofrance;
- SSI;
- Technofan;
- Turbomeca;
- Vallaroche Conseil.

In accordance with the tax consolidation agreements entered into between Safran and its subsidiaries, each subsidiary in the tax group records in its accounts the amount of tax that it would have paid on a stand-alone basis. Any tax savings or additional liabilities arising as a result of tax consolidation are recorded by Safran in its capacity as head of the tax group.

Any tax savings arising on the use of tax losses of subsidiaries in the tax consolidation group are recorded in Safran's income statement and neutralized by way of a provision. This provision is released to profit or loss when prior year losses are used by the consolidated subsidiary or when they become time-barred and may no longer be used by the subsidiary concerned.

Note 3 NOTES TO THE BALANCE SHEET

3.1 Intangible assets, property, plant and equipment and financial assets

GROSS CARRYING AMOUNT

Movements in non-current assets break down as follows:

(in € millions)	Dec. 31, 2014	Acquisitions, contributions, creations, increases	Reclassifications	Sales, spin-offs, decreases	Dec. 31, 2015
Concessions, patents, licenses, software and similar rights	116	6	1	(9)	114
Purchased goodwill and leasehold rights(1)	3,268	-	-	(56)	3,212
Intangible assets in progress	1	-	-	(1)	-
Intangible assets	**3,385**	**6**	**1**	**(66)**	**3,326**
Land	6	-	-	-	6
Buildings	82	4	2	(3)	85
Installations, equipment and tools	10	3	3	(2)	14
Other property, plant and equipment	59	8	3	(11)	59
Property, plant and equipment in progress(2)	19	20	(10)	(13)	16
Payments on account	1	-	1	-	2
Property, plant and equipment	**177**	**35**	**(1)**	**(29)**	**182**
Financial investments(3)	6,317	56	-	(69)	6,304
Loans to equity investments(4)	226	289	-	(23)	492
Other long-term investments	77	3	-	(3)	77
Loans	24	21	-	(12)	33
Other financial assets	16	-	-	-	16
Financial assets	**6,660**	**369**	**-**	**(107)**	**6,922**
TOTAL NON-CURRENT ASSETS	**10,222**	**410**	**-**	**(202)**	**10,430**

(1) The merger deficit was allocated without adjusting the carrying amounts of the related assets to unrealized capital gains on equity investments in the amount of €3,212 million (including Aircelle for €185 million, Messier-Bugatti-Dowty for €172 million, Sagem Défense Sécurité for €31 million, Labinal Power Systems and Safran Engineering Services for €214 million, Snecma for €2,098 million, Techspace Aero for €164 million, Herakles for €143 million, and Turbomeca and Microturbo for €205 million). The decrease is due to the derecognition of the portion of the merger deficit allocated to the Snecma brand (€56 million), following the Group's decision to no longer use its historical brand names and adopt Safran as its sole brand.

(2) The increase in this caption corresponds to the fitting out of the new building in Toulouse, France for €5 million, equipment for Safran Tech for €5 million and IT investments for €3 million. The decrease is due to the sale back of fittings to the finance lessor of the Safran University campus for €13 million (see Note 5.1.1).

(3) Changes in this caption are mainly the result of Safran's contribution of its shares in Europropulsion, Regulus, Arianespace and Arianespace Participation to Airbus Safran Launchers (ASL) for €61 million (€22 million after reversals of impairment against equity investments), in exchange for shares issued by ASL worth €54 million.

(4) Changes in this caption solely reflect grants and repayments of intragroup loans.

DEPRECIATION AND AMORTIZATION

(in € millions)	Dec. 31, 2014	Additions	Reversals	Dec. 31, 2015
Concessions, patents, licenses, software and similar rights	70	23	(9)	84
Total intangible assets	**70**	**23**	**(9)**	**84**
Land	1	-	-	1
Buildings	35	5	(2)	38
Installations, equipment and tools	3	2	(1)	4
Other property, plant and equipment	38	9	(11)	36
Total property, plant and equipment	**77**	**16**	**(14)**	**79**

ASSET IMPAIRMENT

(in € millions)	Dec. 31, 2014	Additions	Reversals	Dec. 31, 2015
Impairment of financial assets	163	13	(40)	136
Impairment of current assets	1	-	-	1
TOTAL	**164**	**13**	**(40)**	**137**

Reversals of impairment recognized against equity investments chiefly concern the Group's investment in Arianespace Participation (reversal of €39 million) following its contribution to ASL.

LIST OF SUBSIDIARIES AND INVESTMENTS

Disclosures provided in accordance with Article R.123-197-2 of the French Commercial Code

(in € millions)[1] Company	Business line	Share capital	Equity other than share capital and profit	% voting rights	% share capital held
A. Detailed information on subsidiaries and associates whose gross carrying amount exceeds 1% of Safran's share capital (i.e., €0.8 million)					
1. Subsidiaries (more than 50%-owned)					
a) French companies					
◆ Airbus Safran Launchers Holding	Holding company	20.9	187.8	50.0	50.0
◆ Aircelle	Aircraft Equipment	56.7	38.1	88.5	88.5
◆ Établissements Vallaroche	Holding company	15.6	3.0	100.0	100.0
◆ Herakles	Propulsion	0.1	120.8	100.0	100.0
◆ Hispano-Suiza	Aircraft Equipment	36.8	13.9	100.0	100.0
◆ Labinal Power Systems	Aircraft Equipment	12.5	9.2	96.8	96.8
◆ Messier-Bugatti-Dowty	Aircraft Equipment	83.7	378.7	100.0	100.0
◆ Sagem Défense Sécurité	Defense	372.9	(352.8)	95.5	95.5
◆ Snecma	Propulsion	154.1	(209.6)	97.4	97.4
◆ SnecmaSat	Holding company	0.2		100.0	100.0
◆ Technofan	Aircraft Equipment	1.3	9.8	95.2[4]	95.2
◆ Turbomeca	Propulsion	38.8	158.8	100.0	100.0
b) Foreign companies					
◆ Morpho USA Inc.	Security	0.0[2]	1,770.9	97.6	97.6
◆ Safran Beijing Enterprise Management Co.	Holding company	3.0		100.0	100.0
◆ Safran Maroc[3]	Holding company	0.4		100.0	100.0
◆ Safran Power UK Ltd	Aircraft Equipment	312.9	27.4	100.0	100.0
◆ Safran Serviços de Suporte de Programas Aeronauticos[3]	Aircraft Equipment	0.9	(0.2)	100.0	100.0
◆ Safran UK Ltd	Holding company	22.1	1.4	100.0	100.0
◆ Safran USA Inc.	Holding company	0,0[2]	2,054.6	100.0	100.0
◆ Techspace Aero	Propulsion	54.9	293.3	67.2	67.2
2. Investments (10%- to 50%-owned)					
a) French companies					
◆ Corse Composites Aéronautiques[3]	Aircraft Equipment	1.7	29.0	24.8	24.8
◆ Eurotradia International[3]	Aircraft Equipment	3.0	29.4	11.2	11.2
◆ FCPR Aerofund II	Investment fund	75.0		16.6	16.6
◆ FCPR Aerofund III	Investment fund	167.0		18.0	18.0
◆ Mobiwire	Communications	1.9		10.6	10.6
B. Summary information concerning other subsidiaries and investments					
1. Subsidiaries (more than 50%-owned)					
(a) French companies					
(b) Foreign companies					
2. Investments (10%- to 50%-owned)					
(a) French companies					
(b) Foreign companies					

(1) For foreign companies, share capital, equity, revenue and profit amounts were translated into euros at the exchange rate prevailing at December 31, 2015.
(2) Additional paid-in capital of US-based entities is shown under "Equity other than share capital and profit".
(3) Situation as of December 31, 2014.
(4) Theoretical voting rights.

Carrying amount of investments		Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2015 revenue	2015 profit	Dividends received by Safran in 2015	Receivables	Liabilities
Gross	Net							
64.1	64.1				(1.0)			
924.2	924.2		873.7	1,029.9	2.8	11.5	245.6	39.2
62.8	33.8				(3.3)	0.7		12.0
350.3	350.3			480.6	52.6	36.7	66.4	66.1
163.8	163.8		107.0	299.7	45.2	64.8	8.8	8.8
185.6	185.6		446.9	584.8	8.3		87.9	14.8
560.5	560.5		2.1	1,872.7	146.3	90.6	366.2	9.7
595.0	595.0		7.7	1,275.1	497.1	676.4	204.9	154.3
199.0	199.0		10.6	7,612.4	411.4	647.7	2.1	2,540.7
9.3	0.2							0.2
33.7	33.7			86.0	7.4	9.6	1.6	1.6
539.0	539.0		1.7	1,277.5	57.4	36.0	251.3	12.9
315.5	315.5				44.2	24.5		0.5
2.5	2.5			17.0	0.5			0.1
1.8	1.7			0.1	(0.1)			
275.1	275.1			169.9	9.4			30.0
1.5	0.3	1.1		3.2	(0.4)		0.8	
40.0	23.8			3.8	(0.2)		0.1	7.0
1,774.3	1,774.3		378.8	18.0	36.3	26.2	1.0	47.9
115.6	115.6			651.6	112.7	33.3	6.6	398.8
1.0	1.0			45.5	1.0			
2.1	2.1			33.7	1.5	0.2		
15.0	15.0							
30.0	28.3							
1.0								
0.1	0.1					1.7		
2.3	1.4						3.2	1.0
0.4	0.4					0.7		

3.2 Receivables

Receivables break down as follows at December 31, 2015:

(in € millions)	Gross carrying amount at Dec. 31, 2015	Less than 1 year	1 to 5 years	More than 5 years
Payments on account made on outstanding orders	7	7	-	-
Trade receivables	42	42	-	-
Operating receivables	**49**	**49**	**-**	**-**
Miscellaneous receivables*	438	267	171	-
Group current accounts	2,484	2,484	-	-
Prepayments	11	11	-	-
Unrealized foreign exchange losses	332	332	-	-
Other receivables	**3,265**	**3,094**	**171**	**-**

(*) Miscellaneous receivables between one and five years correspond to tax credits.

3.3 Marketable securities, cash at bank and in hand

This caption breaks down as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Marketable securities	810	882
Cash at bank and in hand	553	607
MARKETABLE SECURITIES, CASH AT BANK AND IN HAND	**1,363**	**1,489**

Marketable securities comprise:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Treasury shares	18	20
Other securities	792	862
TOTAL	**810**	**882**

Treasury shares

	Dec. 31, 2014	Purchase	Sale	Dec. 31, 2015
Number of shares	603,327	2,734,658	(2,732,281)	605,704*
(in € millions)				
Gross value	18	176	(174)	20
Impairment	-	-	-	-
Net	18	-	-	20
(*) Including				
◆ shares earmarked for employees				*518,604*
◆ shares held under a liquidity agreement				*87,100*

All sales and purchases of treasury shares in 2015 took place under the liquidity agreement managed by Oddo Corporate Finance.

Other securities

Other securities include short-term money market investments and term deposits with liquid exit options exercisable at no cost within three months, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

3.4 Accrued income

In accordance with the accrual principle, accrued income is recorded in the following asset headings:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Loans to equity investments	3	4
Trade receivables	18	12
Other receivables	1	2
TOTAL	**22**	**18**

3.5 Prepayments

Prepayments amounted to €11 million at December 31, 2015 and chiefly concerned expenses on IT maintenance agreements and insurance costs.

3.6 Unrealized foreign exchange losses and redemption premiums

Unrealized foreign exchange losses represented €332 million at December 31, 2015.

They primarily result from the translation into euros of foreign currency borrowings, loans and current accounts at the 2015 year-end exchange rate.

Redemption premiums on bonds amounted to €1 million at December 31, 2015.

These premiums are amortized on a straight-line basis over the term of the bonds.

3.7 Equity

3.7.1 SHARE CAPITAL

At December 31, 2015, Safran's share capital was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20.

The Safran share (ISIN code: FR0000073272/Ticker symbol: SAF) is listed continuously on Compartment A of the Eurolist market of Euronext Paris and is eligible for the deferred settlement service.

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

December 31, 2014

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights*
Private investors	264,821,713	63.50%	270,605,602	52.73%
French State	91,693,131	21.99%	130,693,131	25.47%
Current and former employee shareholders	59,911,414	14.37%	111,926,730	21.81%
Treasury shares	603,327	0.14%	-	-
TOTAL	**417,029,585**	**100.00%**	**513,225,463**	**100.00%**

(*) Exercisable voting rights.

December 31, 2015

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights*
Private investors	295,646,137	70.89%	301,378,500	56.25%
French State	64,193,131	15.39%	128,386,262	23.96%
Current and former employee shareholders	56,584,613	13.57%	106,066,171	19.79%
Treasury shares	605,704	0.15%	-	-
TOTAL	**417,029,585**	**100.00%**	**535,830,933**	**100.00%**

(*) Exercisable voting rights.

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights.

The 605,704 treasury shares have no voting rights.

3.7.2 CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Dec. 31, 2014	Appropriation of 2014 profit	Increase	Decrease	Dec. 31, 2015
Share capital	83	-	-	-	83
Additional paid-in capital	3,290	-	-	-	3,290
Legal reserve	8	-	-	-	8
Tax-driven reserves	302	-	-	-	302
Other reserves(1)	1,421	-	-	-	1,421
Retained earnings	230	154	-	-	384
2014 interim dividend	(233)	233	-	-	-
2015 interim dividend(3)		-	-	(250)	(250)
Tax-driven provisions	51	-	10	(21)	40
2014 profit	654	(654)	-	-	-
2015 profit		-	1,648	-	1,648
TOTAL	**5,806**	**(267)(2)**	**1,658**	**(271)**	**6,926**

(1) Including €19 million in reserves hedging treasury shares held at December 31, 2015.
(2) Outstanding 2014 dividend paid in 2015.
(3) The Board of Directors' meeting of December 17, 2015 approved payment of an interim dividend of €0.60 per share in respect of 2015, representing a payout of €250 million.

3.8 Tax-driven provisions and provisions for contingencies and losses

Movements in tax-driven provisions can be analyzed as follows:

(in € millions)	Dec. 31, 2014	Additions	Reversals		Dec. 31, 2015
			Surplus	Utilized	
Accelerated tax depreciation/amortization	44	8	-	(21)	31
Accelerated tax depreciation/amortization (share acquisition fees)	7	2	-	-	9
TOTAL TAX-DRIVEN PROVISIONS	**51**	**10**	**-**	**(21)**	**40**

Provisions for contingencies and losses can be analyzed as follows:

(in € millions)	Dec. 31, 2014	Additions	Reversals		Dec. 31, 2015
			Surplus	Utilized	
Foreign exchange losses	14	23	-	(14)	23
Litigation	6	12	-	(3)	15
Other	-	-	-	-	-
Contingency provisions	**20**	**35**	**-**	**(17)**	**38**
Retirement benefits and similar obligations	35	12	-	(16)	31
Income tax - loss-making subsidiaries, under-capitalization	649	13	-	(9)	653
Other	24	8	(5)	(3)	24
Loss provisions	**708**	**33**	**(5)**	**(28)**	**708**
TOTAL	**728**	**68**	**(5)**	**(45)**	**746**
Profit (loss) from operations		26	-	(25)	
Financial income (expense)		23	-	(14)	
Non-recurring income (expense)		19	(5)	(6)	
TOTAL		**68**	**(5)**	**(45)**	

Employee benefit obligations

The main assumptions used to calculate the Company's employee benefit obligations were as follows:

	Dec. 31, 2014	Dec. 31, 2015
Discount rate	1.75%	2.00%
Inflation rate	1.75%	1.75%
Expected return on plan assets	1.75%	2.00%
Rate of future salary increases	1.12%-5.00%	1.12%-5.00%
Probable retirement age of managerial-grade staff	64 years	64 years
Probable retirement age of non managerial-grade staff	62 years	62 years
Mortality tables used	TV/TD 2006 - 2008	TV/TD 2006 - 2008

The table below shows movements in employee benefit obligations:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015	Defined benefit pension plans	Retirement termination benefits
Present value of obligation	90	90	58	32
Fair value of plan assets	(6)	(8)	(8)	-
Funding shortfall	**84**	**82**	**50**	**32**
Unrecognized actuarial gains and losses and past service costs	(50)	(53)	(41)	(12)
Benefit obligations covered by a provision in the balance sheet	**34**	**29**	**9**	**20**
Current service cost	5	5	3	2
Interest cost	2	2	1	1
Amortization of actuarial gains and losses	6	-	(1)	1
Expense	**13**	**7**	**3**	**4**
Benefits paid	(6)	(12)	(9)	(3)
PROVISION CHARGE/(REVERSAL)	**7**	**(5)**	**(6)**	**1**

Defined benefit pension plans

The Group's supplementary pension plan for former managerial-grade staff (cadres) of Snecma between 1985 and 1995 and still employed by the Group is closed and has been frozen since 1995. The plan is funded by contributions paid to an insurance company which then manages payment of the pensions. At December 31, 2015, around 14 claimants were still in active service at Safran and the last retirement is planned for 2016. Following the closure of this plan, the managerial-grade staff were moved to a new supplementary defined contribution pension plan, in place at most Group companies.

In late 2013, the Board of Directors approved a new supplementary pension plan in France for Group Executive Managers. The plan, effective as of January 1, 2014, provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to ten years are taken into account in determining entitlement) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement). The additional benefits payable are capped at three times the annual social security ceiling ("PASS") in France. Total benefits under all regimes cannot exceed 35% of the benchmark compensation.

Retirement termination benefits

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry.

The Group also signed a three-year agreement starting in December 2012 increasing retirement termination benefits for the over 50s.

3.9 Financial liabilities, operating payables and other liabilities

Movements in these items can be analyzed as follows:

(in € millions)	Total at Dec. 31, 2014	1 year or less	Between 1 and 5 years	Beyond 5 years
Bond issue	200	-	-	200
USD senior unsecured notes issue	1,102	-	142	960
Miscellaneous loans and borrowings				
◆ Other loans and borrowings	1,012	862	150	-
◆ Accrued interest	13	13	-	-
Financial liabilities	**2,327**	**875**	**292**	**1,160**
Group current accounts	3,617	3,617	-	-
Trade payables	100	100	-	-
Amounts payable on non-current assets	53	25	28	-
Other liabilities	978	798	70	110
Deferred income	9	2	6	1
Unrealized foreign exchange gains	177	177	-	-
Operating payables and miscellaneous liabilities	**4,934**	**4,719**	**104**	**111**

FINANCIAL LIABILITIES

Bond issue

On April 11, 2014, Safran issued €200 million of ten-year bonds to French investors, maturing on April 11, 2024. The interest rate on these bonds was hedged by a floating-rate swap on 3-month Euribor.

The issue's initial fixed-rate interest came out at 1.40% in 2015 after taking account of interest rate derivatives.

USD senior unsecured notes issue

On February 9, 2012, Safran issued USD 1.2 billion of senior unsecured notes on the US private placement market (i.e., €1,102 million at the December 31, 2015 exchange rate), which included:

- USD 155 million of notes due February 2019 at a 3.70% coupon (tranche A);
- USD 540 million of notes due February 2022 at a 4.28% coupon (tranche B);
- USD 505 million of notes due February 2024 at a 4.43% coupon (tranche C).

A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.

The issue's initial fixed-rate interest came out at 2.84% in 2015 after taking account of interest rate derivatives.

3.10 Accrued expenses

Accrued expenses are included in the following headings on the liabilities side of the balance sheet:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Other bond issues	10	12
Miscellaneous loans and borrowings	1	-
Trade payables	115	86
Taxes and payroll costs	65	69
Amounts payable on non-current assets	27	17
Other liabilities	6	8
TOTAL	**224**	**192**

3.11 Deferred income

Deferred income amounted to €9 million at December 31, 2015 and chiefly comprised a rent-free period.

3.12 Unrealized foreign exchange gains

Unrealized foreign exchange gains amounted to €177 million at December 31, 2015 and primarily resulted from the translation into euros of foreign currency loans and current accounts at the 2015 year-end exchange rate.

3.13 Information on related parties and investments

The table below shows the amounts of transactions carried out with related companies (companies that may be fully consolidated within the same consolidated group) and investments:

(in € millions)	Related companies	Equity investments
Non-current assets		
Equity investments	6,134	170
Loans to equity investments	473	19
Current assets		
Trade receivables	14	27
Other receivables	2,376	192
Liabilities		
Trade payables	12	6
Amounts payable on non-current assets	-	21
Other liabilities	4,197	19
Income statement items		
Financial income	1,684	13

Note 4 NOTES TO THE INCOME STATEMENT

4.1 Revenue

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
General assistance	151	157
Administrative and financial services	63	92
R&T services	117	149
Group projects	4	3
IT services	103	145
Seconded employees	14	13
Real estate income	3	4
Other	6	-
TOTAL	**461**	**563**

4.2 Expense transfers

Expense transfers amounted to €2 million and mainly concerned expenses rebilled to Group subsidiaries.

4.3 Financial income and expenses

Financial income and expenses break down as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Dividends received and other investment income	758	1,661
Interest and similar income	64	53
Impairment of equity investments	10	1
Other reversals of provisions for financial items	24	13
Foreign exchange gains	10	-
Financial income	**866**	**1,728**
Impairment of equity investments	(28)	(28)
Other charges to provisions for financial items	(13)	(8)
Interest and similar expenses	(73)	(45)
Foreign exchange losses	-	(2)
Financial expenses	**(114)**	**(83)**
FINANCIAL INCOME	**752**	**1,645**

A breakdown of dividends is provided in the table of subsidiaries and investments.

Other movements in provisions for financial items relate to the provision for foreign exchange losses.

For the purpose of providing a meaningful comparison, foreign exchange gains and losses are presented on a single line of the income statement for the same fiscal year.

4.4 Non-recurring items

Non-recurring items can be analyzed as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Change in tax-driven provisions	(15)	11
Income from non-capital transactions	2	-
Income from capital transactions	14	85
Expenses on non-capital transactions	(21)	(8)
Expenses on capital transactions	(407)	(144)
Net charges to provisions and expense transfers	411	37
NON-RECURRING EXPENSE	**(16)**	**(19)**

Non-recurring items for 2015 mainly relate to:

- the derecognition of the portion of the merger deficit allocated to the Snecma brand (€56 million), following the Group's decision to no longer use its historical brand names and adopt Safran as its sole brand; and
- the contribution of shares in Europropulsion, Regulus, Arianespace and Arianespace Participation to ASL that generated a net capital gain of €32 million.

4.5 Statutory employee profit-sharing

No employee profit-sharing expenses were recognized in either 2015 or 2014.

4.6 Income tax expense

2015 GROUP RELIEF

The application of tax consolidation in France led to the recognition of a net tax benefit totaling €116 million in the 2015 parent company financial statements (2014: net tax benefit of €151 million).

This breaks down as:

- tax income of €78 million arising on the payment of tax by consolidated subsidiaries as though they had been taxed on a stand-alone basis;
- tax income of €38 million relating to the consolidated tax expense of €176 million, offset by €214 million in tax credits.

PROVISIONS SET ASIDE TO COVER INCOME TAXES OF LOSS-MAKING SUBSIDIARIES

Safran returns the tax savings arising due to the use of tax losses of subsidiaries when the subsidiaries start to turn a profit once again. A provision is set aside in the Company's financial statements in this respect.

A net amount of €4 million was accrued to this provision in 2015.

OTHER

The second amending French Finance Law *(Loi de Finances Rectificative)* for 2012 introduced a 3% tax due on dividends paid to shareholders and applicable to amounts paid after August 17, 2012.

The tax payable on the outstanding 2014 dividend paid in 2015 amounted to €8 million, while the tax payable on the 2015 interim dividend amounted to €7 million, representing a total expense of €15 million in 2015 (€15 million in 2014).

The CICE tax credit amounted to €1 million in respect of 2015 and 2014.

Non-deductible expenses (Article 223 quater and Article 39.4 of the French Tax Code) amounted to €0.1 million in both 2015 and 2014 and relate to the non-deductible portion of vehicle lease payments and depreciation.

Note 5 OTHER INFORMATION

5.1 Off-balance sheet commitments and contingent liabilities

Commitments given

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Commitments given by Safran to third parties on behalf of its subsidiaries	1,263	1,488
Commitments given by Safran to customs authorities on behalf of its subsidiaries	39	27
Actuarial gains and losses	50	53
Other commitments	497	441
TOTAL(1)	**1,849**	**2,009**
(1) Of which related parties	*1,635*	*1,878*

Commitments given to third parties relate mainly to guarantees granted by Safran to customers and principals (essentially aircraft manufacturers), in which Safran provides 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.

Commitments received

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Other commitments received	425	455
TOTAL	**425**	**455**

Commitments received primarily relate to commitments for the financing of civil programs as well as a commitment received from a Group subsidiary concerning portfolio securities.

The commitments received at December 31, 2015 and shown above do not include warranties received from SNPE in connection with the SME acquisition.

Warranties received from SNPE

Under the terms of the SME share transfer agreement between SNPE and Safran, SNPE granted Safran a specific warranty for a period of 30 to 40 years concerning environmental liabilities due to past operations at eight SME sites. This warranty is capped at €240 million for 15 years and at €200 million thereafter. Safran is liable for 10% of the costs. The agreement provides for specific warranty sublimits totaling €91 million for cleanup during operations, including €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. Safran will be liable for 10% of the cleanup costs and 50% of the Perchlorate Plan costs. The plan was jointly drawn up by Safran and SNPE within 18 months of the acquisition date in order to define, reduce and/or restrict the sources of ammonium perchlorate pollution, and must be executed over a period of five years. These warranties granted by SNPE to Safran are counter-guaranteed by the French State for €216 million.

The share transfer agreement also provides for other warranties granted by SNPE which are capped at €25 million and have time limits of three to ten years depending on their nature.

5.1.1 FINANCE LEASE LIABILITIES

The Company entered into two real estate finance leases for the Safran University campus and for the Safran Tech site in 2014.

An additional tranche of €14 million was arranged in 2015 for the Safran University campus (see Note 3.1).

(in € millions)	Value at inception	Carrying value at Dec. 31, 2015	Theoretical charges to depreciation		Net
			Current period	Cumulative	
Land	9	9	-	-	9
Buildings	97	89	4	5	84
TOTAL	**106**	**98**	**4**	**5**	**93**

(in € millions)	Lease payments made		Lease payments outstanding			Residual purchase price (as per the lease)
	Current period	Cumulative	Less than 1 year	1 to 5 years	Beyond 5 years	
Land	-	-	-	-	9	N/M
Buildings	8	10	9	40	45	-
TOTAL	**8**	**10**	**9**	**40**	**54**	**-**

5.1.2 FINANCIAL AND HEDGING INSTRUMENTS

Safran holds derivative financial instruments including forward contracts, swaps and options which are used for the purposes of all Group companies to hedge (i) highly probable future transactions, determined on the basis of the order backlog and budget forecasts, and (ii) the net balance sheet position of foreign-currency-denominated trade receivables and payables of subsidiaries.

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2014				Dec. 31, 2015			
(in millions of currency units)	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	**(201)**				**(1,919)**			
Short USD position	(307)	9,036	7,054	1,982	(1,980)	16,460	16,260	200
Of which against EUR	*(306)*	*8,457*	*6,675*	*1,782*	*(1,948)*	*15,915*	*15,915*	*-*
Long USD position	70	(917)	(667)	(250)	58	(324)	(164)	(160)
Of which against EUR	*48*	*(497)*	*(297)*	*(200)*	*43*	*(214)*	*(114)*	*(100)*
Short CAD position against CHF	3	36	36	-	4	30	30	-
Short EUR position against GBP	48	550	200	350	54	350	200	150
Short EUR position against CAD	27	240	-	240	15	240	120	120
Long EUR position against CHF	1	(11)	(11)	-	-	-	-	-
Long EUR position against SGD	(18)	(280)	(280)	-	-	-	-	-
Long SGD position against USD	-	-	-	-	(4)	(200)	(100)	(100)
Long PLN position against EUR	1	(255)	(85)	(170)	1	(360)	(120)	(240)
Long MXN position against USD	(26)	(6,900)	(2,300)	(4,600)	(67)	(6,800)	(2,500)	(4,300)
Currency option contracts	**(1,040)**				**(1,763)**			
USD put purchased	179	12,400	5,900	6,500	91	7,700	6,100	1,600
USD put sold	15	(1,800)	(1,800)	-	60	(2,300)	(500)	(1,800)
USD call sold	(1,001)	28,350	12,350	16,000	(1,940)	24,150	16,500	7,650
USD call purchased	6	(3,600)	(3,600)	-	(43)	(5,200)	(1,600)	(3,600)
EUR put purchased	3	280	280	-	-	-	-	-
EUR call sold	(3)	560	560	-	-	-	-	-
Accumulators - sell USD(2)	(198)	6,434	6,434	-	-	-	-	-
Accumulators - buy USD(2)	(41)	(503)	(503)	-	69	(3,309)	(868)	(2,441)
TOTAL	**(1,241)**				**(3,682)**			

(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.

As mentioned in Note 2 on accounting policies, only premiums paid and received on options are recorded in Safran's balance sheet. The Company does not recognize the fair value of derivative instruments in its balance sheet, except for those set up to hedge the net position of foreign-currency-denominated operating receivables and payables of subsidiaries covered by a Safran foreign exchange guarantee.

EUR interest rate risk management

An interest rate swap was taken out to convert the fixed rate payable on the new €200 million bond issue carried out in first-half 2014 and maturing in April 2024 to a floating rate.

These swaps had a fair value of €11 million at December 31, 2015.

USD interest rate risk management

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate.

These swaps had a fair value of €24 million at December 31, 2015.

Management of commodity risk

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2015 represented 4,161 tons of nickel (3,038 tons at December 31, 2014), including contracts for 967 tons maturing in less than one year (1,059 tons at end-2014) and 3,194 tons in one to five years (1,979 tons at end-2014).

The notional amount of platinum forward purchase contracts at December 31, 2015 represented 2,184 ounces (4,257 ounces at December 31, 2014), including contracts for 2,184 ounces maturing in less than one year (2,073 ounces at end-2014) and zero ounces in one to five years (2,184 ounces at end-2014).

The notional amount of oil forward purchase contracts at December 31, 2015 represented 899,276 barrels (1,085,000 at December 31, 2014), including contracts for 179,127 barrels maturing in less than one year (186,000 barrels at end-2014) and 720,149 barrels in one to five years (899,000 barrels at end-2014).

These instruments had a negative fair value of €53 million at December 31, 2015.

All gains and losses arising when these instruments are unwound are transferred to the subsidiaries concerned by the exposure.

Liquidity risk management

Since the Group has an undrawn, confirmed liquidity line at December 31, 2015, it is relatively insensitive to liquidity risk.

This €2,520 million line was set up in December 2015 and expires in December 2020. It includes two successive one-year extension options and is not subject to any covenants. This new facility replaces the previous two lines (€1,600 million expiring in December 2015 and €950 million expiring in October 2016), which were canceled in December 2015.

A number of financial covenants apply to the EIB borrowings set up in 2010.

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market.

The terms "net debt", "EBITDA" and "total equity" used in connection with the EIB borrowings and senior unsecured notes issued on the US private placement market and applied in respect of consolidated data relating to Safran and its subsidiaries, are defined as follows:

- net debt: 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);
- total equity: equity attributable to owners of the parent and non-controlling interests.

5.2 Disputes and litigation

Safran is party to regulatory, legal or arbitration proceedings arising in the ordinary course of its operations. Safran is also party to claims, legal action and regulatory proceedings outside the scope of its ordinary operations. The most important disputes and litigation are described below.

The amount of the provisions booked is based on the level of risk for each case as assessed by Safran, and largely depends on the assessment of the merits of the claims and opposing arguments. However, it should be noted 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.

- On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim with Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings for reimbursement of overcharges against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. At the date of this report, it is not possible to evaluate the potential financial risk and Safran has not recognized a provision.

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expense between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007 before the tax authorities who rejected this claim on June 24, 2011. Safran filed a statement of claim with the Administrative Court. In a ruling handed down on July 4, 2013, the Montreuil Administrative Court ruled partially in Safran's favor by granting relief from the €7.2 million in additional tax payments. Safran appealed against this decision before the Versailles Administrative Court as regards the remainder. In an order dated December 30, 2014, the Court granted Safran's requests. On March 2, 2015, the French Minister for Finance and Public Accounts filed an appeal with the Council of State to set aside the court's decision. Safran submitted a statement of defense on June 10, 2015.
- In late 2006, the French tax authorities issued Safran notice that it was challenging the deductible nature of certain expenses recognized in 2003. The authorities later issued Safran SA with a tax collection notice for €11.7 million in September 2009 (income tax and late-payment interest). The adjustment was contested in a claim filed by Safran with the tax authorities in 2011, which was dismissed by the tax authorities on June 20, 2012. On August 3, 2012, Safran referred the case to the Montreuil Administrative Court, which subsequently found against Safran on November 18, 2014. Safran has decided to file an appeal against this decision with the Versailles Administrative Court of Appeal.

To the best of Safran's knowledge, there are no other ongoing regulatory, legal or arbitration proceedings that could have a material impact on the financial position of the Company.

5.3 Average headcount

Headcount can be analyzed as follows:

	Dec. 31, 2014	Dec. 31, 2015
Engineers and managerial-grade staff	1,078	1,232
Technicians, administrative personnel and supervisors	292	287
TOTAL HEADCOUNT	**1,370**	**1,519**

The rise in headcount mainly reflects the integration of employees in R&T activities.

5.4 Management compensation

In 2014 and up to April 23, 2015, management executives included the 17 members of the Board of Directors, including the Chairman and Chief Executive Officer, as well as the three Deputy Chief Executive Officers and the two Directors declared in submissions to the French financial markets authority (*Autorité des Marchés Financiers* – AMF) as having equivalent management executive status *(assimilés dirigeants)* within the meaning of the French Monetary and Financial Code, i.e., considered as having the power to take management decisions with regard to the Group's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Group.

Since April 23, 2015, the date on which the Board of Directors decided to separate the role of Chairman and Chief Executive Officer, management executives have included the 17 members of the Board of Directors, including the Chairman of the Board and the Chief Executive Officer, along with the five Directors declared in submissions to the AMF as having equivalent management executive status within the meaning defined above.

All compensation and benefits awarded to members of the Board of Directors and to members of Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

(in € millions)	Dec. 31, 2014	Dec. 31, 2015
Short-term benefits	9.3	8.9
Post-employment benefits[(1)]	2.4	1.7
Other long-term benefits	-	0.3
TOTAL	**11.7**	**10.9**

(1) Data measured in accordance with CNC Recommendation 2003-R-01 authorizing the application of the corridor method (see Note 2.9.1) which differs from the measurement method used in the IFRS consolidated financial statements subsequent to the mandatory application of the revised IAS 19 from January 1, 2013 (the corridor method is no longer permitted under IFRS).

The Company's total post-employment commitments in respect of management executives amounted to €11.6 million at December 31, 2015 and €13.7 million at December 31, 2014.

5.5 Fees paid to Statutory Auditors

In accordance with the disclosure requirement set out in Decree no. 208-1487 of December 30, 2008, fees billed by the Company's Statutory Auditors for their audit of the 2015 financial statements totaled €1,300,000, while fees billed for audit-related work came to €426,000.

5.6 Subsequent events

OCEANE BOND ISSUE

On January 5, 2016, Safran launched an offering of €650 million worth of zero-coupon bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE"), maturing on December 31, 2020. The bond issue was settled on January 8, 2016. The issue comprised 7,277,205 bonds each with a par value of €89.32, issued at €92.8928 (i.e., 104% of par) and bringing the total issue proceeds to €676 million.

3.4 Statutory Auditors' report on the financial statements
Year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

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 compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2015 on:

- the audit of the accompanying financial statements of Safran;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

As indicated in Note 2.4 to the financial statements, the book value of financial fixed assets is determined either:

- based on their average stock market price for the month preceding the year-end for listed investments;
- based on their share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes; or
- based on the intrinsic value of equity, reflecting the present value of the expected future cash flows (enterprise value), less debt where appropriate, for other equity investments.

Our work consisted in assessing the data and assumptions on which the estimates are based and in reviewing the calculations made by the Company. As part of our assessment of the estimates used for the account closing, we have assured ourselves of the reasonableness of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remunerations and benefits received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, March 29, 2016

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

IDENTIFIED RISK FACTORS

The following section presents the major risks identified as of the date the Registration Document was filed.

Risks relating to Group business sectors

Technological risks

Partnership and supplier risks

Commodity risks

Acquisition and restructuring risks

Human resources risks

Market and derivative risks

Legal risks

Health, safety and environmental risks

Data confidentiality risks

Other risks not yet identified, or not currently considered material for the Group, could have a negative impact on Safran's activities, financial position or results.

GENERAL RISK MANAGEMENT POLICY

Safran adopts a "Comprehensive Risk Management" approach which has been validated by the Group Risk Committee composed of the Chief Executive Officer and Group corporate officers. The Risk Committee is headed up by the Group Risk and Insurance Director and its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;
- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk and Insurance Department.

INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

RISK FACTORS

4.1 Identified risk factors

The following section presents the major risks identified as of the date the Registration Document was filed.

Other risks not yet identified, or not currently considered material for the Group, could have a negative impact on Safran's activities, financial position or results.

4.1.1 Risks relating to Group business sectors

The risks relating to Group business sectors arise from a series of complex, interdependent factors which could impact Group results.

Changes in economic conditions

The macroeconomic and aeronautical program assumptions determined by the Group take into consideration the economic conditions observed as of the date of the Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

Action plans are derived from the scenarios built around these assumptions and are supervised by Executive Management, functional departments and the Group Risk Committee.

A difficult economic climate would have a negative impact on the level of Group business. Changes in global economic performance have a direct impact on passenger demand for air transport, which in turn determines market demand for commercial aircraft intended for passenger transport. Manufacturers may adjust their output rates in line with changes in demand for aircraft by airline companies, which would have a direct impact on the OEM business of Aircraft Equipment and engine suppliers such as Safran. The decrease in air traffic as a result of a deteriorating economic environment or geopolitical situation could also impact the volume of Group services, including maintenance and repair activities and spare part sales.

Should the economic climate deteriorate, the assumptions and action plans would be adjusted accordingly in line with a defined process. In order to deal with this risk, specific steering committees have been set up covering customers, suppliers and the market. They meet regularly and constantly reassess the action plans in light of the prevailing economic climate.

Impact of the aviation cycle

Aircraft orders tend to be cyclical in nature and linked to passenger traffic, which is itself affected by changes in the economic climate, as well as the rate of ageing and renewal of aircraft fleets and the investment decisions and financial capacity of airline companies. Safran believes that these cycles could impact business levels and therefore its future revenue and profits.

The Group's capacity to ramp up production to deal with an increase in the backlog will depend on its ability to manage the internal and external supply chain. Even though robust investment programs and action plans have been deployed for this very purpose, problems with supply chain management could potentially still arise. Adapting production resources to long-term trends in demand is of key importance to Safran.

Exceptional events such as terrorism, pandemics, aviation disasters and adverse weather conditions could cause a temporary drop in air traffic and hence impact the civil aircraft engine and equipment market.

In 2015, over 65% of adjusted consolidated revenue was generated by civil aviation activities. Safran has a large fleet of engines in service, including more than 27,700 CFM56 engines which have equipped most of the single-aisle aircraft with over 100 seats delivered to airline companies for the past 30 years. The increase in the age of the installed base of engines and associated equipment enables the Group to generate service revenue representing around 45% of Aerospace revenue.

Continuous improvement initiatives within the framework of Safran's quality performance approach (see section 1.9) and the deployment of Group strategy (see section 1.2) are used to diversify the portfolio of businesses with a view to limiting the impacts of risks related to the aviation cycle.

Uncertainty regarding returns on investments

Safran's Aerospace businesses require considerable investment, in particular in research and development and contributions to aircraft manufacturers' costs. These investments only produce returns in the long term. The market and profitability assumptions determined by the Group may not prove accurate, and the products for which the investments are made may not enjoy sufficient commercial success to ensure a return on the initial investment (drop in demand, shut-down of a program). Capitalized R&D assets (excluding goodwill and programs) recognized in the balance sheet at December 31, 2015 totaled approximately €2.5 billion, and property, plant and equipment (mainly industrial investments) amounted to approximately €3.3 billion. These amounts are net of accumulated depreciation, amortization and impairment loss provisions.

Investment decisions are coordinated at Group level, based on clear guidelines and numerous evaluation criteria. The Safran Innovation Department (see section 1.5) oversees the phase between technological demonstrations and marketing. The Group also leverages the scientific and technical expertise provided by its partners (see section 1.5.2) and enters into partnership arrangements to develop certain programs (see section 1.3). All of these actions help to mitigate the risks related to the Group's investments.

Dependence on public procurement contracts

Safran generates a significant portion of its revenue from government defense and security contracts, mainly in France and the rest of Europe and in North America. Government spending is subject to trade-offs that are contingent on the geopolitical environment and ever-stricter budgetary constraints. These decision processes may lead to delays, reductions or even cancellation of certain government expenditure programs that could impact the Group's business and profits. Export trade also leads the Group to book payments on account, which give rise to time lags between the payments collected and the margins recognized.

In 2015, approximately 26% of adjusted consolidated revenue was derived from government contracts, mainly in relation to the Defense and Security businesses. Most of this security business takes place outside France in a large number of very different markets. Thanks to the Group's efforts to diversify the customer base, some of these contracts consist of partnerships, particularly in emerging markets, and this limits the risk of over-dependency on public procurement contracts.

Competition

Safran faces intense competition in all markets where it operates, both from international players and specialized competitors in certain markets. This competitive pressure could impact the Group's positions in its business sectors. In this context, Safran seeks to maintain and sharpen its technological edge at all times, thanks to sustained R&D spending with a particular focus on markets where the product development cycle is unusually long.

To manage this risk, the Group continues to deploy its strategy (see section 1.2) with a view to diversifying the portfolio of businesses and R&D investments (see section 1.5), as well as developing partnership arrangements for certain programs (see section 1.3) and external growth transactions.

Some of these partnerships take the form of joint venture (JV) arrangements such as those currently being pursued with GE (for the CFM56 and LEAP programs), Albany (Albany Safran Composite JV – 3D woven composite parts), NPO Saturn (PowerJet JV), Honeywell (EGTS™ electric taxiing system), Rolls Royce (Aero Gearbox International for power transmission systems for all future Rolls-Royce civil aircraft engines) and Airbus Group (Airbus Safran Launchers JV) for space propulsion systems.

Program delays and development

Aircraft manufacturers may encounter difficulties in meeting their program schedules or even keeping programs going. Delays in production schedules for new aircraft may lead to the postponement of Safran equipment deliveries and impact the Group's revenue. In certain cases, Safran may be required to pay penalties to the parties concerned, notably where the Group accepts responsibility for the delays. Delays can also distort cash collection forecasts, therefore impacting cash flows and even profitability at Group level and leading to the recognition of write-downs on the value of the assets corresponding to the delayed programs.

The Silvercrest engine selected by Dassault Aviation to power its Falcon 5X incorporates leading-edge technologies to offer unrivalled performance, with very high targets in terms of fuel consumption, reliability and respect for the environment. Tests carried out on the engine revealed that further developments were needed, pushing the engine's certification schedule back to early 2018, 18 months later than the previous schedule.

Accordingly, Safran took a write-down on the full amount of the intangible assets and property, plant and equipment relating to this program. The Group also booked a provision for all of its commitments under the related contracts as they currently stand, particularly the penalties due in respect of the development phase.

Safran continued to deploy the PROMPT programs designed to provide project teams with a framework as well as methods and applications for enhancing program management processes. PROMPT is based on five "golden rules": keeping the Program Management Plan (PMP) up to date, meeting expectations of all stakeholders, planning and meeting technical objectives, steering performance and managing risks.

Political uncertainties

Certain Aerospace, Defense and Security contracts are closed to foreign competition or are awarded based on national security and independence considerations. The transfer or export of defense equipment is prohibited in France and may only take place further to governmental or other special authorizations which require strict compliance with export regulations.

The development of Safran's activities and sites worldwide sometimes exposes the Group to political risks specific to certain countries. These may impact its activities and profits.

Aircraft accidents

Safran products are integrated in high-tech equipment with a high unit price, especially civil and military aircraft, satellites and helicopters. Safran may be held liable for the loss or accident of an aircraft, the death of passengers, or the loss of operating capability by an airline or helicopter operator.

In order to limit the impact of such risks, Safran focuses on factoring quality into all of its processes (see section 1.9) in line with the Group's quality strategy. This strategy is reflected in dedicated progress plans that include application of the "quick response quality control" method allowing quality incidents to be handled locally wherever possible. The Group has also taken out insurance policies to provide an appropriate level of cover (see section 4.3).

Products and services

The Group applies very strict quality and safety standards in the design and manufacture of complex products and services with a very high technological component.

Shortcomings in quality or in Safran's equipment, systems or technology could result in costly claims for damages from customers, partners or third parties (product recalls, upgrade campaigns or retrofits) resulting in lost revenue. Safran's commercial position and image may also be adversely affected. In order to limit the impact of this risk, Safran has deployed a range of quality-focused initiatives (see section 1.9).

4.1.2 Technological risks

Aerospace, Defense and Security markets typically undergo far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their innovative and technological superiority. The Group is exposed to the risk of competitors developing products that offer a better technical performance, are more competitive or are marketed earlier than those developed by the Group. This could affect Safran's activities or financial position.

The actions taken by the Group to limit the impact of such risks are outlined in section 1.5, "Research and development". The Group also leverages the scientific and technical expertise provided by its partners (see section 1.5.2).

Safran has opened two new R&D facilities, one at Safran Composites (comprising around a hundred specialists in composite materials and organic chemistry), and another, more recently, at Safran Tech, which will eventually be home to 300 scientists and technologists.

These investments are designed to support Safran's technological excellence in fields that are crucial to its competitive edge.

4.1.3 Partnership and supplier risks

Generally speaking, Safran works in cooperation with partners and suppliers in the majority of its businesses. Events likely to affect these partnerships could have an impact on Safran's business activities.

Supplier difficulties or default, even when the suppliers concerned were chosen for their robustness among other strengths, could impact the worldwide supply chain, resulting in additional costs or production delays that would affect the Group.

To address this risk, the Group Purchasing Department conducts a monthly review of at-risk suppliers with a designated manager and action plans associated with different degrees of risk. For non-production purchases, Safran has put in place a purchasing strategy (see section 1.8) and pooled facilities at a Shared Services Center in line with the Group's objectives of excellence, competitiveness and sustainable development.

The commitments undertaken by Group entities will generate an increase in production over the next few years. Safran's ability to ramp up its future production will depend on both internal and external factors. Problems related to any one of these factors could trigger production delays or cost overruns for a given program. To protect its LEAP program, Safran uses a dual-source supplier approach, thereby securing the supply chain. As part of the partnership between Safran and Albany (US), two plants were opened, one in Rochester (New Hampshire, US) and one in Commercy (Meuse, France), to manufacture composite parts for new-generation aircraft engines. A third plant is to be built in Queretaro (Mexico), with production slated to start in 2017.

A substantial proportion of Safran's revenue – particularly in the aviation sector – depends on certain civil aircraft engine programs developed and produced in cooperation with GE. Safran estimates that these programs (CFM56 and high-thrust engines) account for between 30% and 35% of its adjusted consolidated revenue. In July 2008, GE and Safran signed an agreement to extend their civil Aerospace Propulsion partnership until 2040 (see section 1.1.1). They also entered into an agreement for the development, production and support of engine nacelles for future short- and medium-haul aircraft.

Safran is also involved in partnerships, including with NPO Saturn, AVIC, Honeywell, MTU, Thales (Sofradir and Optrolead), Albany, Rolls Royce (Aero Gearbox International), and Airbus (Airbus Safran Launchers). If these programs were suspended or if Safran's partners ceased to fulfill their role in the development or marketing of the products in question, the Group's Aerospace and Defense business revenue could be affected.

The Group's other partnerships did not have any material impact in 2015.

4.1.4 Commodity risks

The Group is exposed to commodity availability and price volatility risks, notably in respect of titanium, nickel alloys, composite fibers, ammonium perchlorate and oil. The Group manages commodity risks by negotiating medium-term procurement contracts with suppliers, building up its inventories or using forwards to hedge its exposure to changes in the price of certain listed commodities.

Hedges contracted by the Group are analyzed in section 4.1.7, "Market and derivative risks" under "Commodity risk management".

Since the end of 2014, Safran has closely monitored the risk of embargoes on titanium supplies from Russia and has built up buffer stocks and prepared a dual-source ramp-up plan.

4.1.5 Acquisition and restructuring risks

As part of its growth strategy, Safran may acquire, merge and/or set up companies or enter into joint-venture-type strategic arrangements. The Group has devised procedures and controls to contain the risks inherent in such transactions. The Integration Department helps put in place strict oversight processes for these transactions to ensure that the synergies and earnings obtained are in line with those forecast. However, they may have a negative impact on the Group's business, expected results or its image, should Safran fail to integrate the operations and employees of the acquired entities, unlock the expected synergies and cost savings, or maintain good commercial or labor relations within the acquired entities following changes in management or control. Safran's risk management procedures were deployed in the US proxy business MorphoTrust during the period with due regard to the specific regulatory constraints.

4.1.6 Human resources risks

The Group's different activities harness a wide range of employee expertise and skills across many different sectors. The Group may experience difficulties in finding the appropriate skills at the right time and in the right place that it needs to deploy its strategy and carry out its programs effectively. In order to limit this risk, it continually strives to acquire, retain, redeploy, bolster and renew the skills that it will need in the future. Safran has developed partnerships with top business and engineering schools and scientific universities to recruit employees for its core businesses. At the same time, it has also worked on promoting the Safran employer brand. In addition, professional and geographical mobility programs, systems that detect high potential employees, training, monitoring and career development are all used to boost the Group's attractiveness as an employer. Campus Safran is used as a catalyst for preparing the Group to meet the challenges of tomorrow. Employee profit-sharing and equity and savings incentive schemes also rally employees around Safran's objectives by giving them a stake in the Company's capital. The Group's human resources policy is outlined in section 5.4.

Regarding personal safety, the Group's international scope may expose it to a number of safety risks. The Safety Department has therefore set up a specific oversight organization for each country to address these risks. The Group is constantly assessing the risks of terrorism, armed conflict and confrontation with criminal organizations. Its regions are classified according to risk and a series of specific prevention and protection measures has been established for risk classification. The Group is assisted in this initiative by government departments as well as specialist service providers. An emergency operations center may be set up in response to a specific situation and release exceptional resources to operating staff, for example during an evacuation.

4.1.7 Market and derivative risks

The main risks hedged using the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

Foreign currency risk management

Most Aerospace Propulsion and Aircraft Equipment 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 7.1 billion for 2015.

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

The Group's earnings are exposed to the risk of fluctuations in the EUR/USD exchange rate as a result of its financial assets and liabilities denominated in US dollars which are disclosed in section 3.1 (Note 27, "Management of market risks and derivatives").

Shareholders' equity is also exposed to the risk of fluctuations in the EUR/USD exchange rate on the Group's investments in US businesses which are disclosed in section 3.1 (Note 33, "List of consolidated companies").

HEDGING POLICY

Two 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).

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 four-year timeframe.

Foreign currency risk on the Group's investments in US businesses is hedged using net investment hedges of some of these entities, as disclosed in section 3.1 (Note 27, "Management of market risks and derivatives").

MANAGEMENT POLICY

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and a combination of barrier options and other options.

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, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators and a combination of barrier options and other options.

HEDGING PORTFOLIO

The Group's hedging portfolio is described in section 3.1 (Note 27, "Management of market risks and derivatives").

The Group has hedged its entire USD exposure for 2016 and 2017 at a rate of 1.24 (2016) and 1.22 (2017).

The Group has continued its exposure hedging strategy for 2018. At January 28, 2016, the hedging portfolio for 2018 amounted to USD 4.3 billion, of which USD 1.3 billion in forward sales and USD 3.0 billion in optional hedges. Two-thirds of the optional hedges have knock-out barriers set at various levels above 1.34. Provided that the EUR/USD exchange rate remains below 1.25 in 2016, the performance of all instruments in the portfolio should allow the Group to gradually increase the 2018 portfolio to USD 8.0 billion, with a target hedging rate of between 1.17 and 1.20.

The Group has begun to hedge its projected net exposure for 2019. At January 28, 2016, the hedging portfolio for 2019 amounted to USD 2.3 billion, of which USD 1.1 billion in forward sales and USD 1.2 billion in optional hedges with knock-out barriers set at various levels above 1.19. Provided that the EUR/USD exchange rate remains below 1.25 in 2016 and 2017, the performance of all instruments in the portfolio should allow the Group to gradually increase the 2019 portfolio to USD 8.0 billion, with a target hedging rate of between 1.15 and 1.20.

The knock-out barrier option expires if the spot exchange rate climbs above the knock-out rate during the window in which the option is active and the value of the hedging portfolio is reduced by the notional value of the disabled option.

For the record, the estimated annual exposure of approximately USD 7.3 billion for 2016 depends on budgeted sales figures, and is regularly reviewed for each year covered by the foreign currency risk management policy.

A one-cent change in the EUR/USD exchange rate parity on the hedged rate has an impact of €47 million on adjusted profit from operations.

SENSITIVITY

The following tables present the sensitivity of the main income statement aggregates to a 5% increase or decrease in the EUR/USD exchange rate (average and closing exchange rates). The first table shows adjusted data, the second consolidated data. The sensitivity analysis takes account of:

- the translation effect, i.e., the impact of changes in the EUR/USD exchange rate on the translation into euros of the results of entities whose functional currency is the US dollar;
- the transaction effect, i.e., the impact of changes in the EUR/USD exchange rate on USD transactions conducted by entities whose functional currency is the euro, and on the value of the EUR/USD hedging portfolio.

The sensitivity of equity to a 5% increase or decrease in the EUR/USD closing exchange rate affecting the net investment hedge of some of its US entities is presented in section 3.1 (Note 27, "Management of market risks and derivatives").

Adjusted data *(in € millions)*	**2014**		**2015**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.33		1.11	
Average exchange rate used for sensitivity analysis	1.26	1.40	1.05	1.17
Closing exchange rate	1.21		1.09	
Closing exchange rate used for sensitivity analysis	1.15	1.27	1.03	1.14
Revenue	306	(277)	397	(359)
Profit (loss) from operations	12	(11)	15	(13)
Financial income (expense)	17	(15)	14	(12)
Profit (loss) before tax	29	(26)	29	(26)

Non-adjusted consolidated data *(in € millions)*	2014		2015	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.33		1.11	
Average exchange rate used for sensitivity analysis	1.26	1.40	1.05	1.17
Closing exchange rate	1.21		1.09	
Closing exchange rate used for sensitivity analysis	1.15	1.27	1.03	1.14
Revenue	544	(492)	697	(630)
Profit (loss) from operations	245	(222)	309	(280)
Financial income (expense)	(1,470)	1,273	(2,061)	1,635
Profit (loss) before tax	(1,224)	1,051	(1,750)	1,355

Interest rate risk management

The Group's exposure to fluctuations in interest rates covers two types of risk:

- price risk in respect of fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk 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 general 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.).

EURO INTEREST RATE RISK

An interest rate swap was 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.

Exposure to euro interest rate risk is presented in section 3.1 (Note 27, "Management of market risks and derivatives").

USD INTEREST RATE RISK

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market has also been partially converted to a floating rate. Floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate.

Exposure to USD interest rate risk is presented in section 3.1 (Note 27, "Management of market risks and derivatives").

SENSITIVITY

A 1% rise in interest rates would increase the cost of debt by €5 million (versus an increase of €13 million in 2014).

Commodity risk management

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).

These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

Commodity hedges, together with the fair value of the related hedging instruments, are disclosed in section 3.1 (Note 27, "Management of market risks and derivatives").

Equity risk management

Safran is exposed to fluctuations in the stock market price of Embraer shares, which are the only listed securities classified as available-for-sale financial assets that it holds.

A 5% decrease in the price of this share would have had a net negative impact of €3 million on equity at end-2015 (same as end-2014).

Counterparty risk management

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

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

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

The counterparty risk taken into account in pricing derivatives is not material (section 3.1 – Note 1.v, "Derivatives and hedge accounting").

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

The Group may be exposed to delayed payment risk for civil and military government contracts and this may adversely impact the ability to meet its free cash flow targets.

The maturity schedule for trade and other receivables is set out in section 3.1 (Note 16, "Trade receivables").

Liquidity risk management

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

Surplus cash is managed with two principles in mind:

- safeguarding the amounts invested at all times;
- optimizing investment yields whenever possible, without jeopardizing the safety of the investments themselves.

Since the Group had an undrawn, confirmed liquidity line at December 31, 2015, it is relatively insensitive to liquidity risk. This €2,520 million line was contracted in December 2015 and expires in December 2020. It includes two successive one-year extension options and is not subject to any covenants. This new facility replaces the previous two lines (€1,600 million expiring in December 2015 and €950 million expiring in December 2016), which were canceled in December 2015.

A number of financial covenants apply to the EIB borrowings set up in 2010.

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

The "Net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market.

The terms "net debt", "EBITDA" and "total equity" used in connection with the EIB borrowings and the US private placement (USPP) are defined as follows:

- net debt: 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);
- total equity: equity attributable to owners of the parent and non-controlling interests.

The maturity schedule for financial liabilities (excluding derivatives with a negative fair value) is set out in section 3.1 (Note 23, "Interest-bearing financial liabilities").

4.1.8 Legal risks

In the same way as other industrial groups, Safran is exposed to technical and commercial risks as a result of its activities. From a legal standpoint, the Group is, among other things, exposed to the risk of non-compliance with regulations, especially anti-trust regulations, along with commercial and anti-corruption regulations, export controls and any embargoes and sanctions taken against countries in which it does business.

To manage these risks, and in particular ensure compliance with national and international regulations, Safran has set up action plans (see section 5.2, "Perpetuating the integrity culture") and seeks to ensure that Group companies report on any potential non-compliance with regulations, inform the authorities concerned of any identified breaches, and take all appropriate measures to prevent problems arising in these areas. To date, the few cases brought to the attention of the authorities have been closed after investigation, without penalties. Concerning embargoes and sanctions, the Group ensures that it takes all adequate and necessary measures to comply with all such regimes affecting its operations, and particularly its US business.

Aside from the main risks identified in this respect and disclosed in section 3.1, in Note 30 "Off-balance sheet commitments" and in Note 31 "Disputes and litigation", based on an analysis of the legal risks to which the Group is exposed, no other probable or material risks were identified.

4.1.9 Health, safety and environmental risks

All industrial activities generate risks, particularly health, safety and environmental (HSE) risks. Safran's HSE policy is implemented within the framework of an improvement drive which aims to bolster its strategy of anticipating and preventing potential risks in all of its activities.

Chapter 5 on Corporate Social Responsibility presents a range of HSE programs and initiatives, and the analyses performed by the Group have not identified any uncontrolled risks.

4.1.10 Data confidentiality risks

In view of the overriding importance of proprietary information to technological innovation, corporate strategy and core assets, the Group constantly needs to ensure a reasonable degree of information protection (particularly of data, knowledge and know-how).

Safran may be exposed to the risk of breaches of security in relation to its premises or data processing systems (illegal attempts to gain access to confidential information, threats to the physical security of installations, etc.).

Information technologies and their use to support the Group's activities are constantly changing. Guaranteeing uninterrupted IT services and preventing cyber risk (computer fraud, hacking etc.) against increasingly sophisticated and frequent cyber attacks are therefore essential.

In order to limit the impact of this risk, the Group has devised a general safety and security policy (compliant with national regulations and subject to audits and inspections by regulators). Awareness-raising initiatives for employees are organized at Group and Company level.

The Group also has an information systems security policy (ISSP) which establishes organizational, technical and governance guiding principles to protect information stored in IT systems, particularly against cyber risks.

The Group invests ever-increasing amounts in information system protection, incident detection, and security alert and event response and also in regular reviews of their effectiveness.

4.2 General risk management policy

The Group adopts a "Comprehensive Risk Management" approach which has been validated by the Group Risk Committee.

4.2.1 Group Risk Committee

The Group Risk Committee is composed of the Chief Executive Officer and Group corporate officers, and is headed up by the Group Risk Management and Insurance Director.

Its duties include:

- approving the risk management policy;
- validating the Group risk map and the corresponding control measures;
- ensuring that the risk management process functions correctly;
- ensuring that employees are sufficiently risk-aware;
- ensuring that the crisis management procedure functions effectively;
- validating the cross-functional action plans drawn up by the Risk and Insurance Department.

The Risk Committee met twice in 2015.

4.2.2 Risk and Insurance Department

The Risk and Insurance Department reports to the Group Chief Financial Officer and is responsible for implementing the Group's risk management policy. Its duties are described below.

1) Mapping Group risks

The Risk and Insurance Department summarizes risk appraisal results at Group level and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. Determining the degree of risk control is also essential in characterizing risk.

The Risk and Insurance Department ensures that action plans are put in place to improve risk management and recommends a compromise between the risk exposure retained by the Group and the exposure transferred to the insurance and/or reinsurance markets, as appropriate.

2) Rolling out the risk management policy

In order to achieve optimal risk coverage, the risk management policy is based on:

FIRST-TIER ENTITIES

Each first-tier entity appoints a Risk Manager who prepares a risk map for his/her entity that is subsequently reviewed during entity Risk Committee meetings. In all instances, risk management draws on a methodology shared by all entities using risk analysis as the starting point. A risk owner is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk and Insurance Department (major risk map with the corresponding degree of risk control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk and Insurance Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

First-tier entity Risk Managers are tasked with implementing the risk management process in the subsidiaries and joint ventures included in their reporting scope.

Risk management in newly acquired entities forms part of the action plans that the Risk and Insurance Department requires the companies to set up within the context of the integration plan.

Each tier-one entity is required to organize Risk Committee meetings at least twice a year.

The Risk Management and Insurance Director regularly attends these Committee meetings.

The Risk and Insurance Department coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved annually by the Group Risk Committee.

FUNCTIONAL DEPARTMENTS AND PROCESSES

The Risk and Insurance Department prepares a map of major risks by Group functional and central department based on interviews. These maps are then approved by the functional departments. For each identified risk, a risk owner is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

Risk management is also supported by the Audit and Internal Control Department (see section 6.5.5).

3) Developing risk management guidance, analyzing and recommending improvements to the risk management system

The Risk and Insurance Department develops methodological techniques and processes to ensure consistent handling of risks between companies, assists with their use and encourages the sharing of best practices. The Group has a risk manual organized by process, level of impact, frequency, probability and control, and has risk analysis guides for certain risks.

4) Promoting risk awareness and a strong risk culture across the Group

A "Risks and management" training module, launched in 2007 and organized jointly by the Risk Department and Group Risk Managers in liaison with Safran University, has promoted risk awareness among over 1,200 managers within the Group, including 143 in 2015. Additional modules such as Business Continuity Plans (BCP) and "crisis and management" are also helping to foster a culture of risk management.

5) Implementing the crisis prevention and management system

This system is based on the implementation of coordinated procedures for managing warnings and crises, at the level of the Group, companies or individual sites. It is tested and improved through crisis simulation drills held at various Group sites and entities.

6) Implementing the Proactive Safran Integrity Program (PSIP)

The aim of this program is to help manage documentation and legal liability risks resulting from the Group's products and/or services. The program is also designed to protect employees from the consequences of an accident due partly or wholly to the Group's products and/or services.

PSIP-related training continued in 2015.

7) Taking out insurance coverage

The Risk and Insurance Department identifies the accident risks to which Group entities are exposed and after careful consideration, takes out the necessary insurance coverage using either insurers in the market or a Group self-insurance arrangement.

It coordinates all Group insurance-related matters for damage caused either to or by the Group, with the exception of personal insurance and loan insurance.

4.3 Insurance

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies:

- a "comprehensive industrial risks" policy covering all Group entities for damage to industrial installations (buildings, machines, inventories, etc.). The maximum payout under the policy is €300 million, or up to €1.3 billion for certain individual sites, excluding market-imposed sub-limits for certain risks such as flooding, earthquakes and natural disasters. It includes business interruption insurance;
- "product third-party liability" policies covering the financial consequences of product failure in the event of an accident following delivery to a third party:
  - aviation products.

    The policies provide coverage totaling USD 2 billion per annum that can be used during the year for aviation products. Coverage for helicopter products is capped at USD 1 billion, while coverage for terrorism totals USD 1 billion,
  - "land" products (excluding aviation businesses).

    The policies provide coverage totaling €350 million per annum that can be used during the year.

Total premiums paid by the Group under all policies in 2015 represented 0.098% of adjusted consolidated revenue for that year.

Soreval, a Luxembourg-based captive reinsurance company, participates in the risk coverage scheme within the framework of property damage and civil aviation liability insurance programs.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local insurance regulations.

ZOOM

EMPLOYEES WORLDWIDE AT DECEMBER 31, 2015

70,087 ☑

NEW HIRES WORLDWIDE IN 2015

More than 7,700

NET JOBS CREATED WORLDWIDE IN 2015

1,001

FREQUENCY RATE OF OCCUPATIONAL ACCIDENTS RESULTING IN LOST WORKTIME IN 2015 (DOWN FROM 2014)

2.7

NUMBER OF OCCUPATIONAL ACCIDENTS RESULTING IN LOST WORKTIME PER 1,000 EMPLOYEES IN 2015 (DOWN FROM 2014)

4.7

NUMBER OF EMPLOYEES WHO RECEIVED ON-SITE TRAINING WORLDWIDE ON EXPORT CONTROL IN 2015 (18,000 SINCE 2010)

More than 4,000

CORPORATE SOCIAL RESPONSIBILITY

Safran's social responsibility program features six strategic focuses based on the main guidelines of the ISO 26000 standard:

- developing innovative products and processes with a lower environmental impact;
- always aiming for excellence in safety and the protection of individuals and property;
- developing human potential;
- involving our suppliers and partners;
- perpetuating the Group's integrity culture;
- guaranteeing better relations with stakeholders.

The CSR policy is overseen by the Senior Executive Vice President, International and Public Affairs, and implemented by an internal representative.

This representative coordinates and implements CSR policy at Group level, working with an internal steering committee made up of representatives from the different departments involved.

ETHICAL AND SOCIAL ENGAGEMENT

Safran has a set of values and ethical standards that are embraced by all of its employees. The Group has a duty of vigilance that is integrated into all Company functions and guides the development of its businesses in accordance with the highest international standards of business ethics, integrity and professionalism. These values and ethical behavior are critically important and are intended to enable the Group to remain worthy of the trust placed in it by all of its stakeholders.

SAFRAN'S HUMAN RESOURCES POLICY

The Group's human resources (HR) policy focuses on three strategic areas:

- grooming the best talent to serve innovation;
- promoting social responsibility;
- driving the Group's international expansion and transformation.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Safran ambitiously aims for excellence in the field of occupational health and safety and the environment, as well as for its products and services. This reflects the Group's own values and is consistent with its sustainable development commitments.

CSR REPORTING METHODOLOGY AND INDEPENDENT THIRD PARTY REPORT

Safran has elected to have the social, environmental and community involvement information presented in its report reviewed by one of its Statutory Auditors, Mazars, in accordance with Article 225 of the Grenelle 2 Act and its implementing legislation. The Statutory Auditors obtained reasonable assurance for 14 of the social indicators (identified by the symbol ☑ in this section) and limited assurance for a selection of 16 HSE indicators and one social indicator, as well as reviewing ten qualitative themes. The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the report in section 5.7.2.

CORPORATE SOCIAL RESPONSIBILITY

5.1 Safran's Corporate Social Responsibility policy

Operating in the Aerospace, Defense and Security industries and boasting strong innovative capacities, Safran prepares for the future by developing increasingly efficient products. In this way, the Group meets its customers' economic requirements while addressing social, environmental and community involvement issues. Companies are no longer assessed solely based on their economic performance or product quality, but also on their CSR procedures.

Safran must integrate a social responsibility policy into its strategy to meet the expectations of its stakeholders: employees, customers, shareholders, suppliers, partners and all those affected by its business.

In addition to its products and services, Safran's corporate responsibility is also exemplified by the development of its businesses in accordance with the highest international standards of business ethics as well as a purchasing policy that is an integral part of longstanding sustainable relations with suppliers and subcontractors.

By continuing its involvement with the United Nations Global Compact, Safran's CEO ensures that the Group's CSR policy is implemented at Safran's highest level of governance. This is proof of its commitment to adhere to and uphold the ten universal principles, which cover human rights, labor standards, the environment and the fight against corruption. As part of its commitment, Safran discloses an annual Communication On Progress (COP) that is posted on the Global Compact website. The COP is based to a great extent on the annual Registration Document, and the CSR chapter in particular, approved by the Board of Directors. In 2016, Safran's reporting again earned the Advanced level (level 3 out of 4). To meet the reporting requirements set out in Article 225 of the Grenelle 2 Act and its implementing legislation, Safran aims to emphasize its commitments and contributions in the area, display the consistency of its initiatives and incorporate social responsibility as a strategic factor in the Group's future and growth.

Most of the information set out below is consolidated to cover the entire Group. However, for greater reliability and due to some legislative requirements, some human resources information is restricted to a smaller scope, encompassing only France[1].

5.1.1 Strategic CSR focuses

Safran's social responsibility policy features several strategic focuses based on the main guidelines of ISO 26000 and recognizes:

- opportunities inherent to Group strategy: economic performance, innovation and internationalization;
- a number of existing measures and commitments;
- the needs and interests of Group stakeholders.

Based on these criteria, Safran defined the following six strategic CSR focuses:

- developing innovative products and processes with a lower environmental impact;
- always aiming for excellence in safety and the protection of individuals and property;
- developing human potential;
- involving our suppliers and partners;
- perpetuating the Group's integrity culture;
- guaranteeing better relations with stakeholders.

An internal steering committee composed of representatives from the main divisions involved in CSR deploys these focuses.

5.1.2 CSR governance

Within Executive Management, the CSR policy is overseen by the Senior Executive Vice President, International and Public Affairs, and implemented by an internal representative.

This representative coordinates and implements CSR policy within the Group, working with an internal steering committee representing the different departments involved.

The representative is also backed by CSR delegates and Human Resources Directors in the companies, who ensure the policy is deployed.

(1) *See the Methodology note on the reporting of social and health, safety and environmental (HSE) indicators in section 5.7.1.*

5.1.3 Guaranteeing better relations with stakeholders

As a major economic player, Safran must act responsibly towards its stakeholders, including business partners, internal stakeholders, civil society, observers and public partners.

Its CSR policy must therefore promote transparency in communication and dialogue with Group stakeholders. Safran develops proactive communication with its stakeholders through numerous materials and tools, for employees (guidelines on ethics, diversity and mobility), shareholders (letter to shareholders, shareholders' guide), customers and business partners (annual report and CSR report).

Taking its CSR policy a step further, Safran began reviewing performance in key CSR areas in late 2015 based on interviews with its main stakeholders. The review covers the CSR issues mapped out in 2014 and is available on the Group's website, along with other CSR Information. Business ethics and responsible purchasing were among the key issues identified during the mapping process.

5.2 Perpetuating the integrity culture

5.2.1 Commitments: Ethical Guidelines and Group values

Safran has a set of values and ethical standards that are embraced by all of its employees. The Group pays particular attention to ensuring that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

Group values

Safran bases its identity on the following seven core values that are promoted within each of its subsidiaries and at each of its sites:

- focus on customers;
- meeting the commitments set out in the Ethical Guidelines;
- innovation;
- responsiveness;
- teamwork;
- people development and recognition;
- civic responsibility.

To support these values, Safran introduced Ethical Guidelines – available to all on its intranet and corporate website – setting forth the principles and standards common to the Group as a whole, to be used as a basis for employee conduct under all circumstances. The guidelines, which are updated regularly, are not intended to replace or revise the laws and regulations in force, but to provide points of reference and guidance for the conduct of professional activities. Each of these guidelines is described in further detail below.

ETHICAL GUIDELINES

Behavior outside the Group

Upholding the law

In all the countries in which the Group operates, its personnel must uphold the law. Care should be taken, as it may be difficult to understand the law in a legal and cultural environment that is very different than that in which the employee has previously worked. When there is a question or there is any doubt, the employee should immediately consult with a superior or the Legal Department.

Personnel working in a subsidiary jointly owned by a Group company and a foreign company must uphold the law of the country in which the subsidiary is based, and the country or countries in which it operates and where its shareholders are based.

Integrity, honesty and transparency should guide all of the Group's employees in their work. Employees are expected to deal with customers, suppliers and other business partners in the Group's interest and in compliance with laws and regulations.

All personnel must take particular care to uphold laws on anti-corruption, competition, export and re-export control, labor and employment, safety, health and environmental protection.

Engaging in proper business practices

Zero tolerance of corruption

Safran, its companies and employees do not tolerate any form of corrupt practices, be they active or passive, direct or indirect, for the benefit of those in the public or private sector.

The Group's companies apply all international conventions on combating corruption and the anti-corruption laws in force in the countries where they do business.

The Group, its companies and its employees never use a third party to perform any task that they are ethically or legally forbidden to perform themselves. Engaging a third party for the purpose of bribing a person or a legal entity violates anti-corruption laws.

5

Prior to entering any contractual relationship with a business partner, the Group's companies must follow a methodical and documented procedure.

Gifts and hospitality

Business courtesies, such as gifts and hospitality, given to or received from customers, suppliers and other partners are commonly used to build goodwill and acknowledge appreciation in business relationships. However, these courtesies must not exceed a nominal value and may not influence, or give the appearance of influencing, any business decision. Good judgment, discretion and prudence should always guide the Group in these situations. Business courtesies are prohibited by law under certain circumstances and in certain countries. The Group's personnel must comply with the policies and laws that apply in each country where Safran does business.

Complying with export laws

As a global company, Safran purchases goods and services from a diverse group of suppliers. The Group also provides goods and services to customers all over the world. It is therefore critical that the Group strictly complies with all applicable regulations that govern its export activities.

Before engaging in any export activity, Group employees must verify the eligibility of both the delivery location and the recipient. They must also obtain, when applicable, all required licenses and permits, including government authorizations and approvals for government-controlled products or technologies. These authorizations can be obtained from the relevant management in cooperation with Safran's export control organization.

Import activities are also subject to various laws and regulations, and it is the responsibility of the Group's employees to comply with all of the applicable standards. Any breach of these regulations on imports and exports has serious consequences for the Group. It is the Group's responsibility to know and comply with the laws and regulations that apply to its activities.

Competing fairly

As part of its commitment to fair competition, the Group must strictly comply with applicable competition laws in the countries where it does business. In general, these laws prohibit agreements or practices likely to restrain or alter competition or trade. Examples of prohibited agreements include: price fixing, abusive behavior, bid rigging, allocating markets, territories or customers amongst competitors, or boycotting or discriminating among certain customers or suppliers unless legally justified.

The exchange or disclosure of commercially sensitive information relating to competitors, customers or suppliers may also violate applicable laws.

Behavior towards customers

Each employee must uphold the principles of fairness and integrity in his or her dealings with customers.

The business of the Group, to a large extent, concerns air transport safety; no compromise can be tolerated for any reason. Any situation that may seem questionable to an employee must immediately be referred to a superior or the quality manager.

Relations with shareholders

The Group ensures that its shareholders receive, on a timely basis, and in an effective manner, complete, relevant, accurate and precise information that is consistent with previous published information. It takes particular care to implement international corporate governance standards and principles.

Relations with suppliers

The Group selects suppliers on the basis of objective criteria and demands high performance from them, in order to ensure that the Group's expectations and those of its customers are fully met. Under no circumstances will the Group use suppliers that make use of child or forced labor. In 2010, the Group signed a charter governing relations between major contractors and SMEs, drawn up on the initiative of the French Ministry of Economic Affairs, Industry and Employment.

Integrity

Under no circumstances may employees damage the reputation of the Group or compromise the integrity of its assets or its information systems.

Paid work of any kind that employees may perform outside the scope of their employment with the Group must not cause conflicts of interest with their duties within the Group.

Similarly, considerable caution is required when purchasing shares, directly or via an intermediary, in companies doing business with the Group. Such restrictions do not apply to listed companies, unless confidential information is used, which may be construed as insider trading.

Sustainable development

Today more than ever, protecting the environment is a critical concern for all Group employees, starting with product design and running through to the industrial process as a whole.

Political and religious activities

The Group does not finance any political parties and any political activities must be carried out exclusively outside the workplace and working hours.

Any religious practices in which employees may be involved must be practiced exclusively outside the workplace and working hours, except in the case of a legal obligation.

Behavior inside the Group

Information control

Employees must ensure the protection of information acquired in the course of or in connection with the performance of their duties. Employees are to pay particular attention to respect the internal rules of protection and applicable requirements during both written and verbal communication.

Protecting the confidential nature of certain information

In the course of their duties, all employees have access to confidential information, which represents a key asset of the Group. Confidential or classified information is sensitive information which must not be disclosed or communicated outside of the Group. Similarly, Group employees may have information concerning the national security of the country in which the Group company is located. Care must therefore be taken to ensure that such information is protected from third parties.

Any information that could influence the value of Safran's stock price must remain confidential, until it has been communicated by the Group to the public. Any personal use of such information would constitute insider trading and could expose the employee to both civil and criminal liability.

Respect for other people

The safety and health of individuals are prime objectives for the Group.

The Group is an equal opportunity employer. Recruitment and promotion are based exclusively on professional qualities and performance. The Group respects the dignity and private life of each of its employees. Furthermore, one of the Group's key values is to create the necessary conditions for all employees to achieve fulfillment in their chosen profession. All Group companies comply with the rules of protection of personal data known as the "Binding Corporate Rules" (BCR), applicable to the treatment and transfer of data outside of the European Union.

Compliance with the Ethical Guidelines

Each employee is required to review, understand and comply with the Group's Ethical Guidelines.

In the event of a question or any doubt regarding appropriate conduct, it is the responsibility of the employee to immediately contact a superior or the Group's Legal Department.

Each employee has an affirmative obligation to comply with these Ethical Guidelines.

THE COMPLIANCE, ETHICS AND ANTI-FRAUD COMMITTEE

Safran's Corporate Secretary is the Group's compliance, ethics and anti-fraud sponsor.

The permanent members of the Committee are: the Corporate Secretary, Chief Financial Officer, Senior Vice President, International and Public Affairs, Executive Vice President, Human Resources, Chief Legal Advisor, Senior Vice President Group Compliance Officer, Chief Security and Fraud Officer, Head of Audit and Internal Control and Head of Group Internal Control. The Committee is responsible for supervising compliance with the rules defined in the Ethical Guidelines (upholding the law, engaging in proper business practices, protecting people and assets, etc.) and any future changes that may be made. This approach is sponsored by the Corporate Secretary, and the responsibilities are handled by the departments concerned (for example, trade compliance and export control within the Group Department of International and Public Affairs). The Group's resources include Ethical Guidelines, an anti-fraud policy, internal control procedures, processes and a prevention, awareness, detection and assessment program for cases of potential fraud. A system for the centralizing of information on fraud or attempted fraud identified within Group companies is in place. This information is acted upon by the companies, the concerned operating departments, and, if appropriate, by the Group's Audit and Internal Control Department and Safety Department and necessary actions are taken. A fraud officer has been appointed and is tasked, among other things, with defining the terms and conditions of possible internal investigations and, where applicable, carrying them out. He reports to the Compliance, Ethics and Anti-Fraud Committee.

5.2.2 Zero tolerance of corruption

Definition

Safran defines corruption as offering, promising or giving any undue pecuniary or other advantage, whether directly or through intermediaries, to a third party, in order that said third party act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of business.

Philippe Petitcolin, Safran's Chief Executive Officer, has set out this unequivocal and continuous commitment to rejecting corruption:

"Our Group is supported by seven key values, among which compliance with Ethical Guidelines is of critical importance. For Safran, ethics and integrity are fundamental, as are our policies of permanent innovation and continuous improvement in business performance. These synergistic values form a whole that supports the Group's sustainable growth.

By maintaining our standards of exemplary behavior at the highest level and ensuring that these standards are applied effectively throughout the Group and at all Safran sites, we will continue to earn our stakeholders' trust."

A GROUP-WIDE PROGRAM TO PREVENT THE RISK OF CORRUPTION

Safran has introduced a strict corruption risk prevention program based on the “zero tolerance” corruption policy formally affirmed in its Ethical Guidelines. Its standards are applicable to all companies controlled by the Group. The program covers the entire set of requirements from all international conventions and national regulations that apply to Safran’s activities, including:

- the OECD Convention on Combating Bribery of Foreign Public Officials in international business transactions (1997);
- European conventions against corruption: The European Community Convention against corruption involving officials of the European Communities or officials of Member States of the European Union (1997), The European Criminal Law Convention on Corruption against active and passive corruption of foreign officials (1999) and The European Civil Law Convention on Corruption (1999);
- the United Nations Convention against Transnational Organized Crime (Italy, 2000);
- the United Nations Convention against Corruption (2003);
- Act 2013-117 of December 6, 2013 on the fight against tax fraud and large-scale economic and financial crimes, which transposes all of these conventions into French criminal law;
- the US Foreign Corrupt Practices Act (FCPA-1977), amended in 1998 and the International Anti-Bribery and Fair Competition Act;
- the African Convention (2003);
- the UK Bribery Act (2010);
- and all laws of the countries where Safran companies operate.

Safran is also involved in a number of collective initiatives to strengthen integrity practices and has established an international reputation as a responsible company. Safran’s anti-corruption program goes beyond legal requirements to comply with guidelines designed to promote and step up integrity practices, as defined by:

- the 10th principle of the United Nations Global Compact;
- the French Aerospace Industries Association (*Groupement des Industries Françaises Aéronautiques et Spatiales* – GIFAS);
- the Common Industry Standards for Anti-Corruption defined by the Aerospace and Defence Industries Association of Europe (ASD);
- the International Chamber of Commerce’s rules on corporate social responsibility and the fight against corruption.

Safran is also an active member of collective, industry or topic-based groups, including:

- the International Forum of Business Ethical Conduct (IFBEC), of which it is one of the 12 Strategy Committee members. This organization is made up of leading US and European companies in the Aerospace and Defense sectors, and promotes industry-wide ethical standards and good business practices through the Global Principles on Business Ethics, which have been signed by Safran’s Executive Management;
- MEDEF (the French employers’ association), of which Safran is the Chair of the International Ethics Committee;
- the Business and Industry Advisory Committee (BIAC) to the OECD, of which Safran is Vice-Chair of the anti-corruption task force;
- CEA (*Cercle Éthique des Affaires*) linked to the European Business Ethics Network, of which Safran is a member of the Board.

Safran’s anti-corruption program, which tracks changes in national and international regulations, is broken down into a series of specific operational procedures within each Group company, and takes account of the regulations applicable to its specific organization, products and markets.

An anti-corruption program that meets the strictest international standards

At the end of 2012, Safran was the first CAC 40 company to be “anti-corruption” certified by the French Agency for the Diffusion of Technological Information (*Agence pour la diffusion de l’information technologique* – ADIT). This certification, valid for three years, is based on standards drafted by Mazars and ADIT and approved by France’s Central Service for the Prevention of Corruption *(Service central de prévention de la corruption)*, a body that reports to the Ministry of Justice, and by a panel of international experts.

Anti-corruption certification highlights the effectiveness of Safran’s business compliance program, thereby validating the Group’s efforts over the past several years to bring its rules and procedures in line with the highest international standards. The process to renew Safran’s certification began in late 2015 and will be completed in 2016.

In addition, the objective to obtain certification for all the Group’s tier-one companies by the end of 2017 is on track: Sagem and Morpho were certified in 2014, as were Snecma and Turbomeca in 2015. The certification audits for Messier-Bugatti-Dowty and Techspace Aero are underway and will be finalized in 2016. Labinal Power Systems and Aircelle are next on the list, followed by Hispano-Suiza.

The Safran program aims to foster a culture of integrity and fairness and help all its employees understand and integrate the need to prevent any risk of corruption. Based on continuous improvement, it addresses the program’s two main concerns: (i) promoting responsible behavior among employees and management, and (ii) protecting Group assets through risk management.

The corruption risk prevention program is run by the Trade Compliance and Export Control, under the responsibility of the Group Compliance Officer, as part of the Group’s general corporate social responsibility policy. Its risks are assessed by a separate risk management department. The Chief Compliance Officer reports to the Senior Executive Vice President, International and Public Affairs, who in turn reports to the Chief Executive Officer.

As a member of the Group’s Compliance, Ethics and Anti-Fraud Committee, the Safran Group Compliance Officer coordinates all aspects of the business integrity approach, leads discussions and promotes best practices with companies, national and international authorities and civil society.

Commitment from Safran's Executive Management

The Board of Directors, the Chairman, the Chief Executive Officer, Executive Management and all Safran subsidiary executives are committed to leading by example. No compromise is possible on integrity and corruption risk prevention, even if that means sacrificing contracts and revenue. Safran firmly holds to maintaining sound, sustainable growth and the trust of its stakeholders. This commitment is reflected in a representation letter signed every year by all executives at tier-one Group companies. The executives sign for their own company and ensure that this representation is also transmitted for their own subsidiaries.

Raising employee awareness

Executive Management, Board members and Group employees, both directly and indirectly concerned, receive regular, adapted information: monthly anti-corruption reports, a quarterly information bulletin on business ethics, country regulation guides, dedicated intranet service, etc.

An on-site trade compliance training course was developed for Group companies worldwide. Preventing corruption was a topic incorporated into several Safran University training programs, aimed specifically at staff involved in sales, marketing, purchasing and programs. As part of the Group's e-learning programs, an interactive module on preventing the risk of corruption was deployed in late 2014 for all Group employees. Some 10,000 people exposed to or concerned by the topic have been trained in specific training sessions since 2009, including more than 1,200 employees in 2015. Awareness sessions are also organized for the management committees in Safran's subsidiaries on a yearly basis. These courses are designed to give every manager and employee adequate knowledge of regulations applicable to their businesses and a full understanding of Group procedures and how they are applied at their company. The Group's trade compliance team, as well as the companies' Trade Compliance Officers, who are accredited in-house as instructors, lead this program.

A communication campaign focusing on integrity in business transactions was launched in late 2015 with the slogan "Adopt the compliance attitude". In 2016, the campaign will raise awareness among all Group employees, helping them to understand how to respond appropriately in different risk situations. The campaign will also encourage feedback or alerts, with a dedicated e-mail address (tradecompliance@safran.fr).

Supporting the program: organization, procedures and control

A NETWORK OF 134 TRADE COMPLIANCE OFFICERS IN THE COMPANIES

The program to prevent the risk of corruption is centralized at Group level. The Group Compliance Officer is assisted by a network of more than 23 Trade Compliance Officers (TCOs) appointed at all the Group's independent companies. The TCOs, delegated by their company's Chairman or Chief Executive Officer, are responsible for guaranteeing the strict compliance of business transactions with Group procedure and instructions in relation to anti-corruption. TCOs report to the Group Compliance Officer, who is responsible for providing them with the support and information necessary and useful to their work.

TCOs work with a network of 111 Trade Compliance Managers or Correspondents (TCMs or TCCs) who ensure that measures are applied at each subsidiary or division of their company. After being accredited as "instructors" by the Group Compliance Officer, they can lead training courses at their companies and subsidiaries.

The TCOs and TCMs/TCCs must ensure that the persons exposed to and concerned by such risk within their organizations (business, marketing, legal, financial, human resources, purchasing) regularly receive information and training on Safran's business compliance program and carry out any necessary reviews to ensure compliance with procedures.

TCOs and TCMs/TCCs must notify the Group Compliance Officer of any deviation from procedure as soon as it is detected.

TCOs and TCMs/TCCs routinely meet to harmonize their knowledge, exchange good practices and contribute to improving the trade compliance program and related procedures. They also receive information periodically from central Group management on changes in regulations. More than 40 such information letters were sent out in 2015.

TWO DEDICATED PROCEDURES: SELECTING AND VALIDATING BUSINESS PARTNERS – GIFTS, HOSPITALITY, DONATIONS AND EXPENSES

These procedures clearly and precisely describe the roles of employees and the rules to apply in performing their duties. They are updated regularly and widely distributed among managers and the employees concerned. The Group's external partners are also informed about these procedures.

- The international trade compliance procedure lays down strict rules on the centralized and independent management of contractual relations with the business partners, offsets and those engaged in acquisitions or disposals of Group companies, namely: consultants, service providers, distributors or investment or venture capital partners. For continuous improvement, the procedure is updated when necessary, encompassing the latest anti-corruption regulations and disseminating the best identified practices.

It describes rigorous standards applied by the Group worldwide with respect to the selection, qualification, ethical evaluation, monitoring and remuneration of business partners. All business partners of Group companies are systematically subject to internal and external due diligence, which is updated annually.

The procedure includes approving, managing and monitoring lobbyists, which must comply with Safran's responsible lobbying guidelines.

- The procedure for "gifts, hospitality, travel and donations" given to or received from customers, suppliers and other stakeholders stipulates that they must be used exclusively to acknowledge appreciation in business relationships and in no way give rise to a conflict of interest or influence a professional decision.

In addition:

- within the framework of the Safran Philanthropy Committee created in 2015, the Group Compliance Officer reviews the initiatives of Group companies for compliance;
- a clause on ethics is included in Safran's general purchasing conditions signed by all Group suppliers;
- a compliance process is implemented for acquisitions, mergers and the creation of joint ventures.

APPROPRIATE, COORDINATED CONTROLS

Monitoring Group companies' implementation of and compliance with current procedures, as well as the proper application of procedures concerning gifts, invitations and donations is carried out by means of compliance reviews of business partners' files, and those engaged in acquisitions or disposals. The Group Department of International and Public Affairs regularly conducts such reviews; 13 were carried out in 2015. The findings are presented to the Executive Management of the concerned company, as well as to the Senior Executive Vice President, International and Public Affairs and the head of Group Audit.

Audits (see section 6.5.5) are also carried out by the Group's Audit and Internal Control Department to ensure, in particular, that bills issued by the business partners are properly checked, that all payments made to them correspond to actual services and that the amounts paid do not exceed market practices.

5.2.3 Complying with export laws

Group companies buy and sell dual-use components, equipment and technologies (i.e., that can have both civilian and military uses). It is therefore critical that Safran comply, without exception, with all applicable regulations that govern its activities in the export and import of military or dual-use technology, as well as applicable sanctions and embargoes.

Safran has implemented procedures to ensure strict compliance with legislation governing export control.

Compliance standard

A Safran compliance standard sets out the Group's requirements with regard to the control of exports and re-exports to third countries. It is structured around nine key compliance issues:

- implementation of a dedicated organizational structure;
- development of an internal export control program by each Group company;
- training and awareness-raising;
- identification of export restrictions;
- establishment of license/agreement application;
- compliance with the terms and conditions of approved licenses;
- monitoring and audit of the export control program;
- monitoring of technology transfers (data and software);
- treatment of any cases of non-compliance.

This compliance standard was especially useful for companies obtaining certification from the French Directorate General of Weapons Procurement (*Direction générale de l'armement* – DGA) as of the application of the transposition law of the European Directive on intra-Community transfers of defense equipment (June 30, 2012). Since it was implemented, Messier-Bugatti-Dowty, Microturbo, Snecma and Sagem have been certified.

Organization

The commitment by the Group's Executive Management to complying with the laws in force has enabled Safran to implement a dedicated compliance structure, which includes:

- The Business Compliance and Export Control Department:

  Under the responsibility of the Senior Executive Vice President, International and Public Affairs, the Department is supported by a global network of Export Control Officers. They work together to ensure that the Group's compliance standard is applied consistently.

  The Business Compliance and Export Control Department defines overall policy, ensures that each company is applying Group standards, assists Group companies in their transactions, and represents the Group before the relevant government and professional bodies.

  In addition, the Department provides dedicated software that can be used by any concerned employee to assess transactions with countries, companies or individuals subject to embargoes and restrictions and gain a better understanding of regulations.

  It also takes an active role in ensuring that compliance requirements are taken into account and a proper policy has been adopted in handling mergers and acquisitions.

The Department is involved in a number of working groups with national authorities in France and in all countries from which the Group exports. Ongoing projects continued within GIFAS and the ASD Export Control Committee, notably with regard to improving the transposition of the European Directive on intra-Community transfers and regulatory changes concerning dual-use items with the European Commission.

A second International Export Control seminar organized in 2015 under the chairmanship of the Senior Executive Vice President, International and Public Affairs, brought together more than 100 people, including Export Control Officers and correspondents, purchasing officers and sales staff from all Group companies, as well as representatives from other groups and French officials. In conjunction with the seminar, the "Adopt the compliance attitude" campaign was presented to the entire network to support the broadest deployment possible.

- The Export Control network includes over 490 dedicated employees who focus on one of the following three areas:
  - Empowered Officials (members of the Management Committee) appointed at each Group legal entity that imports or exports products. These officials are personally liable for the compliance of their company's exports with the Company's commitments in this respect;
  - Export Control Officers (ECO) appointed by the heads of the companies concerned to assist the Empowered Officials. This person is assisted by a network of Export Control Correspondents (ECC) in the main operational departments concerned;
  - a Group Export Compliance Committee, responsible for recommending to the Executive Management team any actions, organizational methods and directives that would enable it to ensure the Group's compliance with the relevant national and international laws and regulations. The Committee also keeps Executive Management up to date on the progress of the actions in place and of any risks or problems that have arisen.

Training and awareness-raising

The Group Department of International and Public Affairs notifies all Group employees exposed to and concerned by exports of any regulatory developments and any breaches of these regulations.

Safran University organizes targeted training sessions for project managers and buyers and provides its companies with training materials that they can adapt to the regulations applicable to their company structure, products and market. More than 18,000 employees have received this training since 2010.

Safran has developed an export control intranet site, as well as an e-learning resource tool for all new hires to help raise employee awareness, bring practical assistance to employees worldwide and ensure that they comply with French, European and non-European regulations regarding the export of military and dual-use goods. The site notably provides users with rapid access to lists of countries subject to embargoes and persons or entities with whom trade is forbidden, along with a register of all export control representatives and all applicable procedures.

Control

The Trade Compliance and Export Control Directorate conducts regular reviews of tier-one companies to assess progress made in the implementation of its Internal Compliance Program, as well as any difficulties and associated risks in order to provide the needed operational support.

Safran has established a questionnaire to assess a company's degree of maturity in managing each level of compliance. This questionnaire may be used during reviews by Safran or by Group companies or departments during internal audits or reviews of their subsidiaries. These reviews are scheduled annually based on the risk map.

Safran commissions independent consultants to perform audits of Group companies to obtain an external opinion on implementation and to verify the compliance standard's effectiveness. In complex cases, Safran also ensures that its companies detect, assess and account for any cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future.

The companies inform the relevant authorities of each identified case of non-compliance and take all necessary precautions to prevent similar cases recurring in the future. To date, none of the cases closed by authorities have been subject to penalties.

5.3 Involving our suppliers and partners

5.3.1 Purchasing policy and principles

For Safran, continually improving competitiveness requires the constant mobilization of suppliers since purchasing volumes correspond to a significant portion of revenue. As part of its ambition to foster manufacturing excellence and long-term partnerships, Safran supports its suppliers in their development and also expects them to cooperate in the deployment of its HSE strategy.

To achieve this, the Group has aligned its purchasing policy with the principles set out by the United Nations Global Compact, to which it is a signatory, as well as with the Supplier Code of Conduct issued by the International Forum on Business Ethical Conduct (IFBEC).

These commitments are reflected in the principles described below:

- compliance by all actors in the supplier relationship with the Group's Ethical Guidelines and the best practices set out in the Responsible Supplier Relations Charter of the business mediation unit (of the French Ministry of the Economy, Industry and Digital Affairs), which stipulates among other things the appointment of an SME representative (internal mediator). To this end, Safran has been pursuing a program to obtain the Responsible Supplier Relations label. The label awarded in 2014 for Snecma's aircraft engines business was renewed in 2015 and extended to maintenance, repair and overhaul (MRO) services. Safran's objective is to achieve Group-wide coverage;
- Safran is a member of the SME Pact (*Pacte PME*) association, as part of its commitment to strengthen links between SMEs and key accounts, and to support the development of French SMEs, and especially innovative companies. The Group is also a member of the SME Pact's Board of Directors. In 2014, French suppliers accounted for 50% of the Group's purchasing volume, with French SMEs and intermediate sized companies representing two-thirds of this volume;
- as part of the Defense SME Pact, Safran signed a bilateral convention with the French Ministry of Defense in 2013;
- Safran has contributed to the Aerofund III fund and thus continues to support the investment initiatives started in 2004 with the creation of the Aerofund I and Aerofund II funds. The Group actively participates in the restructuring and consolidation of the industrial fabric of the aerospace sector and contributes to the financing of SMEs. By strengthening its sub-contractors' financial structures in this way, the Group is also securing its supplies while promoting the emergence of more robust intermediate sized companies that can develop in international markets;
- as part of the Group's agreement to support and help people with disabilities remain in employment, it has committed to develop its collaboration with companies that employ only disabled people and provide them with special facilities and support. This agreement targets business volumes representing €8 million to be generated through these companies by 2017. The heads of Purchasing and Human Resources jointly manage a project to develop partnerships with those companies, with the goal of ensuring that the target will be achieved;
- continuous cooperation among Group companies, Safran's purchasing network and culture, smooth coordination among all Group members in contact with suppliers and the purchasing team's involvement in all product life-cycle phases.

5.3.2 Deployment of the purchasing policy

In deploying its purchasing policy, Safran relies on:

- the implementation of tools to assess the maturity of the purchasing process and purchasing organization and enable the creation and deployment of continuous improvement plans with a view to mastering best practice;
- a contractual supplier guide that incorporates CSR principles. This guide contains, in particular, the Responsible Purchasing Charter, which aims to communicate the Group's expectations through its suppliers and sub-contractors, who are key to its success, and to obtain their collaboration and commitment by signing the Charter. The Responsible Purchasing Charter demonstrates Safran's long-term commitment to assigning CSR selection criteria the same level of importance as cost, quality, service, innovation and risk management criteria. This Charter draws on six strategic focuses from the Group's CSR program;
- a process to identify in products any minerals (tin, tantalum, tungsten, gold) sourced from conflict zones, in particular from the Democratic Republic of the Congo and its border countries, to respond to the needs of US customers subject to the requirements of the Dodd-Frank Act in the United States. This process already takes into account the upcoming European initiative to extend the approach to all conflict zones identified by the European Union;
- an approach of collaborative innovation with suppliers. Safran is thus reinforcing its role as a responsible participant in the field of innovation by:
  - developing a culture of open innovation internally,
  - regularly communicating its technological ambitions to the relevant suppliers,
  - examining all innovative proposals,
  - providing the resources that are necessary for seeing the selected partnership projects through to completion,
  - strengthening its relations with start-ups, in particular via Safran Corporate Ventures;
- the creation of a special relationship with around ten suppliers that allows them to participate in various strategic projects from the research and technology (R&T) phase on through to production;
- an internal control system for purchasing organizations and practices;

- improvement plans that take into account feedback from the various organizations to which Safran has made commitments:
  - Responsible Supplier Relations label – each year, the assessor issues comments and the Label Committee can do likewise,
  - Defense SME Pact – the Ministry of Defense issues recommendations during the annual evaluation,
  - SME Pact – the monitoring committee (with equal representation of SMEs and key accounts) issues an opinion based on the results of the SME Pact survey (to date, Safran has always received a favorable opinion). This 34-question survey on key topics sent to 300 French suppliers gives Safran an effective tool for measuring suppliers' perceptions of its supplier relationship;
- a training organization accessible to buyers that seeks to guarantee the application of professional and responsible purchasing practices within the Group. This organization includes training programs (e-learning and classroom-based) devoted to incorporating CSR issues into purchasing.

5.4 Developing human potential

5.4.1 Presentation of strategic focuses

To support its growth and achieve its ambitions, the Group must attract the best talent and guide its employees in meeting future challenges.

Safran's human resources (HR) policy focuses on three strategic areas:

- grooming the best talent to serve innovation;
- promoting corporate social responsibility;
- driving the Group's international expansion and transformation.

For several years now, the HR function has been implementing major reforms to meet these goals and significantly boost its collective performance, offering managers and employees greater support, more solutions and a better understanding of the organization to which everyone contributes.

Grooming the best talent to serve innovation

Safran's rapid growth in a highly competitive international market has led the Group to recruit the best profiles and offer them attractive career paths.

Meeting its recruitment needs has become a strategic priority for Safran. The Group has boosted its reputation, particularly its employer brand, to highlight its appeal as a choice employer in the eyes of its top recruitment targets.

Safran puts forth extensive efforts to develop talent and support professional integration by training young people under work-study programs and internships at various levels of qualification. It has also initiated an action plan to improve the number of young hires trained within the Group.

These measures reflect Safran's endeavors to attract the best talent and offer rewarding professional development through its Group-wide HR policy, which includes:

- an active recruitment and mobility program that simplifies transfers between Group companies;
- a skills development scheme to anticipate and prepare for major changes to professions;
- resources to encourage all employees to be proactive in shaping their professional careers;
- open access to all Group opportunities.

Promoting corporate social responsibility

Respect for others and a special focus on employment are fundamental values for the Group. Social cohesion is therefore a major challenge underpinning the harmonious growth of the Group. Safran ensures compliance with the human rights of Group employees through the Human Resources Department and of suppliers and sub-contractors through the Purchasing Department. At Safran, this means complying with the conventions of the International Labour Organization (ILO) and applying Group-wide management methods, such as:

- employee profit-sharing plans adapted to the specific context of the country;
- employee shareholding plans associating employees with Group targets;
- processes designed to develop employer-employee relations internationally with the setting up of a European Works Council, the signing of European agreements and a commitment to start international talks on quality of life in the workplace. Preventing physical and mental health risks due to the workplace is one of Safran's foremost commitments, reflected in various Group agreements (on occupational stress prevention, on the prevention of bullying and the protection of workers from harassment and violence) and in Company agreements on the prevention of dangerous or arduous work. These measures have led to a stable absenteeism rate in France, which stood at 3.9% ☑ in 2015;

- measures to promote and manage diversity and equal opportunity, which Safran considers to be factors that bolster cohesion and performance and which have led to the signature of several Group agreements. Examples in France include an agreement on the employment of people with disabilities, and another on “Generation contracts” to address intergenerational issues. At the European level, an agreement has been signed on promoting long-term youth employment through professional training, which was extended by an agreement on developing skills and career paths.

Driving the Group’s international expansion and transformation

The international nature of the Group requires the implementation of an appropriate HR policy.

With operations in nearly 60 countries, the Group is seeking to pursue and step up efforts to make its teams more international by hosting more international employees in its French companies and encouraging cross-cultural exchange when carrying out strategic projects at its many sites worldwide.

After embarking on a series of large-scale projects to upgrade its management systems, Safran set up a department of Shared Services Centers (SSCs) to consolidate the benefits achieved from pooling such services as payroll, recruitment, non-production purchasing, accounting, IT and finance, which have since been brought together at a single site. A program to set up similar centers outside France continued in 2015.

The Group intends to pool the best practices from each cross-business organization on productivity, HR development and the quality of service provided for companies.

The HR function is involved in this move to create a unified group and has adapted its own organizational structure accordingly.

A global human resources information system is also being implemented to support the rollout of HR policies and processes worldwide. In a Group that is constantly evolving, accompanying change represents a major challenge for HR teams.

The HR Department committed to managers and employees

The Group inaugurated its Campus in the Paris suburb of Massy in September 2014. The site symbolizes Safran’s cultural diversity, reflecting its values and DNA. It is a place where all Group employees can receive training, step out of their regular work environment and mix with people from other companies. The Campus plays a role in better integrating all Group employees across the globe.

The Human Resources Department has given its strategic focuses greater meaning and clarity by expressing them in commitments to the managers and employees of the entire Group. The following six HR commitments have been defined since 2013, representing the primary avenue for HR contribution to the Group:

- recruitment: attracting the best people and opening up to new talent;
- training: developing employees’ skills for today and for tomorrow;
- career management: providing the means to take a proactive approach to one’s career;
- mobility: offering access to a world of opportunities;
- work environment: guaranteeing teams’ well-being in the workplace in an ethically sound and environmentally friendly Group;
- labor model: caring about individuals in order to succeed together.

Since 2014, HR maturity standards have been defined and applied to these six commitments in France and abroad to help measure the extent of their implementation in a given operating environment. This also reinforces the Group’s HR policy by encouraging the Safran HR Community and managers to share benchmark practices. In addition, the standards serve as guidelines when defining operational progress programs for and with managers.

5.4.2 Headcount

Breakdown by business

The Group had 70,087 ☑ employees (excluding special contracts) at December 31, 2015.

The following table presents a breakdown of employees by business at that date:

	France	International	Total
Aerospace Propulsion	21,204	5,064	26,268
Aircraft Equipment	10,880	14,689	25,569
Security	1,598	7,069	8,667
Defense	6,326	1,063	7,389
Holding company and other	1,580	614	2,194
2015 GROUP	**41,588**	**28,499**	**70,087**

Regional breakdown

The Group's expansion continued apace both in France and abroad. At end-2015, the Group's headcount outside France totaled 28,499 people across nearly 60 countries.

The following table presents a breakdown of employees by region at December 31, 2015:

		2015 Group	% of total
Europe	France	41,588 ☑	59%
	Other	7,392 ☑	11%
Africa and the Middle East		2,916 ☑	4%
Americas		14,246 ☑	20%
Asia and Oceania		3,945 ☑	6%
TOTAL		**70,087**	**100%**

OTHER INFORMATION ON HEADCOUNT

At December 31, 2015, a total of 41% ☑ of Group employees were engineers or managers.

Nearly 26% ☑ of Group employees and 22% of engineers and managers worldwide were women (22% in France). In 2015, women accounted for more than 34% ☑ of new hires.

Close to 21% of employees are involved in research and development (R&D) activities.

Excluding acquisitions, the Group created 1,001 net jobs in 2015. Over the year, the Group hired 7,732 ☑ people, including 5,990 on permanent employment or equivalent contracts. The pace of external recruitment decreased in line with the stabilization in headcount forecast for the coming years. At the same time, the number of departures rose, with the Group recording 6,731 ☑ permanent departures, including 1,457 ☑ dismissals. In 2015, 670 fixed-term contracts were converted to permanent employment contracts. Overall, Safran hired nearly 1.1 ☑ employees for each departure, and 13% of new hires were for newly created positions. This comes to 12,000 job creations over the past five years.

In France, more specifically, most of the new hires were in production (almost 39%) and in research, design and development (more than 31%). Temporary employment of staff excluding special contracts remained very limited, concerning:

- 0.73% of fixed-term employment contracts on average over the year;
- 6% of temporary contracts on average over the year, the majority of which were in Aircraft Equipment (nearly 9% of the average annual headcount), Defense (more than 6%) and to a lesser extent in Aerospace Propulsion (more than 4%) and Security (nearly 4%).

5.4.3 HR policies

Recruitment and integration

Safran continued to recruit in 2015 in order to bring in the fresh skills needed to maintain its position as a leading player in innovation and to secure its place working on new generations of aircraft and new technologies related to the Group's businesses. Recruitment levels were, however, lower than in previous years, in anticipation of the stabilization in headcount forecast for the years ahead. In pursuing its innovation policy, the Group seeks to hire the best professionals and diversify its recruitment channels. In France, the Shared Services Center, Talent Search, handles the sourcing and preselection of all engineering and managerial-grade candidates on behalf of Group companies. Safran uses its pooled resources and strong employer brand image to attract and hire a broader range of talented professionals, ranging from engineers to academics and PhDs. In 2015, slightly over 70% of new hires in France had a scientific or technical background, mainly in R&D, production and customer relations.

To support its recruitment policy and maintain its employer attractiveness, Safran renewed its communications by launching a new recruitment campaign in the fall of 2015. Based on the Innovation campaign unveiled at the Paris Air Show, the new campaign is targeted at freshly graduated and experienced engineers, PhDs and technicians capable of designing and developing the technologies of tomorrow.

2015 also saw the continuation of Safran's communication campaign to raise interest in technician and operator positions, especially among young people. The campaign features pictures of Group employees and the slogan, "We hire virtuosos".

Both communication campaigns feature on the Group's recruitment portal, www.safran-talents.com, which boosts the visibility and appeal of Safran's areas of expertise, conveys a powerful image of its corporate culture and advertises its job offers.

The Group orientation day for new hires, Safran Discovery Day, provided an opportunity to showcase Safran's women and men throughout the world.

At the same time, Safran maintained its presence at target schools and universities worldwide, organizing a number of events designed to offer students guidance in building their career paths (conferences, career round tables, visits to industrial sites, forums, chair endowments, etc.). Today, a network of more than 300 Safran ambassadors is proactively working with students to share with them about the Group's businesses and opportunities. Notable achievements in relations with academia over the year include the partnerships formed in India and Brazil, which allow the Group to play a more active role in curriculum design and take part in the schools' management bodies.

Developing career prospects

Safran organizes and encourages professional development through its Group-wide career management plan, the main drivers of which are promoting mobility, offering training and retraining opportunities, and preparing managers to take on new responsibilities via Safran University courses.

A Group-wide career management plan has been defined to ensure a comprehensive process is in place at all levels of the organization for dealing with individual cases each year at the appropriate level. The plan is based on the introduction of several types of interviews and streamlined, standardized career management bodies. The process begins with the individual interview, which is used to discuss a wide range of topics in addition to performance, such as the employee's career goals. This information is then analyzed at the various Team Review and Career Committee meetings that take place successively at the Department, Company and Group levels according to a common schedule. The career management plan was launched in 2013, and its deployment continued in 2014 and 2015.

At the same time, the teams prepared the implementation of a new Group HR information system to be integrated and shared by all Safran companies worldwide. This system brings even greater consistency to the entire career management process. It was rolled out in France, the United Kingdom, the United States and Canada in 2015, with more countries to follow. Other key resources that are vital to ensuring effective career management will be introduced from 2016 onward. The new HR information system will be capable of managing Team Reviews, Career Committees and succession plans. Forms to assess performance, leadership ability (using the Safran guidelines) and potential will enable relevant and effective action plans to be drawn up for proper career management.

Some employee categories receive guidance at the central Group level (Experts, Black Belts, Master Black Belts and Expatriates), with the corresponding specific processes integrated into the Group's global career management plan. Safran has also adopted a centralized system to optimize the management of its executive managers and high-potential managerial-grade staff in order to identify, train and retain internal talent for succession planning purposes.

Mobility

In 2015, more than 1,500 employees in France changed companies or units within the Group, representing an increase of 50% on 2014. International mobility is starting to become a reality all around the world. The e-Talent job offer and application management system allows employees to submit applications online or express an interest in mobility within a specific sector and employment area. This project, which got underway in 2013, was completed in 2015 and now covers more than 98% of the Group's scope of consolidation in 23 countries worldwide. A Mobility Charter and practical guidelines designed for employees and managers sets out all the operating procedures and processes. The central Group HR function coordinates special meetings on employees on mobility schemes for each business and employment area to increase the visibility of employees throughout the internal mobility process. Occasional "Time to connect" initiatives, which bring relocated employees in contact with managers, were organized again in 2015.

Safran is currently developing initiatives and measures to create an even more ambitious mobility policy. In 2015, priority was more systematically given to in-house applicants, and people who expressed an interest in a short-term transfer in their individual interview were encouraged to apply on e-Talent. This more proactive approach saw nearly 30% of engineering and managerial-grade positions filled by inter-company mobility, and rewarding internal promotions offered to Group employees. Succession plans are being made standard at all organizational levels, and guided mobility and predefined career plans are being developed in some companies to steer career management initiatives while finding the best possible balance between available human resources and the Group's changing businesses and needs.

The career and skills management program is adapted to each business area (Technical, Production, Purchasing, Quality, Finance, etc.) to offer insight into how businesses within the Group are changing and provide relevant guidance that can be used to define HR action plans, especially in terms of career management and mobility.

Gaining international experience is a stand-out part of the Safran career path. At December 31, 2015, the Group had 411 expatriates in 49 countries.

Over the year, more than 105 employees were expatriated and 115 returned from abroad.

Safran's expatriates provide commercial and technical services primarily in Europe Middle East & Africa (EMEA – 47%), Asia-Pacific (28%) and North America (25%). To guarantee their consistency and transparency, the contractual framework and support measures for expatriation are defined at the Group level and implemented by the Shared Services Centers, which set up and monitor postings abroad for all Group companies. This structure also improves the Group's capacity to deploy employees abroad and meet its challenges, particularly those encountered as it moves into new markets.

At December 31, 2015, the Group had 102 international volunteers under the French VIE (*volontariat international en entreprise*) program. Safran promotes this program for the international experience it affords young potential future Group employees.

Career and skills management program

The future human resources requirements of each business are analyzed from a quantitative and a qualitative perspective to define what actions are needed to accompany changes within the Group, whether they be related to new markets, new technologies or customer requirements.

In 2015, studies were carried out on the following topics:

- strategic and critical R&D skills;
- career development for engineers working in design offices;
- identification of businesses under pressure.

Forward-looking analyses were also carried out as part of the medium-term (five-year) business development plan, making it possible to determine initiatives for certain priority professions as well as more general initiatives primarily concerning mobility and career path planning:

- in R&D: measures to encourage internal mobility to support the shift to production and after-sales service for our new products, and ongoing efforts to organize the systems architecture and expert career channels;
- in production: methods, testing, supply chain and operator professions in line with the planned changes to their work environment;
- in programs and customer relations: after-sales and customer service professions, to develop the next generation of services leveraging the possibilities offered by new technologies;
- in support functions: quality and purchasing professions, in terms of assisting suppliers, and the human resources profession, particularly in terms of supporting local managers.

These initiatives cover all the main aspects of human resources management, particularly:

- training, by creating and developing programs that allow employees to build their skills, manage professional change (particularly for R&D engineers) and improve their employability;
- mobility and career management, by providing greater visibility of changes and pathways to other professions, greater support throughout these changes, and improved employee information;
- more targeted recruitment of Group employees and closer relations with schools and universities to better attract talent.

This information was shared with the trade unions at a career and skills management program committee meeting. It demonstrated the efforts of employee representatives to make career and skills management a key part of the Group's HR policy, providing all employees with a clear view of how Group businesses are changing and the possibility of planning their career in line with the future needs of the Group. Originally signed in 2011, the career and skills management agreement was first extended to November 2015 before being replaced by an improved agreement that will remain in force until the end of 2018.

Training – Safran University

By developing Safran University, the Group has given itself the means to achieve its cultural, technological and organizational transformation. Intended as a cultural melting pot, Safran University enhances the Group's international appeal and exercises a fundamental influence on all Group employees, customers and partners.

The purpose of Safran University is to provide the knowledge, expertise and people skills necessary to guide the Group's development and growth. Open to all Group employees, it promotes a shared corporate culture and values, and thereby brings training investment more closely in line with the Group's strategic requirements and priorities in terms of employee expertise.

In France, Safran invests an average 4.4% of payroll costs in training.

Nearly 78% of employees in France receive training at least once a year.

A total of more than 1.6 million training hours[1] were given worldwide in 2015, including 1 million hours in France. Safran University covers all businesses, offering training in 15 different areas.

Most efforts focus on Safran's strategic areas:

- developing technical and technological skills;
- developing managerial skills in an international environment;
- satisfying customers and providing them with enhanced economic and industrial performance.

In line with the Group's international expansion, Safran University teams have been deployed in the United States, China, France and Morocco, where Safran has the strongest presence. Training programs are available in some ten countries, in French, English or the local language. Safran University therefore improves integration by helping all employees gain a better understanding of the Group and its markets.

Having Safran University teams in these regions means that training can be adapted to the local culture, thereby more effectively responding to the needs of the Group's different sites. This diversity also provides an opportunity to integrate local experience into global programs.

Another key issue is to provide a more tailored local response to the training needs of Safran's companies and partners. At the Dallas campus opened to serve North America (the United States, Mexico and Canada), nearly 300 sessions were organized in 2015, representing around 34,000 hours of training.

The Safran Campus that is now home to Safran University opened its doors in September 2014. The 13-hectare site located in Massy, near Paris, features a maximum capacity of 800 participants and hosts employee training programs and seminars all year long. It is also the venue for major Safran events, such as orientation days, seminars and conferences, and meetings with customers and Group partners, notably thanks to its 480-seat amphitheater.

In just one year, the Safran Campus has become the beating heart of the Group. As well as being the place Group employees come to develop their talents, it also offers a forum for transferring knowledge, promoting diversity and leading by example. On Executive Thursdays, the members of Safran's Executive Committee (see section 6.3.1.2) regularly spend the day on the Campus meeting course participants and discussing Group-related topics with them, as do Company HR directors.

(1) *See "Training" in section 5.7.1.3.*

Since its inauguration, the Campus has hosted more than 30,000 people, almost half of whom for training and the remainder for other events, such as orientation days, team-building events and customer and project seminars. In this way, it plays an active role in the Group's transformation.

Safran University is structured to address three major challenges for the Group:

- **Improving employee skills and professionalism in all businesses**

  Business programs allow employees to develop their skills in relation to a particular business throughout their professional career, with training geared toward improving skills in their current position or acquiring new skills. Through these programs, Safran University contributes to building the Group's human capital and adapting it to tomorrow's businesses. Business programs are available and being rolled out across all businesses.

  Some of the courses offered by Safran University allow employees to obtain a certificate or a diploma. These courses are common to all Group companies in order to encourage the sharing of ideas and best practices.

  In many courses, Group expertise is transferred through the intermediary of an internal expert or trainer.

  Training using digital resources, such as videos, virtual communities and online learning materials, is also being developed to extend access to Group knowledge and bring Safran University courses to a wider audience at no extra cost.

- **Aiming for excellence in management and leadership**

  Leadership programs provide the necessary career training for senior executives and, more generally, for all Group leaders and managers. These programs are designed to help develop common management practices within the Group and to offer managers every chance of success in their assignments, as they manage change and build the Group of tomorrow.

  Safran's leadership guidelines lay the groundwork for all programs and reflect five managerial priorities:

  - uniting people behind a common vision;
  - leading by example;
  - being entrepreneurial, daring and innovative;
  - scoring as a team;
  - empowering people.

  Nearly 5,000 Green Belts and Black Belts have been trained since 2010, reflecting Safran University's commitment to helping implement the Lean Sigma approach.

- **Enhancing the employability of workers**

  Transitional programs in France aim to assist employees whose jobs are likely to change considerably in order to help them develop new skills or change career paths.

  For managerial- and non-managerial-grade staff alike, specially adapted training programs and specific procedures, such as skills assessments and recognition of prior learning, are put in place to accompany these career changes and developments and equip employees with the skills needed for the jobs of tomorrow.

  These programs are a key component of the employee policy and the career and skills management program.

On November 19, 2015, Safran and all Group-level representative trade unions (CFDT, CFE-CGC, CGT and CGT-FO) signed a new agreement on professional training.

Under the new agreement, Safran reaffirms its belief in the importance of training as a major driver in the Group's employee policy, and gives all employees tangible means of shaping their professional development throughout their careers.

Applicable to all subsidiaries in France, the new agreement provides for the implementation of the new statutory measures introduced by the French Act of March 5, 2014, including annual career interviews, career appraisals and an updated version of the employee training entitlement system. As a show of its commitment to training, Safran plans to make additional contributions to employee training entitlements if certain conditions are met.

Lastly, the agreement gives effect to the principle that employees who obtain a new diploma or certificate must be considered in the light of their new status if they apply for a position that requires the diploma or certificate and are subsequently offered the job.

5.4.4 Compensation and benefits

Changes in compensation

In 2015, the average annual increase in compensation was between 1.65% and 2.3% of payroll, depending on the Company. The 2015 programs comprised general and individual increases for line workers, office workers and technicians, and individual increases for managerial-grade staff.

In addition, several Group companies in France set aside budgets to promote gender equality and diversity as part of their annual compensation policy.

Involving employees in Group performance

STATUTORY EMPLOYEE PROFIT SHARING

In France, statutory profit sharing is paid under the terms of the Group statutory employee profit-sharing agreement signed on June 30, 2005. A new calculation method was developed in application of an amendment signed on June 29, 2012 to guarantee a more appropriate correlation between profit-sharing and Group earnings. The agreement, which is based on the principle of solidarity, provides for the pooling of statutory profit-sharing reserves generated by each Group company in France. For a given year, all employees receive an identical percentage of their salary, regardless of their company's earnings. The salary used in the calculation is at least 1.2 times the annual social security ceiling (i.e., €45,057.60 for a full-time employee working for the full year in 2014 and €45,648 in 2015). The salary floor ensures solidarity between different employee levels.

In the consolidated financial statements (see Note 6 of section 3.1), the profit-sharing payments by companies included in the scope of consolidation (as defined in Note 33 of section 3.1) for the last two years are as follows:

(in € millions)	Statutory employee profit sharing
2014*	136
2015*	**136**

* *The statutory profit-sharing figures include the additional amounts payable in respect of 2014 and 2015. Consequently, more than 6% of the gross annual payroll was paid to employees under Group statutory profit sharing in 2014 and 2015.*

PROFIT-SHARING BONUS FOR EMPLOYEES

In 2014, as the dividends per share paid by Safran were up on the average dividend paid in the previous two years, the Group paid its employees a profit-sharing bonus. This bonus was determined in accordance with the Group's profit-sharing agreement signed in 2012. Based on the analysis that the profit-sharing bonus mechanism introduced by the French Act of July 28, 2011 is also a form of profit redistribution, the Group's profit-sharing agreement states that an additional amount is payable if dividends increase.

For 2014, a total of €5 million was recorded as profit-sharing bonuses in the consolidated financial statements (see Note 6 of section 3.1).

Article 19 of France's 2015 Social Security Financing Act repealed the legislation governing profit-sharing bonuses, nullifying the provisions of the Group profit-sharing agreement relating to the payment of additional profit sharing and putting an end to such payments in the form of profit-sharing bonuses as from 2015.

OPTIONAL EMPLOYEE PROFIT SHARING

All French entities have optional employee profit-sharing plans based primarily on economic performance criteria supplemented, where appropriate, by other operational Company performance indicators.

The total amount of optional profit-sharing payments may reach up to 7% of payroll depending on the agreement and the Company's performance.

In the consolidated financial statements (see Note 6 of section 3.1), the profit-sharing payments by companies included in the scope of consolidation (as defined in Note 33 of section 3.1) for the last two years are as follows:

(in € millions)	Optional employee profit sharing
2014	152
2015	**161**

EMPLOYEE SAVINGS PLANS

Group employees in France benefit from a comprehensive employee savings plan system that allows them to save money with the help of their company. The system comprises the following plans:

- the Safran collective retirement savings plan (PERCO), set up by a Group agreement signed in 2012, allows employees to contribute to a retirement savings plan via six corporate mutual funds (FCPEs) with different management strategies. A Company contribution of up to €700 per employee per year was included in this plan in 2015. A bonus contribution is planned for employees in their final two years of service at the Company prior to retirement;
- the Safran group employee savings plan (PEG), introduced by a Group agreement in 2006, offers a medium-term savings solution via a range of five FCPEs with different management strategies. The Group employee savings plan encourages employee share ownership in particular, by allocating up to €2,000 per year and per employee in Company contributions to an FCPE invested in Safran shares.

Soon after the Group was created, employee share ownership broadened to an international dimension with the international Group employee savings plan (PEGI) set up under a Group agreement signed in 2006. It provides employer financial support to employees of foreign subsidiaries who wish to contribute to a savings plan based on Safran shares.

More than 20,000 employees in Group companies in Belgium, Canada, Germany, Mexico, the UK and the US had access to this plan in 2015.

The international Group employee savings plan was extended to Morocco in 2015, and will progressively be rolled out to other countries.

For its collective retirement savings, employee savings, and international Group employee savings plans, the Group recorded a total Company contribution of €59 million in 2015.

EMPLOYEE SHAREHOLDERS

Safran boasts one of the highest proportions of current and former employees participating in share ownership plans of all CAC 40 companies, at 13.6%. This is achieved through:

- one-off operations, such as the international employee shareholding offers carried out in 2009 (free share grants, see Note 22 of section 3.1 of the 2010 Registration Document), 2012 (2012 leveraged plan, see section 5.3.4 of the 2013 Registration Document) and 2014 (Safran Sharing 2014, see section 5.3.4 of the 2014 Registration Document);
- long-term schemes such as the Group employee savings plan, and the international Group employee savings plan, which was extended to Morocco in 2015.

Following the French State's sale(1) of 2.64% of the Company's share capital on December 1, 2015 (see section 7.3.4.1), a total of 1,222,222 additional shares, or 0.29% of the share capital, will be offered to current and former employees of Safran and its subsidiaries at a later date.

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(1) *In accordance with Article 31.2 of the French government Order (ordonnance) of August 20, 2014, regarding the governance of companies in which the French State has a stake, as amended by the French Act No. 2015-990 on Growth, Business and Equal Economic Opportunity of August 6, 2015.*

Employee insurance and retirement plans

PERSONAL RISK INSURANCE PLAN

In France, a single mandatory personal risk insurance plan was set up for Group employees in 2009, covering short- and long-term disability, death and healthcare and offering generous benefits for employees and their dependents. Employer contributions finance more than half of the plan.

Pursuant to a Group agreement dated October 13, 2014, the two existing personal accident insurance policies were replaced by a single policy covering accidental death and disability arising during the beneficiaries' professional activities. This coverage, which is in addition to that provided for under the Group Personal Risk Insurance Plan, is available to all Safran group employees in France. It is financed in full by Safran and has been effective since January 1, 2015.

In addition, employees who wish to benefit from the same coverage for non-occupational accidents may do so subject to individual payments.

An amendment to the Group Personal Risk Insurance agreement was signed on July 15, 2015, bringing Safran into compliance with the French Decree of November 18, 2014, which notably aimed to more effectively manage healthcare expenditure and ensure healthcare plans remained responsible.

Safran expatriates benefit from special healthcare plans that guarantee and maintain high-quality healthcare for the duration of their foreign posting.

Outside of France, special attention is paid to healthcare and personal risk insurance plans through the implementation of single, harmonized plans for all Safran companies in a given country. Already in place in the United States and Canada, and introduced in India in 2015, this program is being progressively rolled out in all countries in which the Group has a strong presence.

Three reinsurance pools were also set up in 2014 for the healthcare and personal risk insurance plans of companies outside France. These pools generated a total gross dividend payment of €211,000 in respect of 2014.

In 2015, the three pools were consolidated and total premiums paid rose from €1.2 million in 2014 to €1.7 million in 2015, enabling the companies to benefit from advantageous prices when renewing their contracts.

REPATRIATION BENEFITS

To guarantee the safety and health of its employees who are expatriated or on professional assignment, Safran has taken out a medical assistance and repatriation policy that is available anytime and anywhere in the world.

RETIREMENT PLANS

Most of the Group's companies in France and abroad offer supplementary defined contribution pension plans in addition to any statutory plans provided.

In France, executive managers within the Group are eligible for a supplementary defined benefit pension plan. This plan provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to ten years are taken into account in determining entitlements) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement).

The additional benefits payable are capped at three times the annual social security ceiling ("PASS") in France. Total benefits under all plans cannot exceed 35% of the benchmark compensation.

A highlight in 2015 was the growing success of the collective retirement savings plan, which was set up in France in 2012 under a collective bargaining agreement. To date, the plan has enabled more than 37,000 employees to save through an additional retirement plan backed by Company contributions. Plan assets totaled €165.2 million at the end of 2015.

Communication on compensation components

In 2015, for the first time, the Group sent all employees in France a personalized summary of all compensation received in respect of 2014, broken down into the following components: fixed salary, bonuses, individual and collective variable compensation, and contributions payable in respect of personal risk insurance, healthcare and pension plans. This document, provided for information purposes, is intended to give employees a better understanding of the components of their overall compensation and greater awareness of the benefits available to them.

Safran also provides its employees with brochures and interactive online resources on the Group's insurance and social welfare schemes and on employee savings plans in France and abroad, namely the employee savings plan, the collective retirement savings plan and the international Group employee savings plan.

5.4.5 Employee policy

Working hours

Safran complies with all statutory, contractual and collective bargaining-related requirements governing working hours at each site.

In France, most Group companies have signed an agreement on working hours with the following provisions:

- workers: an average of 35 to 39 hours worked per week over the year with compensatory time allotted;
- managerial-grade staff: a system of a set number of hours or days worked over the year with compensatory time allotted;
- senior executives, who are not subject to the statutory working time requirements: additional days off if provided for in the collective bargaining agreement.

To meet customer demands and ensure on-time deliveries, certain units may use teams working outside normal hours on staggered, night or weekend shifts or on shorter hours. These measures are designed to secure the organizational flexibility needed to improve industrial efficiency, and to more effectively take into account the specific constraints of shift work. The majority of these sites have signed collective bargaining agreements setting out the terms and conditions governing shift work.

Different Group sites have introduced special systems to organize employee working time, such as shift work, including night shifts, and staggered hours.

The Group believes that working hours should respect the balance between employees' professional and personal lives. In France, approximately 5.7% of Group employees worked part-time at December 31, 2015.

Employer-employee relations

- Through its subsidiaries, Safran continues to implement employee and union representation arrangements and collective bargaining agreements worldwide in line with prevailing local legislation. Negotiations on a worldwide agreement on well-being at work are expected to begin in the first quarter of 2016 following a preparatory meeting with IndustriALL Global Union to discuss priorities.
- In Europe, the employer-employee relations at the Group level were particularly active:
  - dialogue intensified within the European Works Council, given the many European labor issues currently pending. In 2015, the European Works Council met for three plenary sessions, while the Council Board met with the Group's Executive Management on four occasions;
  - following the signing of the European framework agreement on the professional integration of young people in March 2013, the monitoring review board formed under this agreement held its second meeting on June 8, 2015 to assess the progress of the objectives set in 2014. As part of this agreement, best practices have also been identified in European subsidiaries and a guide drawn up to spread their usage and increase discussion and collaboration. There are plans to extend the European agreement beyond its March 2016 expiration to allow time for a suitable renegotiation process.

    The priorities identified for 2015 were mainly aimed at (i) encouraging the development of apprenticeship programs in Europe through the European Alliance for Apprenticeships, (ii) maintaining a high level of initial training for young people in all its forms, with the number of people on such programs equal to more than 10% of the headcount, (iii) pressing ahead with the rollout of the Group's e-Talent recruitment site in Switzerland, Poland, Spain, the Czech Republic, Belgium and the Netherlands, (iv) continuing to build relations with training centers, schools and universities, notably through Europe-wide Group partnerships, and (v) encouraging multi-company and international career development, through France's international volunteer program in particular;
  - lastly, a European framework agreement on skills and career development was signed in March 2015. The new agreement sets out common strategies for the Group's European subsidiaries in order to develop employees' professional flexibility and support them through change, while leaving implementation methods open, insofar as they remain compliant with national laws.

    In 2016, employee-employer relations will focus on the rollout of this framework agreement and ongoing in-depth discussions within the European Works Council.
- In France, employer-employee relations at the Group level focused on:
  - the signature of Group agreements on:
    - the collective retirement savings plan, in February,
    - compliance with the new regulations on responsible personal risk insurance, in July,
    - professional development and career and skills management, in November,
    - changes to personal risk insurance premiums and coverage, in December;
  - ongoing negotiations over an amendment to the agreement on developing employer-employee relations;
  - negotiations on a memorandum of understanding on overall compensation and benefits;
  - meetings with the Group's union representatives to discuss issues such as the statutory bargaining round and agreement monitoring committees;
  - ordinary and extraordinary meetings of the Group's Works Council.

Each Group company also pursues a dynamic negotiation policy based on its economic and social profile.

In the Group agreement on career and skills management, Safran committed to paying particular attention to companies' specific situations when carrying out redeployment projects, notably by introducing enhanced support measures for professional and geographic mobility. Special measures have also been planned to protect jobs in periods of low business activity.

Employer-employee relations also continued to play a highly active role in Group and Company life. Employee support was offered throughout several large-scale restructuring projects, including the creation of a new Hispano-Suiza plant in Poland to meet the requirements of new programs like LEAP.

Safran engaged in extensive and constructive dialogue with trade unions concerning these projects at the many extraordinary meetings held with the various representative bodies at the Group level (Group and European Works Councils) and at the relevant company and unit levels (Central and Local Works Councils).

Relations with the local community

The Group's various units maintain close relations with their local and regional communities and help raise the Group's profile through active participation in social and economic initiatives in their host regions.

Over the year, Safran Tech again exemplified Safran's drive to form partnerships with French and international institutions, such as business and engineering schools and university science faculties, and to develop joint science and technology projects with public research institutes like CEA and CNRS. At end-2015, the Group had signed 175 industrial agreements for training through research (CIFREs) and diplomas of technology research (DRTs), a number comparable with previous years.

The Group devotes considerable resources to training young people under work-study programs and internships at various levels of qualification. Under the aegis of GIFAS, Safran has been working for the last few years to offer SMEs incentives to hire people on work-study contracts, resulting in some 45 shared apprenticeship schemes being established with more than 30 Group sub-contracter SMEs. To ensure that training efforts remain in line with the Group's strategic focuses, Safran pools the payment of the apprenticeship tax for qualifications at final-year master's-level and above for all companies at the Group level. This tax is paid at the Company level for lower qualifications, as their better understanding of the local environment enables them to support the entities that train individuals whose expertise matches recruitment profiles within their employment areas.

Outside of France, Safran has been developing training programs for aerospace professions for several years now, both independently and with partners. For example, it helps implement adapted instructional courses, such as the CEKSO program in Poland (set-up of 12 centers in the Aviation Valley cluster, with the involvement of 12 aerospace groups including Safran). In Shanghai, Safran and French mining and metals union UIMM, in collaboration with the local authorities, took part in the opening of an aerospace training center intended to train technicians and engineers for local companies.

The Group is a member of the Board of Directors of the SME Pact (*Pacte PME*) association, demonstrating Safran's commitment to strengthening bonds between SMEs and key accounts, supporting the development of French SMEs and, in particular, enabling innovative companies to thrive. French SMEs account for 50% of the Group's main suppliers.

Lastly, the Safran Corporate Foundation for Integration works to improve employability and access to training for local communities (see section 5.6.1.1).

5.4.6 Diversity and equal opportunity

Driving both performance and innovation, Safran's diversity programs led across the world help ensure that it will not miss out on any talent. These programs are borne out of the Group's commitment to supporting equal opportunity and preventing all forms of discrimination. Safran signed a Diversity Charter to this end in November 2010, which applies to all Group companies.

A special Diversity Department, acting with the support of HR processes and local HR teams, officially defines and coordinates all initiatives taken to promote diversity.

Integrating and maintaining employees with disabilities in the workforce

Measures taken to promote the employment of workers with disabilities at Group subsidiaries differ from country to country. Safran ensures its compliance with national legislation and regulations, which vary considerably. In France at December 31, 2015, the Group had 1,569 workers with disabilities (excluding special employment contracts), i.e., more than 3.7% ☑ of the national headcount. Including indirect employment, the 2015 employment rate came to almost 4.6%. As a result of the measures implemented in application of the agreement to promote the employment of disabled workers, 34 people with disabilities were hired in 2015, of which nearly 75% on permanent contracts. Over the same period, 32 people with disabilities were hosted as part of work-study programs, and 19 on internships. The development of the Group's collaboration with companies that employ people with disabilities and provide them with special facilities and support had generated more than €4 million in business volumes at December 31, 2015. Ten facilities have been chosen for certification to the AFNOR disability-friendly workplace standard by 2017. Raising awareness of disabilities is an ongoing concern. Every year over 90% of Safran's French companies lead actions during Disability Employment Week.

Promoting professional equality between women and men

In France, the Group has signed equal pay and career development agreements in its main subsidiaries that include objectives, progress indicators and progress reviews. In addition, most of these agreements provide for assistance to improve the balance between employees' professional and personal lives.

In 2015, nearly 26% ☑ of Group employees were women, with 22% among managers. As a result of Safran's high proportion of technical and production-based jobs, women continue to be underrepresented. The Group is engaged in a proactive policy to attract women to its core businesses, develop gender balance in teams and provide women with access to high-level positions.

The Group works upstream to attract female employees. In France, for example, it is a member of the *Elles bougent* association, which promotes professions in industry and encourages young female high school and university students to take up professions in engineering and technical fields. Some 250 of Safran's female employees are mentors with the association. This is a way of meeting the Group's target of recruiting more than 25% of women each year.

In France, Safran participated in the women in industry awards (*Trophée des Femmes dans l'Industrie*) organized by the French magazine *Usine Nouvelle*. Two Safran employees were nominated this year in the "Business woman" and "Digital woman" categories, respectively. The nominations show how Safran can offer women exciting careers and recognition for their skills.

Some of these women hold top positions within the Group, such as subsidiary chairperson.

Social integration policy

Safran's diversity program focuses on an active and cohesive employment policy, which is geared to provide underprivileged groups the chance to learn about working for the Company and offer them career guidance, professional training and employment opportunities.

On December 12, 2013, the Group signed the commitment agreement of the "Business & Neighborhoods Charter" (*Charte Entreprise & Quartiers*) with the Ministry of Urban Affairs. This agreement embodies Safran's commitment to providing access to training and employment in priority neighborhoods designated by the Ministry in close cooperation with the local authorities. Meetings were held with teachers and local employment organizations and presentations given at schools in five priority departments in France where the Group has a strong presence, including three in the Paris region and one in Meuse, home to Safran's new Aero Composite facility. All of the following initiatives stem from this commitment by the Group with the French public authorities.

Safran furthered the partnership forged with the Frateli association, which develops mentoring programs between talented students from disadvantaged backgrounds and young professionals. The number of Safran employees who are mentors with this program nearly doubled between 2013 and 2015, and now stands at nearly 100.

In 2015, Safran continued to work with Supélec, one of its partner schools, to promote the social integration of high school students from low-income backgrounds in France's Essonne department by participating in *Une grande école : pourquoi pas moi?* This program aims to increase the chances of students from underprivileged neighborhoods of enrolling in ambitious study programs.

The Group has also created initiatives that present Safran's businesses and the various career and academic paths of its employees or that offer visits to Group sites, in order to help young people choose their career paths.

Safran is a partner of the French Ministry of Overseas Departments and Territories' *Service militaire adapté* program, which aims to integrate young people from France's overseas departments and territories into the workforce through military service apprenticeships.

Safran also continued its work with the *Ma caméra chez les pros* program, which gives students from low-income backgrounds the chance to produce a documentary on fast-growing professions in companies in their region. Two Group units – Labinal Power Systems in Villemur-sur-Tarn and Snecma in Île-de-France – have been involved in this initiative since September 2015, working with middle schools near their sites.

Policy to develop employment opportunities for young people and seniors

In 2015, people aged under 30 represented 19% ☑ of the Group's worldwide headcount and employees aged 50 or more represented 29% ☑.

Safran and the European labor union IndustriALL signed a European framework agreement for the professional integration of young people through training on March 28, 2013. It is the first agreement of this type in Europe for Safran, and the first in France. Signed for a three-year period, it applies to all companies in countries included in the European Works Council and Switzerland and has been adapted into country-specific action plans to address local challenges.

In 2015, the Group's European entities hired more than 6,000 interns, apprentices and student researchers. As a result, one out of every six European employees at Safran oversaw a young worker in training, a figure stable on previous years. Not only does this reflect Group employees' dedication, it also shows that the expertise required by Safran and its suppliers will be passed on and developed.

Safran joined the European Alliance for Apprenticeships (EAfA) on June 22, 2015, thereby committing to help:

- improve the quality of apprenticeships, by supporting the role of the tutor and facilitating skills and knowledge transfer;
- improve the image of apprenticeships, by promoting them among school students and suppliers, particularly as part of shared apprenticeship schemes;
- improve apprentice mobility, by developing international apprenticeship schemes.

By joining EAfA, Safran also has the chance to exchange views and share best practices with other companies and bodies involved in apprenticeships, while contributing to European social dialogue.

On November 27, 2015, the Group organized a European apprenticeship forum at Techspace Aero in Belgium in response to two of the primary objectives of the European framework agreement: ensure skills are renewed, and contribute to the professional training of young people.

After the agreement led to best practices being identified in European subsidiaries, a special guide to best practices was drawn up to ensure they were shared widely and to increase discussion and collaboration in the area.

To address intergenerational issues, Safran signed an agreement in France on the "Generation contract" with the French labor unions CFDT, CFE-CGC and FO on September 17, 2013. This three-year agreement applies the European framework agreement in France to promote the professional integration of young people. In 2015, out of all the employees hired on permanent contracts, over 1,000 were aged under 30 and 5% were aged 50 or more. At December 31, 2015, employees aged over 55 accounted for 19% of the Group's total headcount in France, above the 15% target.

Under the agreement, senior employees have been given the option of shifting to part-time work as a way of preparing for their retirement (more than 970 employees in 2015).

The agreement offers a practical response to the issue of age structure, which Safran needed to address, and to the intergenerational transfer of knowledge and skills necessary for the Group's businesses.

5.4.7 Key figures

	2015 Group
Headcount	
Total headcount	**70,087 ☑**
Europe	48,980 ☑
of which France	41,588 ☑
Africa and the Middle East	2,916 ☑
Americas	14,246 ☑
Asia and Oceania	3,945 ☑
% of male employees	74% ☑
% of female employees	26% ☑
% of female engineers and managers among all engineers and managers	22% ☑
Recruitment and departures	
Total new hires – world	**7,732 ☑**
% of male new hires – world	66% ☑
% of female new hires – world	34% ☑
Integration of young people – Europe	
Number of interns – Europe	2,754
Number of work-study participants – Europe	3,232
Number of student researchers – Europe	271
Diversity and equal opportunity – France	
Number of disabled workers – France	1,569 ☑
% of disabled workers – France	3.7% ☑
Absenteeism – France	
Absenteeism rate – France	3.9% ☑

5.5 Aiming for health, safety and environmental excellence

5.5.1 Occupational Health and Safety and Environmental policy (HSE)

Safran aims for excellence in the fields of occupational health and safety and the environment, as well as for its products and services. This is consistent with the Group's sustainable development commitments.

In line with its civic responsibility values, Safran is committed to developing a culture of anticipation and prevention for managing occupational health and safety and environmental risks that benefits its employees, partners, suppliers and customers as well as all communities affected by its operations wherever the Group is present. Safran is dedicated to strengthening relations with all of its stakeholders while upholding transparency and reliability.

The objectives defined in this policy, validated by the Chief Executive Officer and put forward by the Sustainable Development Department, are in line with the strategic CSR focuses presented in section 5.1.1:

- always aiming for excellence in safety and the protection of individuals and property;
- developing innovative products and processes with a lower environmental impact.

The Group's Sustainable Development Department continues to spearhead the HSE policy and the implementation of policy fundamentals in line with the Group's strategic CSR focuses and its CSR issue map:

- management of risks and their impacts;
- compliance with Group HSE requirements;
- integration of HSE into day-to-day actions;
- demonstration of HSE leadership;
- consideration of HSE issues in any changes made;
- measurement of HSE performance;
- experience sharing;
- shared vigilance.

5.5.1.1 Organization

The Sustainable Development Department is organized into two main units:

- a Steering unit that comprises three regions (Americas; Europe – North Africa; Asia – Oceania – Middle East – Sub-Saharan Africa), thus encompassing all of Safran's sites and activities worldwide. In order to develop local synergies, each region is broken down into divisions covering several geographic sites that may belong to different companies;
- a Segments/Programs/Expertise unit providing assistance on all Group programs and applications and for external requests from its partners and stakeholders.

The Sustainable Development Department also calls on local division coordinators, company specialists, site prevention officers, occupational health services and a network of decentralized experts.

At the Group level, the Sustainable Development Department liaises with other departments in coordinating overall HSE policy. At the division level, the prevention officers, in conjunction with the local HSE Departments, ensure that improvement programs are implemented to reduce HSE risks, and also oversee employee training and awareness-raising programs. Each company has appointed an HSE specialist in charge of informing and assisting its management executives. Over 380 prevention officers contribute to rolling out and improving HSE policy with all Group employees and stakeholders.

5.5.1.2 Objectives

The Group's HSE policy is underpinned by the international rollout of Safran HSE risk management programs and guidelines:

- implementing common HSE objectives for all entities aimed at reducing risks and reinforcing operational control;
- coordinating and improving HSE synergies, which requires the commitment and involvement of Group and company departments. Each Chairman is personally accountable for communicating the Group's HSE policy and is involved in its implementation. Each manager at every level initiates prevention programs adapted to his or her business in order to achieve the progress objectives and ensures the active participation of all team members.

The Group's HSE objectives are rolled out across Group entities by the operating divisions, advised and assisted by the relevant HSE prevention officers. HSE professionals advise local management, disseminate Safran methods and tools, help communicate feedback and develop synergies within businesses. The HSE objectives for 2015 covered the areas presented below:

OCCUPATIONAL HEALTH

Psychosocial risks

For several years, the Group has worked actively to prevent psychosocial risks in general and occupational stress in particular. In a number of entities it has rolled out a stress prevention policy based on a diagnostic review followed by an action plan.

On January 19, 2011, the Group signed an agreement on stress prevention in the workplace with five trade unions representing the Group's employees in France. This agreement plans to:

- roll out the occupational stress prevention program to all Group facilities;
- round out the approach with:
  - awareness-raising and/or training programs for all those involved, as well as managers,
  - initiatives to detect and care for employees suffering from stress.

This agreement also provides for an extension of existing measures to protect employee health and assistance with changes in the organization as part of a change enablement program. This agreement is regularly reviewed with employee representatives as part of a monitoring commission, which enables progress to be tracked, good practices to be shared and changes in risk evaluation methods to be put forward (this began in 2015).

A Group agreement on preventing bullying and violence in the workplace was also signed in 2013.

Ergonomics

Safran's Ergonomics program, which is central to human-system integration, focuses on occupational health and safety in order to:

- reduce occupational accidents: half of the Group's occupational accidents in 2015 were related to problems operating machines or devices;
- reduce occupational illnesses: 75% of the Group's occupational illnesses involved musculoskeletal disorders in 2015.

Ergonomics is integrated into the work system to improve performance and transform work situations:

- either by correcting existing situations deemed to be ill-adapted following the risk assessment;
- or by designing specific methodologies (e.g., simulations) as part of a preventive approach to creating safer workstations immediately.

Ergonomics is covered in the Safran HSE guidelines to be factored into the various steps from the risk assessment to its integration in design.

After implementing tools to analyze the ergonomics of workstations (risk assessment), in 2015 the Group continued with the training certified by the National Institute for Research and Safety (*Institut national de recherche et sécurité* – INRS) and provided training courses at its sites, to increase the focus on ergonomics in the analysis of workstation risk and reduce any arduousness or danger at workstations.

Other types of ergonomics training courses were introduced in France to:

- ensure the long-term application of ergonomics skills at each Group industrial site through ergonomics representatives;
- build the ergonomics expertise of designers to integrate ergonomics into the Group's design and investment projects.

The Ergonomics program is supervised at the Group level and has been deployed both in France and internationally including through partnerships with local universities. Ergonomics is one of the Group's priority HSE objectives and areas for development. The number of employees that have received ergonomics training reached 900 at the end of 2015.

The Ergonomics program has been implemented throughout the Group via the internal ergonomics network. The required tools have been rolled out so that ergonomics is systematically and formally factored into any study to set up or transform industrial or tertiary operations worldwide. These included more than 110 ergonomics representatives, 200 trained designers and seven cobotics projects.

The Evrest (Assessment of Occupational Health) health observatory

Wherever possible, occupational health services roll out the Evrest health observatory program. Widely used in French-speaking European countries and in Morocco (more than 90% of employees in France, Belgium and Morocco and more than 50 sites are covered), Evrest allows the Group to compile data on employee occupational health over time and determine areas for improvement. Indicators used to monitor quality of life in the workplace (workload, recognition and mental health) are published regularly based on the resulting data.

OCCUPATIONAL SAFETY

- The frequency rate of occupational accidents resulting in lost worktime: the Group sets a target to improve its performance every year. This occupational safety target is adapted to each company in line with its businesses and past performance and is one of the factors that determines the variable portion of compensation for executive and senior management. Each manager is appraised based on an HSE target, especially in more hazardous business sectors.
- Risk analysis: the Group system used to analyze HSE risks continues to be rolled out abroad.
- Commuting accidents: special measures were taken at the sites with the greatest exposure to this risk.

ENVIRONMENTAL PROTECTION

- Climate: an assessment of greenhouse gas emissions is carried out. In application of French regulations, the system for measuring and defining emissions reduction plans has been implemented by the sites concerned. An overview of these plans is reported to the competent authorities.
- Protection of natural resources: each company draws up a natural resource conservation plan with measurable targets.
- Chemical risk: the Chemical Selection Committee, the Safran guidelines and the Group's system improve safety in introducing new chemicals.

Each company has also set a three-year target to improve its environmental performance, with the approval of the Sustainable Development Department. This target involves one of the five following topics:

- reducing risks related to the use of chemicals;
- combating global warming;
- protecting natural resources;
- reducing the amount of waste and its impact;
- combating long-standing and potential pollution.

To check that targets are being met and that progress is being made on the action plans, periodical reviews are conducted internally by the companies and at the annual management review with the Sustainable Development Department.

5.5.1.3 Guidelines and certifications

GUIDELINES

Structuring risk management and enhancing performance by applying the Safran HSE guidelines:

- the guidelines include the HSE manual that covers ISO 14001 and OHSAS 18001 requirements and the list of 28 HSE standards setting out Safran's specific requirements. A maturity matrix is used to assess performance (maturity level) for each standard and set specific improvement targets;
- the Safran HSE guidelines were validated by a third party, attesting to their equivalence to the ISO 14001 and OHSAS 18001 standards.

CERTIFICATION AUDITS

Internal HSE auditors, whose qualifications are verified by the Sustainable Development Department and by a third party, conduct reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year.

Audit reports are reviewed by the Group Certification Committee chaired by the head of sustainable development with the participation of a third-party representative.

The certificate delivered by the Committee indicates the standards (ISO 14001 and/or OHSAS 18001) met by the site and the overall maturity level reached for each of Safran's HSE standards.

Labels are awarded based on the maturity level of each site: bronze (level 1 for all standards), silver (level 2 for all standards) and gold (level 3 for all standards). At December 31, 2015:

- 44 sites had been awarded the bronze label;
- 41 sites had been awarded the silver label;
- 2 sites had been awarded the gold label.

Safran's objective is for all the Group's sites to achieve the gold label within a maximum of three years. Every site is audited annually on a third of the guidelines.

Safran's HSE guidelines are applicable across all sites, worldwide.

5.5.1.4 Scope

The HSE reporting scope encompasses Safran and some of its subsidiaries in which the Group has direct or indirect control. The scope covers the health and safety issues of 68,780[1] employees, or 98% of the Group's workforce. Adjustments may be made to the scope of each indicator in line with its relevance for the entity and the entity's ability to provide data. The Group has used a single HSE reporting tool since 2005.

5.5.2 Aiming for excellence in safety and the protection of goods and people

5.5.2.1 Preserving the health of the women and men who contribute to the Group's activities

Based on a scope covering 68,780[1] Group employees, the total number of occupational illnesses reported in 2015 came to 124. The ratio was 1.8 illnesses per thousand employees. Of the reported number of occupational illnesses, 75% were attributed to musculoskeletal symptoms (MSS), in line with the nationwide statistics for France.

Group expatriate employees are very closely monitored and have special medical assistance.

Safran has devised a health crisis management plan that is updated on a regular basis. Company crisis manuals and Business Continuity Plans (BCP) have also been created. Campaigns are regularly organized to raise awareness about crisis management.

5.5.2.2 Preserving the safety of the women and men who contribute to the Group's activities

ACCIDENT ANALYSIS AND PREVENTION

In 2008, Safran began setting targets to substantially improve the frequency rate of occupational accidents to below 2.5 by 2016.

Based on a safety reporting scope covering 68,780 Group employees, the number of occupational accidents resulting in lost worktime stood at 323 in 2015. The frequency rate of occupational accidents resulting in lost worktime came out at 2.7, while the severity rate was 0.09.

Both of these indicators are down by around a third compared to 2013.

A detailed weekly report on accidents resulting in lost worktime was added to the regular report submitted to Executive Management.

(1) Number of employees used as a basis at December 2015 (see section 5.7.1.1, "HSE Indicators") which represents 98% of the Group's workforce.

	2013	2014	2015
Frequency rate*	3.6[1]	2.8	2.7
Severity rate**	0.12	0.10[1]	0.09

(1) The data have been updated to take into account the results of investigations.

** Frequency rate: number of accidents resulting in more than 24 hours of lost worktime per million hours worked.*

*** Severity rate: number of days' sick leave as a result of occupational accidents per thousand hours worked.*

In 2015, the new HSE progress initiative "ExcellenSSE (2014-2016)" continued with training for all managers, the rollout of the Ergonomics program and an assessment of the most accident-prone sites.

RISK ASSESSMENT

Safran has a tool to appraise workstation risk and track employee exposure. This represents an important step towards improving the understanding, analysis, use and traceability of HSE data.

The international rollout of the tool is continuing. The methodologies used to assess safety, chemical, ergonomic and environmental risks are regularly updated to reflect changes in regulations and to standardize assessments across all Safran sites.

FIRE PROTECTION AND PREVENTION

Safran has been working with an international fire protection and prevention firm to update the Group's fire risk map, under a multi-annual contract that is renewed regularly.

TRAINING

A number of general and/or technical training programs are dispensed in all areas of HSE and made available to all categories of employees. In 2015, nearly 200,000 hours of HSE training was dispensed worldwide, representing nearly 13% of the total number of training hours provided by the Group. Over 130 Group-wide HSE training programs were available through Safran University in 2015.

Several initiatives were also initiated or continued in 2015:

- training for Directors and their team managers on the ongoing HSE improvement drive;
- a two-day forum bringing together almost 200 HSE prevention officers to share their experience.

5.5.3 Developing innovative products and processes with a lower environmental impact

5.5.3.1 Research and development: innovation at the heart of all Group products

In response to environmental challenges such as climate change, resource shortages and the use of chemicals, Safran is mobilized to promote sustainable development in the Aerospace, Defense and Security sectors. A significant portion of Safran's R&D budget goes to reducing the impact of air transport on the environment. The Group has teamed up with its customers to develop more environmentally friendly products by taking action in large-scale French and European programs such as the Civil Aviation Research Council (*Conseil pour la recherche aéronautique civile* – CORAC), set up under France's Grenelle 2 environmental regulations to coordinate measures taken in France, or the Clean Sky research program financed by the European Commission and industrial groups.

The Group did not record any significant environmental accidents with an impact on health or the environment in 2015. Environmental factors remained stable, despite higher business volumes. This demonstrates the effectiveness of the plans and initiatives implemented by the Group over the past few years and its steadfast commitment to the sustainable development of its businesses.

Safran continued its commitments outside the Group through its participation in:

- the International Aerospace Environmental Group (IAEG), whose prime objectives include setting shared environmental standards for the international Aerospace industry and heightening the reliability of the logistics chain;
- the ATAG (Air Transport Action Group), as well as the ASD (Aerospace and Defence Industries Association of Europe);
- a number of European programs (Clean Sky, SESAR, PAMELA, etc.) that aim to substantially improve the environmental performance of air transport over the full life cycle;
- a number of strategic organizations such as the Civil Aviation Research Council (CORAC) and the Advisory Council for Aviation Research and Innovation in Europe (ACARE).

5.5.3.2 Products-processes-eco-design

Safran handles all environmental and health risks as part of its ongoing HSE improvement drive. These include risks related to industrial production as well as risks resulting from the use of its products on the market. Risks are assessed at every stage of the products' life cycle from design to end-of-use and/or decommissioning. Safran enforces a continuous improvement policy to protect the environment and manage environmental risks.

Rules governing the choice and use of chemical substances are defined in Group procedures and a list of processes applicable to any new program has been set out. A committee is assigned to approve and oversee Group policy on the introduction and use of chemicals. Eco-design is covered in the Safran HSE guidelines.

One of the Group's strategic focuses is taking HSE criteria into account right from the design phase. Now, after establishing a guide that combines eco-design and life cycle analysis, the Group can evolve towards products with a significantly lower environmental impact.

This eco-design program is part of Safran's ongoing improvement drive. The Group's priorities are to:

- limit impacts on the environment and on health;
- stimulate technological innovation;
- anticipate regulatory and customer/stakeholder requirements;
- anticipate obsolescence;
- foster synergies within the Group;
- stand out from the competition;
- strengthen the Group's brand image.

Safran focuses primarily on five relevant eco-design criteria for its businesses:

- chemical risk;
- shortage of non-renewable natural resources;
- energy consumption;
- noise;
- airborne emissions.

The reduction and elimination of hazardous substances in the products and processes implemented in Group companies is a key area for progress in the Group's HSE policy. A specific structure and resources are in place to ensure compliance with new regulations.

In addition to this work, Safran is focused on:

- designing and deploying guidelines on the use of dangerous chemical substances that incorporate different regulations and techniques in the Aerospace, Defense and Security sectors;
- preparing the list of the most critical substances from a Group perspective, using an original, rigorous methodology;
- consolidating the database (Reaching) for all substances used by the Group;
- requesting information from suppliers on the chemical content of products they deliver to Safran;
- developing and rolling out replacement solutions for substances deemed as critical in liaison with the different departments involved: the Materials and Procedures, Purchasing, Quality and Technical Departments, etc.

Safran is focused on consolidating all measures that have been undertaken and updating them to incorporate the changes introduced by the REACh (Registration, Evaluation and Authorization of Chemicals) regulations.

The "REACh Group" operating project team draws on the network of Correspondents appointed within each company to coordinate all the Group's initiatives in this area.

Examples of innovation and achievements include the Licorne treatment plant that eliminates ammonium perchlorate using bacteria, the LEAP program, the SIMply Green 100% wood fiber SIM card, Safran's participation in Tarmac Aerosave, the wood-fueled power station and additive manufacturing.

5.5.3.3 Scope 1 and Scope 2 greenhouse gas emissions

In accordance with its aim of fighting global warming, Safran measures its carbon footprint and energy consumption in Scopes 1 and 2[(1)].

Each company has initiated a three-year action plan for Scopes 1 and 2 to focus on optimizing heating, lighting, and office systems and processes and on improving building energy efficiency. The action plans are assessed during the annual Company management review.

Scope 1 and Scope 2 values take into account:

- increased activity, which affects consumption of electricity and gas;
- improved adjustment of emission factors by geographic regions.

	Scope 1 (Eq.t CO_2/employee)	Scope 2 (Eq.t CO_2/employee)
Safran 2014 (World)[(1)]	2.5	4.4[(3)]
Safran 2015 (World)[(2)]	3.5	4.6

(1) Headcount covered: 65,123 employees.
(2) Headcount covered: 64,685 employees.
(3) The 2014 value has been recalculated using the emission factors used in 2015.

5.5.3.4 Adapting to climate change

The Group believes that its business activities and the location of its operations do not expose it to climate change risks and has therefore not defined a specific strategy on adapting to climate change. However, climate change is covered in the Safran HSE guidelines as discussed in section 5.5.3.10.

(1) Scope 1 and 2 refer to direct emissions (Scope 1) and indirect emissions from energy consumption (Scope 2).

5.5.3.5 Condition of soil and groundwater

The Group has enlisted independent experts to perform studies and analyses to assess any potential risk of soil and groundwater pollution at its industrial facilities. Preventive or rehabilitation measures are implemented wherever necessary.

The Sustainable Development Department carries out environmental reviews of buildings, activities, soil and groundwater at each site and contributes to the due diligence for disposals and acquisitions of assets.

5.5.3.6 Industrial waste

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary or non-hazardous industrial waste and hazardous industrial waste. As much of this waste as possible is recycled, and there has been a significant improvement in this area since 2013.

Waste *(metric tons/employee)*	**2013**	**2014**	**2015**
Ordinary waste[(1)]	0.37	0.38	0.46
Hazardous industrial waste[(1)]	0.31	0.44	0.44
Total waste generated (ordinary + hazardous industrial)	**0.68**	**0.82**	**0.90**
Transformed ordinary waste	0.19	0.28	0.33
Transformed hazardous industrial waste	0.07	0.14	0.16
Total transformed waste (ordinary + hazardous industrial)	**0.26**	**0.42**	**0.49**

(1) Headcount covered: 63,019 employees.

5.5.3.7 Water consumption, measures for improvement and aqueous discharges

Processing effluents that could represent a risk are discharged into surface water via treatment plants that are constantly monitored or treated off-site by a service provider. Several French sites are governed by legislation and covered by additional local regulations concerning the discharge of hazardous substances into water.

The water used in cooling systems, which undergoes no physical-chemical treatment before being released into the environment, is no longer included in surface water consumption.

Water[(1)] *(cu.m/employee)*	**2013**	**2014**	**2015**
Water supply network	25	24	24
Surface water	83	42	14[(2)]
Groundwater	20	18	15
TOTAL SAFRAN GROUP	**128**	**84**	**53**

(1) Headcount covered: 64,685 employees.
(2) Excluding coolant water.

5.5.3.8 Energy consumption and measures to improve energy efficiency

Electricity is the prime energy source, representing more than half of total energy consumption, followed by natural gas. Electricity in France is a low-carbon energy, with 20% coming from renewable sources.

The following table does not include the energy impact of transporting goods (or domestic heating oil and company cars).

Energy *(metric tons of oil equivalent/employee)*	**2013**	**2014**	**2015**
Electricity[1]	1.34	1.30	1.38
Gas[1] for energy	0.85	0.64	0.85
Gas[1] used in industrial processes	0.13	0.16	0.10
Fuel[1][2] *(kerosene)*	0.23	0.21	0.23

(1) Headcount covered: 64,685 employees.
(2) Not including transport.

5.5.3.9 Classified facilities

SEVESO FACILITIES (HIGH-HAZARD THRESHOLD)

Eight of Safran's facilities in France fell within the high-hazard threshold of the Seveso Directive in 2015: Snecma (Vernon), Messier-Bugatti-Dowty (Molsheim, Bidos), Herakles (Saint-Médard-en-Jalles, Toulouse, Vert le Petit (the Bouchet Research Center), St Hélène and Candale). These sites comply with and apply prevailing legislation: Security Management System (*système de gestion de la sécurité* – SGS), Internal Operations Plan (*plan d'opération interne* – POI), Technological Risk Prevention Plans (*plans de prévention des risques technologiques* – PPRT), etc.

FACILITIES CLASSIFIED FOR ENVIRONMENTAL PROTECTION (*INSTALLATIONS CLASSÉES POUR L'ENVIRONNEMENT* – ICPE)

A number of units operate facilities that are subject to authorization, declaration or registration requirements in line with French legislation.

In accordance with French laws, financial guarantees were given to local authorities at the end of 2015 to ensure the compliance of some of these facilities (under Seveso or ICPE classifications) with safety standards if the business is discontinued. The sites concerned are subject to additional local regulations relating to the financial guarantees.

5.5.3.10 Natural risks

The Safran HSE guidelines cover natural risks in the environment/permit/neighborhood standard. Maturity Level 2 requires units to assess the impact of these risks (see section 5.5.1.3).

5.5.3.11 Biodiversity

The Group has made a commitment to comply with the environmental regulations in effect for all of its development projects. Safran occasionally carries out analyses to determine the impact of its activities on local biodiversity for the purpose of obtaining its license.

5.5.3.12 Land use

Although it seeks to optimize their use, Safran is not directly involved in extracting natural resources.

Moreover, the Group's development takes into account the issue of artificial land use as part of its efforts to protect the environment and biodiversity.

Safran will pursue its HSE objectives in the years to come, especially:

- strengthening managerial leadership through the Group guidelines and the ExcellenSSE project;
- attaining required maturity levels based on site businesses;
- rolling out and consolidating the ergonomics program both in France and abroad;
- reducing the frequency rate of occupational accidents resulting in lost worktime and commuting accidents;
- identifying environmental measures for each company;
- participating in reflection processes with professional associations and public institutions (REACh, CLP, RoHS[1], Seveso 3, Biocide, radiation protection, dangerous or arduous work, CMR substances, circular economy, etc.).

(1) Restriction of the use of certain Hazardous Substances.

5.6 Engagement through foundations and corporate sponsorship

5.6.1 Safran's foundations

5.6.1.1 Safran Corporate Foundation for Integration

The Safran Corporate Foundation for Integration focuses on all forms of exclusion and facilitates the social and professional integration of young adults with motor, sensory, mental or social disabilities.

Since it was created in March 2005, the Safran Corporate Foundation for Integration has supported 165 major projects in France and internationally, for a total amount of around €3.3 million. Most of its initiatives are put forward by non-profit organizations.

The Foundation supports organizations with projects in four key areas:

- training leading to qualifications (22% of its budget);
- professional integration (25% of its budget);
- social integration (51% of its budget);
- sports projects (2% of its budget).

Achieving long-term results for those who benefit from initiatives is the main criterion used by the Foundation's Board of Directors to choose programs.

The Safran Corporate Foundation for Integration mainly operates in France, and carried out 97 integration projects in 2015.

For example, the Foundation is partner of the Navi-Campus project, carried out with researchers from Strasbourg University. This project aims to develop an innovative navigation solution adapted to the specific needs of visually impaired students and staff to help them have more autonomy and increase their employability. The system is based on a smartphone application, developed in urban mode and indoor mode, which uses clock positions and sound messages to guide the user, based on previously recorded journeys. After being scientifically approved, the device will be deployed as widely as possible through institutional and scientific collaborations. The ultimate objective is to help visually impaired people become more autonomous.

The Safran Foundation also supports the BGE PaRIF association, which promotes the spirit of initiative and entrepreneurship in the Ile-de-France region by supporting the creation, renewal and development of economic, social and cultural activities. Through a start-up consultancy service, the association encourages the emergence of projects, sets up entrepreneurial skills assessments and supports feasibility studies. It plays a role in project incubation and post-creation monitoring and provides co-working venues and study facilities.

The Safran Corporate Foundation for Integration also works internationally on projects supported by Group employees. In New Delhi, India, the Foundation teamed up with the Life Project 4 Youth association to support the launch of two Life Project Centers to help encourage the social and professional integration of young people living in extreme poverty on the margins of society. Helping young people to integrate sets a positive example in the community for school-age children and teenagers.

The Foundation also initiates its own operations such as the SHIFT (*Safran Handicap Innovation Fauteuil Technologie*) project, which aims to make life easier for non-motorized manual wheelchair users (and their caregivers). The aim of the project is to model two types of wheelchair, targeted at 80% of the French market:

- a "Comfort" model for elderly people and those with reduced mobility;
- a "Multi-purpose/Active" model for more active, mobile people.

Their main advantage over existing products is that they are easier to transport and offer improved comfort and a more modern design, while remaining in roughly the same price bracket.

This multi-year project was launched in the summer of 2011 in partnership with the *Fondation Garches*. Its originality lies in its multidisciplinary approach, combining the skills of engineering schools, a design school, a clinical committee and a technological committee. The design of the first Comfort platform, DITTO, is complete and should soon move into the prototyping and pre-production phase so the results can be presented to healthcare professionals.

Safran's employees are increasingly choosing to get more involved with initiatives supported by the Corporate Foundation:

- by volunteering, particularly under the program led with the Frateli association (see section 5.4.6) to offer operational and diversified guidance to high-potential students from underprivileged backgrounds through program mentors, who are highly experienced Safran employees; or
- by directly supporting projects carried out by associations.

5.6.1.2 Safran Corporate Foundation for Music

This Foundation was created in November 2004 and supports young, particularly promising musicians in their training and professional development. It also supports venues for young musicians.

Personalized support for artists can take the form of scholarships in France or abroad, assistance in buying an instrument, financing music recording projects, etc. Since its creation, Safran's Corporate Foundation for Music has provided around €2 million in direct support for 96 young talented musicians in partnership with 84 structures participating in the promotion of young talent.

For 2015, the Safran Corporate Foundation for Music received 111 support and/or partnership requests. Following an in-depth study to shortlist the most developed and interesting proposals, 34 projects were selected by the Board.

The Safran Corporate Foundation for Music is also involved in the organization of musical events and each year singles out the best young musician in a performance contest.

On October 12, 2015, the 2015 Safran Corporate Foundation for Music prize was awarded to violinist Fédor Rudin in a high-level competition between five young performers.

5.6.2 Corporate sponsorship

Alongside the initiatives led by its two corporate foundations, Safran runs a sponsorship program that focuses on prestigious public and private partnerships and promotes educational, social and cultural endeavors:

- In France:
  - with the French Senate and the French Ministry for Urban Affairs: the *Talents des Cités* (Inner-City Talent) initiative sponsored by Safran since 2011 to support young entrepreneurs from underprivileged neighborhoods;
  - with the association *Le Poème harmonique* which is working to form a string orchestra made up of primary school students from a school in a priority education zone in Rouen;
  - with the Festival de Froville for a *Coup de cœur* concert, an educational concert for some pupils with limited access to culture and classical music;
  - with the *Planète Sciences* association:
    - for the development of Rocketry Challenge, aimed at young people who want to learn about space technology by building micro-rockets,
    - for the duplication of the aeronautics module created in 2014/2015 with the focus on three areas (engines, flight controls and the analysis of inertial navigation units) for regional delegations of the association. The aim is to present these participatory events to a larger number of young people between the ages of 8 and 18,
    - for the construction of a FabLab: this space will be able to host school and other parties for introductory and skills-building workshops in digital creation;
  - with the association *Le Bouquin Volant*, which combats illiteracy and helps teach French, providing free books to those learning the language in other continents: With the support of Safran, 2,300 books (980 collected from employees at its headquarters) were delivered to the Jules Verne French international school in Querétaro, Mexico, where the Group operates;
  - with the *Alliance pour l'Éducation*, to combat long-term school absenteeism: pupils are supported by volunteers to assist them with their school work until they obtain their middle school certificate;
  - with the *Fondation Croissance Responsable* for the *Prof en Entreprise* program, which enables teachers to carry out a three-day introductory placement at a company;
  - with the *Musée en Herbe* for the *Les Récrés du Musée* program, designed to open up access to culture and museums to a group of around 10 illiterate young people, aged 16 to 25;
  - with the *Jacques Prévert* middle school, in Bar-le-Duc, France, to establish an aeronautics introductory workshop for 13-15 year olds;
  - with *Coup de Pouce,* an association providing support to children who do not benefit from the necessary coaching in the evening after school to help them learn to read. Thanks to Safran, 50 pupils will receive support to help them gain these fundamental skills.
- And abroad:
  - in Russia, where Safran is a partner of the *Alliance française* in Rybinsk, a town situated 380 km north of Moscow.

Whether supported by the foundations or through corporate sponsorship, the chosen initiatives are promoted internally and externally through Safran's intranet and website, as well as through other Group communication media. A presentation leaflet has been published and inserted into one of the Group magazines, handed out at Group Shareholders' Meetings to raise awareness of these initiatives as much as possible.

An electronic newsletter (in French and English) is also sent out once or twice a year to the Group's staff and main external contacts.

5.7 CSR reporting methodology and independent third party report

5.7.1 Methodology note on Social and Health, Safety and Environmental (HSE) reporting

The labor and HSE indicators in this section have been defined by experts from the Group's support functions and businesses. As part of its ongoing improvement drive, Safran is gradually introducing a set of labor and HSE indicators that meet legal obligations and follow changes in the Group and its businesses.

The indicators and reporting period presented herein cover the 2015 calendar year, from January 1 to December 31, unless otherwise indicated in the text or below.

Safran has elected to have the entirety of its report reviewed by one of its Statutory Auditors, Mazars, in accordance with the CSR reporting requirements set out in Article 225 of the Grenelle 2 Act and its implementing legislation.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the Statutory Auditors' report in section 5.7.2.

5.7.1.1 Reporting scope

SOCIAL INDICATORS

The social reporting scope covers Safran and all of its subsidiaries in which the Group has more than 50% direct or indirect control, excluding joint ventures (companies controlled jointly by Safran and another group), unless otherwise indicated below.

The social indicators at December 31, 2015 cover all subsidiaries from all business lines included in the reporting scope.

Indicators on training and disabled workers only pertain to France. Indicators on work-study programs and internships pertain to Europe.

The Group is working to expand the reporting scope of these indicators, particularly concerning absenteeism rates by region with an appropriate definition

HSE INDICATORS

HSE reporting covers all sites with more than 100 employees. It is recommended that sites with fewer than 100 employees and a high-risk industrial activity are included in HSE reporting.

Sites with fewer than 100 employees and no significant risks can contribute to HSE reporting if they wish.

Companies and sites integrated in the Group during the year must contribute to HSE reporting through the Score system within a timeframe agreed with Safran's Sustainable Development Department, which must not exceed 24 months.

The HSE reporting scope encompasses Safran and some of its subsidiaries in which it has direct or indirect control (over 50%).

Adjustments may be made to the scope (expressed by the headcount) of each indicator in line with its relevance for the entity and the entity's ability to provide data.

CHANGES IN SCOPE OF CONSOLIDATION

Changes in scope are due to acquisitions, the set-up of new companies, disposals, liquidations or changes in subsidiary investments. The following rules were defined for social and HSE indicators:

- acquisitions/changes in subsidiary investments: data on the acquired entity or entity in which Safran has obtained a stake strictly exceeding 50% are included in the consolidation scope at the date on which control is acquired;
- disposals/liquidations/changes in subsidiary investments: data on the entity that is sold or liquidated, or on entities that are 50% or less owned by Safran are excluded from the consolidation scope at the actual date of disposal or liquidation or the date at which control was relinquished.

Reporting systems must be implemented for set-ups and acquisitions. Additional time may therefore be required for consolidated reporting.

5.7.1.2 Data collection

Social and HSE indicators are based on several data collection systems used by the Group. Each system falls under the responsibility of a specific department.

SOCIAL INDICATORS

Global employee data are reported on a quarterly basis, while reporting for France is monthly.

Employee data are collected at each subsidiary controlled directly by Safran tier-one entities. These entities are responsible for collecting the employee data from their respective subsidiaries in which they have over 50% control. Data reported for France are derived from the same Cognos RH reporting system and subsequently validated by the Group companies. The system is updated through a common pay system used by most subsidiaries and is operated in accordance with its own specific management rules. International employee data are collected using a standard model. After carrying out consistency checks, the Group's Human Resources Department consolidates employee data for French and international companies based on the information reported by tier-one entities.

HSE INDICATORS

Safety indicators are reported on a monthly basis, while health and environmental indicators are reported on a quarterly or annual basis. Health and safety data published for 2015 correspond to the data available at the end of the year.

Environmental data are published on a rolling year basis from October 1, 2014 to September 30, 2015.

Data are entered by representatives appointed at each entity in a Group's data collection system. Data are validated and checked under the supervision of the head of the entity. The Group's Sustainable Development Department is responsible for consolidating data. Indicators are defined in the Group's reporting tool which was rolled out in 2005.

5.7.1.3 Details concerning certain indicators

The definitions of the social indicators, presented below, are provided in the model used worldwide and made available for representatives, and in the operating instructions that accompany it.

The definitions and calculation methods of HSE indicators are provided in the reporting system and available to representatives. The main assumptions are presented below by group.

HEADCOUNT

Headcount as of December 31, 2015. The headcount includes all employees of companies included in the social reporting scope that work under permanent or fixed-term employment contracts, and excludes other types of contracts such as work-study contracts, industrial agreements for training through research *(Conventions industrielles de formation par la recherche* – CIFRE), Diplomas of Technology Research (*Diplôme de recherche technologique* – DRT), or student vacation work. Employees are counted in terms of individuals.

The data on the employee age pyramid cover close to 99% of Safran's workforce, as some subsidiaries qualify this information as confidential and/or discriminatory.

MANAGERIAL-GRADE STAFF (MANAGERS AND ENGINEERS)/EMPLOYEES

Employees are identified as managerial-grade staff, i.e., managers and engineers, if they:

- coordinate a set of resources (equipment, human, financial) placed under their charge, with the degree of independence and responsibility required to achieve targets. Management may oversee a team, projects, a process, a technique or a customer or supplier portfolio; and/or
- hold an engineering degree from a university or specialized selective higher-education establishment. Engineers are essentially responsible for solving technological issues related to the design, manufacture or application of products, systems or services, primarily in R&D and production.

All other employees who are not identified as managerial-grade (managers or engineers) fall into the "Employees" category.

EXTERNAL RECRUITMENT

External recruitment refers to hiring new employees from outside the Group on fixed-term or permanent employment contracts. It does not include acquisitions or other types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

REPLACEMENT INDEX FOR PERMANENT DEPARTURES

The replacement index for permanent departures is determined by dividing the number of external new hires by permanent departures.

JOB CREATIONS

The number of net job creations is calculated by subtracting the number of permanent departures from the number of external new hires in 2015, excluding acquisitions and disposals.

ABSENTEEISM IN FRANCE

As defined by the social performance assessment, absenteeism corresponds to the total number of paid or unpaid hours absent (through illness, occupational accidents, work-related travel accidents, maternity and paternity leave, standard annual leave, etc.) divided by the theoretical number of hours worked and multiplied by 100. The number does not include cases of long-term absence. Long-term absence is defined by the reasons for the suspension of employment or inactivity: long-term illness due to occupational accidents, business creation leave, paid leave for retraining, end-of-career leave, paid or unpaid long-term training, individual training, parental/adoption leave, parental presence leave, sabbatical leave, unpaid leave, family leave, secondment within the Group, secondment outside the Group, academic secondment, end-of-senior career dispensation from work, invalidity, long-term sickness, unserved notice periods, professional/solidarity project leave, assistance leave, end-of-career dispensation from work; or early retirement for arduous work contracts.

WORKERS WITH DISABILITIES

In France, this indicator includes employees declared as workers with disabilities as defined by Article L.5212-13 of the French Labor Code (*Code du travail*) and Articles 394 and 395 of the French Code of Military Pensions (*Code des pensions militaires*). It does not cover some specific types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

WORK-STUDY CONTRACTS, INTERNSHIPS, CIFRE AND DRT

This indicator includes work-study contracts (apprenticeships and professional training contracts), internship agreements for a minimum of one month, CIFRE and DRT established in 2015 in Europe.

TRAINING

The indicator on training hours covers all types of training worldwide. In contrast to 2013, training courses of less than four hours and enrolled training were also included, as in 2014.

ACCIDENT ANALYSIS AND PREVENTION

The frequency rate of occupational accidents equals the number of accidents resulting in the equivalent of one day or more of lost worktime per million hours worked.

The severity rate corresponds to the number of days' sick leave as a result of occupational accidents per thousand hours worked.

The hours worked used for the calculation correspond to the hours worked reported by sites: theoretical hours for the Cognos RH (the HR Department's management software) scope and theoretical or actual hours for the non-Cognos RH scope.

CO_2 EMISSIONS

Emissions are classed as Scope 1 and 2 (methodologies of Article 75). In 2015, the reporting scope covered 64,685 employees. Emissions from refrigerants are reported for the calendar year, while other emissions are calculated based on a rolling 12-month basis from October 1, 2014 to September 30, 2015. This year, emission factors have been more accurately adjusted by geographic region. Emission factors are based on carbon in 2012.

Emission factors

Scope 2 electricity: the emission factor recommended and used for France for the GHG assessment is 0.06 kg of CO_2 eq./kWh.

For some sites, such as Guyana, the emission factor has been updated.

For steam/heat/cold, an average value was taken into account for France In 2012.

Emission factors linked to the upstream phases (energy extraction and transport) are not taken into account.

CO_2 emissions calculation

Scope 1: inclusion of LPG emissions (butane and propane) and domestic fuel (gas oil) for mobile sources.

Scope 2: inclusion of emissions from steam, heat and cold purchases.

WASTE

Categories of waste are defined according to local regulations. In order to harmonize reporting practices across the Group, non-contaminated metallic chips are reported separately.

WATER

Reported water consumption includes three types of sources:

- the water supply network refers to water supplied through a public or private operator;
- surface water refers to water pumped directly from the surface of the natural environment (river, lake, etc.);
- groundwater refers to water pumped directly from the water table.

Water used in cooling systems is not included in the reporting as it does not apply directly to industrial processes and undergoes no physical-chemical treatment before being released into the environment.

ENERGY

The conversion factor used for energy consumption is: 1 MWh = 0.0857 metric tons of oil equivalent.

Due to the lack of precision on invoices, data are taken into account in LHV (lower heating value), which leads to an increase in values particularly for CO_2 emissions (around 10%).

5.7.2 Report by the independent third party, on the consolidated human resources, environmental and social information included in the management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1958[(1)] and member of Mazars' network, Safran SA's Statutory Auditor, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code *(Code de commerce).*

Company's responsibility

The Board of Directors is responsible for preparing a Company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the "Guidelines"), summarized in the management report and available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);
- provide, at the request of the Company, a reasonable assurance as to whether the information identified by the symbol ☑ in the Chapter 5 of the management report was prepared, in all material respects, in accordance with the adopted Guidelines.

Our work involved 6 persons and was conducted between October 2015 and February 2016 during a 12-week intervention period.

We performed our work in accordance with the professional standards and with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[(2)] concerning our conclusion on the fairness of CSR Information and the reasonable assurance report.

I - ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programs arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the sections "CSR reporting methodology" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II - CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

Nature and scope of our work

We conducted about ten interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;

(1) *whose scope is available at www.cofrac.fr*
(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical information.*

- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[(1)]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us[(2)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 46% of headcount and between 13% and 32% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgment, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

III - REASONABLE ASSURANCE REPORT ON SELECTED CSR INFORMATION

Nature and scope of procedures

Regarding information selected by the Group and identified by the symbol ☑, we conducted similar work as described in paragraph 2 above for CSR information that we consider to be most significant but of greater depth, especially regarding the number of tests.

The selected sites contribution to Group data equals to 46% of headcount.

We deem this work allows us to express a reasonable assurance on the information selected by the company and identified by the symbol ☑.

Conclusion

In our opinion, the Information selected by the Group and identified by the symbol ☑ was prepared, in all material respects, in accordance with the Guidelines.

Paris La Défense, March 29, 2016

Mazars SAS

Thierry COLIN	Christophe BERRARD	Emmanuelle RIGAUDIAS
Partner	*Partner*	*CSR & Sustainable Development partner*

(1) ***Human resources information:*** *Headcount and regional breakdown, Percentage of women among employees, Percentage of managers among employees, Percentage of young people under 30 and employees aged 50 or more among headcount, New hires, Number of departures from permanent employment including dismissals, Number of hired employees for each departure, Absenteeism rate in France, Percentage of women among new hires, Number and percentage of disabled workers (France), Total number of training hours (France).*

Environmental and safety information: *Total waste generated (ordinary + hazardous industrial), Total transformed waste (ordinary + hazardous industrial), Water supply network, surface water and groundwater consumption, Electricity, gas and fuel consumption, Scope 1 and 2 greenhouse gas emissions, Frequency and severity rate, Number of occupational illnesses reported in 2015.*

Qualitative information: *Compensation and benefits, Employer-employee relations (including collective agreements negotiation and health & safety agreements signed), Occupational health and safety and environmental policy, Career and skills management program, Training – Safran University, Diversity and equal opportunities, Products – Processes – Eco-design, Investing through foundations and corporate sponsorships, Involving our suppliers and partners, Zero tolerance of corruption.*

(2) ***Legal entities for the verification of human resources information:*** *Labinal Power Systems France, Messier-Bugatti-Dowty France, Sagem France, Snecma France, Turbomeca France.*

Legal entities for the verification of health, safety and environmental information: *Aircelle Burnley (United Kingdom), Labinal Power Systems Denton (United States), Messier-Bugatti-Dowty Gloucester (United Kingdom), Messier-Bugatti-Dowty Villeurbanne (France), Morpho Osny (France), Sagem Massy (France), Sagem Montluçon (France), Snecma Villaroche (France), Techspace Aero Milmort (Belgium), Turbomeca Bordes (France).*

NOTES

CORPORATE GOVERNANCE CODE

Safran uses as its corporate governance framework the "Corporate Governance Code of Listed Corporations" (revised version dated November 12, 2015), drawn up jointly by the French employers' associations, AFEP(1) and MEDEF(2), as well as the related implementation guidelines (revised version dated December 2015). These documents are available on the AFEP and MEDEF websites at www.afep.com and www.medef.com.

Where certain recommendations included in this Code (or in guidelines adopted subsequently for its application) are not implemented, this is justified in the report of the Chairman of the Board of Directors (see section 6.5.3 "Application of the AFEP-MEDEF Corporate Governance Code").

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors comprises 17 members, including seven independent Directors, a representative of the French State, two Directors put forward for appointment by the French State, two Directors representing employee shareholders and two Directors representing employees.

Based on the criteria in the AFEP-MEDEF Code, the proportion of independent Directors was 53.8% in 2015 and the proportion of women on the Board was 26.6%. At the Annual General Meeting on May 19, 2016 the Board of Directors will recommend a resolution providing for the appointment of an additional female Director, which, if approved, will increase the proportion of women on the Board to one third.

OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors has a set of Internal Rules governing its operating procedures. These Internal Rules apply in addition to those provided for in the applicable laws and regulations and in the Company's bylaws.

The Board is assisted in its work by two standing committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee.

EXECUTIVE MANAGEMENT

At its meeting held following the Annual General Meeting on April 23, 2015, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer.

It then appointed Ross McInnes as Chairman of the Board of Directors and Philippe Petitcolin as Chief Executive Officer.

(1) AFEP: *Association française des entreprises privées.*
(2) MEDEF: *Mouvement des entreprises de France.*

CORPORATE GOVERNANCE

6.1 Board of Directors and Executive Management

6.1.1 Corporate governance structure since April 23, 2015

As Jean-Paul Herteman's term of office as Chairman and Chief Executive Officer was due to expire at the close of the Annual General Meeting of April 23, 2015, succession plans were prepared by the Board of Directors and a special committee comprising the Chairman and Chief Executive Officer and the members of the Appointments and Compensation Committee (apart from one member of the Committee who was a candidate for the succession). They were assisted in this task by a recruitment firm.

The process involved determining (i) Safran's key priorities and the most suitable governance structure for implementing them (including deciding whether the roles of Chairman of the Board of Directors and Chief Executive Officer should remain combined or be separated), (ii) the key skills required in successful candidates, and (iii) the applicable selection criteria. The Board of Directors reviewed all of the candidatures and accordingly decided to separate the roles of Chairman of the Board and Chief Executive Officer in view of both Safran's specific situation and the profiles of the candidates.

At the Annual General Meeting of April 23, 2015, the shareholders appointed Ross McInnes and Philippe Petitcolin as Directors for a four-year term.

When it met after the close of this Annual General Meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer and appointed:

- Ross McInnes as Chairman of the Board of Directors for the duration of his term as a Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2018; and
- Philippe Petitcolin as Chief Executive Officer for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

It was considered that the new Chief Executive Officer's managerial expertise, long experience in industry and credibility in the Aerospace, Defense and Security sectors, and the new Chairman's international standing and experience in corporate governance would be major assets for Safran. It was also deemed that the good fit of the two profiles would ensure a smooth transition for the Group's new governance structure.

Powers and responsibilities of the Chairman of the Board of Directors

The Board of Directors assigned the following specific tasks to Ross McInnes in his role as Chairman of the Board of Directors, to be carried out in close consultation with Executive Management:

- representing the Group in France and abroad in dealings with government authorities, major customers, partners and institutional shareholders, backed by Executive Management;
- organizing the Board's strategic work;
- working with the Board on the preparation and implementation of succession plans for the Group's key operations managers and support function managers.

In addition, Ross McInnes represents the Board of Directors and is responsible for organizing and managing the work of the Board, on which he reports to shareholders at the Annual General Meeting. He coordinates the work of the Board and the Board Committees, as well as ensuring that the Company's corporate governance structures function effectively and particularly that Directors are in a position to properly perform their duties.

To that end, in accordance with the applicable legislation and Article 15.2 of the bylaws, he is responsible for:

- calling Board meetings based on an annual schedule and on other occasions where necessary;
- drawing up the agenda for Board meetings, overseeing the preparation of the meeting packs provided to Directors and ensuring that the information contained in the packs is complete;
- ensuring that the Board Committees discuss certain matters in preparation for Board meetings;
- ensuring that the Directors respect the Internal Rules of the Board and the Board Committees;
- monitoring the implementation of the Board's decisions;
- chairing Board meetings and leading the discussions.

Powers and responsibilities of the Chief Executive Officer

The Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act in all circumstances in the Company's name.

He exercises these powers within the scope of the Company's corporate purpose and subject to the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors.

The Company is bound by the actions of the Chief Executive Officer with respect to third parties even when they fall outside the scope of the corporate purpose, unless it can be proven that the third party knew, or under the circumstances could not have failed to know, that such actions exceeded the remit of the corporate purpose. Publication of the Company's bylaws does not in itself constitute such proof.

Any restrictions placed on the powers of the Chief Executive Officer by the bylaws or a decision of the Board of Directors are not binding on third parties. The restrictions placed on the powers of the Chief Executive Officer decided by the Board of Directors are set out in the Board of Directors' Internal Rules, and notably relate to investments and divestments and certain strategic operations (see section 6.5.1).

Profiles of the Chairman of the Board of Directors and the Chief Executive Officer

See section 6.1.2 for the profiles of the Chairman of the Board of Directors and the Chief Executive Officer.

6.1.2 Board of Directors

Roles and responsibilities of the Board of Directors

The Board of Directors is responsible for defining the Company's strategies and overseeing their implementation. Subject to the powers directly vested in Shareholders' Meetings, the Board is responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

In addition to the legal and regulatory requirements concerning prior authorizations from the Board of Directors, a number of specific operations also have to be approved by the Board before they can be carried out. These operations are listed in the Board of Directors' Internal rules.

The roles and responsibilities of the Board of Directors are described in sections 6.5.1 and 7.1.2.1.

Membership structure of the Board of Directors

Since April 23, 2015, Safran's Board of Directors has comprised 17 members, including one representative of the French State, two Directors put forward for appointment by the French State, two Directors representing employee shareholders and two Directors representing employees.

The diverse experience and expertise of the Directors and the international profile of a number of them (see profiles below) provide the Board with a wide range of complementary skills.

Members of the Board of Directors	2015/2016 First appointed at/by	Re-appointed at/by	Departure date(1)	Nationality	Age(1)	Gender	Date first appointed	Date last re-appointed	Number of years on the Board(1)
Directors currently in office									
Ross McInnes Chairman of the Board of Directors	AGM of April 23, 2015			French and Australian	62	M	April 23, 2015		11 months
Philippe Petitcolin Chief Executive Officer	AGM of April 23, 2015			French	64	M	April 23, 2015		11 months
Christian Streiff Vice-Chairman of the Board of Directors				French	61	M	May 28, 2013		3 years
Marc Aubry				French	53	M	April 21, 2011		5 years
Giovanni Bisignani				Italian	69	M	April 21, 2011		5 years
Frédéric Bourges				French	57	M	Nov. 20, 2014		16 months
Jean-Lou Chameau		AGM of April 23, 2015		French and American	63	M	April 21, 2011	April 23, 2015	5 years
Monique Cohen				French	60	F	May 28, 2013		3 years
Odile Desforges				French	66	F	April 21, 2011		5 years
Jean-Marc Forneri				French	56	M	March 17, 2005 (Supervisory Board)	May 28, 2013	11 years
Patrick Gandil	AGM of April 23, 2015			French	60	M	May 28, 2013		3 years(5)
Christian Halary				French	62	M	May 12, 2006 (Supervisory Board)	April 21, 2011	10 years
Vincent Imbert	AGM of April 23, 2015			French	60	M	March 28, 2014		2 years(6)
Xavier Lagarde				French	68	M	April 21, 2011		5 years
Élisabeth Lulin				French	49	F	April 21, 2011		5 years
Daniel Mazaltarim				French	56	M	Nov. 20, 2014		16 months
Lucie Muniesa Representative of the French State	Ministerial Decree of Feb. 8, 2016 (published in the French legal journal on Feb. 14, 2016)			French	41	F	Feb. 8, 2016		2 months
Directors whose terms of office expired in 2015									
Jean-Paul Herteman			April 23, 2015	French	65	M	April 21, 2011		4 years
Laure Reinhart Representative of the French State			April 23, 2015	French	60	F	April 21, 2011		4 years
Director whose term of office expired in 2016(1)									
Astrid Milsan Representative of the French State		Ministerial Decree of April 23, 2015 (published in the French legal journal on April 24, 2015)	Feb. 8, 2016	French	44	F	July 8, 2011	May 23, 2013	5 years

(1) At the filing date of this Registration Document.
(2) See section 6.5.1 "Independence of the members of the Board of Directors".
(3) At December 31, 2015.
(4) Including directorship with Safran; compliant with the recommendations of the AFEP-MEDEF Code.
(5) From May 28, 2013 to April 23, 2015, as a Director representing the French State.
(6) From March 28, 2014 to April 23, 2015, as a Director representing the French State.

Expiration of term of office	Independent Director[2]	Director representing employees or employee shareholders	Attendance rate (Board meetings)[3]	Membership of Board Committees[1]	Number of directorships in listed companies[4]	Main experience and expertise brought to the Company
2019 (AGM held to approve the 2018 financial statements)	No	No	100%	--	4	Chairman of the Board of Directors
2019 (AGM held to approve the 2018 financial statements)	No	No	100%	--	1	Chief Executive Officer
2018 (AGM held to approve the 2017 financial statements)	Yes	No	100%	Appointments and Compensation Committee	2	Vice-Chairman of the Board of Directors Group organization and management/Industry/ International/Strategy/Mergers & Acquisitions
2016 (AGM held to approve the 2015 financial statements)	No	Yes	100%	Audit and Risk Committee	1	Perspective of an employee shareholder/ Knowledge of the Group and its businesses
2017 (AGM held to approve the 2016 financial statements)	Yes	No	91.67%	Appointments and Compensation Committee	2	Group organization and management/Industry/ International/Knowledge of the air transport industry
Nov. 19, 2019	No	Yes	100%	Appointments and Compensation Committee	1	Perspective of an employee shareholder/Knowledge of the Group and its businesses/Industry/RTDI
2019 (AGM held to approve the 2018 financial statements)	Yes	No	83.33%	Appointments and Compensation Committee	1	RTDI/International
2018 (AGM held to approve the 2017 financial statements)	Yes	No	91.67%	Audit and Risk Committee	4	Financial and banking markets/Private equity/ Shareholding strategy
2017 (AGM held to approve the 2016 financial statements)	Yes	No	100%	Chair of the Audit and Risks Committee	4	Group organization and management/Industry/ RTDI/Performance and management control
2018 (AGM held to approve the 2017 financial statements)	Yes	No	100%	Chairman of the Appointments and Compensation Committee	2	Governance and compensation/ Strategy/Mergers & Acquisitions
2019 (AGM held to approve the 2018 financial statements)	No	No	75%	--	1	Knowledge of the Group's markets/ Knowledge of the civil aviation industry/ Competitive environment/Strategy
2016 (AGM held to approve the 2015 financial statements)	No	Yes	100%	Audit and Risk Committee	1	Perspective of an employee shareholder/Knowledge of the Group/Shareholding perspective
2019 (AGM held to approve the 2018 financial statements)	No	No	91.67%	--	1	Industry/Strategy/Defense industry/ Competitive environment
2017 (AGM held to approve the 2016 financial statements)		No	100%	Appointments and Compensation Committee	1	Knowledge of the Group and its products/Industry/ RTDI/Strategy/Shareholding perspective
2017 (AGM held to approve the 2016 financial statements)	Yes	No	100%	Audit and Risk Committee	1	Entrepreneur and business developer/ Finance/Strategy
Nov. 19, 2019	No	Yes	100%	Audit and Risk Committee	1	Perspective of an employee/Knowledge of the Group and its businesses
N/A	No	No	N/A	Audit and Risk Committee and Appointments and Compensation Committee	3	Finance/Strategy/Group organization and management/Industry
2015 (AGM held to approve the 2014 financial statements)	No	No	100%	--	1	Jean-Paul Herteman's directorship ended on April 23, 2015
2018 (AGM held to approve the 2017 financial statements)	No	No	50%	--	1	Laure Reinhart's directorship ended on April 23, 2015
N/A	No	No	100%	Audit and Risk Committee and Appointments and Compensation Committee	1	Astrid Milsan's directorship ended on February 8, 2016

Francis Mer, whose term as a Director and Vice-Chairman of the Board of Directors expired at the close of the Annual General Meeting of May 28, 2013, was appointed Honorary Chairman of Safran at the Board of Directors' meeting of March 21, 2013.

Ross McInnes

Chairman of the Board of Directors

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

- Number of Safran shares held: 7,418[1]

Profile – Expertise and experience

Born in 1954, Ross McInnes has dual French and Australian nationality and is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson bank, first of all in London then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America) in which he held several positions as Vice President in the corporate finance arm, in Chicago and then in Paris.

In 1989, he chose to move to large multinational corporations and became Chief Financial Officer of Ferruzzi Corporation of America. The Ferruzzi Group controlled, in particular, Eridania Beghin-Say, of which he was appointed Chief Financial Officer in 1991, then a member of the Board of Directors in 1999. The following year, he joined Thomson-CSF (now Thales) as Executive Vice President and Chief Financial Officer and assisted in the group's transformation until 2005. He then moved to PPR (Pinault-Printemps-La Redoute, now Kering) as Senior Vice President for Finance and Strategy, before joining the Supervisory Board of Générale de Santé *in 2006. At the request of the Supervisory Board, he served as acting Chairman of the Management Board of Générale de Santé from March to June 2007. He subsequently held the position of Vice-Chairman of Macquarie Capital Europe, notably specializing in infrastructure investments.*

In March 2009, Ross McInnes joined Safran as special Advisor to the Chairman of the Executive Board, before becoming Executive Vice President, Economic and Financial Affairs in June of that year. He was a member of the Executive Board of Safran between July 2009 and April 2011.

He served as Deputy Chief Executive Officer, Finance between April 21, 2011 and April 23, 2015, at which date he was appointed Chairman of Safran's Board of Directors.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Chairman of the Board of Directors of Safran since April 2015

NON-GROUP

- Director and Chairman of the Audit Committee of:
  - Faurecia (listed company)
  - Eutelsat Communications (listed company)
- Non-executive Director and Chairman of the Audit Committee of IMI plc (listed company) (United Kingdom)

Offices and positions that expired in the last five years

SAFRAN GROUP

- Deputy Chief Executive Officer of Safran until April 2015
- Member of the Executive Board of Safran until April 2011
- Director of:
  - Safran USA, Inc. (US) until June 2015
  - Aircelle until December 2014
  - Turbomeca until December 2014
  - Messier-Bugatti-Dowty until December 2014
  - Morpho until December 2014
  - Snecma until December 2014
  - Sagem until July 2013
  - Vallaroche Conseil until April 2013
  - SME from April to September 2011
  - Messier-Dowty SA, until January 2011
- Permanent representative of Safran on the Board of Directors of:
  - Établissements Vallaroche, until April 2013
  - Messier-Dowty SA, from January 2011 to April 2011
- Permanent representative of Établissements Vallaroche on the Board of Directors of Soreval (Luxembourg) until May 2015

NON-GROUP

- Director of:
  - Financière du Planier until June 2015
  - Globe Motors, Inc. (US) until October 2013
  - Limoni SpA (Italy) until February 2013
- Permanent representative of Santé Europe Investissements Sarl on the Board of Directors of Santé SA (Luxembourg) until October 2014
- Permanent representative of Santé Europe Investissements Sarl on the Board of Directors, and a member of the Audit Committee, of Générale de Santé SA (listed company) until March 2014
- Advisor (*censeur*) on the Board of Générale de Santé (listed company) until June 2011

(1) Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2015).

Philippe Petitcolin

Chief Executive Officer

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

- Number of Safran shares held: 17,509[1]

Profile – Expertise and experience

Born in 1952, Philippe Petitcolin holds a degree in mathematics and is a graduate of the Centre de Perfectionnement aux Affaires *(CPA) business school.*

Philippe Petitcolin began his career in 1978 as export manager for Europrim before becoming export area manager for Filotex, a subsidiary of Alcatel-Alstom. In 1982, he was appointed Aviation Sales Director for Chester Cable in the US. He returned to Filotex in 1984 as export director.

In 1988, he joined Labinal as deputy sales director before being appointed sales and Marketing Director of the company's Aeronautical Systems Division and subsequently its managing director in 1995.

Between 1999 and 2001 he was general manager of Labinal's Filtrauto division, also serving as general manager of the friction materials business after the division was bought by Valeo. In May 2001, he was named Chief Executive Officer of Labinal (aviation), part of the Snecma group, before being appointed Chairman and Chief Executive Officer in November 2004. He was then appointed Chairman and Chief Executive Officer of Snecma (Safran group) in 2006.

Between 2011 and 2013, he was appointed President of Safran's Defense and Security businesses, and Chairman and Chief Executive Officer of Sagem.

From July 2013 to December 2014, he was Chairman and Chief Executive Officer of Morpho and Chairman of the Board of Directors of Sagem.

He subsequently served as Chairman of Morpho from December 2014 to July 2015.

At Safran's Annual General Meeting of April 23, 2015, Philippe Petitcolin was appointed as a Director and then, by the Board of Directors, as Chief Executive Officer.

On April 23, 2015, he became a member of the Aerospace and Defence Industries Association of Europe (ASD).

In July 2015, Philippe Petitcolin was appointed Vice-Chairman of GIFAS (Groupement des industries françaises aéronautiques et spatiales) *and in September 2015, he was appointed as a Director of Belcan Corporation, an engineering services company.*

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Chief Executive Officer of Safran since April 2015
- Director of Safran since April 2015

NON-GROUP

- Vice-Chairman of GIFAS since July 2015
- Director of Belcan Corporation (US) since September 2015
- Board member of the Aerospace and Defence Industries Association of Europe (ASD) (Belgium) since April 2015

Offices and positions that expired in the last five years

SAFRAN GROUP

- Chairman of Morpho until July 2015
- Chairman and Chief Executive Officer of:
  - Morpho until December 2014
  - Sagem Défense Sécurité until July 2013
  - Snecma until May 2011
- Chairman of the Board of Directors of:
  - MorphoTrak, LLC (US) until July 2015
  - Morpho Detection International, LLC (US) until July 2015
  - Sagem Défense Sécurité until December 2014
- Chairman and President of Morpho USA, Inc. (US) until July 2015
- Director of:
  - Morpho Detection LLC (US) until July 2015
  - Safran Consulting until June 2012
  - Techspace Aero (Belgium) until December 2011
  - Snecma HAL Aerospace PLT (India) until October 2011
  - Société de Motorisations Aéronautiques until June 2011
  - Snecma Mexico, SA de CV (Mexico) until June 2011
  - Turbomeca until May 2011
- Member of the Supervisory Board of Morpho Cards GmbH (Germany) until July 2015

NON-GROUP

- Member of the Supervisory Board of Institut Aspen France until March 2015

(1) *Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2015).*

Christian Streiff

Independent Director
Vice-Chairman of the Board of Directors
Member of the Appointments and Compensation Committee

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

- Number of Safran shares held: 500

Profile – Expertise and experience

Born in 1954, a graduate of École Nationale Supérieure des Mines de Paris, *Christian Streiff started working for the Saint-Gobain group, serving as Department Engineer of the Pipe Division in Halbergerhütte (Germany) from 1979 to 1982. He then served as Vice President of Planning and Strategy of the Fiber Reinforcements Division from 1982 to 1985, Manager of the Herzogenrath plant (Germany) between 1985 and 1988, General Manager of Vetrotex Deutschland (formerly Gevetex) (Germany) between 1989 and 1991, General Manager of Vetri (Italy) from 1992 to 1994, General Manager of Saint-Gobain Emballages from 1994 to 1997, Vice President, Pipe Division and Chairman and Chief Executive Officer of Pont-à-Mousson SA from 1997 to 2001, Head of Abrasives and Ceramics & Plastics Divisions (Paris and Boston – USA), Group Chief Operating Officer from 2001 to 2004 and Deputy Chief Executive Officer from 2004 to 2005.*

In 2006, Christian Streiff was appointed Chief Executive Officer of Airbus and a member of the Managing Board of EADS (European Aeronautic Defense and Space Company).

From 2007 to 2009, Christian Streiff was Chairman of the Executive Board of PSA Peugeot-Citroën.

He is also the author of a novel, Kriegspiel *(Éditions La Nuée Bleue, 2000), and of* J'étais un homme pressé *(Éditions du Cherche Midi, 2014).*

Christian Streiff brings to the Board his experience as an executive and Director of international industrial groups, an in-depth knowledge of the Group's businesses and competitive environment, and his expertise in business strategy and mergers & acquisitions.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Vice-Chairman of the Board of Directors of Safran

NON-GROUP

- Chairman of CS Conseil
- Director and member of the Compensation Committee of Crédit Agricole SA (listed company)
- Member of the European Advisory Board of Bridgepoint (UK)
- Chairman of Astra Management Suisse SA (Switzerland) since November 2015
- Member of the Executive Committee of the Fondation pour la Recherche sur l'AVC since 2015
- Member of the Board and Operations Committee of Expliseat
- Member of the Board and Investment Committee of Optiréno

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Director of:
  - TI-Automotive (UK) until December 2014
  - Finmeccanica SpA (listed company) (Italy) until July 2013
- Member of the Supervisory Board of Thyssen Krupp AG (listed company) (Germany) until January 2015

Marc Aubry

Director representing employee shareholders
Member of the Audit and Risk Committee

Snecma, Établissement de Vernon – Forêt de Vernon – BP 802 – 27208 Vernon Cedex, France

- Number of Safran shares held: 1,573[(1)]

Profile – Expertise and experience

Born in 1963, Marc Aubry is an engineer from École Nationale Supérieure d'Hydraulique et de Mécanique de Grenoble *(ENSHMG) (major in water resources and planning) and has a post-graduate degree (DEA) in environment and engineering geophysics (major in hydrology).*

Marc Aubry has worked with the Group for 25 years. Since 1990, he has occupied the position of Design Engineer in charge of the development of dynamic sealing for space engine turbopumps.

He is central CFDT trade union delegate at Snecma and the CFDT trade union coordinator within the Group.

Marc Aubry brings to the Board his view of Safran from an employee shareholder's perspective, as well as an in-depth knowledge of the Group and its products and markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran representing employee shareholders

NON-GROUP

None

Offices and positions that expired in the last five years

SAFRAN GROUP

- Vice-Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund until December 2013

NON-GROUP

None

(1) *Including 1,533 shares via corporate mutual fund units (conversion based on the Safran share price at December 31, 2015).*

Giovanni Bisignani

Independent Director
Member of the Appointments and Compensation Committee

12-14 De Vere Gardens – London W8 5AE – UK

- Number of Safran shares held: 850

Profile – Expertise and experience

Born in 1946, Giovanni Bisignani graduated from the Sapienza University of Rome (law, economics and business), where he later became assistant professor. He also attended the International Teachers Program at Harvard Business School in Boston, United States.

Giovanni Bisignani started his career at First National Citibank. He then returned to Italy and, from 1976 to 1989, held several high-level positions at the energy company ENI and with the Italian industrial conglomerate IRI. He was Chairman and CEO of Alitalia from 1989 to 1994, Chairman of the Association of European Airlines (AEA) in 1992 and Chairman of Galileo International UK and Covia US from 1993 to 1994.

Between 1990 and 2000, he was also a Director of the Italian public companies Finsider (steel), Italstat (real estate) Fincantieri (shipbuilding) and SME (food and retail).

From 1994 to 1998, he was President of Tirrenia di Navigazione, and from 1998 to 2001, CEO of SM Logistics – a member of the Serra Merzario group, partially owned by GE. In 2001, he launched Opodo, the first European travel portal, owned by Air France, British Airways and Lufthansa.

Giovanni Bisignani was Director General and CEO of the International Air Transport Association (IATA) between 2002 and 2011. From 2002 to 2013 he was a Director of UK NATS (air navigation service provider).

He is a member of the World Economic Forum's Global Agenda Council on Aviation, Travel & Tourism (Switzerland).

Since 2012, Giovanni Bisignani has been a visiting Professor at the School of Engineering at Cranfield University (UK) where he received the honorary "Doctor honoris causa" degree.

Giovanni Bisignani brings to the Board his experience as an executive and Director of international industrial groups, as well as expertise and experience in the air transport sector and an in-depth knowledge of airline companies.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Director and a member of the Nominating and Corporate Governance Committee of Aircastle Limited (listed company) (US)
- Director and Chairman of the Nominations and Compensation Committee and a member of the Related Party Committee and the Audit Committee of Alitalia – Società Aerea Italiana (Italy)

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Director General and CEO of IATA (International Air Transport Association – Montreal) until June 2011
- Director of NATS Holdings Limited (UK)

Frédéric Bourges

Director representing employees
Member of the Appointments and Compensation Committee

Snecma – Établissement d'Évry – Corbeil Rue Henri-Auguste Desbruères B.P. 81 – 91003 Évry Cedex, France

- Number of Safran shares held: 74[1]

Profile – Expertise and experience

Born in 1958, Frédéric Bourges graduated as a boilermaker from Snecma's professional school in Évry-Corbeil where he began his career in pre-series production.

After holding various positions, he currently works as a technician in the adhesive bonding segment and is the HSE representative in the Industrial Methods Department.

Between 2004 and 2005, he was a Director representing employees at Snecma.

From 2005 to 2014, he was a CGT central trade union delegate at Snecma.

Frédéric Bourges brings to the Board his view of Safran from an employee's perspective, as well as an in-depth knowledge of the Group and its businesses.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran representing employees

NON-GROUP

None

Offices and positions that expired in the last five years

SAFRAN GROUP

- CGT central trade union delegate at Snecma until December 2014

NON-GROUP

None

(1) *Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2015).*

Jean-Lou Chameau

Independent Director
Member of the Appointments and Compensation Committee

King Abdullah University of Science and Technology – Administration Building #16

Room #4002 – 4700, Thuwal 23955-6900, Saudi Arabia

- Number of Safran shares held: 1,000

Profile – Expertise and experience

Born in 1953, Jean-Lou Chameau obtained an engineering diploma at École Nationale Supérieure d'Arts et Métiers *in 1976, and then continued his studies at Stanford University, where he graduated with a Master's in civil engineering in 1977, followed by a PhD in seismic engineering in 1980.*

Jean-Lou Chameau started his teaching career at Purdue University (US), where he taught from 1980 to 1991, before joining Georgia Tech as professor and head of the School of Civil and Environmental Engineering. He left this position in 1994 to become Chairman of the international geotechnical engineering company, Golder Associates Inc. He returned to teach at Georgia Tech two years later, where he became dean of the College of Engineering in the US. In 2001, he was promoted to the position of provost, which he occupied until 2006.

From 2006 to June 2013, Jean-Lou Chameau was the President of the California Institute of Technology (Caltech).

Jean-Lou Chameau is a member of the National Academy of Engineering in the United States and of the Académie des Technologies *in France.*

He has been President of King Abdullah University of Science and Technology (KAUST) (Saudi Arabia) since July 2013.

Jean-Lou Chameau brings to the Board his experience as a Director of an international group as well as his expertise in research, technological development and innovation and his in-depth knowledge of North America and the Middle East.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- President of King Abdullah University of Science and Technology (KAUST) (Saudi Arabia)
- President Emeritus of the California Institute of Technology (Caltech) (US)
- Member of the Academic Research Council of Singapore (Singapore)

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- President and a Director of Caltech (US) until June 2013
- Director and a member of the Governance and Nominating Committee of MTS Systems Corporation (listed company) (US) until February 2015
- Director and a member of the Audit Committee of John Wiley & Sons (listed company) (US) until September 2013
- Member of the Council on Competitiveness (US) until June 2013
- Member of the Advisory Committee of Interwest (US) until March 2013
- *École Polytechnique*, Internet2

Monique Cohen

Independent Director
Member of the Audit and Risk Committee

Apax Partners – Midmarket SAS – 45, avenue Kléber – 75784 Paris Cedex 16, France

- Number of Safran shares held: 500

Profile – Expertise and experience

Born in 1956, Monique Cohen is a graduate of École Polytechnique (1976) and has a Master's degree in mathematics. She started her career at Paribas as Assistant Finance Manager from 1980 to 1987.

At Paribas, which later became BNP Paribas, she successively held the positions of Administrative Officer of Courcoux-Bouvet – a brokerage firm and subsidiary of Paribas – between 1987 and 1990, Head of equity syndication and brokerage activities from 1990 to 1999, and Global Head of Equity Business from 1999 to 2000.

Since 2000, Monique Cohen has been an Executive Partner at Apax Partners in Paris, which specializes in investments in the business and financial services sector.

*Between June 2011 and September 2014, she was a member of the Board of Directors of the French financial markets authority (*Autorité des Marchés Financiers *– AMF).*

Monique Cohen brings to the Board her experience as an executive and Director of international groups, as well as in-depth knowledge of the financial and banking markets, expertise in private equity and a financial view of shareholding structures.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Chair of the Board of Directors of Proxima Investissement (Luxembourg)
- Chair of Trocadéro Participations II SAS
- Vice-Chair and member of the Supervisory Board and Chair of the Audit Committee of Hermès International (listed company)
- Director of:
  - BNP Paribas (listed company)
  - Financière MidMarket SAS
  - Apax Partners MidMarket SAS
- Member of the Supervisory Board and the Audit Committee of JC Decaux (listed company)
- Member of the Supervisory Board of:
  - Global Project SAS
  - Trocadéro Participations SAS
- Managing Partner of Société Civile Fabadari

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Chair of Trocadéro Participations SAS until 2012
- Chair and member of the Supervisory Board of Texavenir II SAS
- Deputy Chief Executive Officer of Altamir Amboise Gérance SA until May 2015
- Director of:
  - SEP Altitude until June 2014
  - Société de financement local (SFIL) until June 2014
  - BuyWay Personal Finance Belgium SA (Belgium) until April 2014
  - BuyWay Tech SA (Belgium) until April 2014
  - B*Capital SA until 2013
  - Equalliance SA until 2011
  - Finalliance SAS until 2011
- Director and a member of the Investment and Acquisitions Committee of Altran Technologies SA (listed company) until March 2014
- Chair of the Board of Directors of:
  - Wallet SA (Belgium) until April 2014
  - Wallet Investissement 1 SA (Belgium) until April 2014
  - Wallet Investissement 2 SA (Belgium) until April 2014
- Manager of Société Civile Equa until 2011
- Manager (class C) of Santemedia Group Holding Sarl (Luxembourg) until 2012

Odile Desforges

Independent Director
Member and Chair of the Audit and Risk Committee

3, rue Henri Heine – 75016 Paris, France

- Number of Safran shares held: 500

Profile – Expertise and experience

Born in 1950, Odile Desforges graduated with an engineering diploma from École Centrale Paris.

She began her career as a Research Analyst at the French Transport Research Institute (Institut de recherche des transports). *In 1981, she joined the Renault group as planning officer for the Automobile Planning Department before becoming a product engineer on the R19, then M1 segment (1984-1986). In 1986, she moved to the Purchasing Department as Head of the Exterior Equipment Department. She was later appointed Director of Body Hardware Purchasing for the joint Renault Volvo Car Purchasing Organization in 1992, and for Renault alone in 1994. In March 1999, she became Executive Vice President of the Renault VI-Mack group, in charge of 3P (Product Planning, Product Development, Purchasing Project). In 2001, she was appointed President of AB Volvo's 3P Business Unit.*

In 2003, Odile Desforges became Senior Vice President, Renault Purchasing, Chair and CEO of the Renault Nissan Purchasing Organization (RNPO) and a member of the Renault Management Committee.

From 2009 to July 2012, she was Director of Engineering and Quality, and a member of Renault's Executive Committee.

She retired on August 1, 2012.

Odile Desforges brings to the Board her experience as a Director of international industrial groups, as well as financial and management control expertise and acknowledged experience in purchasing, R&T projects and innovation.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Director and a member of the Nomination and Compensation Committee of Sequana (listed company)
- Director and a member of the Audit Committee of Dassault Systèmes (listed company)
- Director and a member of the Audit Committee, the Nomination Committee and the Management Development and Remuneration Committee of Johnson Matthey plc (listed company) (UK)

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Director of:
  - GIE REGIENOV until January 2013
  - Renault España SA (Spain) until December 2012
  - RNTBCI until June 2012
  - Renault Nissan BV (Netherlands) until June 2012

Jean-Marc Forneri

Independent Director
Member and Chairman of the Appointments and Compensation Committee

Bucéphale Finance – 17, avenue George V – 75008 Paris, France

- Number of Safran shares held: 1,190

Profile – Expertise and experience

Born in 1959, Jean-Marc Forneri graduated from École Nationale d'Administration *(ENA) and* Institut d'Études Politiques de Paris, *and holds a Master's in Business Law and the French bar certificate (CAPA).*

He began his career at the General Finance Inspectorate in 1984. Then in 1987, he became an Advisor to the French Minister of Finance and rapporteur for the Commission on Estate Taxes (French Ministry of Finance).

Between 1988 and 1994, he was Director and CEO of Skis Rossignol.

He was then appointed Managing Partner of Worms et Cie in 1994, where he was responsible for the investment bank.

In 1996, he was appointed Chairman of Credit Suisse First Boston France and Vice-Chairman of Credit Suisse First Boston Europe, where he was an advisor on major merger and acquisition projects.

In 2004, he founded Bucéphale Finance, a corporate finance advisory services firm, of which he became Chairman.

Jean-Marc Forneri brings to the Board his vision as an entrepreneur and business developer and his experience as an executive and Director of international industrial and banking groups, as well as expertise in the areas of finance, strategy and governance (nominations and compensation).

He also brings to the Board an in-depth knowledge of the Group, thanks to his membership of the Board since 2005.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Chairman of Bucéphale Finance SAS
- Chairman of the Supervisory Board of Grand Port Maritime de Marseille (GPMM)
- Member of the Supervisory Board of Société Casino Municipal d'Aix Thermal
- Director of Balmain
- Director and a member of the Nominating and Governance Committee of Intercontinental Exchange, Inc. (listed company) (US)
- Manager of Perseus Participations

Offices and positions that expired in the last five years

SAFRAN GROUP

- Member of the Supervisory Board of Safran until April 2011

NON-GROUP

- Member of the Supervisory Board of Euronext NV (Netherlands) until July 2014

Patrick Gandil

Director

Directorate General for Civil Aviation (DGAC) – 50, rue Henry Farman – 75015 Paris, France

- Number of Safran shares held: 0

Profile – Expertise and experience

Born in 1956, Patrick Gandil holds an engineering degree from École Nationale des Ponts et Chaussées *and is a graduate of* École Polytechnique.

He started his career in 1979 at the French Ministry for Public Works, where he worked for 15 years taking on a variety of responsibilities.

From 1995 to 1997, he served as Deputy Director of the Office for the Minister of Civil Service, State Reform and Decentralization.

From 1997 to 1999, he was the Head of the Department responsible for airbases at the Directorate General for Civil Aviation (DGAC).

Then from 1999 to 2003, he joined the French Ministry for Public Works, Housing, Transportation and Tourism as Director of Road Services.

In 2003, he became the Director of the Office of the Minister for Public Works, Housing, Transportation, Tourism and the Sea, then Secretary-General of this ministry in 2005, as well as Advisor to the Minister.

He has been Director General of Civil Aviation at the Ministry for Ecology, Energy, Sustainable Development and Land-Use Planning since 2007.

Patrick Gandil brings to the Board his experience and expertise in the aerospace industry (particularly civil aviation), as well as an in-depth knowledge of the Group and its products and markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Government commissioner for Aéroports de Paris (listed company)

Offices and positions that expired in the last five years

SAFRAN GROUP

- Representative of the French State on the Supervisory Board of Safran until April 2011

NON-GROUP

- Representative of the French State on the Board of Directors of the Paris Air and Space Museum *(Musée de l'air et l'espace*) until October 2015
- Representative of the French State on the Board of Directors of Safran until April 2015
- Representative of the French State on the Board of Directors of *Société de gestion de participations aéronautiques* (Sogepa) until April 2014
- Representative of the French State on the Board of Directors of *Office national d'études et de recherches aérospatiales* (ONERA) until October 2013
- Temporary Chairman of the Board of Eurocontrol (Belgium) until December 2013

Christian Halary

Director representing employee shareholders
Member of the Audit and Risk Committee

Sagem[1] – Safran Electronics Division – 21, avenue du Gros-Chêne – 95610 Éragny-sur-Oise, France

- Number of Safran shares held: 14,901[2]

Profile – Expertise and experience

Born in 1953, Christian Halary holds a post-graduate degree (DEA) in microwave frequency technology. He has worked with the Group for 37 years. He began his career in 1979, first as a Research Engineer, then as Engineer responsible for product development, at Sagem SA.

In 2005 Christian Halary was appointed head of product development at Sagem.

Since 2009 he has been Head of the Renovation Calculator business in the Safran Electronics division of Sagem.

Christian Halary brings to the Board his view of Safran from an employee shareholder's perspective, as well as an in-depth knowledge of the Group and its products and markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran representing employee shareholders
- Chairman of the Supervisory Boards of the following corporate mutual funds (FCPE):
  - Avenir Sagem
  - Sagem Partifond
  - Sagem Interfond
- Member of the Group CFE-CGC trade union coordination committee

NON-GROUP

- Member of the Management Committee of Club Sagem

Offices and positions that expired in the last five years

SAFRAN GROUP

- Member of the Supervisory Board of Safran representing employee shareholders until April 2011
- Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund until December 2013

NON-GROUP

None

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(1) *Sagem is the trade name of Sagem Défense Sécurité.*
(2) *Including 2,851 shares held via corporate mutual fund units (conversion based on the Safran share price as of December 31, 2015).*

Vincent Imbert

Director

Direction générale pour l'armement – 7-9, rue des Mathurins – 92220 Bagneux, France

- Number of Safran shares held: 0

Profile – Expertise and experience

Born in 1956, Vincent Imbert, senior defense engineer, is a graduate of École Polytechnique *and* École Nationale Supérieure de l'Aéronautique et de l'Espace*. He is a former auditor of the center for Advanced Defense Studies* (centre des hautes études de l'Armement)*.*

He started his career at the French Directorate General of Weapons Procurement (DGA) in 1981, managing programs (Director of the PR4G (radios for the army) RITA and RITA enhancement programs and then Director of the Char Leclerc program for France and the United Arab Emirates).

In 1998, he became Director of the technical school of Bourges, responsible for the assessment and testing of pyrotechnic, artillery and ground missile systems.

In 2000, he was appointed Force System Architect, responsible for directing and managing prospective studies to prepare the army's future defense and weapons systems.

In 2003, he was appointed technical advisor to the Deputy Head of the DGA, and became Director of the Department of Defense Programs (SPART) in 2004.

In 2006, he also became Director of the Department of Observation Programs, Telecommunication and Information (SPOTI) of the DGA.

In 2009, he was responsible for setting up the technical department at the DGA, which he subsequently managed.

In June 2013, he was appointed Executive Vice President of the DGA.

Vincent Imbert brings to the Board an in-depth knowledge of the Group's products and markets and particularly his expertise in the areas of defense and strategy.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Representative of the French State on the Board of Directors of Giat Industries

Offices and positions that expired in the last five years

SAFRAN GROUP

- Representative of the French State on the Board of Directors of Safran until April 2015

NON-GROUP

None

Xavier Lagarde

Director
Member of the Appointments and Compensation Committee

77, rue Leblanc – 75015 Paris, France

- Number of Safran shares held: 149,288(1)

Profile – Expertise and experience

Born in 1948, Xavier Lagarde graduated as an engineer from École Nationale Supérieure d'Ingénieurs de Constructions Aéronautiques *(ENSICA), which became* Institut Supérieur de l'Aéronautique et de l'Espace *(ISAE) in 2007 following its link-up with* École Nationale Supérieure de l'Aéronautique et de l'Espace *(ENSAE). He also obtained a Master of Sciences in Aeronautics from the California Institute of Technology (Caltech).*

He joined Sagem in 1974 as a Research Engineer at the Avionics R&D Unit at the Pontoise Center. He later became Head of development for new generation inertial navigation systems. In 1981, he became the head of this unit.

In 1986, Xavier Lagarde became Deputy Director of the Sagem R&D Center in Argenteuil, specialized in inertial technologies and optronics, navigation, observation and weapon aiming equipment and systems primarily dedicated to naval and ground applications. In 1987, he became Director of the R&D Center in Éragny dedicated to missile guidance systems and equipment, disk memories for civil applications and bubble memories for military and space applications. From 1989 to 2001, he was Director of Human Resources of the Sagem group and, from 1999 to 2000, also Executive Director of Société de Fabrication d'Instruments de Mesure *(SFIM).*

In 2001, Xavier Lagarde was appointed Industrial and Quality Director of the Sagem group. In 2005, he held the position of Quality Director at Safran. The following year, he became Executive Vice President of the Communications Division of Safran, which was sold in 2008. Then, from 2009 to 2011, he was Executive Vice President of the Group's Quality, Audit and Risk Department.

He was a member of the Supervisory Board of Sagem between 2001 and 2005, then a member of the Supervisory Board of Safran from 2005 to 2007 and subsequently a member of the Executive Board of Safran between 2007 and 2011, before becoming a member of the Board of Directors of Safran.

Xavier Lagarde has also served on the Labor Relations Tribunal in Paris since 2005.

Xavier Lagarde brings to the Board his expertise and experience as an executive and Director of international industrial groups, as well as in-depth knowledge of the Group and its markets, his vision as a shareholder and his expertise in the areas of R&T, innovation and strategy.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Chairman of Club Sagem

Offices and positions that expired in the last five years

SAFRAN GROUP

- Member of the Executive Board of Safran until April 2011
- Chairman of Sagem Mobiles until December 2014
- Chairman of the Board of Directors of Soreval (Luxembourg) until May 2012
- Chairman and Chief Executive Officer of:
  - Sagem Mobiles until June 2013
  - Sagem Télécommunications until August 2012
- Director of:
  - Safran Consulting until June 2012
  - Aircelle until April 2011
- Permanent representative of Sagem Télécommunications on the Board of Directors of Sagem Industries until December 2011

NON-GROUP

None

(1) Including 43,700 shares held via corporate mutual fund units (conversion based on the Safran share price at December 31, 2015).

Élisabeth Lulin

Independent Director
Member of the Audit and Risk Committee

Paradigmes et cætera – 23, rue Lecourbe – 75015 Paris, France

- Number of Safran shares held: 600

Profile – Expertise and experience

Born in 1966, Élisabeth Lulin is a graduate of École Normale Supérieure, Institut d'Études Politiques de Paris *and* École Nationale d'Administration. *She also holds a degree in literature.*

She began her career at the French General Finance Inspectorate (1991-1994), before joining the Prime Minister's office as Research Analyst, then technical advisor.

From 1996 to 1998, she served as Head of the Marketing and External Communication Unit at France's National Institute of Statistics and Economic Studies (INSEE).

Alongside these duties, Élisabeth Lulin has also held various teaching posts. She taught at École Supérieure de Commerce de Paris, *and was a lecturer at the* Institut d'Études Politiques de Paris *(1998-1999) and at the* Conservatoire des Arts et Métiers *(1995-1999).*

From September 2010 to March 2012, she served as senior advisor at Monitor Group, a strategy consulting firm.

She is currently Chief Executive Officer of Paradigmes et caetera, a research and consulting firm dedicated to benchmarking and innovation, which she founded in 1998.

Élisabeth Lulin brings to the Board an entrepreneurial vision and her experience as a Director of industrial and banking groups, as well as expertise in the areas of finance, strategy and innovation.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Chief Executive Officer of Paradigmes et cætera
- Director of ELSAN since September 2015
- Representative of the SNCF on the Board of Directors of SNCF Réseau since July 2015

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Director and Chair of the Strategy Committee of Bongrain SA (listed company) until April 2015.
- Chair of the Board of Directors of *École Nationale Supérieure de Création Industrielle* (ENSCI) until January 2015
- Director of Ciments Français (listed company) until November 2014
- Director and a member of the Audit, Internal Control and Risk Committee of Société Générale (listed company) until May 2013
- Member of the Board of Directors of the *Institut Français des Administrateurs* (IFA) until May 2012

Daniel Mazaltarim

Director representing employees
Member of the Audit and Risk Committee

Snecma – Division des moteurs militaires Établissement d'Évry – Corbeil – Rue Henri-Auguste Desbruères – B.P. 81 – 91003 Évry Cedex, France

- Number of Safran shares held: 2,001(1)

Profile – Expertise and experience

Born in 1960, Daniel Mazaltarim holds a PhD in geology from Strasbourg University, post-graduate diplomas (DESS) in management and human resources management from Institut d'Administration des Entreprises de Paris *and a business certificate from the American University of Paris.*

He has been a Group employee for 16 years.

He started his career as quality assurance manager at Hispano-Suiza, before joining Safran Consulting in 2004, first as a consultant and subsequently as a manager.

In June 2014, he became a member of the Progress Initiative Department of Snecma's Military Engines Division as a Black Belt.

Daniel Mazaltarim brings to the Board his view of Safran from an employee's perspective, as well as an in-depth knowledge of the Group and its markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran representing employee shareholders

NON-GROUP

- Chairman of COSAF 13 (a consulting firm) since January 2015

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

None

(1) *Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2015).*

Lucie Muniesa

Representative of the French State
Member of the Audit and Risk Committee
Member of the Appointments and Compensation Committee

Agence des participations de l'État (APE) – 139, rue de Bercy – 75012 Paris, France

- Number of Safran shares held: 0

Profile – Expertise and experience

Born in 1975, Lucie Muniesa is a graduate of the École nationale de la statistique et de l'administration économique *(ENSAE). She began her career at France's National Institute of Statistics and Economic Studies (INSEE), before being appointed as deputy head of the Market Concentrations and State Subsidies Department at the Directorate General for competition policy, Consumer Affairs and Fraud Control in 2002.*

In 2004, she joined the French State Investment Agency (APE) as deputy to the heads of the "Energy, Chemicals and Other Investments" and "La Poste - France Telecom" divisions, before being named Secretary General of the APE in 2007.

In 2010, she joined Radio France as Chief Financial Officer then Deputy Chief Executive Officer in charge of Finance, Purchasing, Legal Affairs and Own Resources Development. In 2014, she was appointed as Director and Deputy Secretary General at the French Ministry of Culture and Communication.

Since February 2016, Lucie Muniesa has held the position of Deputy Director General of the APE.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Representative of the French State on the Board of Directors of Safran since February 2016

NON-GROUP

- Representative of the French State on the Board of Directors of:
  - Engie (listed company) since February 2016
  - Orange (listed company) since February 2016
  - La Française des jeux

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Representative of the French State on the Board of Directors of:
  - *Palais de Tokyo* until March 2016
  - *Établissement public du parc et de la grande halle de la Villette* until March 2016
- Representative of the French Ministry of Culture on the Board of Directors of:
  - *École nationale supérieure des beaux-arts*
  - *Centre national de la chanson, des variétés et du jazz* until March 2016
- Representative of the French Minister of Culture as an alternate member of the Board of Directors of:
  - *Opéra national de Paris* until March 2016
  - *Établissement public de la cité de la Musique – Philharmonie de Paris* until 2016
- Member, appointed by the French State, on the Board of Directors of:
  - *Établissement public la Monnaie de Paris* until April 2015
  - TSA until December 2014

Other persons participating in Board of Directors' meetings

THE GOVERNMENT COMMISSIONER

Éric Méresse, Controller-General of the French Armed Forces, was appointed as Government Commissioner to Safran and its subsidiaries by way of a decision of the Ministry of Defense on September 15, 2014 in accordance with the laws and regulations applicable to companies supplying military equipment under public contracts or more generally engaged in the manufacturing or trading of such equipment.

THE REPRESENTATIVES OF THE CENTRAL WORKS COUNCIL, APPOINTED BY THE CENTRAL WORKS COUNCIL ON APRIL 26, 2012 AS ITS REPRESENTATIVES ON SAFRAN'S BOARD OF DIRECTORS IN ACCORDANCE WITH ARTICLE L.2323-65 OF THE FRENCH LABOR CODE

Isabelle Besson: executive in the Communications Department of Safran,

Nabil Grine: financial controller at Safran's establishment located at 2, boulevard du Général Martial-Valin, 75015 Paris, France.

Board of Directors' Internal Rules

At its meeting on April 21, 2011, the Board of Directors approved a set of Internal Rules which govern the operating procedures and organization of the Board of Directors.

On March 20, 2014, the Board of Directors adopted an amended version of the Internal Rules, in order to take into account changes made to the AFEP-MEDEF Corporate Governance Code in its version published on June 16, 2013.

In view of Airbus Group's and Safran's plan to combine their launch vehicle activities, the Internal Rules were again amended on December 1, 2014, with effect from January 14, 2015, to add certain operations affecting Airbus Safran Launchers Holding (50/50 owned by Safran and Airbus) and Airbus Safran Launchers SAS (wholly-owned by Airbus Safran Launchers Holding) to the list of operations requiring the Board of Director's prior approval (see section 6.5.1).

On April 23, 2015 the Board adopted a further revised version of its Internal Rules, with immediate effect, in order to take into account the amendments made to the rules concerning State representation on Boards of Directors introduced in the *ordonnance* (order) of August 20, 2014 (see section 6.2.2 below) and the changes in the Company's governance structure resulting from the decision to separate the roles of Chairman of the Board of Directors and Chief Executive Officer.

On December 17, 2015, the Internal Rules were once again amended, in order to withdraw certain types of divestment from the list of operations requiring prior approval from the Board of Directors. These divestments concern strategic assets that will be transferred to Airbus Safran Launchers Holding during the second phase of the combination of Airbus's and Safran's space launcher activities (see section 2.1.3.1 of this Registration Document) and they will be covered by a specific agreement between Airbus Safran Launchers Holding and the French State. These amendments to the Internal Rules will only be effective as from the completion date of the second phase of the business combination.

By the decision dated February 24, 2016, the Board further amended its Internal Rules, in order to change the applicable rules for allocating attendance fees to Directors (see section 6.3.7).

The Internal Rules are available on the Company's website (http://www.safran-group.com, in the Group/Corporate Governance section).

Other information

INFORMATION ON SERVICE CONTRACTS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS OR EXECUTIVE MANAGEMENT AND THE COMPANY OR ANY OF ITS SUBSIDIARIES

There are no service contracts between the members of the Board of Directors or Executive Management and Safran or any of its subsidiaries providing for the award of benefits.

DISCLOSURE OF FAMILY TIES AND THE ABSENCE OF CONVICTIONS INVOLVING MEMBERS OF THE BOARD OF DIRECTORS OR EXECUTIVE MANAGEMENT

To the best of Safran's knowledge:

- there are no family ties between members of the Board of Directors or Executive Management;
- no member of the Board of Directors or Executive Management:
  - has been convicted of fraud,
  - has been a manager in a company when it filed for bankruptcy or was placed in receivership or liquidation,
  - has been subject to an official public incrimination and/or sanctions by any statutory or regulatory authorities, or
  - has been disqualified by a court of law from acting as a member of an administrative, management or supervisory body, or from participating in the conduct of a company's business.

CONFLICTS OF INTEREST OF MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Safran has not been notified of any:

- potential conflicts of interest between the duties, with respect to Safran, of any of the members of the Board of Directors or Executive Management and their private interests and/or other duties;
- arrangements or agreements with major shareholders, customers, suppliers or other parties pursuant to which any members of the Board of Directors or Executive Management were selected.

The management of conflicts of interest within the Board of Directors is organized as follows (Articles 7.2 to 7.5 of the Board of Directors' Internal Rules):

- all members of the Board of Directors must inform the Board of Directors of any actual or potential conflicts of interest between themselves (or any other individual or corporation with which they have a business relationship) and Safran, or any of the companies in which Safran holds an interest, or any of the companies with which Safran is planning to enter into an agreement of any sort;
- in the event that a member of the Board of Directors suspects the existence of a conflict of interests, or a potential conflict of interests, he/she must immediately inform the Chairman of the Board of Directors (or failing this, the Vice-Chairman),

whose responsibility it is to decide whether or not a conflict of interest exists and if so to inform the Board of Directors and thus instigate the conflicts of interest management process;

- in the event that the member of the Board of Directors convened is the Chairman of the Board of Directors him/herself, then he/she must inform the Vice-Chairman of the Board of Directors or, failing that, the Board of Directors itself;
- any member of the Board of Directors involved in an actual or potential conflict of interest related to an agreement that the Company is planning to enter into must abstain from voting on decisions relating to said agreement and from taking part in any discussions preceding the vote;
- in addition, the Chairman of the Board of Directors, the members of the Board of Directors, the Chief Executive Officer and, where appropriate, the Deputy Chief Executive Officer(s) will not be obliged to transmit, to any member(s) of the Board of Directors whom they have serious reason to suspect may be subject to conflicts of interest, any information or documents relating to the agreement or operation causing the conflict of interest in question, and they will inform the Board of Directors of the non-transmission.

6.1.3 Committees of the Board of Directors

The Board is assisted in its work by two standing committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee.

The roles, organization, operating procedures and work of these two Committees are set out in section 6.5.1.

The Board of Directors may set up further Board Committees at any time, at its sole discretion.

6.1.4 Changes in the composition of the Board of Directors proposed at the Annual General Meeting of May 19, 2016

In accordance with the applicable law and Article 14.8 of Safran's bylaws, if the shares held by employees of the Company – or of companies related to it within the meaning of Article L.225-180 of the French Commercial Code – represent more than 3% of the share capital, one or more Directors representing employee shareholders must be appointed at an Ordinary General Meeting.

Safran's Board of Directors includes two employee shareholder representatives (Marc Aubry and Christian Halary) who were appointed at the Annual General Meeting held on April 21, 2011. The terms of office of these two Directors are due to expire at the close of the Annual General Meeting of May 19, 2016 and the shareholders will therefore be consulted on the appointment of Directors representing employee shareholders (see section 8.2.1).

6.2 Changes to the Board of Directors and Executive Management during 2015 and since January 1, 2016

6.2.1 Executive Management until April 23, 2015

Executive Management until April 23, 2015

Until April 23, 2015, the roles of Chairman of the Board of Directors and Chief Executive Officer were combined, and Jean-Paul Herteman occupied the position of Chairman and Chief Executive Officer.

Jean-Paul Herteman was assisted by the following three Deputy Chief Executive Officers (who were not Directors):

- Ross McInnes, Deputy Chief Executive Officer, Finance, who was in charge of the Finance Department (management control, accounting, financial communication, cash management, financing, tax issues), and the Risk and Insurance Department;
- Stéphane Abrial, Deputy Chief Executive Officer, Corporate Office, who was responsible for the Corporate Office, which deals with social affairs, human resources, property and legal affairs, institutional affairs, corporate communication (excluding financial communication), health & safety, sustainable development and industrial protection. He was also responsible for audit and internal control;
- Marc Ventre, Deputy Chief Executive Officer, Operations, who was responsible for managing the Group's operations, i.e., its industrial, commercial and after-sales support activities and its programs.

Profiles of the members of Executive Management whose terms of office ended on April 23, 2015

The profiles of Jean-Paul Herteman, Stéphane Abrial and Marc Ventre are presented below.

The profile of Ross McInnes – who served as Deputy Chief Executive Officer until April 23, 2015 (the date on which he was appointed Chairman of the Board of Directors) – is provided in section 6.1.2 above.

Chairman and Chief Executive Officer until April 23, 2015

Jean-Paul Herteman

Profile – Expertise and experience

Born in 1950, Jean-Paul Herteman is a graduate of École Polytechnique *and* École Nationale Supérieure de l'Aéronautique et de l'Espace. *He is a chief weapons engineer (reserve corps) and a former pilot with the technical corps.*

He began his career with the French Defense Procurement Agency (Délégation générale pour l'armement) *in 1975, where he was firstly a test engineer, then head of the Materials Department in the Toulouse Aviation Testing Center.*

In 1984, he joined Snecma as head of the Materials and Process research programs. He was appointed Assistant Director of Quality at Snecma in 1987, then Director of Quality two years later. On this basis, he chaired the Quality Commission of the French Aerospace Industries Association (GIFAS) from 1990 to 1993.

Head of the technical design office at Snecma in 1993, he became Deputy Technical Director the following year. In 1995 and 1996, he was the CFM56 Programs Director and Vice President of CFM International. In mid-1996, he became Technical Director at Snecma, and then took over as CEO of the Rocket Engine Division (formerly Société européenne de propulsion*) in 1999. He was appointed Chairman and CEO of Snecma Moteurs (now Snecma) in 2002.*

In 2004, Jean-Paul Herteman was named Executive Vice President of the Snecma group and Executive Vice President of the Aerospace Propulsion business. Upon the creation of Safran in 2005, he was confirmed in his duties. In 2006 he became Executive Vice President, responsible for the Defense Security business.

He was appointed Chairman of Safran's Executive Board in July 2007 and held this position between September 2007 and the change in the Company's governance structure in 2011, when he was appointed Chairman and Chief Executive Officer of Safran.

From 2009 to July 2013, he was President of GIFAS and in that capacity, acted as Chairman of the French Defense Industries Advisory Council (CIDEF) from the beginning of 2010 to the end of 2011.

In November 2009, he was appointed as a member of the Board of Directors of the French Center for Scientific Research (CNRS).

He has been Vice-Chairman of the advisory authority on French Defense Agency issues (Conseil général de l'armement) *since March 2010.*

He was appointed President of the Aerospace and Defence Industries Association of Europe (ASD) on October 12, 2012.

By order of the French Ministry of National Education, Higher Education and Research of November 17, 2014, Jean-Paul Herteman was appointed as an outside member of the Board of Directors of the Conservatoire national des arts et métiers *(CNAM). By decree of the French President of the Republic of December 15, 2014 he was appointed as Chairman of the Board of Directors of CNAM.*

On December 11, 2014, Jean-Paul Herteman was made an Honorary Fellow of the Royal Aeronautical Society, in recognition of his career in aviation.

Offices and positions held in French and non-French companies

Offices and positions at April 23, 2015

SAFRAN GROUP

None

NON-GROUP

- Vice-Chairman of the *Conseil général de l'armement*
- Chairman of the Board of Directors and Director of CNAM
- Director of:
  - The RAISE donation fund (promoting entrepreneurship among SMEs and micro-businesses)
  - CNRS

Offices and positions that expired in the last five years (at April 23, 2015)

SAFRAN GROUP

- Chairman and Chief Executive Officer of Safran until April 2015
- Chairman of the Executive Board of Safran until April 2011
- Director of Snecma until December 2014

NON-GROUP

- Chairman of ASD (Belgium) until March 2015
- Chairman of:
  - GIFAS until July 2013
  - CIDEF until December 2011

Deputy Chief Executive Officer, Corporate Office until April 23, 2015

Stéphane Abrial

Profile – Expertise and experience

Born in 1954, Stéphane Abrial is an engineer from École de l'Air de Salon-de-Provence *(Class of 1973). He holds degrees from* École Supérieure de Guerre Aérienne*, and the United States Air Force's Air War College in Montgomery, Alabama (1992), and the* Institut des Hautes Études de Défense Nationale*.*

Stéphane Abrial started his career as a fighter pilot in 1977.

In 1981, he was assigned to a squadron of the German Luftwaffe *in Neuburg on the Danube, first as a fighter pilot, then as flight commander.*

Returning to France in 1984, he was appointed Deputy Commander then Commander of a fighter squadron in Dijon. In 1988, he led the Mirage 2000 conversion team for the Greek Air Force's first squadron, based in Tanagra. He was subsequently appointed Deputy Commander, then Commander of the Fifth Fighter Wing in Orange, which he led in the war to free Kuwait in 1991.

In 1992, Stéphane Abrial was assigned to the Office of the Chief of Staff of the Air Force in Paris, then, in 1995, to the Office of the Chief of Defense.

In 1996, he was assigned to NATO's International Military Staff in Brussels, in charge of transforming the integrated military structure. He was appointed Deputy to the French President's Chief of Staff in Paris in 2000, then became Head of the Prime Minister's Military Office in 2002.

In 2005, he was appointed as Commander of Air Defense and Air Operations, then in 2006, he was selected to become Chief of Staff of the Air Force with the rank of general.

In September 2009, the 28 NATO nations appointed Stéphane Abrial as Supreme Allied Commander Transformation, located in Norfolk, Virginia, United States. He was the first non-American officer to be selected as one of the two NATO Strategic Commanders. He held this position until September 28, 2012 and left the military in October of the same year.

He joined Safran on January 2, 2013 as Advisor to Jean-Paul Herteman, Chairman and Chief Executive Officer of Safran, before being appointed Deputy Chief Executive Officer, Corporate Office on July 1, 2013.

He was appointed as a Director of the Atlantic Council in April 2013, member of the Advisory Board of Institut Aspen France *in December 2013 and Chairman of the Board of Directors of the Paris Air and Space Museum* (Musée de l'Air et de l'Espace) *in February 2014.*

Stéphane Abrial is currently Senior Executive Vice-President, International and Public Affairs, at Safran.

Offices and positions held in French and non-French companies

Offices and positions at April 23, 2015

SAFRAN GROUP

- Chairman of Établissements Vallaroche
- Director of:
  - Safran Human Resources Support, Inc.
  - Safran Mexico S.A. de C.V.

NON-GROUP

- Chairman of the Board of Directors of the Paris Air and Space Museum *(Musée de l'Air et de l'Espace)*
- Member of the Advisory Board of Institut Aspen France
- Director of Atlantic Council (US)

Offices and positions that expired in the last five years (at April 23, 2015)

SAFRAN GROUP

- Deputy Chief Executive Officer of Safran until April 2015
- Director of:
  - Messier-Bugatti-Dowty until December 2014
  - Sagem until December 2014
- Permanent representative of Sagem on the Board of Directors of Morpho until December 2014

NON-GROUP

None

Deputy Chief Executive Officer, Operations, until April 23, 2015

Marc Ventre

Profile – Expertise and experience

Born in 1950, Marc Ventre is a graduate of École Centrale Paris *engineering school and holds a Master of Science from the Massachusetts Institute of Technology. He joined Snecma in 1976, where he held various positions related to materials science in the Quality Department at the Corbeil site. From 1979 to 1980, he worked at General Electric Aircraft Engines in Cincinnati in the United States, where he represented Snecma in connection with the development of the CFM56 engine, produced jointly by the two joint venture partners.*

From 1981 to 1988, after an assignment at the site in Villaroche, Marc Ventre became head of the Quality Department at the Snecma plant in Gennevilliers.

He was Deputy Director of Production at Snecma from 1988 until 1991 when he was appointed as Director of the Snecma plant in Gennevilliers. In 1994, he took up the position of Director of Production and Procurement at Snecma, covering all of the Company's industrial sites and procurement of all supplies during the restructuring of Snecma's industrial plants and the ramp-up of CFM56 engine production.

In 1998, he became Chairman and Chief Executive Officer of Hispano-Suiza, then of Snecma Services (a company created specifically to develop airplane engine maintenance services) from 2000 to 2003, when he was appointed Chairman and Chief Executive Officer of Snecma. At the end of 2006, he became Executive Vice President of the Aerospace Propulsion business at Safran, which included the activities of Snecma, Turbomeca, Microturbo, Snecma Propulsion Solide and Techspace Aero.

He was Chairman of the Governing Board of Clean Sky from February 2008 to December 2010.

He was a member of the Executive Board of Safran between July 2009 and April 2011.

From January 2011 to June 2013, he was in charge of the Civil Aviation Research Council (CORAC). He also served as President of the Alumni Association of École Centrale Paris *and is a member of the Board of Directors of this engineering school.*

Marc Ventre is also Vice-Chairman of the French Aerospace Industries Association (GIFAS) and Chairman of the French Federation of Metalworking industries of the Paris region (GIM).

On April 21, 2011 he was appointed Deputy Chief Executive Officer, Operations of Safran by the Board of Directors.

Offices and positions held in French and non-French companies

Offices and positions at April 23, 2015

SAFRAN GROUP

- Director of Techspace Aero (Belgium)
- Permanent representative of Safran on the Board of Directors of Herakles
- Chairman of the Board of Directors of Airbus Safran Launchers Holding SAS since January 2015

NON-GROUP

- Chairman of GIM
- Vice-Chairman of GIFAS
- Director of:
  - Ortec Expansion
  - *École Centrale Paris*
- Member of the Supervisory Board of Radiall (listed company)

Offices and positions that expired in the last five years (at April 23, 2015)

SAFRAN GROUP

- Deputy Chief Executive Officer of Safran until April 2015
- Member of the Executive Board of Safran until April 2011
- Director of Nexcelle, LLC (US) until June 2013
- Permanent representative of Safran on the Board of Directors of:
  - Snecma until December 2014
  - Turbomeca until December 2014
  - Aircelle until December 2014
  - Labinal Power Systems until December 2014
  - Hispano-Suiza until December 2014
  - Messier-Bugatti-Dowty until December 2014
  - Snecma Propulsion Solide until April 2012
  - Europropulsion until July 2011

NON-GROUP

- Chairman of the Civil Aviation Research Council (CORAC) until June 2013
- Permanent representative of Safran on the Board of Directors of:
  - Arianespace Participation until September 2011
  - Arianespace SA until September 2011

6.2.2 Changes in the composition of the Board of Directors

Change in the composition of the Board of Directors following the Annual General Meeting of April 23, 2015

At the Annual General Meeting of April 23, 2015 the shareholders appointed Ross McInnes and Philippe Petitcolin as Directors and re-appointed Jean-Lou Chameau as a Director.

They also amended the terms and conditions applicable to the representation of the French State on the Board of Directors.

On August 20, 2014, an *ordonnance* was issued regarding the governance of companies in which the French State has a stake and regarding equity-related operations involving these companies. Its purpose, *inter alia,* is to define the terms and conditions applicable to the representation of the French State on the Boards of companies in which it holds an interest.

It was the Board of Directors' responsibility to set the date on which the *ordonnance*'s provisions would take effect within the Company and it was necessary to amend Article 14.1 of the Company's bylaws in order for it to comply with the new provisions.

On February 24, 2015 the Board of Directors decided to implement the provisions of the *ordonnance* applicable to Safran, and prior to their effective date, to ask shareholders at the April 23, 2015 Annual General Meeting to approve the required amendments to the Company's bylaws.

The main provisions of Section II of the *ordonnance* applicable to Safran, as well as the ensuing amendments to the Company's bylaws, are described in section 6.1.4 of the 2014 Registration Document.

The amendments to the bylaws were approved at the April 23, 2015 Annual General Meeting, which resulted in the provisions of the *ordonnance* immediately taking effect within Safran and the termination of the terms of office of the four French State representatives on the Company's Board of Directors at that time who had been appointed by Ministerial Decree, i.e., Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart.

As a result of implementing the new terms and conditions applicable to the French State's representation on Safran's Board of Directors in accordance with the *ordonnance* and the amendments to Safran's bylaws:

- on April 23, 2015, the French State appointed Astrid Milsan as its representative on Safran's Board of Directors (pursuant to Article 4 of the *ordonnance*), by way of a Ministerial Decree;
- by way of the 11th and 12th resolutions of the Annual General Meeting of April 23, 2015 (see section 8.2.1 of the 2014 Registration Document), Safran's shareholders appointed two Directors put forward by the French State (pursuant to Article 6 of the *ordonnance*) – i.e., Patrick Gandil and Vincent Imbert – for a four-year term expiring at the close of the Annual General Meeting to be held in 2019.

The term of office of the Board Advisor also expired at the close of the Annual General Meeting of April 23, 2015. She had informed the Board that she did not wish to be re-appointed and the vacancy was not filled.

Changes in the composition of the Board of Directors since January 1, 2016

By way of a Ministerial Decree dated February 8, 2016, the French State appointed Lucie Muniesa as its representative on the Board of Directors of Safran to replace Astrid Milsan.

Profiles of the members of the Board of Directors whose terms of office ended in 2015 or have ended since January 1, 2016

Other than for Jean-Paul Herteman whose profile is presented in section 6.2.1 above, the profiles of the Board's members whose terms of office ended at the Annual General Meeting of April 23, 2015 or have ended since January 1, 2016 are presented below.

Representative of the French State whose term of office ended in 2016

Astrid Milsan

Profile – Expertise and experience

Born in 1971, Astrid Milsan studied at École Nationale d'Administration*. She is a graduate of the* Institut d'Études Politiques de Paris *and holds a Master's in Law from the* Université de Droit de Paris II – Assas.

She began her career as reporting counselor (conseiller rapporteur) *at the Versailles Administrative Court between 1996 and 1998.*

Between 1998 and 2001, she worked as Project Finance and Privatization manager at Bankgesellschaft in Berlin, and then in London and Berlin. In 2003, she moved to HSBC in London where she worked in Corporate Finance, Mergers & Acquisitions (Europe and Asia) and in the Transport & Logistics team.

Later in 2003, she joined the Finance division (legal and financial engineering for State market transactions) of the French State Investment Agency (APE).

In 2006, she was appointed Head of Corporate Finance and Development and Secretary General of the Interministerial Committee on Industrial Restructuring (CIRI) at the Treasury, within the French Ministry of Economic Affairs, Finance and Employment. The following year she became Deputy Director of Corporate Finance and Competitiveness (financial market regulation, Replacement Government Commissioner for the Board of Directors of the French financial markets authority – AMF) at the Treasury.

She was appointed Deputy Director of Energy and other investments at the State Investment Agency (APE) in 2009, and then Deputy Director of the Services, Aerospace and Defense sub-division of APE in 2011.

In 2013 she became Deputy Director General of APE and in 2015 she was appointed Secretary General in charge of human resources at the French Treasury.

Offices and positions held in French and non-French companies

Offices and positions at February 8, 2016

SAFRAN GROUP

- None

NON-GROUP

- Director representing the French State, and member of the Audit, Accounts and Risk Committee, the Bids Committee, the Appointments and Compensation Committee, and the Strategy Committee of DCNS
- Director representing the French State on the Board of *Établissement public de financement et de restructuration* (EPFR)

Offices and positions that expired in the last five years (at February 8, 2016)

SAFRAN GROUP

- Representative of the French State on the Board of Directors of Safran until February 2016

NON-GROUP

- Director representing the French State and member of the Audit Committee, the Strategy and Investments Committee, and the Nomination and Compensation Committee of Engie (listed company)
- Representative of the French State on the Supervisory Board of RTE until 2011
- Representative of the French State on the Board of Directors of:
  - *Imprimerie nationale* until 2013
  - SNPE until 2013
  - *Société de gestion de participations aéronautiques* (Sogepa) until 2013
  - SOGEADE Gérance SAS until 2013
  - SOGEADE until 2013
  - AREVA NC until 2011
  - *La Française des Jeux* until 2011
  - Eramet (listed company) until 2011
  - *Le Laboratoire français de fractionnement et de biotechnologies* until 2011

Representative of the French State whose term of office ended in 2015

Laure Reinhart

Profile – Expertise and experience

Born in 1955, Laure Reinhart studied at École Normale Supérieure. *She obtained a degree in mathematics and a doctorate in applied mathematics from* Université de Paris VI.

She began her career in 1979 at INRIA (French Research Institute for Computer Science and Automation) where she successively held the posts of Researcher in scientific computing, Head of industrial relations, and Director of industrial relations and technology transfer. In 1992, she became Director at the Rocquencourt research center where she was responsible for managing the center's research, research orientation and technology transfer activities.

In 1999, Laure Reinhart joined Thales as Head of operations at the central research and development laboratory, then Head of public research partnerships in France and Europe and of technical cooperation with companies in the R&D domain. She was also responsible for coordinating the Thales group's actions in the areas of competitiveness and technical communication.

In 2006, she was appointed Director of Strategy within the Directorate-General of Research and Innovation in the French Ministry for Higher Education and Research where she set up a new Strategy Division.

Between 2007 and 2008, she participated in the committee working on France's white paper on defense and national security.

In October 2008, Laure Reinhart joined OSEO as Deputy CEO in charge of Innovation, and in July 2013, she became the Head of Partnerships within Bpifrance Financement's Innovation Department.

Offices and positions held in French and non-French companies

Offices and positions at April 23, 2015

SAFRAN GROUP

None

NON-GROUP

- Director of:
  - INPI *(Institut national de la propriété industrielle)*
  - INRIA *(Institut national de recherche en informatique et en automatique)*
- President of three non-profit associations:
  - *Île de Science*
  - *Scientipôle Initiative*
  - *Scientipôle Croissance*

Offices and positions that expired in the last five years (at April 23, 2015)

SAFRAN GROUP

- Representative of the French State on the Board of Directors of Safran until April 2015

NON-GROUP

- Deputy CEO in charge of innovation at OSEO until July 2013

6

Board Advisor whose term of office ended in 2015

Caroline Grégoire-Sainte Marie

Profile – Expertise and experience

Born in 1957, Caroline Grégoire-Sainte Marie is a graduate of Institut d'Études Politiques de Paris *and of the* Université de Droit de Paris I. *She also took part in the international management programs (INSEAD – IMD) organized by Hoechst/Roussel and Lafarge.*

She began her career in 1981 at Rank Xerox France as a Management Controller.

In 1987, she joined pharmaceutical company Hoechst where she occupied various financial/management control positions, before becoming Financial Director and a member of the Executive Board of Albert Roussel Pharma GmbH in 1994.

In 1996, Caroline Grégoire-Sainte Marie was appointed Director of Finance and IT at Volkswagen France where she was a member of the Management Committee.

She then joined the Lafarge group in 1997, as Financial, Legal and Development Officer and a member of the Management Committee of Lafarge Specialty Products. In 2000, she became Head of the Mergers & Acquisitions Department, a member of the Management Board of Lafarge Cement, a member of the International Operating Committee and a member of the Boards of Directors of Materis SA and Lafarge India. In 2004, she was appointed Chair and CEO of Lafarge Cement in Germany and the Czech Republic, and she became a member of the Board of Directors of Präsidium BDZ/VDZ, the German cement industry association.

From 2007 to 2009, she was Chair and CEO of Tarmac France and Belgium, part of the Anglo-American Plc group. She is also Vice President and a member of the Executive Committee of the French Cement Industry Federation (FIB).

Between 2009 and 2011, Caroline Grégoire-Sainte Marie was Chair of FransBonhomme, the leading French distributor of plastic pipes and fittings.

She has been an independent Director of Groupama since 2011 and of the FLSmidth and Eramet groups since 2012 and a Director of Calyos since July 2014.

Offices and positions held in French and non-French companies

Offices and positions at April 23, 2015

SAFRAN GROUP

None

NON-GROUP

- Director of Calyos (Belgium) since July 2014
- Director and a member of the Technology Committee of FLSmidth & Co. (listed company) (Denmark)
- Director and a member of the Audit Committee of Eramet (listed company)
- Director and a member of the Audit and Risks Committee and Chair of the Compensation and Appointments Committee of Groupama

Offices and positions that expired in the last five years (at April 23, 2015)

SAFRAN GROUP

None

NON-GROUP

- Chair and CEO of FransBonhomme until 2011

6.3 Corporate officers' compensation

6.3.1 Principles and rules for determining the compensation and benefits of executive corporate officers

The main objectives and principles underlying Safran's compensation policy are as follows:

- to attract, motivate and retain talent and promote internal promotion consistently within the Group;
- to ensure fairness and transparency and to provide compensation packages that are linked to the Group's performance and market competitiveness, as measured by benchmarking against other comparable market players.

The Appointments and Compensation Committee assists the Board with determining the compensation policy for the Group's corporate officers and key executives, taking into account the recommendations contained in the AFEP-MEDEF Corporate Governance Code.

6.3.1.1 Annual compensation (fixed and variable)

The annual compensation of the executive corporate officers is set by the Board of Directors based on the proposals and recommendations made by the Appointments and Compensation Committee, and comprises a fixed and variable component. At the date of this Registration Document, Safran had one executive corporate officer – the Chief Executive Officer.

The Chairman of the Board of Directors – who is a non-executive Director – receives fixed compensation but no variable component.

Executive corporate officers receive a benefit-in-kind in the form of the use of a company car.

Each year, two-thirds of the annual variable component of executive corporate officers' compensation is determined on the basis of financial objectives and one-third on individual objectives.

Since 2011, the Board has used the following as the basis for the applicable financial objectives: recurring operating income (ROI)[1], working capital[2] and free cash flow[3].

The Board reviews the respective weighting of these three performance metrics every year. It also establishes the minimum threshold and maximum levels for each metric, as well as an aggregate maximum ceiling.

The individual objectives are determined by the Board of Directors for each year. These objectives are not related to the responsibilities related to the executive corporate officers' position, but to specific objectives relative to key performance criteria.

Since 2013, the Board of Directors has determined the following weightings and minimum threshold levels for the financial objectives:

- weightings:
  - ROI: 60%,
  - working capital: 10%, and
  - free cash flow: 30%;
- minimum threshold levels for triggering payment (based on annual budget targets):
  - 80% of the ROI target,
  - 135% of budgeted working capital (no variable compensation on this metric if the value of working capital is higher than 135% of budgeted working capital), and
  - 65% of the free cash flow target.

The calculation methods, based on the minimum thresholds and ceilings applied, are as follows:

- the minimum threshold level of each performance metric triggers the allocation of variable compensation (from 0 to 100% if the budget target is achieved);
- if an objective is exceeded, the variable compensation allocated in respect of that objective increases beyond 100% in proportion to the extent to which the objective is exceeded, capped at a maximum of 130%, which applies irrespective of the extent to which the objective is exceeded, as follows:
  - if 130% (or more) of the ROI target is achieved, the maximum 130% of variable compensation is payable for this metric,
  - if 65% (or less) of the working capital target is achieved, the maximum 130% of variable compensation is payable for this metric, and
  - if 130% (or more) of the free cash flow target is achieved, the maximum 130% of variable compensation is payable for this metric.

The Board of Directors sets a target level for annual variable compensation as well as a ceiling for the maximum level.

This variable compensation structure is also applied for executive managers within the Group in an adapted form.

(1) *Adjusted recurring operating income (see section 2.1.2 of this Registration Document).*
(2) *Gross operating working capital representing the gross balance of trade receivables, inventories and trade payables (see section 3.1, Note 5 of this Registration Document).*
(3) *Free cash flow (see section 2.2.3 of this Registration Document) is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.*

6.3.1.2 Long-term incentive plans

Long-term incentive plans are a common method used by companies in order to strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders.

These plans – which can take different forms – are also aimed at linking the incentives of executive managers with:

- the Group's results, by encouraging long-term reasoning in their actions; and
- the Company's share capital, with the inherent risks and rewards that this involves.

On the recommendation of the Appointments and Compensation Committee, at its meeting of July 29, 2015, the Board of Directors decided to introduce a long-term variable compensation system in the form of the 2015 Performance Unit (PU) plan, designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over several years. The beneficiaries under this multi-year compensation plan are Safran's Chief Executive Officer and the other members of the Executive Committee (which comprises 16 members, including the Chief Executive Officer, other Safran corporate officers and the heads of the Group's main operating companies). The main characteristics and terms and conditions of the plan are described in section 6.3.3.3 below.

At the Annual General Meeting of May 19, 2016, the shareholders will be asked to vote on a resolution authorizing the Board of Directors to grant performance shares to employees and executive corporate officers of the Group (except for the Chairman of the Board of Directors when the roles of Chairman of the Board and Chief Executive Officer are separated). The Company does not currently have any performance share plans (or stock option plans) in place. If this authorization is approved by shareholders (see section 8.2.2 of this Registration Document), the Board of Directors intends to use performance shares in the future as a type of long-term incentive system.

6.3.1.3 Defined benefit supplementary pension plan

No specific supplementary pension plan has been set up for executive corporate officers.

As part of the Group's human resources management policy, on October 31, 2013, the Board of Directors decided to set up a defined benefit supplementary pension plan in France (in compliance with Article L.137-11 of the French Social Security Code), effective from January 1, 2014. The eligible beneficiaries under this plan are persons with a minimum of five years' seniority in the category of top executives (*hors statut*) as well as Group senior managers (see section 5.4.4 of this Registration Document).

Executive corporate officers may be beneficiaries under this plan subject to the same terms and conditions as the other plan members, if so decided by the Board of Directors.

The methods used to calculate the benefits payable under the plan to executive corporate officers are exactly the same as those used for the other plan members, namely:

- the amount of the annual benefits will be calculated based on the beneficiary's average annual compensation (fixed and variable) over the last three years before retirement and will take into account the beneficiary's seniority. It will correspond to 1.8% of this reference compensation per year of seniority, capped at 18%;
- the total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation;
- the annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid (the applicable ceiling in 2016 is €38,616);
- the payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

Accordingly, the potential annual retirement benefits to which each executive corporate officer would be entitled under this plan, provided they meet the above conditions, would be capped at three times the annual social security ceiling, i.e., €115,848, based on the ceiling for 2016.

The plan is funded by contributions paid to an insurance company which then manages payment of the retirement benefits. When the Company pays its contributions into the plan it pays a 24% employer's social security tax.

6.3.1.4 Other: personal risk insurance plan and defined contribution supplementary pension plan

Since 2009, the Group's employees in France have been covered by a mandatory group personal risk insurance plan, covering short- and long-term disability, death and healthcare costs. Pursuant to a Group agreement dated October 13, 2014, the two existing personal accident insurance plans were replaced by a single group plan covering accidental death and disability arising during the beneficiaries' professional activities. This coverage, which is available to all Group employees in France, is complementary to that provided for under the Group Personal Risk Insurance plan and took effect on January 1, 2015 (see section 5.4.4 of this Registration Document).

Most of the Group's companies in France and abroad offer defined contribution supplementary pension plans in addition to any statutory plans in place (see section 5.4.4).

Executive corporate officers may be beneficiaries under these plans subject to the same terms and conditions as the other plan members, if so decided by the Board of Directors. In this case, the contributions to the plan are based on the compensation that the beneficiary receives in his role as an executive corporate officer.

6.3.2 Compensation and benefits of the Chairman of the Board of Directors

In his role as Chairman of the Board of Directors, Ross McInnes receives a fixed amount of annual compensation. He does not receive any variable compensation.

Ross McInnes also receives attendance fees based on the allocation rules defined in the Board of Directors' Internal Rules (see section 6.3.7), and has the use of a company car as a benefit-in-kind.

6.3.2.1 Fixed compensation and attendance fees

Based on the recommendation of the Appointments and Compensation Committee, at its meeting of April 23, 2015, the Board of Directors set Ross McInnes' gross fixed annual compensation at €350,000, with effect from April 24, 2015.

At its meeting of February 24, 2016, the Board approved the recommendation of the Appointments and Compensation Committee and decided to keep Ross McInnes' gross fixed annual compensation at €350,000 for 2016, unchanged from 2015. It also decided that Mr. McInnes will continue to receive attendance fees based on the allocation rules defined in the Board of Directors' Internal Rules.

6.3.2.2 Defined benefit supplementary pension plan

No specific supplementary pension plan has been set up for the Chairman of the Board of Directors.

When Ross McInnes was appointed as Chairman of the Board of Directors on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan set up for executive managers within the Group (see section 6.3.1.3 above), subject to the same terms and conditions as the other plan members.

This decision will be submitted for shareholder approval at the Annual General Meeting of May 19, 2016 (see section 8.2.1).

Mr. McInnes was previously a beneficiary under this plan in his former capacity as a Deputy Chief Executive Officer, as decided by the Board of Directors on December 11, 2013.

The methods used to calculate the annual retirement benefits payable to Mr. McInnes under the plan are exactly the same as for the other plan members and they are subject to the same cap, i.e., three times the annual social security ceiling, representing €115,848 per year based on the ceiling for 2016 (see section 6.3.1.3 above).

At December 31, 2015, the estimated theoretical amount(1) of the annual retirement benefits that could be paid to Ross McInnes under the defined benefit supplementary pension plan corresponded to the €115,848 cap referred to above.

6.3.2.3 Other: personal risk insurance plan and defined contribution supplementary pension plan

When Ross McInnes was appointed as Chairman of the Board of Directors on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary under Safran's personal risk insurance plan and the defined contribution supplementary pension plan set up in France for all Safran group managerial-grade staff (see section 6.3.1.4 above).

This decision will be submitted for shareholder approval at the Annual General Meeting of May 19, 2016 (see section 8.2.1 of this Registration Document).

Ross McInnes was previously a beneficiary under these plans in his former capacity as a Company employee, then as Deputy Chief Executive Officer following decisions taken by the Board of Directors at its meetings on July 27, 2011 and December 17, 2014 respectively.

The contributions to the plans are based on the compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors. Between April 23, 2015 (the date on which he was appointed Chairman of the Board) and December 31, 2015, the corresponding expenses recorded in Safran's financial statements totaled €4,413 for the personal risk insurance plan and €4,895 for the defined contribution supplementary pension plan.

At December 31, 2015, the estimated theoretical amount(1) of the annual retirement benefits that could be paid to Ross McInnes under the defined contribution supplementary pension plan was €4,919.

6.3.2.4 Compensation or benefits payable for the termination of office or a change in duties – Non-compete indemnities

The Chairman of the Board of Directors is not eligible for the payment of any compensation or benefits for the termination of his office or a change in his duties and he has not been given any commitment by the Company in relation to the payment of a non-compete indemnity.

Ross McInnes' employment contract with Safran has been suspended since April 21, 2011 (see sections 6.3.4 and 6.5.3), the date on which he was appointed Deputy Chief Executive Officer. This contract will resume if he ceases to be a corporate officer of the Company, and if it is then terminated at Safran's initiative, he may be entitled to termination benefits under the applicable collective bargaining agreement. Based on Mr. McInnes' seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, his termination benefits could represent a maximum gross amount of €143,821.50. These termination benefits are payable in accordance with general French labor law.

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(1) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).

6.3.3 Compensation and benefits of the Chief Executive Officer

In his role as Chief Executive Officer, Philippe Petitcolin's compensation package comprises the following:

- fixed annual compensation;
- annual variable compensation; and
- a long-term incentive plan.

He also receives attendance fees in his capacity as a Director of the Company, as provided for in the Board of Directors' Internal Rules (see section 6.3.7 below), and has the use of a company car as a benefit-in-kind.

6.3.3.1 Fixed compensation

Based on the recommendation of the Appointments and Compensation Committee, at its April 23, 2015 meeting, the Board of Directors set Philippe Petitcolin's gross fixed annual compensation at €600,000, with effect from April 24, 2015.

At its meeting on February 24, 2016, the Board approved the recommendation of the Appointments and Compensation Committee and decided to keep Philippe Petitcolin's fixed annual compensation at €600,000 for 2016, unchanged from 2015.

6.3.3.2 Annual variable compensation

The Chief Executive Officer's annual variable compensation is set in accordance with the terms and conditions described in section 6.3.1.1 above.

6.3.3.2.1 ANNUAL VARIABLE COMPENSATION FOR THE PERIOD FROM APRIL 24 TO DECEMBER 31, 2015

For 2015, the Chief Executive Officer's gross annual variable compensation could have totaled €700,000 if all of the applicable objectives had been achieved in full, or it could have increased to above €700,000 if the objectives had been exceeded, subject to a cap of 130% of this amount.

Any outperformance had to be assessed by the Board of Directors based on both his individual objectives set by the Board (see below) and in proportion to the Group's results for the financial objectives.

The Board of Directors set the Chief Executive Officer's individual objectives at its meeting on May 26, 2015. These objectives primarily related to the Group's main strategic goals and industrial programs as well as the implementation of a new organizational structure within the Group. They cannot be disclosed in this Registration Document for reasons of strategic and competitive sensitivity.

At its meeting of February 24, 2016, the Board of Directors reviewed the achievement of the financial and individual objectives set for the variable compensation payable to the Chief Executive Officer for 2015, after consultation with the Appointments and Compensation Committee. Following this review, it set Philippe Petitcolin's variable compensation for the period from April 24 to December 31, 2015 at €502,619, based on the following achievement rates:

- 106% for the objectives related to the Group's financial performance (two-thirds weighting), breaking down as follows:
  - 104% for the ROI target (60% weighting),
  - 62% for the working capital target (10% weighting),
  - 126% for the free cash flow target (30% weighting);
- 100% for the individual performance objectives (one-third weighting).

6.3.3.2.2 ANNUAL VARIABLE COMPENSATION FOR 2016

At its meeting of February 24, 2016 the Board of Directors decided that the financial objectives applicable for Philippe Petitcolin's variable compensation for 2016 would be the same as those used in 2015 (as described in section 6.3.1.1 above).

As in 2015, Philippe Petitcolin's gross annual variable compensation could total €700,000 if all of the objectives are achieved in full, or could be increased to above €700,000 if the objectives are exceeded, subject to a cap of 130% of this amount.

At the same meeting on February 24, 2016, the Board of Directors also determined the Chief Executive Officer's individual objectives for 2016. These objectives primarily relate to the Group's main strategic goals and industrial programs as well as the implementation of organizational measures concerning human resources. They cannot be disclosed in this Registration Document for reasons of strategic and competitive sensitivity.

The achievement of the financial and individual objectives set for the Chief Executive Officer's variable compensation for 2016 will be reviewed by the Board of Directors, after consultation with the Appointments and Compensation Committee.

6.3.3.3 Long-term incentive plan – Multi-year variable compensation for 2015

On the recommendation of the Appointments and Compensation Committee, at its meeting of July 29, 2015, in connection with its implementation of the 2015 Performance Unit (PU) plan (see section 6.3.1.2), the Board of Directors granted an initial 17,050 PUs to Philippe Petitcolin.

The main characteristics of this plan are as follows:

- the number of PUs that ultimately vest will depend on the extent to which internal and external performance conditions are met, as measured over a period of three years (2015-2017):
  - internal performance conditions:

    The internal performance conditions correspond to the achievement of recurring operating income (ROI) and free cash flow (FCF) objectives. For 2015, these objectives were based on the 2015 budget and for 2016 and 2017 they are based on Safran's 2014 medium-term plan, approved by the Board of Directors in December and October 2014 respectively. These objectives account for 60% of the performance criteria determining the number of PUs that will vest (30% for the ROI objective and 30% for the FCF objective).

The following performance achievement levels have been set for both of these objectives:

– target achievement level: if 100% of the average of the annual objectives is met over the period from 2015-2017, 100% of the internal performance condition-related compensation will vest,
– highest achievement level: if 150% or more of the average of the annual objectives is met, 150% of the internal performance condition-related compensation will vest,
– lowest achievement level: if 80% of the average of the annual objectives is met, 50% of the internal performance condition-related compensation will vest,
– between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, 0% of the internal performance condition-related compensation will vest;

- external performance condition:

  The external performance condition is based on Safran's total shareholder return (TSR[1]) performance over a period of three years (2015-2017) as benchmarked against a group of peer companies[2] operating in the same business sectors as Safran (Aerospace, Defense and Security). This objective accounts for 40% of the performance criteria determining the number of PUs that will vest.

  The following performance achievement levels have been set for this condition:

  – target achievement level: if Safran delivers a TSR that is 8 points higher than the peer companies, 100% of the external performance condition-related compensation will vest;
  – highest achievement level: if Safran delivers a TSR that is 12 points higher than the peer companies, 150% of the external performance condition-related compensation will vest,
  – lowest achievement level: if Safran delivers a TSR that is equal to that of the peer companies, 50% of the external performance condition-related compensation will vest,
  – between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, 0% of the performance condition-related compensation will vest;

- after the three-year performance period (2015-2017), the Board of Directors will decide how many PUs will ultimately vest based on the extent to which the performance conditions have been achieved[3];
- payment terms and schedule – continuing service condition:
  - payment of the PUs is subject to the Chief Executive Officer remaining in the Group until his term of office expires[4] (apart from in certain exceptional circumstances[5]),
  - payments will be made in two installments (end-October 2018 and end-October 2019), each one corresponding to 50% of the vested Pus,
  - one-third of any compensation payable as part of each installment will be paid in Safran shares, with the remaining two-thirds paid in cash;
- value of PUs and maximum compensation payable:
  - the gross compensation payable for each vested PU will correspond to the average of the closing prices for the Safran share during the 20 trading days prior to the payment of each of the two installments,
  - the potential gross compensation payable under the plan will be capped at 225% of the target long-term variable compensation[6] (corresponding to 262.5% of the Chief Executive Officer's fixed annual compensation for 2015, i.e., €1,575,000).

The accounting measurement of this multi-year variable compensation, as determined in accordance with IFRS 2 (see Note 1.q in section 3.1) at the date on which the PUs were granted to Philippe Petitcolin, corresponds to €701,620, and is remeasured at the end of each accounts closing.

As set out in the Board of Directors' Internal Rules, the Chief Executive Officer has given a formal undertaking to refrain from using instruments to hedge his risks related to either the PUs or any shares he may receive as payment under the PU plan.

6.3.3.4 Defined benefit supplementary pension plan

No specific supplementary pension plan has been set up for the Chief Executive Officer.

In his former capacity as an employee, Philippe Petitcolin was a beneficiary under the defined benefit supplementary pension plan set up in France, effective from January 1, 2014, for which executive managers within the Group are eligible (see section 6.3.1.3 above).

When the Board of Directors appointed Philippe Petitcolin as Chief Executive Officer at its April 23, 2015 meeting, it decided to authorize him to continue to be a beneficiary under this plan subject to the same terms and conditions as the other plan members.

This decision will be submitted for shareholder approval at the Annual General Meeting of May 19, 2016 (see section 8.2.1 of this Registration Document).

The methods used to calculate the annual retirement benefits payable to Mr. Petitcolin under the plan are exactly the same as for the other plan members and they are subject to the same cap, i.e., three times the annual social security ceiling, representing €115,848 per year based on the ceiling for 2016 (see section 6.3.1.3 above).

At December 31, 2015, the estimated theoretical amount[7] of the annual retirement benefits that could be paid to Philippe Petitcolin under the defined benefit supplementary pension plan corresponded to the €115,848 cap referred to above.

(1) Change in share price, adjusted to take account of dividend payments during this period.
(2) At the grant date, these companies comprised Airbus Group, BAe Systems, Boeing, Finmeccanica, Gemalto, MTU Aero Engines, Rolls Royce, Thales and Zodiac Aerospace, weighted according to their respective market capitalization.
(3) During the first quarter of 2018.
(4) The Chief Executive Officer's current term of office is due to expire at the 2018 Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.
(5) Death or disability.
(6) Corresponding to target long-term variable compensation of €700,000.
(7) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).

6.3.3.5 Other: personal risk insurance plan and defined contribution supplementary pension plan

In his prior capacity as a Company employee, Philippe Petitcolin was previously a beneficiary under Safran's personal risk insurance plan and the defined contribution supplementary pension plan set up in France for all Safran group managerial-grade staff (see section 6.3.1.4).

At its April 23, 2015 meeting, the Board of Directors decided to authorize Philippe Petitcolin to continue to be a beneficiary under these plans subject to the same terms and conditions as the other plan members.

This decision will be submitted for shareholder approval at the Annual General Meeting of May 19, 2016 (see section 8.2.1 of this Registration Document).

The contributions to the plans are based on the annual compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

Between April 23, 2015 (the date on which he was appointed Chief Executive Officer) and December 31, 2015, the corresponding expenses recorded in Safran's financial statements totaled €4,413 for the personal risk insurance plan and €18,752 for the defined contribution supplementary pension plan.

At December 31, 2015, the estimated theoretical amount[(1)] of the annual retirement benefits that could be paid to Philippe Petitcolin under the defined contribution supplementary pension plan was €18,548.

6.3.3.6 Compensation or benefits payable for the termination of office or a change in duties – Non-compete indemnities

The Chief Executive Officer is not eligible for the payment of any compensation or benefits for the termination of his office or a change in his duties and he has not been given any commitment by the Company in relation to the payment of a non-compete indemnity.

Philippe Petitcolin's employment contract with Safran has been suspended since April 23, 2015 (see sections 6.3.4 and 6.5.3), the date on which he was appointed Chief Executive Officer. This contract will resume if he ceases to be a corporate officer of the Company and if it is then terminated at Safran's initiative he may be entitled to termination benefits under the applicable collective bargaining agreement. Based on Mr. Petitcolin's seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, these benefits could represent a maximum gross amount of €906,044.67. These termination benefits are payable in accordance with general French labor law.

(1) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).

6.3.4 Summary tables showing the individual compensation and benefits of the Chairman of the Board of Directors and the Chief Executive Officer

ROSS McINNES, CHAIRMAN OF THE BOARD OF DIRECTORS

Summary of compensation, stock options and performance shares granted	2014[1]	2015	
		In his capacity as Deputy Chief Executive Officer (period from Jan. 1 to April 23)	In his capacity as Chairman of the Board of Directors (period from April 24 to Dec. 31)
Compensation due for the year	€1,051,450	€319,594	€288,584
Value of multi-year variable compensation allocated during the year	N/A	N/A	N/A
Value of stock options granted during the year	N/A	N/A	N/A
Value of performance shares granted during the year	N/A	N/A	N/A

(1) In his capacity as Deputy Chief Executive Officer.

Summary of compensation *(gross)*	2014[1]		2015			
			Amounts due for the year		Amounts paid during the year	
	Amounts due for the year	Amounts paid during the year	In his capacity as Deputy Chief Executive Officer (period from Jan 1 to April 23)	In his capacity as Chairman of the Board of Directors (period from April 24 to Dec. 31)	In his capacity as Deputy Chief Executive Officer (period from Jan. 1 to April 23)	In his capacity as Chairman of the Board of Directors (period from April 24 to Dec. 31)
Fixed compensation	€500,000	€500,000	€157,196	€239,963	€157,196	€239,963
Annual variable compensation	€546,667	€550,000	€160,986	N/A	€546,667	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	€45,473	N/A	N/A
Other	€650[2]	€650[2]	N/A	N/A	N/A	N/A
Benefits-in-kind[3]	€4,133	€4,133	€1,412	€3,148	€1,412	€3,148
TOTAL	**€1,051,450**	**€1,054,783**	**€319,594**	**€288,584**	**€705,275**	**€243,111**

(1) In his capacity as Deputy Chief Executive Officer.
(2) Company contribution to Safran Sharing 2014.
(3) Company car.

PHILIPPE PETITCOLIN, CHIEF EXECUTIVE OFFICER

Summary of compensation, stock options and performance shares granted	2014	2015 In his capacity as an Executive Corporate Officer (period from April 24 to Dec. 31)
Compensation due for the year	-	€934,059
Value of multi-year variable compensation allocated during the year[(1)]	-	€701,620
Value of stock options granted during the year	-	N/A
Value of performance shares granted during the year	-	N/A

(1) *The Company considers that this component (see section. 6.3.3.3 above) should not be included with the other components of compensation presented in the table below, as the amount of the multi-year variable compensation measured at fair value at the grant date does not correspond to compensation actually received by the beneficiary.*

Summary of compensation *(gross)*	2014		2015 In his capacity as an executive corporate officer (period from April 24 to Dec. 31)	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	-	-	€411,365	€411,365
Annual variable compensation	-	-	€502,619	N/A
Multi-year variable compensation	-	-	N/A	N/A
Extraordinary compensation			N/A	N/A
Attendance fees	-	-	€17,323	N/A
Other	-	-	-	-
Benefits-in-kind[(1)]	-	-	€2,752	€2,752
TOTAL	**N/A**	**N/A**	**€934,059**	**€414,117**

(1) *Company car.*

SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS AND TERMINATION BENEFITS

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits payable for termination of office, change in duties, or non-compete agreements
Ross McInnes	Chairman of the Board of Directors	Yes, suspended[(1)]	Yes[(3)]	No
Philippe Petitcolin	Chief Executive Officer	Yes, suspended[(2)]	Yes[(3)]	No

(1) *Employment contract initially suspended on April 21, 2011, the date on which he was appointed Deputy Chief Executive Officer. This suspension was extended when he was appointed Chairman of the Board of Directors on April 23, 2015 (see section 6.5.3. below).*

(2) *Employment contract suspended since April 23, 2015, the date on which he was appointed Chief Executive Officer (see section 6.5.3 below).*

(3) *No pension plan has been set up specifically for the Chairman of the Board of Directors or the Chief Executive Officer. They are beneficiaries, subject to the same terms and conditions as the other plan members, under (i) the defined contribution supplementary pension plan set up in France for all of the Group's managerial-grade staff, and (ii) the defined benefit supplementary pension plan set up in France for the executive managers within the Group and effective from January 1, 2014 (following a decision by the Board of Directors on April 23, 2015 authorizing them to continue to be beneficiaries under this plan).*

6.3.5 Compensation and benefits of the executive corporate officers whose terms of office ended on April 23, 2015

6.3.5.1 Fixed and variable compensation, benefits-in-kind

From January 1 to April 23, 2015, the compensation of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers comprised an annual fixed and variable component.

They also had the use of a company car as a benefit-in-kind.

6.3.5.1.1 FIXED COMPENSATION

The fixed annual compensation of Safran's executive corporate officers whose terms of office ended on April 23, 2015 was as follows:

- Jean-Paul Herteman (Chairman and Chief Executive Officer): fixed annual compensation of €730,000, which was set by the Board of Directors at its May 26, 2011 meeting and remained unchanged from that date until the end of Mr. Herteman's term of office;
- Ross McInnes (Deputy Chief Executive Officer, Finance): fixed annual compensation of €500,000, which was set by the Board of Directors at its December 12, 2012 meeting and remained unchanged from that date until the end of Mr. McInnes' term of office;
- Marc Ventre (Deputy Chief Executive Officer, Operations): fixed annual compensation of €500,000, which was set by the Board of Directors at its December 12, 2012 meeting and remained unchanged from that date until the end of Mr. Ventre's term of office;
- Stéphane Abrial (Deputy Chief Executive Officer, Corporate Office): fixed annual compensation of €400,000, which was set by the Board of Directors at its July 25, 2013 meeting and remained unchanged from that date until the end of Mr. Abrial's term of office.

6.3.5.1.2 ANNUAL VARIABLE COMPENSATION FOR 2015

The annual variable compensation of Jean-Paul Herteman (Chairman and Chief Executive Officer), Stéphane Abrial (Deputy Chief Executive Officer, Corporate Office), Ross McInnes (Deputy Chief Executive Officer, Finance), and Marc Ventre (Deputy Chief Executive Officer, Operations) was set in accordance with the terms and conditions described in section 6.3.1.1 above.

The total annual variable compensation of these executive corporate officers could have amounted to 100% of their fixed compensation if all of the applicable objectives had been achieved in full and up to 130% if the objectives had been exceeded, as assessed by the Board based on both their individual objectives and in proportion to the Group's results for the financial objectives.

At its meeting on February 24, 2015, the Board of Directors determined the individual objectives for Jean-Paul Herteman, Stéphane Abrial, Ross McInnes and Marc Ventre, which were different for each executive corporate officer. These objectives were primarily related to the Group's main strategic challenges, notably in terms of management, competitiveness, programs and external growth transactions. They cannot be disclosed in this Registration Document for reasons of strategic and competitive sensitivity.

At its meeting of February 24, 2016, the Board of Directors set the variable compensation due to the former Chairman and Chief Executive Officer and each of the three former Deputy Chief Executive Officers for the period from January 1, 2015 to April 23, 2015 at the following amounts:

- Jean-Paul Herteman: €197,373;
- Stéphane Abrial: €127,649;
- Ross McInnes: €160,986;
- Marc Ventre: €135,187.

These amounts were based on a 106% achievement rate for the objectives related to the Group's financial performance (see section 6.3.3.2.1 above) and the following achievement rates for the applicable individual performance objectives:

- Jean-Paul Herteman: 50%;
- Stéphane Abrial: 100%;
- Ross McInnes: 100%;
- Marc Ventre: 50%.

6.3.5.2 Defined benefit supplementary pension plan

No specific supplementary pension plan was in place for the former executive corporate officers.

On December 11, 2013, the Board of Directors decided to extend the defined benefit supplementary pension plan set up for executive managers within the Group in France, effective from January 1, 2014 (see section 6.3.1.3 above), to Jean-Paul Herteman, Stéphane Abrial, Ross McInnes and Marc Ventre.

The methods used to calculate the annual retirement benefits payable to the executive corporate officers under this plan were exactly the same as those for the other plan members and they were subject to the same cap, i.e., three times the annual social security ceiling, representing €115,848 per year based on the ceiling for 2016 (see section 6.3.1.3).

These commitments were approved by shareholders at the May 27, 2014 Annual General Meeting.

At December 31, 2015, the estimated theoretical amount[1] of the annual retirement benefits that could be paid to Stéphane Abrial under the defined benefit supplementary pension plan was €36,000.

The estimated theoretical amount[1] for Ross McInnes is set out in section 6.3.2.2.

(1) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).

Jean-Paul Herteman retired in 2015. As he meets the applicable eligibility criteria, the annual retirement benefits described above will be paid to him as from 2016. The annual amount of these benefits totals €114,120, which represents the plan's cap (corresponding to three times the annual social security ceiling in force at the date on which Mr. Herteman claimed his French social security pension, i.e., in 2015).

Marc Ventre retired in 2015. As he meets the applicable eligibility criteria, the annual retirement benefits described above will be paid to him as from 2016. The annual amount of these benefits totals €114,120, which represents the plan's cap (corresponding to three times the annual social security ceiling in force at the date on which Mr. Ventre claimed his French social security pension, i.e., in 2015).

6.3.5.3 Other: personal risk insurance plan and defined contribution supplementary pension plan

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously beneficiaries under Safran's personal risk insurance plan and the defined contribution supplementary pension plan set up for all Safran group managerial-grade staff in France.

At its meeting of July 27, 2011, the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, and Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be beneficiaries under these plans subject to the same terms and conditions as the other plan members. The contributions to the plans were based on the compensation (fixed and variable) that they received for their respective roles as Chief Executive Officer or Deputy Chief Executive Officer. Shareholders voted against the resolution put forward for the approval of these related-party commitments at the May 31, 2012 Annual General Meeting. However, in accordance with Article L.225-41 of the French Commercial Code, as the commitments were validly authorized by the Board of Directors Safran continued to meet them.

At its meeting of July 25, 2013, the Board of Directors decided to authorize Stéphane Abrial to also continue to be a beneficiary under the personal risk insurance plan and the defined contribution supplementary pension plan under which he was previously a beneficiary in his capacity as a Company employee, subject to the same terms and conditions as the other plan members. The contributions to the plans were based on the compensation (fixed and variable) that he received for his role as Deputy Chief Executive Officer. This commitment was approved by shareholders at the May 27, 2014 Annual General Meeting.

On December 17, 2014, the Board of Directors decided to extend the amended occupational death and disability coverage in the personal risk insurance plan (see section 5.4.4) to Jean-Paul Herteman, Stéphane Abrial, Ross McInnes and Marc Ventre. These commitments were approved by shareholders at the April 23, 2015 Annual General Meeting.

Between January 1 and April 23, 2015, the expenses recorded in Safran's financial statements for the four executive corporate officers totaled €8,163 for the personal risk insurance plan and €74,181 for the defined contribution supplementary pension plan.

At December 31, 2015, the estimated theoretical amount[1] of the annual retirement benefits that could be paid to Stéphane Abrial under the defined contribution supplementary pension plan was €1,595.

The estimated theoretical amount[1] for Ross McInnes is set out in section 6.3.2.3.

Jean-Paul Herteman retired in 2015. The annual retirement benefits that will be paid to him under the defined contribution supplementary pension plan will amount to €29,881.

Marc Ventre retired in 2015. The annual retirement benefits that will be paid to him under the defined contribution supplementary pension plan will amount to €30,360.

6.3.5.4 Compensation or benefits payable for the termination of office or a change in duties – Non-compete indemnities

Jean-Paul Herteman, Stéphane Abrial, Ross McInnes et Marc Ventre were not eligible for the payment of any compensation or benefits for the termination of their office or a change in their duties and they were not given any commitment by the Company in relation to the payment of a non-compete indemnity.

(1) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).

6.3.5.5 Summary tables setting out the individual compensation of the executive corporate officers whose terms of office ended on April 23, 2015

The summary table for Ross McInnes' compensation is provided in section 6.3.4.

JEAN-PAUL HERTEMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Summary of compensation, stock options and performance shares granted	2014	2015[1]
Compensation due for the year	€1,580,209	€427,951
Value of multi-year variable compensation allocated during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of performance shares granted during the year	N/A	N/A

(1) From January 1 to April 23, 2015.

Summary of compensation *(gross)*	2014		2015[1]	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€730,000	€730,000	€229,508	€229,508
Annual variable compensation	€846,800	€803,000	€197,373	€846,800
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Attendance fees	€0[2]	€40,657	€0[2]	€0
Other	N/A	N/A	N/A	€197,273[3]
Benefits-in-kind[4]	€3,409	€3,409	€1,070	€1,070
TOTAL	**€1,580,209**	**€1,577,066**	**€427,951**	**€1,274,651**

(1) From January 1 to April 23, 2015.
(2) No attendance fees were allocated to Jean-Paul Herteman for 2015 (see section 6.3.7.2).
(3) Settlement of leave due at the date on which his employment contract was terminated (April 21, 2011).
(4) Company car.

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STÉPHANE ABRIAL, DEPUTY CHIEF EXECUTIVE OFFICER, CORPORATE OFFICE

Summary of compensation, stock options and performance shares granted	2014	2015(1)
Compensation due for the year	€827,333	€252,889
Value of multi-year variable compensation allocated during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of performance shares granted during the year	N/A	N/A

(1) From January 1 to April 23, 2015.

Summary of compensation *(gross)*	2014		2015(1)	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€400,000	€400,000	€124,243	€124,243
Annual variable compensation	€424,000	€360,000	€127,649	€424,000
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Other	N/A	€16,575(2)	N/A	N/A
Benefits-in-kind(3)	€3,333	€3,333	€997	€997
TOTAL	**€827,333**	**€777,908**	**€252,889**	**€549,240**

(1) From January 1 to April 23, 2015.
(2) Company contribution to the Group employee savings plan for 2014.
(3) Company car.

MARC VENTRE, DEPUTY CHIEF EXECUTIVE OFFICER, OPERATIONS

Summary of compensation, stock options and performance shares granted	2014	2015[(1)]
Compensation due for the year	€1,050,678	€293,418
Value of multi-year variable compensation allocated during the year	N/A	N/A
Value of stock options granted during the year	N/A	N/A
Value of performance shares granted during the year	N/A	N/A

(1) From January 1 to April 23, 2015.

Summary of compensation *(gross)*	2014		2015[(1)]	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€500,000	€500,000	€157,196	€157,196
Annual variable compensation	€546,667	€550,000	€135,187	€546,667
Multi-year variable compensation	none	none	none	none
Extraordinary compensation	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A
Benefits-in-kind[(2)]	€4,011	€4,011	€1,035	€1,035
TOTAL	**€1,050,678**	**€1,054,011**	**€293,418**	**€704,898**

(1) From January 1 to April 23, 2015.
(2) Company car.

SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS AND TERMINATION BENEFITS OF THE EXECUTIVE CORPORATE OFFICERS WHOSE TERMS OF OFFICE ENDED ON APRIL 23, 2015

See section 6.3.4 for information about Ross McInnes, Deputy Chief Executive Officer until April 23, 2015.

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits payable for termination of office, change in duties, or non-compete agreements
Jean-Paul Herteman	Chairman and Chief Executive Officer	No[(1)]	Yes[(4)]	No
Stéphane Abrial	Deputy Chief Executive Officer	Yes, suspended[(2)]	Yes[(4)]	No
Marc Ventre	Deputy Chief Executive Officer	Yes, suspended[(3)]	Yes[(4)]	No

(1) His employment contract terminated on April 21, 2011.
(2) Employment contract suspended from July 1, 2013 to April 23, 2015.
(3) Employment contract suspended from April 21, 2011 to April 23, 2015.
(4) No pension plan was in place specifically for the executive corporate officers. They were beneficiaries, subject to the same terms and conditions as the other plan members, under (i) the defined contribution supplementary pension plan set up for all of the Group's managerial-grade staff in France, and (ii) the defined benefit supplementary pension plan set up in France for executive managers within the Group and effective from January 1, 2014 (following a decision by the Board of Directors on December 11, 2013 authorizing them to continue to be beneficiaries under this plan).

6.3.6 Stock option and performance share plans

6.3.6.1 Stock options

No stock options were granted during 2015 and there are currently no stock options outstanding.

6.3.6.2 Performance shares

No performance shares were granted during 2015 and there are currently no performance share plans in place.

6.3.7 Principles and rules for determining the compensation of members of the Board of Directors

Directors receive attendance fees as provided for in Article 17 of Safran's bylaws.

The attendance fee allocation rules were approved by the Board of Directors and are described in the Board's Internal Rules.

In accordance with the applicable legal provisions, attendance fees allocated to the representative of the French State and Directors put forward for appointment by the French State are paid to the French Treasury.

The members of the Board of Directors only receive attendance fees as compensation, except for the Chairman of the Board, the Chief Executive Officer, and Directors representing employees and employee shareholders.

6.3.7.1 Allocation of attendance fees for 2015

The total maximum annual amount of attendance fees to be allocated among the Directors for 2015 was set at €868,000 at the Annual General Meeting of April 23, 2015.

At its meeting on February 24, 2016, the Board of Directors allocated an aggregate €830,337.69 pursuant to the rules set out below.

For that purpose, it determined each Director's units of entitlement (see below) and decided not to pay out the residual unallocated amount.

The rules for allocating attendance fees for 2015 were as follows:

- a fixed portion was allocated between all of the Directors and the Board Advisor, with each of them entitled to one unit within this portion;
- a variable portion based on the Directors' actual attendance at Board and Board Committee meetings was allocated among the Board members as follows:
  - at the beginning of the year, each Director and the Board Advisor were allocated one unit corresponding to the amount due for full attendance at all meetings and the variable portion of attendance fees paid for this unit was based on their actual overall attendance. The total units allocated within this variable portion differed depending on the category of Director, as follows:
    - the Chairman and Vice-Chairman of the Board and Directors residing outside mainland France were allocated two units,
    - the standard one-unit allocation was increased by:
      - two units for the Chairman of the Audit and Risk Committee,
      - one and a half units for any other Committee Chairman, and
      - one unit for each member of a Committee (other than the Committee Chairman).

The value of one unit of entitlement corresponded to the amount of the total fees set for the year at the Annual General Meeting divided by the theoretical maximum number of units, as determined above.

If a Director's term of office ended or a new Director was appointed during the year, the amount of attendance fees payable was calculated proportionately to the number of Board and Committee meetings held during the year.

6.3.7.2 Summary tables of attendance fees paid to members of the Board of Directors

	Amount of attendance fees			
	2014		2015	
	Gross amount	Net amount paid in 2015	Gross amount	Net amount paid in 2016
Non-executive Directors (excluding representatives of the French State)				
Christian Streiff	€83,705.02	€53,152.69[1]	€80,517.20	€51,128.42[1]
Marc Aubry	€46,424.64	€29,479.64[1]	€38,976.48	€24,750.06[1]
Giovanni Bisignani	€74,426.80	€52,098.76[2]	€49,357.47	€34,550.23[2]
Frédéric Bourges (Director as of November 20, 2014)	€8,440.84	€8,440.84[3]	€29,232.36	€29,232.36[3]
Jean-Lou Chameau	€40,797.41	€28,558.18[2]	€51,319.03	€35,923.32[2]
Monique Cohen	€43,083.47	€27,358.00[1]	€49,029.94	€31,134.01[1]
Odile Desforges	€75,163.70	€47,728.95[1]	€77,952.96	€49,500.13[1]
Jean-Marc Forneri	€48,534.85	€30,819.63[1]	€45,472.56	€28,875.07[1]
Christian Halary	€30,949.76	€19,653.10[1]	€46,400.57	€29,464.36[1]
Xavier Lagarde	€46,424.64	€29,479.64[1]	€42,224.52	€26,812.57[1]
Elisabeth Lulin	€43,083.47	€27,358.00[1]	€38,976.48	€24,750.06[1]
Daniel Mazaltarim (Director as of November 20, 2014)	€8,440.84	€8,440.84[3]	€33,408.41	€33,408.41[3]
Total attendance fees paid to members of the Board of Directors excluding representatives of the French State	**€549,475.44**	**€362,568.27**	**€582,867.98**	**€399,529**
Amount paid to the French Treasury	€188,382.37	€188,382.37[4]	€177,095.51	€177,095.51[5]
Total attendance fees paid to non-executive Directors	**€737,857.81**	**€550,950.64**	**€759,963.49**	**€576,624.51**
Executive Directors				
Ross McInnes (Director as of April 23, 2015)	N/A	N/A	€45,472.56[6]	€41,261.81[7]
Philippe Petitcolin (Director as of April 23, 2015)	N/A	N/A	€17,322.88[6]	€15,718.79[7]
Jean-Paul Herteman (Director until April 23, 2015)[8]	0	0	0	0
Total attendance fees paid to executive Directors	**0**	**0**	**€62,795.44**	**€56,980.60[7]**
Caroline Grégoire-Sainte Marie (Board Advisor until April 23, 2015)	€29,542.95	€18,759.77[1]	€7,578.76	€4,812.51[1]
TOTAL ATTENDANCE FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS	**€767,400.76**	**€569,710.41**	**€830,337.69**	**€638,417.62**

*(1) After the 21% withholding tax applicable for individuals domiciled in France for tax purposes (in accordance with Article 117 quater of the French Tax Code (*Code général des impôts*) and social security contributions of 15.5%.*

(2) After 30% withholding tax for individuals not domiciled in France for tax purposes.

(3) As the Directors representing employees requested that their attendance fees be paid over to their trade union these amounts were exempt from tax and social security contributions.

(4) For Directors representing the French State.

(5) For Directors representing the French State for the period from January 1 to April 23, 2015; and then for the representative of the French State and Directors put forward for appointment by the French State for the period from April 23 to December 31, 2015.

(6) Calculated on a proportionate basis as from his appointment as a Director on April 23, 2015.

(7) The gross amount is subject to social security contributions. These attendance fees will be taxed in the same way as for salaries.

(8) No attendance fees were allocated to Jean-Paul Herteman for either 2014 or 2015 (see section 6.2.2 of the 2014 Registration Document).

6.3.7.3 Allocation of attendance fees as from 2016

On February 24, 2016, the Board of Directors approved new rules for allocating attendance fees, effective from 2016. Under these new rules, a greater weighting is given to the variable portion based on Directors' attendance at meetings of the Board and Board Committees and their actual related workload is taken into account.

In addition, the Board decided to recommend at the Annual General Meeting of May 19, 2016 that shareholders increase the overall maximum amount of attendance fees to €1,000,000 for 2016 and subsequent years (see section 8.2.1).

Consequently, the Board resolved to set the following allocation rules and amounts of attendance fees due per meeting:

- for attendance at Board meetings:
  - fixed annual fee:
    - per Director (including the Chairman) = €11,000,
    - calculated proportionately to the number of meetings held during the year if a Director leaves or joins the Board part way through the year;
  - variable fee per meeting:
    - for the Chairman and Vice-Chairman = €4,000,
    - for other Directors = €2,500;
- for attendance at meetings of the standing Board Committees (Audit and Risk Committee and Appointments and Compensation Committee) and special committees:
  - variable fee per meeting (no fixed fee):
    - for the Chairmen of the standing Board Committees (Audit and Risk Committee and Appointments and Compensation Committee) = €6,000,
    - for other Committee members (including the Chairmen of any special committees) = €2,500 *(no additional fees for the Chairman of any special committees);*
- additional fee for geographical distance:
  - for Directors who live outside Metropolitan France, the variable fee will be increased by 50% for each meeting attended in person;
- potential adjustment:
  - if applying these rules results in an overall amount of fees that is higher than the aggregate maximum amount authorized by shareholders at the Annual General Meeting, then the overall amount paid will be reduced proportionately until it reaches the maximum amount authorized by shareholders;
- cap:
  - the gross annual amount of attendance fees is capped at €100,000 per Director *(cap applicable if the calculation rules result in attendance fees representing more than this amount).*

These allocation rules are set out in Article 23 of the Board of Directors' Internal Rules, as amended by the Board on February 24, 2016, which are available on Safran's website (in French only).

6.3.7.4 Compensation of Directors representing employee shareholders and Directors representing employees

Marc Aubry received €77,910 in gross compensation in 2015 under his employment contract with Snecma. He also received statutory and discretionary profit-sharing as well as a Company contribution to the Group employee savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2015, the estimated theoretical amount(1) of the annual retirement benefits that could be paid to Marc Aubry under the defined contribution supplementary pension plan under which he is a beneficiary was €1,204.

Frédéric Bourges received €40,589 in gross compensation in 2015 under his employment contract with Snecma. He also received statutory and discretionary profit-sharing as well as a Company contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies.

Christian Halary received €125,452 in gross compensation in 2015 under his employment contract with Sagem. He also received statutory and discretionary profit-sharing as well as a Company contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2015, the estimated theoretical amount(1) of the annual retirement benefits that could be paid to Christian Halary under the defined contribution supplementary pension plan under which he is a beneficiary was €1,381.

Daniel Mazaltarim received €91,472 in gross compensation in 2015 under his employment contract with Snecma. He also received statutory and discretionary profit-sharing as well as a Company contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2015, the estimated theoretical amount(1) of the annual retirement benefits that could be paid to Daniel Mazaltarim under the defined contribution supplementary pension plan under which he is a beneficiary was €1,120.

(1) *Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).*

6.4 Transactions in the Company's shares carried out by corporate officers and other managers

The transactions carried out in 2015 in Safran shares and related financial instruments by Safran's corporate officers, executives and other managers and persons having close personal links with them, as defined in paragraphs a) to c) of Article L.621-18-2 of the French Monetary and Financial Code *(Code monétaire et financier),* and of which the Company is aware, are as follows:

Person making the disclosure	Type of transaction	Value date	Number of shares(2)	Average price per share
Marc Aubry	Acquisition(1)	February 27, 2015	41	€62.90
Daniel Mazaltarim	Acquisition(1)	February 27, 2015	28	€62.90
Frédéric Bourges	Acquisition(1)	February 27, 2015	12	€62.90
Marc Aubry	Sale	March 5, 2015	193	€65.63
Marc Aubry	Sale	March 11, 2015	99	€66.80
Daniel Mazaltarim	Acquisition(1)	March 20, 2015	18	€65.54
Xavier Lagarde	Sale	March 31, 2015	4,307	€65.00
Jean-Pierre Cojan	Acquisition(3)	March 31, 2015	101	€65.00
Daniel Mazaltarim	Acquisition(3)	March 31, 2015	25	€65.00
Marc Aubry	Acquisition(3)	April 27, 2015	15	€68.28
Frédéric Bourges	Acquisition(4)	April 27, 2015	<1	€68.28
Christian Halary	Acquisition(5)	April 27, 2015	80	€68.28
Daniel Mazaltarim	Acquisition(4)	April 27, 2015	14	€68.28
Philippe Petitcolin	Acquisition(4)	April 27, 2015	138	€68.28
Ross McInnes	Acquisition(4)	April 27, 2015	27	€68.28
Jean-Marc Forneri	Acquisition	April 28, 2015	128	€67.06
Élisabeth Lulin	Acquisition	June 5, 2015	99	€62.00
Éric Dalbiès	Acquisition(1)	June 18, 2015	71	€61.12
Philippe Petitcolin	Acquisition(1)	June 18, 2015	141	€61.12
Marc Aubry	Acquisition(1)	June 25, 2015	14	€63.49
Daniel Mazaltarim	Acquisition(1)	June 25, 2015	19	€63.49
Marc Aubry	Acquisition(6)	June 30, 2015	30	€60.79
Frédéric Bourges	Acquisition(6)	June 30, 2015	10	€60.79
Éric Dalbiès	Acquisition(6)	June 30, 2015	30	€60.79
Christian Halary	Acquisition(6)	June 30, 2015	30	€60.79
Daniel Mazaltarim	Acquisition(6)	June 30, 2015	30	€60.79
Philippe Petitcolin	Acquisition(6)	June 30, 2015	30	€60.79
Christian Halary	Sale	August 3, 2015	287	€69.626
Christian Halary	Sale	August 3, 2015	249	€69.75
Marc Aubry	Sale	August 4, 2015	76	€69.95
Marc Aubry	Sale	August 7, 2015	100	€70.00
Philippe Petitcolin	Acquisition(7)	October 9, 2015	24	€71.00
Éric Dalbiès	Acquisition(7)	October 9, 2015	12	€71.00
Person having close personal links with Christian Halary	Acquisition(7)	October 9, 2015	20	€71.00
French State	Sale	December 1, 2015	11,000,000	€68.50
Person having close personal links with Marc Aubry	Sale	December 15, 2015	50	€63.32
Marc Aubry	Acquisition(8)	December 21, 2015	14	€62.59
Frédéric Bourges	Acquisition(8)	December 21, 2015	<1	€62.59
Éric Dalbiès	Acquisition(8)	December 21, 2015	38	€62,59
Daniel Mazaltarim	Acquisition(8)	December 21, 2015	15	€62.59
Philippe Petitcolin	Acquisition(8)	December 21, 2015	144	€62.59
Ross McInnes	Acquisition(8)	December 21, 2015	28	€62.59

(1) Discretionary employee profit-sharing.

(2) Or number of shares corresponding to units purchased in Group corporate mutual funds.

(3) Statutory employee profit-sharing.

(4) Investment of dividend in the Group employee savings plan.

(5) Investment of dividend in the Group employee savings plan and discretionary profit-sharing.

(6) Company contribution to statutory employee profit-sharing.

(7) Additional contribution to statutory employee profit-sharing.

(8) Investment of interim dividend in the Group employee savings plan.

On August 20, 2014, an *ordonnance* set out new terms and conditions regarding French State representation on the Board of Directors of Safran. Since the implementation within Safran of this *ordonnance* on April 23, 2015 (see section 6.5.1), the French State is a member of the Board of Directors. Consequently, since this date, all transactions in Safran shares carried out by the French State have been defined as "transactions carried out by a corporate officer". See section 7.3.4.1 for information about transactions in Safran shares carried out by the French State in 2015, including sales made prior April 23, 2015.

6.5 Report of the Chairman of the Board of Directors

Report of the Chairman of the Board of Directors to the Annual General Meeting of May 19, 2016, drawn up in accordance with Article L.225-37 of the French Commercial Code

For the purpose of drawing up this report, the Chairman of the Board of Directors consulted the Audit and Internal Control Department and the Group Risk and Insurance Department. This report was reviewed by the Audit and Risk Committee on March 22, 2016, before being submitted to the Board of Directors, which approved it at its meeting on March 24, 2016.

6.5.1 Composition, organization and work of the Board of Directors

Safran's corporate governance structure

Shareholders at the Annual General Meeting of April 21, 2011 approved the adoption of a corporate governance structure with a Board of Directors.

REFERENCE CORPORATE GOVERNANCE CODE

Safran uses as its corporate governance framework the "Corporate Governance Code of Listed Corporations" (revised version dated November 12, 2015), drawn up jointly by the French employers' associations, AFEP[1] and MEDEF[2].

Where certain recommendations included in this Code, or in guidelines adopted subsequently for its application, are not implemented, this is justified in section 6.5.3 "Application of the AFEP-MEDEF Corporate Governance Code" of this report.

Members of the Board of Directors

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

From January 1 to April 23, 2015, the roles of Chairman of the Board of Directors and Chief Executive Officer were combined, and Jean-Paul Herteman occupied the position of Chairman and Chief Executive Officer.

On April 23, 2015, the Board of Directors decided to separate these roles and appointed Ross McInnes as Chairman of the Board of Directors for the duration of his directorship.

The Vice-Chairman of the Board is Christian Streiff, who was appointed in this role by the Board at its meeting on May 28, 2013, for the duration of his directorship.

The membership structure of Safran's Board of Directors is subject to the provisions of French law applicable to *sociétés anonymes* (joint stock corporations). However, as the French State owns at least 10% of the Company's capital, as provided for in Article 14.1 of the Company's amended bylaws approved by shareholders on April 23, 2015, a certain number of seats on the Board must be assigned to representatives of the French State in accordance with Articles 4 and/or 6 of *ordonnance* 2014-948 dated August 20, 2014. This *ordonnance* sets out new terms and conditions for State representation on the Boards of Directors of companies in which it holds an ownership interest.

The following people attend Board of Directors' meetings in an advisory capacity: a Government Commissioner appointed by decision of the Ministry of Defense in accordance with the regulations applicable to Safran's activities, and two representatives of the Central Works Council in accordance with the French Labor Code *(Code du travail)*.

The Statutory Auditors are invited to attend the Board meetings during which the annual and interim financial statements are reviewed. They may also be invited to any other Board meeting.

In accordance with the Board of Directors' Internal Rules, depending on the matters discussed, the Chairman of the Board of Directors may invite any person to attend Board meetings whom he considers may be able to provide Board members with additional information on an agenda item.

The following changes in membership of the Board of Directors took place at and following the Annual General Meeting of April 23, 2015:

- Ross McInnes was appointed as a Director at the Annual General Meeting and then appointed Chairman of the Board of Directors at the Board meeting held after said Annual General Meeting;
- Philippe Petitcolin replaced Jean-Paul Herteman as a Director, as Mr. Herteman's term of office expired at the Annual General Meeting;
- Jean-Louis Chameau was re-appointed as a Director.

(1) AFEP: *Association française des entreprises privées.*
(2) MEDEF: *Mouvement des entreprises de France.*

In connection with Safran's implementation of *ordonnance* 2014-948 dated August 20, 2014:

- the terms of office as Directors of Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart (who were appointed by Ministerial Decree under the regulations applicable prior to the *ordonnance*) ended;
- Astrid Milsan was named as representative of the French State, by way of a Ministerial Decree dated April 23, 2015 (in accordance with Article 4 of the *ordonnance*);
- Patrick Gandil and Vincent Imbert were appointed as Directors at the Annual General Meeting of April 23, 2015, having been put forward for appointment by the French State (in accordance with Article 6 of the *ordonnance*).

At December 31, 2015, Safran's Board of Directors comprised 17 members – including one representative of the French State appointed by Ministerial Decree, two Directors put forward for appointment by the French State, two Directors representing employee shareholders and two Directors representing employees:

- Ross McInnes (Chairman), a French and Australian national;
- Philippe Petitcolin (Chief Executive Officer), a French national;
- Christian Streiff (Vice-Chairman, independent Director), a French national;
- Marc Aubry (representative of employee shareholders), a French national;
- Giovanni Bisignani (independent Director), an Italian national;
- Frédéric Bourges (employee representative), a French national;
- Jean-Lou Chameau (independent Director), a French and American national;
- Monique Cohen (independent Director), a French national;
- Odile Desforges (independent Director), a French national;
- Jean-Marc Forneri (independent Director), a French national;
- Patrick Gandil, a French national;
- Christian Halary (representative of employee shareholders), a French national;
- Vincent Imbert, a French national;
- Xavier Lagarde, a French national;
- Élisabeth Lulin (independent Director), a French national;
- Daniel Mazaltarim (employee representative), a French national;
- Astrid Milsan (French State representative), a French national.

On January 1, 2016, by way of a Ministerial Decree dated February 8, 2016, the French State appointed Lucie Muniesa as its representative on the Board of Directors, replacing Astrid Milsan.

The table below sets out the expiration dates of the terms of office of Safran's Directors.

Director	2016	2017	2018	2019
Ross McInnes				✔ (4)
Philippe Petitcolin				✔ (4)
Christian Streiff			✔ (3)	
Marc Aubry	✔ (1)			
Giovanni Bisignani		✔ (2)		
Frédéric Bourges				✔ (5)
Jean-Lou Chameau				✔ (4)
Monique Cohen			✔ (3)	
Odile Desforges		✔ (2)		
Jean-Marc Forneri			✔ (3)	
Patrick Gandil				✔ (4)
Christian Halary	✔ (1)			
Vincent Imbert				✔ (4)
Xavier Lagarde		✔ (2)		
Élisabeth Lulin		✔ (2)		
Daniel Mazaltarim				✔ (5)
Lucie Muniesa				N/A

(1) *At the close of the Annual General Meeting to be held in 2016 to approve the 2015 financial statements.*

(2) *At the close of the Annual General Meeting to be held in 2017 to approve the 2016 financial statements.*

(3) *At the close of the Annual General Meeting to be held in 2018 to approve the 2017 financial statements.*

(4) *At the close of the Annual General Meeting to be held in 2019 to approve the 2018 financial statements.*

(5) *November 19, 2019.*

6

DIVERSITY, EXPERTISE AND PROPORTION OF WOMEN ON THE BOARD OF DIRECTORS

Safran strives to achieve a balanced composition for the Board and its Committees, particularly with regard to nationality and expertise.

The non-executive Directors contribute a diverse range of expertise, covering air transport, technical issues, civil and aerospace engineering, management, administration, finance, consulting, research, information technology, innovation, environmental matters, and international vision and experience (see section 6.1.2).

The Board of Directors has four women members. The proportion of women on the Board of Directors is 26.6% (i.e., four out of 15 members, as the AFEP-MEDEF Code states that Directors representing employees are not taken into account in calculating this percentage). At the Annual General Meeting on May 19, 2016, the Board of Directors will recommend a resolution providing for the appointment of an additional female Director, which, if approved, will increase the proportion of women on the Board to one-third.

DURATION OF THE TERMS OF OFFICE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Following the resolution adopted at the Annual General Meeting of April 23, 2015 to reduce Directors' terms of office from five to four years, Directors are now appointed for four-year terms as recommended in the AFEP-MEDEF Code.

Consequently, the duration of the terms of office of the Directors appointed or re-appointed at the April 23, 2015 Annual General Meeting is four years.

This amendment to the Company's bylaws did not affect the duration of the then current terms of office of the other Directors, which will continue to run until the expiration date set when they were appointed.

COMPULSORY SHAREHOLDINGS

In accordance with Article 14.5 of the bylaws, as amended at the Annual General Meeting of April 23, 2015, each Director – other than the representative of the French State and the Directors put forward for appointment by the French State in accordance with Articles 4 and 6 of *ordonnance* 2014-948 dated August 20, 2014, Directors representing employee shareholders and Directors representing employees – is required to own a certain number of Safran shares, in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. Article 11.1 of the Board's Internal Rules states that this minimum number of shares corresponds to 500 and that the minimum shareholding obligation can be met through units held in Group corporate mutual funds (FCPE) invested in Safran shares, provided that the number of units held is equivalent to at least 500 shares.

Article 14.8 of the bylaws and Article 11.1 of the Board's Internal Rules specify that each Director representing employee shareholders is required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership plan – at least one share or a number of units in the fund equivalent to at least one share.

CONFIDENTIALITY OF INFORMATION AND TRANSACTIONS IN SAFRAN SHARES

Members of the Board of Directors and all individuals who attend meetings of the Board and its Committees are subject to strict duties of confidentiality and discretion, with respect to the information provided to them in this context.

CODE OF ETHICS

Safran has a Code of Ethics relating to share transactions and the prevention of insider trading, drawn up in compliance with the recommendations published by the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) and initially adopted by the Board of Directors on July 27, 2011. The Code, in question-and-answer form, sets out the obligations of Safran group employees (and managers of Safran group entities), the specific measures taken by Safran to prevent insider trading, and the penalties for any failure to fulfill the stated obligations.

As well as meeting these obligations, corporate officers, senior managers, and any other persons featured in the list of permanent insiders must also comply with the additional rules set out in an appendix to the Code of Ethics which notably (i) specify the periods during which the above persons may not carry out transactions in Safran shares ("blackout periods"), (ii) prohibit speculative trading in the Safran shares, and (iii) state the disclosure requirements applicable to corporate officers and certain senior managers.

The Code also specifies the blackout periods (preceding the publication of annual and half-year results and quarterly revenue figures) during which corporate officers and other insiders must refrain from carrying out transactions in Safran shares.

Corporate officers of Safran and other Group insiders receive notification of the Code of Ethics and its appendix, and of the blackout periods that are determined in line with the annual financial calendar.

An internal procedure based on the Code of Ethics and its appendix has been published on the Group intranet for the purpose of employee information; the intranet is accessible to all Safran group employees in France and in most of the other countries where the Group operates. The blackout periods are appended to this procedure as they are set.

INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

In accordance with the AFEP-MEDEF Code, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors. Based on the independence criteria set out below, seven of Safran's Directors qualify as independent (i.e., 53.8%).

Directors qualifying as independent
Giovanni Bisignani
Jean-Lou Chameau
Monique Cohen
Odile Desforges
Jean-Marc Forneri
Élisabeth Lulin
Christian Streiff
Percentage of independent Directors: 53.8%

Based on the independence criteria set out below, excluding Directors representing employee shareholders and Directors representing employees, six Directors do not qualify as independent.

Directors not qualifying as independent	Reason
Ross McInnes	**Chairman of the Board of Directors of Safran and previously Deputy Chief Executive Officer of Safran**
Philippe Petitcolin	**Chief Executive Officer of Safran**
Patrick Gandil	Put forward by the French State (shareholder owning more than 10% of Safran's capital and voting rights)
Vincent Imbert	Put forward by the French State (shareholder owning more than 10% of Safran's capital and voting rights)
Xavier Lagarde	Member of the Executive Board and employee of Safran until 2011
Lucie Muniesa	Representative of the French State (shareholder owning more than 10% of Safran's capital and voting rights)

Independence criteria

Independent Directors are those who do not have any relationship whatsoever with Safran, the Group or its Management that may compromise their freedom of opinion.

A Director is deemed independent when he or she meets all of the following conditions (Article 2.4 of the Board of Directors' Internal Rules and Article 9.4 of the AFEP-MEDEF Code). An Independent Director cannot:

- have been during the five years preceding his/her first appointment as a Director of Safran, an employee or Executive Director of Safran or any other Group company, or be, at the time of his/her appointment, an employee of Safran or an employee or executive Director of any other Group company;
- be an executive Director of a company in which Safran holds, directly or indirectly, a directorship or serves as a member of the Supervisory Board;
- be an executive Director of a company in which an employee appointed as such or an executive Director of Safran (currently or within the last five years) holds a directorship or serves as a member of the Supervisory Board;
- be a client, supplier, investment bank, or financing bank that is material to Safran or the Group, or for which Safran or the Group represents a significant portion of its business;
- participate, for Directors who have duties in one or more banks, in (i) preparing or soliciting offers for services from one or more of these banks with Safran or any other Group company, (ii) the work of any of these banks in event of the performance of a mandate entrusted to said bank by Safran or any other Group company or (iii) in the vote on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity;
- have any close family ties with a corporate officer of Safran or any other Group company;
- have been the Statutory Auditor of Safran in the past five years;
- be a member of the Board of Directors or have been a member of Safran's Supervisory Board for over 12 years, it being specified that members only lose their status as independent Directors at the end of the term of office during which they have exceeded the 12-year term;
- be the reference shareholder of Safran.

At each appointment of a Director, the Board of Directors examines the issue of independence with regard to the criteria set out in the Internal Rules, checks whether the applicant has significant business relations with the Group, and keeps this under constant review thereafter.

Independence review

At its meeting on March 24, 2016, on the recommendation of the Appointments and Compensation Committee, the Board undertook a review of the independence status of its members.

None of the Directors considered as independent have any direct or indirect business relations with Safran or any Group company that could jeopardize their independence.

During this review, both the Board and the Appointments and Compensation Committee examined any business relations that may exist between Safran and BNP Paribas (of which Monique Cohen is a Director) and between Safran and Crédit Agricole SA (of which Christian Streiff is a Director). They concluded that both Monique Cohen and Christian Streiff have total independence of judgment in their roles as Directors of Safran. In addition, their directorships at BNP Paribas and Crédit Agricole SA respectively are non-executive positions. Any business relations that may exist between Safran and BNP Paribas or Crédit Agricole SA do not in any way jeopardize the independent Director status of either Monique Cohen or Christian Streiff.

Organization and work of the Board of Directors

BOARD OF DIRECTORS' INTERNAL RULES

In addition to the provisions of the law and the bylaws that govern its operating procedures, the Board of Directors has a set of Internal Rules that clarify certain terms and conditions relating to its meetings, list the operations that require its prior approval, define the duties and operating procedures of the Board Committees and set out the rules for allocating attendance fees to Board members based on the maximum amount set by shareholders at the Annual General Meeting.

These Internal Rules can be viewed on the Safran website (http://www.safran-group.com, in the Group/Governance section, in French only).

POWERS OF THE BOARD OF DIRECTORS AND RESTRICTIONS ON THE POWERS OF EXECUTIVE MANAGEMENT

The Board of Directors exercises the powers vested in it by the applicable laws and regulations, summarized in section 6.1.2 above.

In addition, in accordance with Article 19.3 of the bylaws and Article 4 of the Board of Directors' Internal Rules, for the purpose of the internal organization of the Company and the Group, the following operations have to be approved by the Board before they can be carried out by the Chief Executive Officer or, where applicable, a Deputy Chief Executive Officer:

- decisions related to significant operations in France or abroad;
- decisions to withdraw from such operations in France or abroad;
- material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.

The Board's prior approval is systematically required for the following:

- any capital expenditure or self-financed development expenditure related to any project, program or industrial or commercial development that represents for the Company or any Group entity more than €100 million;
- any investment, divestment, expenditure, commitment or warranty related to the following operations or decisions and which represents more than €50 million for the Company or any Group entity:
  - any acquisition or disposal of property,
  - any acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issues of shares or bonds, excluding ordinary treasury management transactions,
  - any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding ordinary treasury management transactions,
  - in the event of a dispute or litigation, the signature of any agreement or the acceptance of any settlement,
  - collateral pledged over the Company's assets.

The Board of Directors' prior approval is systematically required for each of the following operations or decisions if they represent an amount equal to or more than €150 million for Safran or any Group entity:

- granting or contracting of any loan, credit or advance;
- acquiring or disposing of any receivable by any means.

The Board of Directors' prior approval is also systematically required for any offer or industrial or commercial project entered into by the Company or a Group entity that:

- results in a guarantee commitment representing €300 million or more; or
- is deemed material, with the notion of "material" decided by the Chief Executive Officer or any other person duly authorized to implement said offer or project.

Furthermore, the following operations and decisions require prior authorization from the Board of Directors, with at least one Director representing the French State voting in favor if the French State owns more than 10% of Safran's capital:

- any disposal by the Group of strategic military or aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any sale by Safran of securities of Herakles, Microturbo, Europropulsion, Sagem, Airbus Safran Launchers Holding (a 50/50 joint venture between Safran and Airbus) or Airbus Safran Launchers SAS (wholly owned by Airbus Safran Launchers Holding);
- any decision to grant to a third party specific management rights or rights to information related to the Group's strategic military or aerospace assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to space propulsion and French ballistic cruise and tactical missile propulsion and guidance;
- any decision to grant to a third party rights to be represented on the management bodies of Herakles, Microturbo, Europropulsion, Sagem, Airbus Safran Launchers Holding or Airbus Safran Launchers SAS.

Additionally, in accordance with the applicable law, prior authorization must be given by the Board of Directors for guarantees, endorsements and sureties granted in Safran's name.

Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Chief Executive Officer. Any commitment exceeding this ceiling must be specifically authorized by the Board.

At its meeting on December 17, 2014, the Board of Directors decided to set the blanket ceiling at €500 million for 2015 (with no ceiling on guarantees, endorsements and sureties given to tax and customs authorities).

At its meeting on December 17, 2015, the Board of Directors decided that the blanket ceiling would remain at €500 million for 2016 (with no ceiling on guarantees, endorsements and sureties given to tax and customs authorities).

INFORMATION PROVIDED TO THE BOARD OF DIRECTORS

The agenda for Board of Directors' meetings is put forward by the Secretary of the Board to the Chairman and takes account of the work of the Board Committees and proposals made by members of the Board of Directors.

Before each meeting, members of the Board of Directors receive the agenda and all documents necessary to inform them on the matters to be discussed during the meeting, as well as the draft minutes of the previous meeting.

Prior to the meeting, they may request any additional documents they consider useful.

In addition, the Chairman continually keeps the Board of Directors informed, by any means, of all significant events concerning the Group and its financial position. The Directors receive a copy of Safran's press releases and a press review, as well as stock market reports on Safran's share performance.

BOARD OF DIRECTORS' MEETINGS

Indicators

	2015	2014
Number of meetings	12	11
Average attendance rate	95.1%	91%
Number of Directors	17	17
Percentage of independent Directors	53.8% (i.e., 7 out of 13)(1)	53.8% (i.e., 7 out of 13)(1)

(1) Excluding Directors representing employee shareholders and Directors representing employees.

The Board of Directors meets at least once every quarter and meetings may be convened by any means.

The Board of Directors' Internal Rules state that Directors may participate in meetings by video-conference or any other means of telecommunications.

The presence of at least half of the Board's members is necessary for a meeting to be validly constituted. Decisions are taken by way of a majority vote of the members present or represented at the meeting. In the event of a split decision, the Chairman has a casting vote.

If a Director is unable to attend a meeting, he or she may give proxy to another Board member, it being specified that each Director may only hold one proxy.

Minutes are drawn up for each Board meeting and forwarded to all members of the Board in order that they may be approved at the following meeting.

WORK OF THE BOARD OF DIRECTORS IN 2015

The Board of Directors met 12 times in 2015, on February 24, March 17, March 30, twice on April 23, May 18, May 26, July 29, September 4, October 21, October 29 and December 17, with an average attendance rate of 95.1%.

In accordance with the provisions of the Internal Rules, certain deliberations of the Board of Directors were prepared based on recommendations and proposals of the Board Committees, within the scope of their remit. These Committees reported on their findings and submitted their opinions and proposals to the Board.

The main work conducted by the Board of Directors in 2015 was as follows:

Corporate governance

In 2015, the Board of Directors reviewed the composition of the Board and its Committees, examined the independence status of Directors, prepared the Annual General Meeting, set the compensation for the executive corporate officers and Directors' attendance fees and took decisions concerning the general running of the Group. The Board's work during the year also covered:

- the Company's Executive Management structure and determining the powers of the Chairman of the Board of Directors and the Chief Executive Officer;
- setting up a long-term variable compensation system in the form of the 2015 Performance Unit (PU) plan based on the operating performance of the Group and the ensuing creation of shareholder value, as assessed over several years. The Board allocated the first PUs under this plan to the Chief Executive Officer (see section 6.3.1.2), and the Chief Executive officer then rolled out the plan to the other members of the Executive Committee;
- the expiration of the terms of office of the Directors representing employee shareholders and the terms and conditions applicable for re-appointing or replacing them;
- Directors' attendance fees;
- defining rules concerning training provided to Directors representing employees and employee shareholders and the time required for them to prepare meetings of the Board and its Committees (in accordance with the French government decree dated June 3, 2015);
- the self-assessment procedure of the operating procedures of the Board and its Committees.

Industrial and commercial matters

At each Board meeting, an update is provided on the Group's industrial and commercial situation, and a progress report is given on programs under development.

Throughout the year, the Board was briefed by the Chief Executive Officer on the Group's significant events as well as on the general operating context for the aviation and aerospace industry, business developments, divestments, market trends, and the competitive environment.

Strategy

The Board's work on strategic issues is organized by the Chairman of the Board in conjunction with Executive Management, and where necessary, with the assistance on an ad hoc basis of special committees specifically set up to analyze strategic operations or monitor preliminary studies on strategic matters (such as strategic partnerships and agreements or transactions affecting the Group's scope of consolidation), in view of the fact that the Strategy and Major Projects Committee was dissolved following the corporate governance changes introduced in 2015.

A special committee was set up in 2015 to assist the Board with its analytical review of the Group's corporate strategy.

At every ordinary Board meeting, the Chairman and the Chief Executive Officer provide an update on any launches of new projects and structural programs, as well as a status report on external growth projects, negotiations in progress and any difficulties encountered. The Board is given detailed presentations on strategic and M&A projects at the various stages of their development, and these are followed by discussions among the Board's members.

In addition, Board meetings that take the form of strategy seminars are organized yearly.

Lastly, the Board examines on an annual basis the results of the consultation with the Central Works Council on the strategic goals set for the Company and the Group.

Economic and financial matters

As well as approving the annual and half-yearly financial statements, preparing the Annual General Meeting, and taking other routine management decisions, the Board monitored the Group's financing and liquidity position in 2015 and reviewed the proposal put forward by the Audit and Risk Committee to re-appoint the Statutory Auditors whose terms are due to expire at the close of the 2016 Annual General Meeting.

Additionally, on October 20, 2015, the Board approved a new credit facility agreement, which was signed on December 4, 2015. The agreement provided for a €2,520 million revolving credit facility to be set up, with a five-year term and two successive one-year extension options. It was granted by a pool of 15 banks and was put in place to (i) ensure that the Group will have sufficient liquidity over the medium term and (ii) enable it to cover its general financing requirements. By refinancing and replacing its two existing €1,600 million and €950 million facilities (which had shorter terms than the new facility) the Group was able to take advantage of the current favorable market interest rates.

At its December 17, 2015 meeting, the Board used the authorization granted in the 21st resolution of the April 23, 2015 Annual General Meeting to approve the issue of bonds convertible and/or exchangeable for new or existing shares ("OCEANEs"). A total of 7,277,205 bonds with a December 31, 2020 maturity date were then issued on January 5, 2016, representing an aggregate nominal amount of approximately €650 million. The issue was carried out entirely through a private placement in France and outside France (apart from in the USA, Canada, Australia and Japan) among entities falling within the scope of Article L.411-2-II of the French Monetary and Financial Code (see section 7.2.3.2).

Throughout the year, the Board was briefed by the Chief Executive Officer, notably at the quarterly business report presentations, about the Group's financial position, currency hedging strategy, financial guarantees granted to customers, and any disputes and litigation in process.

In 2015, the Board also reviewed the Group's quality improvement program and the areas in which progress could be made, the status of the main indicators as compared with the 2015 budget, the assumptions used for the 2016 budget and the detailed analysis of this budget, as well as the medium-term business plan and the audit plans.

The Statutory Auditors attended the Board of Directors' meeting of February 24, 2015, when they reported on their audit work on the parent company and consolidated financial statements for 2014 and presented their audit findings. They certified the 2014 parent company and consolidated financial statements without qualification. They also attended the Board meeting of July 29, 2015 to present their work on the consolidated financial statements for the first half of 2015. Lastly, during the Board meeting of December 17, 2015, they presented their report on the 2015 interim dividend whose payment had to be approved by the Board.

Committees of the Board of Directors

The Internal Rules of the Board of Directors provide for the Board's decisions regarding certain matters to be prepared by specialized committees that review matters within their remit and submit their opinions and proposals to the Board.

The Board is assisted in its work by two standing committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee.

The role, organization and operating procedures of each of these Committees are set out in the Board of Directors' Internal Rules.

In its area of expertise, each Committee carries out in-depth work and analysis prior to the Board of Directors' discussions and contributes to the preparation of the Board's decisions. It makes proposals and recommendations to the Board, and gives its opinion on the matters under review.

As such, each Committee may propose to the Board of Directors to conduct internal or external studies that may be able to provide the Board of Directors with helpful information for its decisions.

At each Board of Directors' meeting, the Chairman of each Committee – or any other Committee member designated if the Chairman is unable to do so – reports to the Board on the Committee's work, proposals and recommendations.

The Audit and Risk Committee

Indicators

	2015	2014
Number of meetings	7	8
Average attendance rate	91.43%	87%
Number of members	7	5
Percentage of independent members	75% (i.e., 3 out of 4)(1)	75% (i.e., 3 out of 4)(2)

(1) Excluding Directors representing employee shareholders and Directors representing employees.
(2) Excluding the Director representing shareholders.

Composition

The Audit and Risk Committee has at least three members, including its Chairman. These members are selected from among the Directors, other than the Chairman of the Board of Directors, who do not have management duties with Safran.

Two-thirds of the members on this Committee, including its Chairman, must be independent Directors.

In addition, at least one of the Committee's independent members must have specific financial or accounting skills.

The Audit and Risk Committee meets at least four times a year, and the Statutory Auditors are always invited to its meetings, except where a joint meeting is held with another Committee.

At December 31, 2015, the Audit and Risk Committee had seven members, of which three-quarters were independent (excluding the Directors representing employee shareholders and employees in accordance with the recommendations of the AFEP-MEDEF Code and Article 28.2 of the Board's Internal Rules). Its members were Odile Desforges (Chair – independent Director), Marc Aubry (Director representing employee shareholders), Monique Cohen (independent Director), Christian Halary (Director representing employee shareholders), Elisabeth Lulin (independent Director), Daniel Mazaltarim (Director representing employees) and Astrid Milsan (Director representing the French State).

Roles and Responsibilities

The Audit and Risk Committee's main roles are to examine the financial statements and address issues related to the preparation and auditing of accounting and financial information.

In this regard it is responsible for:

- reviewing the draft half-year and annual parent company and consolidated financial statements before they are submitted to the Board of Directors, and in particular:
  - ensuring that the accounting policies adopted to prepare the parent company and consolidated financial statements are relevant and are applied consistently, and
  - examining any problems encountered related to applying accounting policies;
- reviewing the financial documents issued by Safran in connection with the end of the annual and half-year reporting periods;
- reviewing draft financial statements prepared for the requirements of specific transactions, such as asset contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain operations proposed by Executive Management and submitted to the Board of Directors (certain of which for prior authorization), such as:
  - capital increases,
  - equity investments,
  - acquisitions or divestments;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of decisions taken to handle major transactions;
- ensuring the auditing of the parent company and consolidated financial statements, by the Statutory Auditors;
- reviewing the methods and procedures used for reporting purposes and for adjusting accounting information from the Group's foreign companies.

The Audit and Risk Committee is also tasked with verifying the effectiveness of Safran's internal control and risk management systems.

In this regard it is responsible for:

- assessing, with the people responsible for such activities, the Group's internal control systems;
- reviewing, with the people responsible for such activities at Group level and with the assistance of Internal Audit:
  - internal control objectives and contingency and action plans,
  - the findings of audits and actions carried out by the relevant managers within the Group, and
  - the recommendations made and follow-up of such audits and actions, by the relevant managers;
- reviewing Internal Audit methods and results;
- checking that the procedures used by Internal Audit lead to the preparation of financial statements that:
  - present a fair view of the Company, and
  - comply with accounting rules;
- reviewing the relevance of the risk analysis and monitoring procedures, ensuring the implementation of a procedure for identifying, quantifying and preventing the main risks arising in the Group's businesses;
- reviewing and managing the rules and procedures applicable to conflicts of interest; and
- reviewing the draft report of the Chairman of the Board of Directors on internal control and risk management procedures.

Lastly, the Audit and Risk Committee is tasked with verifying the effectiveness of Safran's external audit.

In this regard it is responsible for:

- issuing a recommendation on the Statutory Auditors proposed for appointment by shareholders at the Annual General Meeting;
- ensuring that Safran's Statutory Auditors are independent;
- reviewing the compensation of Safran's Statutory Auditors – which should not call into question their independence or objectiveness;
- reviewing each year with the Statutory Auditors:
  - the audit plans and their findings,
  - their recommendations and the follow-up thereof.

The Audit and Risk Committee reports to the Board of Directors on a regular basis on its work and immediately informs the Board of any problems that may arise. These reports are added to the minutes of the relevant Board of Directors' meetings or are included in an appendix to these minutes.

Main work carried out in 2015

The Audit and Risk Committee met seven times in 2015 in order to address the above topics: on January 28, February 20, March 16, July 24, October 21, October 27, and December 15, with an average attendance rate of 91.43%.

The Statutory Auditors and the Government Commissioner attended all of these meetings.

During the meetings the Committee:

- reviewed the half-year and annual parent company and consolidated financial statements and was briefed by the Chief Financial Officer on the Group's off-balance sheet commitments (with the attendance of the Head of Group Accounting Standards);
- carried out a preliminary review of the 2015 results and the 2016 budget;
- examined the medium-term business plan;
- prepared for the Annual General Meeting of April 23, 2015 (reviewing the appropriation of profit, draft resolutions and amendments to the bylaws, the Board of Directors' report on the draft resolutions, related-party agreements, the management report, the Chairman's report on internal control, and the draft Registration Document including the financial report);
- participated in the selection process for appointing the Group's new Chief Financial Officer;
- considered the payment of an interim dividend;
- examined the Group's risks (with the attendance of the Risk Management and Insurance Director) and its internal control and Internal Audit procedures (with the attendance of the Head of Audit and Internal Control); nominated the Group Head of Audit and Internal Control; examined the draft 2016 audit plan; and conducted a preliminary review of the findings of the 2015 internal control audit;
- monitored the Statutory Auditors' independence, reviewed their audit fees, and considered their potential re-appointment on the expiry of their terms of office;
- tracked and verified the EUR/USD exchange rate and the currency hedges in place (with the attendance of the Group Treasurer);
- monitored changes in the Group's liquidity (issues of ordinary and convertible bonds, refinancing credit facilities);
- reviewed the Group's financial communications, particularly related to the annual and half-year financial statements and the revenue release for the third quarter of 2015 which included a presentation of the Silvercrest program;
- examined management forecasts;
- reviewed the ceiling applicable to guarantees, endorsements and sureties.

During the Audit and Risk Committee meetings of February 20 and July 24, 2015, the Statutory Auditors presented their work on the annual and half-year financial statements respectively. On December 15, 2015, they presented to the Committee their work concerning internal control and audit and the proposal to pay an interim dividend submitted to the Board of Directors for approval on December 17, 2015.

A period of 48 hours was provided for between the Committee's examination of the annual and half-year financial statements and the Board of Directors' meetings at which they were approved.

The Appointments and Compensation Committee

Indicators

	2015	2014
Number of meetings	4	5
Average attendance rate	96.43%	96%
Number of members	7	5
Percentage of independent members	66.66% (i.e., 4 out of 6)(1)	60% (i.e., 3 out of 5)

(1) Excluding the Director representing employees.

Composition

The Appointments and Compensation Committee has at least three members, including its Chairman. The majority of the members must be independent Directors.

At December 31, 2015, the Appointments and Compensation Committee had seven members, of which four were independent (i.e., two-thirds of the Committee, not including the Director representing employees). Its members were: Jean-Marc Forneri (Chairman – independent Director), Giovanni Bisignani (independent Director), Frédéric Bourges (Director representing employees), Jean-Lou Chameau (independent Director), Xavier Lagarde, Astrid Milsan (representative of the French State), and Christian Streiff (independent Director).

Philippe Petitcolin (Chief Executive Officer) and Ross McInnes (Chairman of the Board of Directors) are not members of this Committee but are involved in the work it carries out in relation to selecting and nominating candidates, in the same way as Jean-Paul Herteman (Chairman and Chief Executive Officer until April 23, 2015).

Roles and responsibilities

Appointments

The Appointments and Compensation Committee has the following roles and responsibilities with respect to appointments:

- assisting the Board of Directors in its choice of:
  - members of the Board of Directors,
  - members of the Committees of the Board of Directors, and
  - the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officer(s);
- selecting potential members of the Board of Directors who meet the applicable independence criteria and submitting the list of nominees to the Board of Directors;
- preparing succession plans for the positions of Chairman and Vice-Chairman of the Board, Chief Executive Officer, and, where applicable, any Deputy Chief Executive Officer(s);
- helping the Board prepare succession plans for the Group's key operations managers and support function managers.

Compensation

The Appointments and Compensation Committee is also responsible for making recommendations and proposals to the Board of Directors about compensation for which Directors may be eligible, notably:

- attendance fees;
- any other components of compensation, including the terms and conditions of any benefits payable at the end of their term of office, notably conditions based on appropriate benchmarks;
- any compensation payable to the Board Advisor(s);
- any modifications or changes to pension and personal risk insurance plans;
- benefits-in-kind and various financial benefits; and
- where appropriate:
  - stock options grants, and
  - free share grants.

More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors relating to:

- the compensation policy for senior executives; and
- profit-sharing systems set up for the employees of Safran and other Group entities, including:
  - employee savings plans,
  - supplementary pension plans,
  - employee rights issues,
  - stock option and/or free share grants and any other employee share ownership arrangements.

The Appointments and Compensation Committee also makes recommendations to the Board of Directors on any performance criteria to be applied for stock option and/or free share plans, notably based on appropriate benchmarks.

In general, the Appointments and Compensation Committee is involved in preparing any resolutions submitted for shareholder approval at the Annual General Meeting that relate to compensation and benefits granted to executive corporate officers (including "say-on-pay" resolutions).

Main work carried out in 2015

In 2015, the Appointments and Compensation Committee met four times, on February 10, April 23, May 12, and June 9, with an average attendance rate of 96.43%.

The Committee's main work carried out in 2015 concerned the following:

- the Company's new Executive Management structure and nominating the executive corporate officers and determining their powers;
- the compensation of the executive corporate officers;
- the launch of a long-term variable compensation system (2015 Performance Unit plan);
- the terms and conditions applicable for implementing the French *ordonnance* dated August 20, 2014 concerning the governance and capital transactions of companies in which the French State has an ownership interest;
- the composition of the Board of Directors and the Board Committees;
- the change in the duration of the terms of office of Board members (amendments to the bylaws);
- setting the amount of attendance fees due to Directors for 2014 and the aggregate maximum amount for 2015;
- the payment of the additional profit-share for 2014;
- amendments to the Board of Directors' Internal Rules.

Summary table of attendance at meetings of the Board and its standing committees in 2015

The following table shows the number of meetings of the Board and its standing committees that took place in 2015 and the attendance rate at each meeting.

Director	Board of Directors	Attendance rate *(%)*	Audit and Risk Committee	Attendance rate *(%)*	Appointments and Compensation Committee	Attendance rate *(%)*
Number of meetings in 2015	12	95.1	7	91.43	4	96.43
Ross McInnes(1)	**8/8**	**100**				
Philippe Petitcolin(1)	**8/8**	**100**				
Jean-Paul Herteman(2)	4/4	100				
Christian Streiff	12	100			3	75
Marc Aubry	12	100	7	100		
Giovanni Bisignani	11	91.67			4	100
Frédéric Bourges(3)	12	100			1/1	100
Jean-Lou Chameau(3)	10	83.33			1/1	100
Monique Cohen	11	91.67	6	85.71		
Odile Desforges	12	100	7	100		
Jean-Marc Forneri	12	100			4	100
Patrick Gandil	9	75				
Christian Halary(4)	12	100	4/4	100		
Vincent Imbert(5)	11	91.67			3/3	100
Xavier Lagarde(3)	12	100			1/1	100
Élisabeth Lulin	12	100	7	100		
Daniel Mazaltarim(4)	12	100	4/4	100		
Astrid Milsan	12	100	5	71.43	4	100
Laure Reinhart(2)	2/4	50				

(1) Director appointed at the April 23, 2015 Annual General Meeting.
(2) Director whose term of office expired on April 23, 2015.
(3) Member of the Appointments and Compensation Committee since May 26, 2015.
(4) Member of the Audit and Risk Committee since May 26, 2015.
(5) Director who ceased to be a member of the Appointments and Compensation Committee on May 26, 2015.

Self-assessment by the Board of its operating procedures

As recommended in the AFEP-MEDEF Code of Corporate Governance for Listed Corporations in France, which Safran uses as its framework Corporate Governance Code, the Board of Directors must carry out a formal self-assessment of its operating procedures at least every three years, in order to review the Board's operating procedures, verify that key issues are properly prepared and discussed, and measure the actual contribution of each Director to the Board's work.

At its December 17, 2015 meeting, the Board launched a formal self-assessment process of both its own operating procedures and those of its Committees. This self-assessment took the form of a questionnaire sent to the Directors and mainly focused on:

- the consequences of the change in the Company's corporate governance structure and the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer that took place in April 2015;
- integrating a procedure to assess each Director's contribution to the work of the Board; and
- encouraging Directors to suggest areas for improvement.

This questionnaire was followed up with one-on-one meetings requested by the Directors or the Chairman.

The Board completed the overall assessment process at its meeting on February 24, 2016 when it discussed the main points raised and the areas of improvement that were pinpointed by the Directors.

The main findings of the process were as follows:

- overall, the Directors felt that the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer had been successful and that in general the Board's operating procedures are very satisfactory. They particularly noted that:
  - there is a good balance between the allocation of the respective duties of the Chairman and the Chief Executive Officer and there is a strong working relationship and communication between them, and

- there is a real sense of working together among Board members, with open, high-quality discussions between the Directors, participants who are invited to attend Board meetings, and significant efforts from executives to be as transparent and clear as possible;

- the Directors also felt that the strategy seminars are extremely beneficial as the in-depth discussions that they promote and the strategic goals decided on during these seminars are used as a basis for dealing with and continuously monitoring the strategic issues addressed at each Board meeting (via Board agenda items). In addition, they noted that the seminars are a very effective way of organizing the Board's work related to strategy as they encourage a higher degree of involvement from all of the Directors and therefore result in deeper discussions in subsequent Board meetings. During the year, the Directors also used the possibility of setting up a special committee for the purposes of a particular project in view of the fact that the Strategy and Major Projects Committee was dissolved when the Company's governance structure was changed in 2015;
- concerning the membership structure of the Board of Directors, although some Directors felt the number of Board members was too high (compared with the average for Safran's peers) – which could affect the Board's efficiency, the speaking time available for each Director, each Director's full and equal involvement in the Board's discussions, and the collegiate nature of Board decisions – it was also noted that, in view of the requirements for representation of all of the Company's stakeholders on the Board, it would be difficult to reduce the number of Directors.

  The Directors noted that the Board has a diverse range of experience and a balanced composition but identified the following areas for improvement: to have more representatives from large industrial groups who have an international vision, and for the Board to have a more international profile overall which would enrich the discussions among its members;
- other areas for improvement that were suggested were:
  - devoting more time to presenting and deepening Directors' knowledge about the Group's main technical and industrial challenges and the future technological and strategic developments in its industry, as well as about the Group's various businesses and their key projects, programs, products and executives, and
  - further optimizing the coordination of the work carried out by the Committees and the Board, notably in terms of the time given to the Committee Chairmen for presenting their reports at Board meetings;
- lastly, as part of the self-assessment process, each Director was asked to identify the expertise and experience that they bring to the Board and what their individual contribution has been (or could be in the future) to specific topics that could enrich the work of the Board and its Committees.

6.5.2 Principles and rules for determining the compensation of corporate officers

Members of Executive Management

The principles and rules for determining the compensation of members of Executive Management are described in section 6.3.1 of this Registration Document, along with information concerning their other benefits and commitments.

Having considered the advice and recommendations drawn up by the Appointments and Compensation Committee at its meeting of February 10, 2016, the Board of Directors met on February 24, 2016 to conduct a detailed review of the individual performances of the executive corporate officers in 2015.

On this basis, and in view of the Group's financial performance, the Board subsequently set the amount of variable compensation to be awarded to each of the executive corporate officers for 2015, as explained in sections 6.3.3.2 and 6.3.5.1 above.

Also at its meeting of February 24, 2016, the Board set the individual objectives of the Chief Executive Officer for 2016, based on the recommendations of the Appointments and Compensation Committee.

Members of the Board of Directors

Apart from (i) the Directors representing employee shareholders and the Directors representing employees, who had employment contracts with Safran subsidiaries in 2015, (ii) Jean-Paul Herteman (executive Director until April 23, 2015), (iii) Ross McInnes (Chairman of the Board of Directors), and (iv) Philippe Petitcolin (Chief Executive Officer), the members of the Board of Directors only receive attendance fees as compensation, as described in section 6.3.7 above.

At the Board meeting of February 24, 2016, during which the Board allocated attendance fees for 2015, no attendance fees were awarded to Jean-Paul Herteman for 2015 in compliance with his wishes, as acknowledged by the Board of Directors on March 20, 2014 (see section 6.3.7.2).

6.5.3 Application of the AFEP-MEDEF Corporate Governance Code

Safran uses as its corporate governance framework the "Corporate Governance Code of Listed Corporations" drawn up jointly by the French employers' associations, AFEP[1] and MEDEF[2] (revised version dated November 12, 2015). This document is available on the AFEP and MEDEF websites at www.afep.com and www.medef.com.

Where the recommendations of the Code, or guidelines adopted subsequently for its application, have not been implemented, reasons are given in the following table.

AFEP-MEDEF Code recommendations	Safran practices – Reasons
Article 22. Termination of employment contract in the event of appointment as an executive Director When an employee is appointed as an executive Director, it is recommended that his or her employment contract with the Company or any other Group company should be terminated. This recommendation applies to the Chairman and the Chief Executive Officer of companies that have a Board of Directors.	Philippe Petitcolin's employment contract was suspended on April 23, 2015, when he was appointed Chief Executive Officer. Ross McInnes' employment contract was suspended for the duration of his term as Deputy Chief Executive Officer (i.e., from April 21, 2011 to April 23, 2015). This suspension has been extended for the duration of his term as Chairman of the Board of Directors. The Group has chosen to suspend, rather than terminate, employment contracts due to the fact that terminating an employment contract could deter Group employees from moving into top executive positions on account of the rights they could lose upon such termination (depending on their age and length of service with the Group). This is in line with the Group's policy of favoring internal promotion of talent wherever possible, which enables it to propose corporate officers' positions to its executive managers who have the highest-level of savoir-faire, share and relay the Group's culture and values and have an in-depth knowledge of its markets.
Article 23.2.1. Requirement to hold shares Executive corporate officers are required to hold as registered shares until the end of their term of office a significant number of shares determined periodically by the Board of Directors	In accordance with Article 11.1 of the Board's Internal Rules, this minimum shareholding requirement is considered satisfied when the executive corporate officer concerned holds units in corporate mutual funds that are invested in Safran shares, provided the number of units held in such funds represents at least 500 shares. Article 11.2 of the Internal Rules states that if stock options or performance shares are granted to executive corporate officers, they must keep a significant proportion of the vested shares in registered form until their duties as an executive corporate officer cease. The applicable proportion is set by the Board of Directors. The Chairman of the Board of Directors and the Chief Executive Officer were previously employees of the Group, as were the former Chairman and Chief Executive Officer and the Deputy Chief Executive Officers. Consequently, in their capacity as employees they acquired units – and/or invested their profit sharing bonuses – in corporate mutual funds invested in Safran shares. In addition, some of them supplemented these investments by participating in the Safran Sharing 2014 offer (see sections 5.3.4 and 7.3.7.2 of the 2014 Registration Document).
Article 6.4. Composition of the Board of Directors With regard to the representation of men and women, the objective is for each Board to reach and maintain a percentage of at least 40% of women by the close of the 2016 Annual General Meeting.	If the resolutions recommended by the Board of Directors at the Annual General Meeting of May 19, 2016 are adopted by shareholders, the proportion of women on the Board will be increased from 26.6% to one-third (see section 8.2.1). However, due to the staggered expiration dates of the Directors' terms of office, and in view of the various balances that need to be respected in relation to the composition of the Board (percentage of independent Directors, State representation, and Directors representing employees and employee shareholders), the 40% proportion recommended in the AFEP-MEDEF Code will not be reached in 2016.
Article 10.4. Meetings without executive or "in-house" Directors It is recommended that the non-executive Directors meet periodically without the executive or "in-house" Directors. The internal rules of the Board of Directors should provide for such a meeting once a year, at which time the evaluation of the Chairman's, Chief Executive Officer's and Deputy Chief Executive Officers' respective performance should be carried out, and the participants should reflect on the future of the Company's Executive Management.	The Board of Directors began to apply this recommendation in 2016 by organizing a meeting without executive or "in-house" Directors on March 24.

(1) AFEP: *Association française des entreprises privées.*
(2) MEDEF: *Mouvement des entreprises de France.*

6.5.4 Participation of shareholders in General Meetings – Disclosures required under Article L.225-100-3 of the French Commercial Code

Participation of shareholders in General Meetings

The conditions for the participation of shareholders in General Meetings are governed by the legal provisions and regulations in effect and by Articles 30 et seq. of Safran's bylaws.

Any shareholder, regardless of the number of shares held, is entitled to attend General Meetings, subject to proof of identity and of his/her capacity as a shareholder, provided that the shareholder's shares are registered in his/her name in Safran's share register managed by BNP Paribas Securities Services, or in the bearer share accounts managed by the authorized intermediary, no later than zero hours (CET) on the second business day preceding the meeting.

As regards voting rights, each shareholder has a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or the provisions concerning double voting rights stipulated in Article 31.8 of the Company's bylaws. Fully-paid up shares that have been registered in the name of the same holder for at least two years as of the date of the General Meeting carry double voting rights.

Under Article 31.12 of the bylaws, no shareholder may exercise, either directly or by proxy, more than 30% of the total voting rights attached to all of Safran's shares. For this purpose, the voting rights exercised by a shareholder include the voting rights attached to both (i) the shares held directly or indirectly by the shareholder, and (ii) the shares owned by another shareholder for which the shareholder is acting as proxy. The conditions for applying this cap on the number of voting rights exercised are set out in section 7.1.2.2.

The bylaws permit shareholders to use the e-voting system to vote at any General Meeting (Article 30.2), by decision of the Board of Directors published in the notice of meeting.

Disclosures required under Article L.225-100-3 of the French Commercial Code

The disclosures required under Article L.225-100-3 of the French Commercial Code concern items that could have an effect in the event of a public offer and must be stated in the management report.

The 2015 management report drawn up by Safran's Board of Directors, which is included in this Registration Document, meets this legal obligation. The required information can be found under the following headings in the Registration Document:

- agreement with the French State (see section 7.1.4.2);
- breakdown of share capital and details of buyback program (see sections 7.2.6 and 7.2.7);
- capping of voting rights (see section 7.1.2.2).

6.5.5 Internal control and risk management

Operating a business involves incurring a level of risk; risk factors are described in section 4.1 of this Registration Document. Risk management is a key component in the management of the Group's activities.

The framework used by Safran for controlling the Group's information, activities, processes and assets includes all the appropriate resources, rules of conduct and procedures.

In addition to relying on management principles, organizations, a quality approach and the information systems in place, it is also based on a general compliance framework (see section 6.5.5.1), a specific structure for managing major risks (see section 6.5.5.2), and an internal control system (see section 6.5.5.3). Key players are involved in the internal control system (see section 6.5.5.4).

6.5.5.1 General compliance framework

ETHICAL GUIDELINES

The Group's Ethical Guidelines have been distributed to all of its staff worldwide. They form an integral part of the Group's procedure manual, and each company is responsible for their implementation in day-to-day operations.

Safran is built on values shared by all of its employees. These values serve as a guide for all the Group's activities, providing high standards for honesty, integrity and professionalism, and compliance with applicable laws and regulations.

They ensure the Group remains worthy of the trust placed in it by customers, employees, shareholders, suppliers and other partners.

The Group emphasizes the importance of complying with applicable rules concerning:

- exports of military and dual-use equipment;
- management of consultants;
- offering and accepting gifts and invitations;
- security of protected sites and activities;
- corporate social responsibility;
- safeguarding privacy.

For each of these facets, the Group has implemented specific procedures and arrangements.

COMPLIANCE, ETHICS AND ANTI-FRAUD COMMITTEE: PREVENTING AND DETECTING FRAUD

The Group has set up a committee tasked with overseeing that employees comply with the compliance rules set out in its Ethical Guidelines (respecting the applicable laws, adopting appropriate business practices, and protecting people and assets). This Committee falls under the aegis of the Group's Corporate Secretary, but all of the Group's Departments are responsible for ensuring that their teams respect the compliance criteria.

The Group also has an anti-fraud policy and a program for preventing ethical risks and detecting and assessing any cases of internal fraud. A system for centralizing information about fraud or attempted fraud identified within Group companies is in place. This information is acted on by the Group's Audit and Internal Control Department and Safety Department and necessary actions are taken. A fraud officer has been appointed and is notably tasked with defining the terms and conditions of any internal investigations and, where applicable, carrying them out. He reports to the Compliance, Ethics and Anti-Fraud Committee.

STANDARDS AND REGULATIONS

Standards and regulations are monitored and followed up by specialist central departments which, within their respective areas of expertise, lead and coordinate a network of correspondents in the various Group companies.

Monitoring the proper application of processes in place in ISO 9000-compliant entities is an essential aspect of the internal control system.

For most of its activities, in France and in other countries, the Group is subject to controls imposed by civil and military authorities as well as by its customers. These controls form part of the Group's overall control environment.

GROUP ORGANIZATIONAL STRUCTURE

Safran is an industrial group within which each subsidiary directly manages the operational side of its business activity and takes responsibility for the internal control system to be implemented in accordance with Group procedures and internal rules.

The organizational structure is based on:

- a parent company, Safran, the issuer, which is responsible for the Group's strategic management, organization and development. This company has adopted a governance structure with a Board of Directors;
- companies operating by business line, whose strategies are defined by the Board of Directors of the parent company. Executive Management of the parent company ensures that the strategic guidelines defined for each business line are implemented and complied with at the operational level.

First-tier entities are responsible for overseeing the second-tier entities with which they have operational ties.

As the Group's parent company, Safran performs the following functions for the Group companies:

- it holds and manages shares in the Group's subsidiaries;
- it steers and develops the Group, determining Group strategy, research and technology (R&T) policy, sales policy, legal and financial policy, human resources policy, personnel training measures, retraining and skills matching programs run by Safran University, communications, and oversight of operations;
- it provides:
  - support services for legal, taxation and financial matters, particularly related to:
    - centralized cash pooling to govern the terms and conditions of advances and investments between Safran and each Group company,
    - foreign currency risk management policy, to reduce uncertainty and protect the financial performance of operating subsidiaries from the effect of foreign currency fluctuations (mainly USD),
    - commodity risk management policy, to reduce uncertainty and protect the financial performance of operating subsidiaries from the effect of commodity price volatility,
    - tax consolidation in France where Safran is liable for the entire income tax charge, additional income tax contributions and the minimal tax charge due by the tax group comprising itself and its French tax-consolidated subsidiaries;
  - shared services, through Shared Services Centers, in the following areas: payroll administration and management, recruitment, non-production purchases, IT, and some transaction accounting (receivables, payables and non-current assets).

GROUP OPERATING PROCEDURES

The Group's main operating procedures are collated in a documentation system accessible via the Group intranet. This manual is primarily organized by major process and includes:

- corporate governance rules on management, ethics, protection of persons, data, property, operations and reputation, compliance with laws, regulations, procedures and contracts, integrity and reliability of operational and financial information, and anti-fraud measures;
- operational rules (manufacturing, purchasing, finance, programs, quality, security, IT, communications, etc.).

Every month, a list of updates to the manual is published and entities are required to keep their own manuals up-to-date so that they comply with Group rules.

FINANCIAL AND ACCOUNTING PROCEDURES

Financial and accounting procedures are grouped together in four different manuals:

- the Group IFRS accounting manual;
- rules for preparing the consolidated financial statements and rules concerning inter-company transactions and quarterly consolidation instructions issued to all companies concerned;
- the consolidation software user guide. This software contains the controls necessary for ensuring consistency between the various items included in the consolidated financial statements;
- other financial procedures (available in a documentation system) related to tax, banking, cash and financing transactions.

In terms of accounting standards, the Group applies IFRS as adopted by the European Union.

REPORTING AND MANAGEMENT CONTROL SYSTEMS

Each week, Safran's Executive Management receives a report from each entity summarizing the main events concerning its business operations.

The entities also prepare monthly budget and financial reports on their operations (overview and comments). The Group's Finance Department provides Executive Management with financial reporting packages.

Budget and planning meetings are organized regularly by the Economic and Financial Affairs Department and the management team of the company concerned, in order to

- review and validate the budget in the final quarter of the year;
- update the budget three times per year;
- review and validate the medium-term business plan in the first half of the year.

In addition, performance review meetings are held regularly with representatives from the Group's main first-tier entities.

6.5.5.2 Organization and coordination of risk management

DEFINITION AND OBJECTIVES

The purpose of risk management – which is embedded into the Group's organizational processes – is to identify the major risks to which the Group is exposed, measure the extent to which they could impair the achievement of objectives, and ensure that adequate measures and actions are implemented to bring critical risks to an acceptable level. Risk management is not a separate independent activity; it is the responsibility of each Department and forms an integral part of organizational processes, including strategic planning and project and change management.

POSITION IN THE ORGANIZATION

The risk management process is overseen by the Risk and Insurance Department, which reports to the Chief Financial Officer.

RISK MANAGEMENT FRAMEWORK AND ASSESSMENT PRINCIPLES

The Risk and Insurance Department draws up a Group-level risk assessment summary and presents a risk map to the Group Risk Committee for validation. Each risk is assessed in terms of its direct and indirect impact over the selected timeframe, assuming a worst-case scenario. An evaluation of the degree of control over the risks – which is an essential part of the overall risk assessment process – is also carried out. Risk assessments lead to action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability.

Each first-tier entity appoints a Risk Manager, who prepares a risk map for the entity which is subsequently reviewed during the entity's Risk Committee meetings. In all instances, risk management draws on a Group-wide methodology using risk analysis as the starting point. A Risk Manager is assigned for each risk identified and is responsible for drafting an action plan and ensuring its implementation. The objective is to provide continuous risk oversight to ensure optimal treatment.

The Risk and Insurance Department develops methodological techniques and procedures for the Group, to ensure consistent handling of risks between entities. The Group has a risk manual organized by process, level of impact, frequency, probability and control. Detailed guidance is also prepared for the analysis of certain risks.

Similarly, the Group's crisis prevention and management system is based on coordinated procedures implemented for managing warnings and crises, not only at Group but also at Company and facility level.

OVERSIGHT

The Group Risk Committee – made up of the Chief Executive Officer and other Group executives and led by the Head of Risk Management and Insurance – approves the risk management policy, the Group's risk mapping and risk mitigation procedures, and the cross-sector action plans of the Risk and Insurance Department. It also ensures that the risk management process works effectively and that there is an adequate level of risk-awareness. This Committee met twice in 2015.

The Risk and Insurance Department sets risk management maturity targets for first-tier entities and requires them to roll out risk management processes in newly-acquired entities.

It also coordinates the Risk Manager network. Regular meetings are held to share best practices and identify nascent risks. Task forces are set up on the basis of priorities approved by the Group Risk Committee.

Each quarter, the Risk Manager of each first-tier entity submits a series of indicators to the Risk and Insurance Department (major risk map with the corresponding degrees of control, maturity of the risk management process). Once a year, the Risk Manager also draws up a report on the organization of the risk management process in the entity concerned. The Risk and Insurance Department also meets with the Risk Manager of each first-tier entity in order to assess the maturity of risk management in that entity.

The Risk and Insurance Department prepares the mapping of major risks by support/central departments of Safran, as parent company, based on interviews. These maps are then approved by the support/central departments of Safran. For each identified risk, a manager is appointed and is responsible for drawing up an action plan. These action plans are presented to the Group Risk Committee.

AWARENESS-RAISING AND TRAINING

The underlying basis of risk management is training and communication. To this end, a risk and management training course launched in 2007 and organized jointly by the Risk and Insurance Department and Group Risk Managers in liaison with Safran University has promoted risk awareness among some 1,200 managers within the Group, including 143 in 2015. In addition, the "business continuity plan (BCP)" and "crisis and management" training events put in place within the Group play a key role in developing a risk management culture.

A program called PSIP (Proactive Safran Integrity Program) has also been rolled out with a view to (i) helping mitigate documentation risk and risks related to legal claims arising as a result of the Group's products or services, and (ii) protecting employees from the consequences of any accidents that may be caused by the Group's products or services.

6.5.5.3 Organization and coordination of internal control

DEFINITION AND OBJECTIVES

Safran implements its internal control system on the basis of general principles advocated by the AMF. Internal control is defined as a process implemented by the Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- compliance with applicable laws and regulations;
- application of instructions and strategies set by Executive Management;
- proper functioning of Safran's internal processes, particularly those contributing to the safeguarding of assets;
- reliability of financial information.

Internal control thus contributes to the safeguarding of the Company's assets, the management of its activities, the effectiveness of its operations, the efficient use of its resources and the prevention of any organizational dysfunctions. Nevertheless, as with all control systems, it can only provide reasonable assurance that the objectives described above are fully achieved.

POSITION IN THE ORGANIZATION

The internal control system is managed by the Audit and Internal Control Department, which reports to the Corporate Secretary.

INTERNAL CONTROL FRAMEWORK

The Audit and Internal Control Department has defined an internal control framework structured around:

- one process relating to the control environment;
- ten operating processes;
- two IT processes (general IT and IT system security controls);
- processes adapted to Shared Services Centers' risks.

For each process, the Audit and Internal Control Department and Group specialists in each of these areas has drawn up a list of control points and tests aimed at measuring for each entity:

- the conformity of its control procedures and activities with the framework's requirements; and
- the operational effectiveness of these procedures and activities.

Around 200 control points have been listed, which serve to ensure the integrity and security of financial and accounting information. Every year, internal control tests are performed, based on objectives related to scope, content, and the timeframes for carrying out action plans.

APPRAISAL PRINCIPLE

The Group applies the principle whereby each entity appraises its own internal control system based on the framework (conformity and effectiveness). A test program (for effectiveness) is devised annually, which covers all of the processes over two years in first-tier entities and over three years in second-tier entities. A questionnaire with around 50 control points is rolled out for small entities, including a series of control points that must be formally tested annually, regardless of the entity's size.

The Group can perform Internal Audits in order to verify that the appraisals carried out by the subsidiaries comply with the rules and principles it has put in place.

Any disparity relative to the requirements of the internal control framework in the evaluation of the conformity and effectiveness of procedures generates an action plan, with a project leader designated and a deadline established. The progress of such action plans is monitored monthly in the reporting system described below.

In 2015, the internal control system was up and running in 121 entities, which represent 98% of the Group's consolidated revenue.

First-tier entities must assess the internal control system of newly acquired companies with which they have operational ties in relation to the Safran framework within three months of the finalization of the acquisition.

OVERSIGHT

The central team that manages the internal control system is assisted by a network of internal control managers in each first-tier entity, with these managers supported by correspondents in each of the second-tier entities.

Each first-tier entity has an Internal Control Committee, comprising members of its management, to review progress made in evaluations and analyze results, including for the related second-tier entities.

At least once a year, the central team brings together internal control managers to conduct a review of obstacles encountered, suggest enhancements to the framework and define areas in which progress can still be made. These meetings also serve as a forum for sharing best practices about monitoring internal control.

For 2016, the main areas for progress identified by Safran are the adequacy and appropriateness of the internal control processes and procedures (particularly for the Shared Services Centers) and integrating these processes and procedures into best practices applied by operations managers.

MONITORING SYSTEM

Group companies use the same reporting system for the results and conclusions of their internal control evaluations. Nearly 400 internal control players contribute to this system, which allows:

- direct access to the Group framework, methodology guide and practical operating procedures;
- monitoring rectifications of disparities identified in relation to the framework.

In addition, this system – which is also used by the Risk and Insurance Department – covers the Group's risk map.

AWARENESS-RAISING AND TRAINING

A training course on internal control has been set up within Safran University with a view to raising awareness of internal control issues among both finance and operations staff.

INTERNAL CONTROL QUALITY ASSURANCE

Every year, executives of first-tier entities send a representation letter to Safran's Chief Executive Officer on the internal control system put in place in their company and their subsidiaries, in which they set out the work carried out during the year in the internal control domain and commit to a progress plan for the upcoming year.

Also every year, the Statutory Auditors examine the adequacy of the internal control procedures related to a selection of processes that contribute to the preparation of financial and accounting information (see section 6.5.5.4 below).

As part of the audits they perform, the internal auditors (i) assess the adequacy and appropriateness of the internal control procedures within the audit scope, (ii) verify that the relevant processes have been properly applied, and (iii) check the accuracy and reliability of the related test results.

INTERNAL AUDIT

The Internal Audit plan takes into account the Group's risk map. It is drawn up on an annual basis and revised whenever necessary. The internal auditors from the Audit and Internal Control Department conduct compliance work and other work aimed at identifying ways to improve the efficiency of the Group and of its entities, programs, projects and processes, by addressing four major risks: strategic, financial, non-compliance and operations.

The Internal Audit function therefore contributes to:

- identifying, assessing and dealing with risks, via analyses and observations made in relation to the audited entities as well as the ensuing recommendations issued and the follow-up of action plans;
- continuously improving the internal control system, thanks to internal control compliance audits aimed at ensuring that the organizational structures and procedures in place are adequate and efficient.

Internal Audit has been certified compliant with the international standards of the Institute of Internal Auditors.

6.5.5.4 Key players in internal control and risk management

THE BOARD OF DIRECTORS

The Board of Directors defines the primary features of the internal control and risk management systems, based on the recommendations of the Audit and Risk Committee.

The management executives of the first-tier entities assume full responsibility for the internal control systems implemented in their entities and in related second-tier entities; the system implemented must comply with the internal control principles determined by the Group.

The Economic and Financial Affairs Department

The Economic and Financial Affairs Department centralizes and coordinates financing, treasury, taxation, the budget process, reporting, accounts consolidation and risk management. It ensures compliance with the internal control procedures falling within the scope of its responsibilities. It also assists in carrying out any acquisitions and disposals decided by the Board of Directors.

The Corporate Secretary

The Audit and Internal Control Department reports to the Corporate Secretary.

DEPARTMENTS RESPONSIBLE FOR OVERSEEING THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Audit and Internal Control Department

The Audit and Internal Control Department contributes to the management of the Group's activities, the effectiveness of its operations, the efficient use of its resources and the appropriate consideration of material risks. Its main responsibilities are to:

- define and implement the annual audit plan;
- define, organize and coordinate the internal control system.

Taken together, these responsibilities aim at ensuring compliance with applicable laws and regulations, the application of instructions and strategies set by Executive Management, the proper functioning of internal processes, particularly those contributing to the safeguarding of its assets, and the reliability of financial information.

Risk and Insurance Department

The Risk and Insurance Department is responsible for defining the methods and criteria to be used to organize risk management. Its main responsibilities are as follows:

- identifying risks that could affect the strategy, earnings or image of the Group;
- defining and organizing risk and crisis management within the Group;
- ensuring the implementation of the PSIP Program (Proactive Safran's documents Integrity Program);
- identifying and setting up insurance policies for the Group, with the exception of personal insurance and loan insurance.

INSPECTION BODIES

The Audit and Risk Committee (Board Committee)

This Committee reviews:

- the financial statements and accounting procedures presented by Executive Management;
- the findings of audits and internal control procedures presented by the Audit and Internal Control Department;
- findings about the principal risks facing the Group presented by the Risk and Insurance Department;
- the results of the work carried out by the Statutory Auditors, whose independence it also verifies.

The report on internal control and risk management procedures is reviewed annually by the Audit and Risk Committee, then submitted for the formal approval of the Board of Directors.

The Group's Internal Control Guidelines are approved by the Chairman of the Audit and Risk Committee.

The Statutory Auditors

As part of the audit and certification of the parent company and consolidated financial statements, the Statutory Auditors examine the procedures of a certain number of company processes that contribute to the preparation of financial and accounting information. In particular, they base the work they conduct at selected entities on the Group's internal control framework.

They present their findings to the Board of Directors' Audit and Risk Committee.

The Statutory Auditors carry out the following as part of their work in this domain:

- review of documentation on controls performed by the companies;
- tests to verify the operational effectiveness of the procedures implemented;
- review of completed action plans;
- review of results of tests performed by the companies.

6.6 Statutory Auditors' report on the report prepared by the Chairman of the Board of Directors

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH THE ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE *(CODE DE COMMERCE),* ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SAFRAN

This is a free translation into English of a Statutory Auditors' report issued in French and it 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 standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of Safran and in accordance with Article L.225-235 of the French Commercial Code *(Code de commerce),* we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management and relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French commercial code, it being specified that it is not our responsibility to assess the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman of the Board's report in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report set out the other information required by Article L.225-37 of the French Commercial Code.

Courbevoie and Paris-La Défense, March 29, 2016

The Statutory Auditors

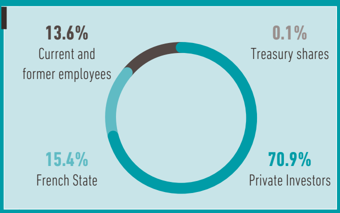
French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

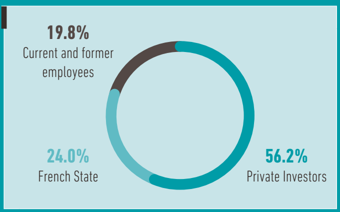
ZOOM

BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS (AS OF DECEMBER 31, 2015)

Share capital



Exercisable voting rights



GENERAL INFORMATION

The Company is registered with the Paris Trade and Companies Registry under number 562 082 909.

Safran's registered office is located at 2, boulevard du Général Martial-Valin, 75015 Paris, France.

SHARE CAPITAL (AS OF DECEMBER 31, 2015)

As of December 31, 2015, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

RELATIONS WITH SHAREHOLDERS

To ensure good relations with the financial community, the Financial Communications Department regularly organizes events to enable analysts and institutional investors to meet with Executive Management.

In addition to the Annual General Meeting, which is held in Paris every year, Safran organizes two meetings especially for individual shareholders, with a view to developing a close, trust-based relationship with them.

INDICES

Safran's share has been included in the CAC 40 index since September 19, 2011 and the Euro STOXX 50 index since September 21, 2015.

SAFRAN SHARE PRICE

Main stock market data over three years	2013	2014	2015
Number of shares as of December 31	**417,029,585**	**417,029,585**	**417,029,585**
Safran share price *(in €)*			
High	50.690	54.590	72.450
Low	32.760	43.240	50.620
Closing	50.510	51.250	63.370
Market capitalization as of December 31 *(in € millions)*	21,064	21,372	26,427

INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

7.1 General information and bylaws

7.1.1 General information

Corporate name

Safran.

Registered office

2, boulevard du Général Martial-Valin, 75015 Paris, France.

Tel.: +33 (0)1 40 60 80 80

Legal form

Safran is a French *société anonyme* (joint-stock corporation).

Registration

Safran is registered with the Paris Trade and Companies Registry under number 562 082 909.

Incorporation date and term

The Company was created on August 16, 1924.

The Company's term has been set at 99 years from the date of registration with the Trade and Companies Registry, i.e., expiring on August 28, 2023, unless said term is extended or the Company is wound up in advance.

Corporate purpose

Under Article 3 of the bylaws, the Company's purpose, in any and all countries, for its own account, on behalf of third parties, or directly or indirectly in conjunction with third parties, is to carry out research, design, development, testing, manufacturing, sales, maintenance and support operations for high-technology activities, and notably for:

- all aviation and Aerospace activities for the civilian and military markets, particularly those related to:
  - aviation and Aerospace Propulsion solutions, including the operation of systems that produce or use energy, and equipment designed to be used with such systems, and
  - equipment and sub-systems used in aircraft, helicopters, launch vehicles and missiles;
- all air, land and naval defense activities, particularly those related to:
  - optronics, avionics and navigation solutions and services, and
  - electronics and critical software for aerospace and defense applications;
- all Security activities, particularly those related to:
  - multi-biometric identification solutions, identity management solutions, smart cards and secure transactions, and
  - detection solutions for explosives and illicit substances;

and generally, to conduct any and all transactions of a commercial, industrial or financial nature or involving movable assets or real estate that relate directly or indirectly to the above corporate purpose or to anything incidental or conducive to the achievement of said corporate purpose.

Fiscal year

The fiscal year begins on January 1 and ends on December 31.

7.1.2 Principal provisions of the bylaws

7.1.2.1 Board of Directors

MEMBERSHIP STRUCTURE

Under the terms of Article 14 of the bylaws, the Company is administered by a Board of Directors with at least three and no more than thirteen members, including, where applicable, a representative appointed by the French State and/or Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government *ordonnance* (order) 2014-948 dated August 20, 2014 regarding the governance of companies in which the French State has a stake and regarding equity-related operations involving these companies.

The maximum number of thirteen Board members may be increased to allow for the inclusion of Directors representing employee shareholders, appointed as provided for in Article 14.8 of the bylaws, and Directors representing employees, appointed as provided for in Article 14.9 of the bylaws.

The Board of Directors appoints a Chairman and, if applicable, a Vice-Chairman from among its members, who must be individuals.

REPRESENTATIVES OF EMPLOYEE SHAREHOLDERS

The Safran Board of Directors includes two Directors representing employee shareholders, who were elected at the Annual General Meeting of April 21, 2011. Their terms of office expire at the close of the Annual General Meeting to be held on May 19, 2016. Following an application and selection process in accordance with Article 14.8 of the Company's bylaws, the Supervisory Boards of the corporate mutual funds representing the Company's employees recommended candidates for appointment as Directors representing employee shareholders. The candidates will be submitted for shareholder approval at the Annual General Meeting to be held on May 19, 2016 (see section 8.2.1).

REPRESENTATIVES OF EMPLOYEES

In accordance with the law on securing employment of June 14, 2013, the Safran Board of Directors includes two Directors representing employees, who were elected on November 20, 2014, under Article 14.9 of the Company's bylaws.

SHAREHOLDING

Under Article 14.5 of the bylaws, each member of the Board of Directors shall be required to own a certain number of shares in the Company for his or her entire term of office in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. As an exception, this shareholding obligation shall not apply to the representative of the French State and/ or Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government *ordonnance* (order) 2014-948 of August 20, 2014, or Directors representing employees or Directors representing employee shareholders. However, under Article 14.8 of the bylaws, each Director representing employee shareholders shall be required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership program – at least one share or a number of units in the fund equivalent to at least one share.

TERM OF OFFICE – AGE LIMIT

Members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting for a term of four years, ending at the close of the Ordinary Shareholders' Meeting held during the year in which their term of office expires in order to approve the financial statements for the previous year. Members of the Board of Directors may be re-appointed, it being specified that:

- the number of Directors (both individuals and permanent representatives of legal entities) over the age of 70 may not exceed one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- no Director over the age of 70 may be appointed if such appointment would raise the number of Directors over the age of 70 to more than one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- if the number of Directors over the age of 70 exceeds one quarter of the total number of Directors in office, and if no Director over the age of 70 resigns, the oldest Board member shall automatically be deemed to have resigned.

Article 15 of the bylaws stipulates that the duties of the Chairman and Vice-Chairman shall end no later than at the close of the first Ordinary Shareholders' Meeting following the date on which they reach the age of 75.

MEETINGS

Under the terms of Article 18 of the bylaws, the Board of Directors shall meet as often as required in the interests of the Company and at least four times a year. Meetings shall be called by the Chairman, or if he is unable to do so, by the Vice-Chairman.

If the Board has not met for more than two months, a group of at least one third of the Directors may ask the Chairman to call a meeting to discuss a specific agenda.

The Chief Executive Officer or the Deputy Chief Executive Officer(s) may also request that the Chairman call a Board meeting to consider a specific agenda.

In both of these cases the Chairman is bound by such requests and must call a Board meeting within seven days of receiving the request (or within a shorter timeframe in the event of urgency).

Board meetings shall only be validly constituted if at least half of the Directors are present.

Directors who participate in Board meetings by videoconference or any other telecommunications media that comply with the technical criteria set in the applicable laws and regulations shall be considered as being physically present for the purposes of calculating the quorum and voting majority, in accordance with the terms and conditions set out in the Board of Directors' Internal Rules.

Directors may give written proxy to another Director to represent them at Board meetings, provided that no Director holds more than one proxy at any single meeting.

POWERS

Under Article 19 of the bylaws, the Board of Directors shall determine the Company's overall business strategy and oversee its implementation. Except for those powers directly vested in shareholders, the Board shall be responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

Subject to the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules, the roles and responsibilities of the Board of Directors shall include, but shall not be limited to:

- calling the Annual Shareholders' Meeting and drawing up its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual management report;
- authorizing related-party agreements governed by Article L.225-38 of the French Commercial Code *(Code de commerce)*;
- selecting the Company's management structure;
- appointing and removing from office (i) the Chairman of the Board of Directors, and the Vice-Chairman (if any), and (ii) the Chief Executive Officer and, on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors and the Vice-Chairman (if any), and the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Audit and Risk Committee and the members of any other Board committees set up in accordance with the provisions of these bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees among the Board members, in accordance with the Board of Directors' Internal Rules;
- approving the report of the Chairman of the Board of Directors on the organization of the Board's work and internal control and risk management procedures;
- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board Advisors *(censeurs)*;
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees and endorsements, setting for each fiscal year:
  - an overall ceiling and, where appropriate,
  - a maximum amount per transaction;
- authorizing in advance any transactions that would result in exceeding the above-mentioned overall ceiling or maximum amount per transaction set by the Board.

In addition to the legal and regulatory requirements concerning prior authorizations that have to be obtained from the Board of Directors, a number of specific transactions also have to be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures of the Company and Group. These transactions are listed in the Board of Directors' Internal Rules.

The Board of Directors shall perform any checks and controls that it deems appropriate. Each Director shall be provided with all the information required to carry out his or her duties and may request any documents he or she deems useful.

ATTENDANCE FEES

Under Article 17 of the bylaws, at the Annual General Meeting, the Company's shareholders shall set an annual aggregate amount of attendance fees, effective for the current year and, if appropriate, subsequent years until the shareholders decide otherwise.

The Board of Directors shall allocate the attendance fees among its members as it deems fit, in accordance with the rules set out in the Board's Internal Rules.

BOARD ADVISORS

Under Article 20 of the bylaws, shareholders in an Ordinary General Meeting may appoint up to two Board Advisors to attend Board meetings in an advisory capacity. However, if the French State's interest in the Company's capital falls below 10%, the French State would automatically be entitled to appoint a Board Advisor and the maximum number would be increased to three. Board Advisors are appointed for four years and may be re-appointed. Any Board Advisor reaching the age of 70 shall be deemed to have resigned.

EXECUTIVE MANAGEMENT

Under Article 21 of the bylaws, the Company's management shall be placed under responsibility of either:

- the Chairman of the Board of Directors; or
- another individual appointed by the Board, who shall hold the title of Chief Executive Officer and who may or may not be a Director.

Under Article 22 of the bylaws, the Chief Executive Officer shall have the broadest powers to act in all circumstances in the Company's name. The Chief Executive Officer shall exercise these powers within the scope of the Company's corporate purpose and subject to:

- the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors; and
- any restrictions placed on his powers and any matters that require the prior approval of the Board of Directors in accordance with the Board of Directors' Internal Rules.

The Board of Directors shall determine compensation payable to the Chief Executive Officer and the length of his term of office. The age limit for the Chief Executive Officer is set at 65 years.

DEPUTY CHIEF EXECUTIVE OFFICER(S)

Under Article 23 of the bylaws, at the proposal of the Chief Executive Officer, the Board of Directors may appoint up to three Deputy Chief Executive Officers (who may or may not be Directors) to assist the Chief Executive Officer in his duties.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers vested in the Deputy Chief Executive Officer(s). The Board of Directors shall also set their compensation, in accordance with Article 24 of the bylaws.

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer with respect to third parties.

The age limit for holding office as Deputy Chief Executive Officer is set at 65 years.

7.1.2.2 General Shareholders' Meetings

CONVENING AND PARTICIPATING

General Shareholders' Meetings shall be called in accordance with the applicable laws and regulations.

Under Article 30 of the bylaws, all shareholders shall be entitled to vote at General Shareholders' Meetings in accordance with the terms and conditions set down by the applicable laws and regulations.

Proxy/postal voting forms for General Shareholders' Meetings may be sent in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

Where a shareholder electronically submits a proxy or postal voting form, the shareholder's signature must be a secure electronic signature or be subject to a reliable identification procedure to ensure signature security, for example by registering a unique identification code and password.

Shareholders who have not paid up the amounts due on their shares within 30 days of a notice to pay issued by the Company shall not be entitled to participate in General Shareholders' Meetings and the shares concerned shall be deducted from the total of the Company's outstanding shares for the purposes of calculating the quorum.

EXERCISING VOTING RIGHTS – DOUBLE VOTING RIGHTS – RESTRICTION ON VOTING RIGHTS

Under Article 31 of the bylaws, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or regulations.

The General Shareholders' Meeting of June 21, 1974 decided to allocate double voting rights in respect of all fully paid-up shares registered in the name of the same holder for at least two years (Article 31.8 of the bylaws).

In the event of a capital increase paid up by capitalizing retained earnings, profits or additional paid-in capital, the registered bonus shares allocated in respect of shares carrying double voting rights shall also carry double voting rights.

Double voting rights shall be forfeited if registered shares are converted into bearer shares or transferred. However, registered shares shall not be stripped of double voting rights and the qualifying period shall continue to run following a transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an inter vivos gift to a spouse or a relative in the direct line of succession.

Any merger or demerger of the Company shall have no impact on double voting rights, which may be exercised in the surviving company if its bylaws so provide.

In accordance with the law, double voting rights may not be abolished by the Extraordinary General Meeting unless this decision is first approved by a special meeting of holders of shares with double voting rights.

Under Article 31.12 of the bylaws, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself/herself and in the capacity as proxy for another shareholder that are attached to shares (i) that he/she holds directly or indirectly and (ii) that are owned by another shareholder for which he/she is acting as proxy.

For the purposes of these provisions:

- the total number of voting rights attached to the Company's shares taken into account shall be calculated as at the date of the General Shareholders' Meeting concerned and the shareholders shall be informed thereof at the start of the Meeting;
- the number of voting rights held directly or indirectly shall mean those voting rights attached to shares held by:
  - a private individual, either personally or as part of jointly-owned property, or
  - a company, group of entities, association or foundation;
- as well as voting rights attached to shares held by a company that is controlled – within the meaning of Article L.233-3 of the French Commercial Code – by a company, private individual, association, group of entities or foundation;
- the restrictions set out above shall not include voting rights exercised by the Chairman of a General Shareholders' Meeting when said voting rights are (i) attached to shares for which a proxy form has been returned to the Company without any named proxy, and (ii) do not individually infringe the specified restrictions.

The restrictions provided for above shall automatically become null and void, without the requirement for a new decision by shareholders in an Extraordinary General Meeting, in the event that an individual or entity – acting alone or in concert with one or more other individuals or entities – acquires an interest in the Company representing two-thirds of the Company's capital or voting rights following a public tender offer for all of the Company's shares.

7.1.2.3 Rights and restrictions attached to shares

Under Article 9 of the bylaws, fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion, subject to compliance with the provisions of the applicable laws and regulations and the Board of Directors' Internal Rules concerning the form of shares held by certain categories of shareholder.

Under Article 12 of the bylaws, each share shall entitle its holder to a proportion of the Company's profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.

Where a shareholder must own a specific number of shares to exercise a particular right, notably in the event of an exchange or allocation of shares, a stock split, reverse stock-split, a capital increase or reduction, a merger, demerger, partial asset transfer, dividend payment or any other corporate action, any shares held that fall below the required number shall not confer any rights on their holders with respect to the Company, and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares or rights, including through purchases or sales of shares or rights where required.

7.1.2.4 Conditions governing changes to share capital and shareholders' rights

The Company's bylaws do not require that the conditions to change share capital and shareholders' rights be more restrictive than prevailing legislation. These changes are subject to the approval of the shareholders at the Extraordinary Shareholders' Meeting deliberating in accordance with the rules of quorum and majority set out in the applicable laws and regulations.

7.1.2.5 Disclosure obligation in the event of exceeding the legal threshold for ownership

Under Article 13 of the bylaws, in addition to the disclosures required under the applicable laws and regulations when certain ownership thresholds are crossed, any person or legal entity, acting alone or in concert with others, that becomes the owner – directly or indirectly through one or more companies controlled by said person or entity within the meaning of Article L.233-3 of the French Commercial Code – of 1% or more of the Company's capital or voting rights or any multiple thereof, as calculated in accordance with Articles L.233-7 and L.233-9 of the French Commercial Code and the General Regulations of the French financial markets authority must notify the Company of the total number of shares and voting rights held as well as the total number of securities held that carry deferred rights to the Company's capital and the potential voting rights attached thereto.

Said notification shall be sent to the Company by registered letter with recorded delivery within four trading days of the relevant threshold being crossed.

The same disclosures are required – within the same timeframe and in accordance with the same conditions – in cases where a shareholder's interest falls below any of the thresholds referred to above.

The sanctions provided for by law in the event of a failure to comply with the disclosure requirements applicable when a legal threshold is crossed shall also apply if a shareholder does not comply with the disclosure requirements applicable in the bylaws, where requested by one or more shareholders holding at least 5% of the Company's capital or voting rights (with said request duly recorded in the minutes of the relevant General Shareholders' Meeting).

7.1.2.6 Provisions that could delay, postpone or prevent a change in control of the Company

The provisions of the bylaws or other contractual documents related to the Company that could delay, postpone or prevent a change in the Company's control are as follows: (i) the granting of double voting rights to any shareholder owning fully paid-up shares which the shareholder must prove have been registered in the name of the same shareholder for at least two years, (ii) the restriction on voting rights provided for by Article 31.12 of the bylaws, (iii) a three-way agreement with the French State (see section 7.1.4.2).

7.1.3 Information on investments

7.1.3.1 Direct and indirect investments as of December 31, 2015

The direct and indirect investments which meet the criteria defined by the European Securities and Markets Authority (ESMA) in its March 2013 recommendation are set out in section 3.1, Note 33 and section 3.3, Note 3.1.

7.1.3.2 Investments

In accordance with the provisions of Articles L.233-6 and L.247-1 of the French Commercial Code, in 2015 Safran acquired the following investments within the meaning of said Articles:

- acquisition of Airtag by Morpho;
- acquisition of a stake of around 5.8% in Tronic's Microsystems;
- acquisition by Safran Corporate Ventures of a stake of around 12.8% in Krono-Safe;
- acquisition by Snecma Participations of additional shares in Tarmac Aerosave SAS, increasing its stake from 20% to 32.78%;
- acquisition by Snecma Participations of a further interest in Tarmac SCI, increasing its stake from 14.75% to 23.98%.

7.1.4 Relations with related parties

The list of joint ventures and associates accounted for under the equity method is presented in Note 33 of section 3.1.

Quantified information on joint ventures is presented in Note 29 of section 3.1. Transactions with associates were not material in 2015 or 2014.

Information on management compensation is presented in Note 29 of section 3.1, Note 5.4 of section 3.3, and section 6.3.

Information on transactions with related parties other than joint ventures is presented in Note 29 of section 3.1.

7.1.4.1 Relations with the French State

In 2015, Safran generated adjusted revenue of €1,056 million with the French State and entities in which it has interests, primarily in military areas.

The Aerospace Propulsion business (see section 1.3.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects. It also powers strategic and tactical missiles.

The Aircraft Equipment business (see section 1.3.2), participates in the major French military aviation programs, primarily in terms of landing gear, brake and wiring systems.

The Defense and Security businesses (see sections 1.3.3 and 1.3.4), apply advanced technology across all defense and security areas (national defense and the security of private individuals, assets, transport and information systems) on behalf of French government agencies:

- inertia, for independent positioning, navigation and guidance systems for all types of vehicles and engines; inertia for flight command systems for helicopters;
- flight command systems for helicopters;
- optronics and signal processing for monitoring, observation, day/night imaging, warning and guidance systems;
- information technologies and systems integration;
- biometrics for police systems and border checkpoints (visas, passports);
- systems to ensure French territorial security and citizen safety.

7.1.4.2 Agreement with the French State relating to strategic assets and subsidiaries

In order to protect national interests and preserve national independence, and in the context of the proposed combination of Sagem and Snecma's businesses through the merger of these two companies, the French State informed these companies of its intention to exercise, in the context of the proposed transaction, its right to a "golden share" with regard to Snecma of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to a "golden share", the French State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of a "golden share" was entered into by Sagem and Snecma (now Safran) and the French State on December 21, 2004. The agreement, as amended or supplemented by the amendments of March 31, 2011, June 29, 2011, December 16, 2011, December 1, 2014, effective as of January 14, 2015, and December 17, 2014, provides, *inter alia*, 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 (Herakles, Microturbo, Airbus Safran Launchers Holding and Airbus Safran Launchers SAS) and subsidiaries holding assets with a connection to French combat aircraft engines;
- the French State shall have a prior right to approve or refuse the sale of certain military and aerospace assets identified as strategic, sensitive or defense-related, by entities of the Group, the transfer of securities of Herakles, Microturbo, Airbus Safran Launchers Holding (and its interests in Arianespace) and Airbus Safran Launchers SAS (and its interests in Europropulsion and Regulus), the acquisition of more than 33.33% or 50% of the capital or voting rights of companies in the Group holding strategic military or aerospace assets, and any projects granting special management rights or rights to information over the strategic military or aerospace assets or rights to be represented on the management bodies of Herakles, Microturbo, Airbus Safran Launchers Holding and Airbus Safran Launchers SAS, in which case, should the State not make known its decision within 30 business days, it shall be deemed to have approved the transaction;
- 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 military and aerospace assets, the State shall be entitled to purchase the securities and assets of the strategic subsidiaries Herakles, Microturbo, Airbus Safran Launchers Holding and Airbus Safran Launchers SAS at a price to be set by a panel of experts, in which case the parties shall enter into an agreement for the provision of services and the transfer of technology relating to the assets sold.

7.1.4.3 Other related-party agreements

The related-party agreement and commitments authorized and entered into in 2015 are presented in section 8.2.1 as well as in the Statutory Auditors' special report provided in section 8.6.1.

A new agreement, entitled "Arianespace Framework Protocol" was entered into with the French State on February 8, 2016 after being approved by the Board of Directors at its meeting on December 17, 2015. Details on this agreement are provided in section 8.2.1 and the Statutory Auditors' special report in section 8.6.1.

The related-party agreements and commitments authorized in previous years and which had continuing effect during this period, are presented in the Statutory Auditors' special report in section 8.6.1.

Safran did not authorize any other new related-party agreements and commitments between January 1, 2016 and the filing date of this Registration Document.

7.2 Information on share capital

7.2.1 Share capital

As of December 31, 2015, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up common shares with a par value of €0.20 each.

There were no changes to the amount or structure of the share capital during 2015 and up until the filing date of the Registration Document.

7.2.2 Authorizations granted to the Board of Directors

7.2.2.1 Authorizations granted by the Annual General Meeting to the Board of Directors with respect to share capital increases

The financial authorizations in force, already granted by shareholders to the Board of Directors, are summarized below.

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at December 31, 2015
Authorization for the Board of Directors to carry out a share buyback program	April 23, 2015 AGM (15th resolution) 18 months, i.e., until October 22, 2016	€3.3 billion 10% of the Company's capital	None
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders	April 23, 2015 AGM (18th resolution) 26 months, i.e., until June 22, 2017	€20 million(1)(3) €2 billion (debt securities)(2)	None
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a public offering	April 23, 2015 AGM (19th resolution) 26 months, i.e., until June 22, 2017	€8 million(1)(3) €1.3 billion (debt securities)(2)	None
Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offering initiated by the Company	April 23, 2015 AGM (20th resolution) 26 months, i.e., until June 22, 2017	€8 million(1)(3)(4) €1.3 billion (debt securities)(2)(5)	None
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code	April 23, 2015 AGM (21st resolution) 26 months, i.e., until June 22, 2017	€8 million(1)(3)(4) €1.3 billion (debt securities)(2)(5)	None **Amount remaining at March 30, 2016:** €650 million (see section 7.2.3.2)

(1) This amount is included in the €25 million sub-ceiling for capital increases set at the Annual Meeting of April 23, 2015 (25th resolution).

(2) This amount is included in the €2 billion sub-ceiling for debt securities set at the Annual General Meeting of April 23, 2015 (25th resolution).

(3) This amount is included in the €30 million blanket ceiling for capital increases set at the Annual General Meeting of April 23, 2015 (25th resolution).

(4) This amount is included in the €8 million sub-ceiling for capital increases without pre-emptive subscription rights set at the Annual General Meeting of April 23, 2015 (19th resolution).

(5) This amount is included in the €1.3 billion sub-ceiling for issues of debt securities without pre-emptive subscription rights set at the Annual General Meeting of April 23, 2015 (19th resolution).

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at December 31, 2015
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights	April 23, 2015 AGM (22nd resolution) 26 months, i.e., until June 22, 2017	15% of the original issue(6)	None
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital	April 23, 2015 AGM (23rd resolution) 26 months, i.e., until June 22, 2017	€12.5 million(3)	None
Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Group employee savings plan, without pre-emptive subscription rights for existing shareholders	April 23, 2015 AGM (24th resolution) 26 months, i.e., until June 22, 2017	1% of the Company's capital(3)	None
Blanket ceilings on authorizations to issue shares and/or other securities	April 23, 2015 AGM (25th resolution)	Sub-ceiling: €25 million for the 18th, 19th, 20th and 21st resolutions of the April 23, 2015 AGM. Sub-ceiling: €2 billion (debt securities) for the 18th, 19th, 20th and 21st resolutions of the April 23, 2015 AGM. Blanket ceiling of €30 million for the 18th, 19th, 20th, 21st, 23rd and 24th resolutions of the April 23, 2015 AGM	None

(3) This amount is included in the €30 million blanket ceiling for capital increases set at the Annual General Meeting of April 23, 2015 (25th resolution).

(6) The ceilings applicable to the 18th, 19th, 20th and 21st resolutions of the Annual General Meeting of April 23, 2015 still apply if the option provided for in the 22nd resolution is used.

The authorizations to increase the Company's capital granted to the Board of Directors by shareholders at the Annual General Meeting were not used in 2015.

The authorization to increase the Company's capital through a private placement granted to the Board of Directors in the 21st resolution of the April 23, 2015 Annual General Meeting was used in January 2016 to issue bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) (see section 7.2.3.2).

The other authorizations to increase the Company's capital granted to the Board of Directors by shareholders at the Annual General Meeting had not been used at the filing date of this Registration Document.

7.2.2.2 Authorizations submitted for approval at the Annual General Meeting of May 19, 2016

The authorizations submitted for approval at the Annual General Meeting of May 19, 2016 are described in section 8.2.5.

7.2.3 The Company's securities

7.2.3.1 Other securities not representing the Company's capital

Other securities issued by Safran not representing the Company's capital as of the date of this Registration Document are set out in section 3.1, Note 23, section 3.3, Note 3.9 and section 7.2.3.2.

7.2.3.2 Securities carrying rights to shares of the Company

As of December 31, 2015, there were no securities carrying immediate or deferred rights to shares of Safran.

Pursuant to the Board of Directors' decision of December 17, 2015 acting on the shareholder authorization granted in the 21st resolution of the Company's Annual General Meeting held on April 23, 2015, on January 5, 2016 Safran carried out an issue of "OCEANE" bonds maturing on December 31, 2020. The issue was carried out by way of a private placement in France and outside France – apart from in the USA, Canada, Australia and Japan – among persons or entities falling within the scope of Article L.411-2-II of the French Monetary and Financial Code. The placement corresponded to an amount of €649,999,950.60, represented by 7,277,205 bonds with a nominal unit value of €89.32. In the event that Safran decided to provide only new shares, the maximum dilution would be 1.7%. The terms and conditions of the placement are described in section 3.1, Note 32 and section 3.3, Note 5.6.

The reports of the Chief Executive Officer and the Statutory Auditors on the use of this authorization can be found in section 8.3 and section 8.6.3.

7.2.3.3 Ratings

Safran has not sought a rating from a financial rating agency. Moreover, to the best of the Company's knowledge, no unsolicited rating of Safran has been made by a financial rating agency.

7.2.4 History of the share capital since 2005

Date	Transaction	Safran share *(in €)*	Amount of share capital *(in €)*	Number of shares	Additional paid-in capital *(in € thousands)*
Situation as of December 31, 2015		0.20	83,405,917	417,029,585	3,288,568
May 11, 2005	Merger of Snecma into Sagem SA, now Safran	0.20	83,405,917	417,029,585	3,288,568
March 17, 2005	Settlement-delivery of Sagem shares exchanged as part of the Sagem public exchange offer for Snecma shares	0.20	73,054,834	365,274,170	3,214,696
Situation as of January 1, 2005		0.20	35,500,000	177,500,000	163,366

7.2.5 Pledging of shares

To the best of the Company's knowledge, 437,098 shares representing 0.11% of the share capital were pledged as of December 31, 2015, compared with 1,118,378 shares representing 0.27% of the share capital as of December 31, 2014.

7.2.6 Treasury shares

SITUATION AS OF DECEMBER 31, 2015

	Number of shares	% share capital	Carrying amount as of Dec. 31, 2015 *(in €)*	Total nominal value *(in €)*
Treasury shares, held directly	605,704	0.14	19,515,745	121,140.80
Treasury shares, held indirectly	-	-	-	-
TOTAL	**605,704**	**0.14**	**19,515,745**	**121,140.80**

7.2.7 Share buyback programs

The Annual General Meeting of April 23, 2015 by its 15th resolution authorized the Board of Directors, for a period of 18 months, to set up a share buyback program with the following primary characteristics:

Purpose of the program:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the French association of financial and investment firms (*Association Française des Marchés Financiers* – AMAFI), approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions; and
- for cancelation in accordance with the authorization granted in the 12th resolution of the Annual General Meeting of May 27, 2014.

Maximum percentage of share capital to be bought back:

- 10% of share capital.

Maximum purchase price per share:

- €80.

Total maximum amount that may be invested in the share buyback program:

- €3.3 billion.

As of April 23, 2015, this program superseded the previous program authorized by the Annual General Meeting of May 27, 2014 (9th resolution), with the same objectives, a maximum purchase price of €65 per share and a total maximum amount of €2.7 billion to be invested in the buyback program.

7.2.7.1 Treasury share transactions in 2015

LIQUIDITY AGREEMENT

The liquidity agreement has been managed by Oddo Corporate Finance since February 1, 2012.

SHARE BUYBACKS

In 2015, Safran purchased 2,734,658 treasury shares under a liquidity agreement (that complies with the AMAFI Code of Ethics) entered into with Oddo Corporate Finance:

- 600,031 shares were purchased between January 1 and April 23, 2015, at an average price of €59.26;
- 2,134,627 shares were purchased between April 24 and December 31, 2015, at an average price of €65.68.

SALES OF SHARES

In 2015, Safran sold 2,732,281 treasury shares under the abovementioned liquidity agreement:

- 633,236 shares were sold between January 1 and April 23, 2015, at an average price of €57.58;
- 2,099,045 shares were sold between April 24 and December 31, 2015, at an average price of €65.75.

CANCELATION OF SHARES

None.

DELIVERY OF FREE SHARES

None.

SITUATION AS OF DECEMBER 31, 2015

As of December 31, 2015, Safran directly held 605,704 of its own shares, representing 0.14% of its capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees: 518,604 shares, or 0.12% of the share capital;
- maintaining a liquid market in the Company's shares under the liquidity contract: 87,100 shares, or 0.02% of the share capital.

7.2.7.2 Description of the share buyback program to be approved by the Annual General Meeting of May 19, 2016

Under the 21st resolution, the Annual General Meeting of May 19, 2016, is invited to authorize a new share buyback program. Drafted in accordance with the provisions of Article 241-2 of the AMF's General Regulations, the program's description is presented below and will not be published separately pursuant to Article 241-3-III of said Regulations.

NUMBER OF SHARES AND PERCENTAGE OF SHARE CAPITAL HELD DIRECTLY OR INDIRECTLY BY THE COMPANY AS OF FEBRUARY 29, 2016

As of February 29, 2016, the Company directly held 650,104 Safran shares, representing 0.16% of the share capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees: 518,604 shares, representing 0.13% of the share capital;
- maintaining a liquid market in the Company's shares under the liquidity contract: 131,500 shares, representing 0.03% of the share capital.

OBJECTIVES OF THE SHARE BUYBACK PROGRAM

In accordance with EC Regulation 2273/2003 of December 22, 2003, in application of European Directive 2003/6/EC of January 28, 2003, the AMF's General Regulations and market practices permitted by the AMF, the objectives of the share buyback program to be approved by the Annual General Meeting of May 19, 2016 are to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the AMAFI, approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions;
- for cancelation, subject to the approval of the 22nd resolution at the Shareholders' Meeting of May 19, 2016.

The program is also design to enable any current or future market practices permitted by the AMF to be carried out and, more generally, to enable any other operations to be carried out in accordance with the applicable regulations. The Company will inform its shareholders in a press release prior to carrying out any such operations.

MAXIMUM PERCENTAGE OF SHARE CAPITAL, MAXIMUM NUMBER AND PURCHASE PRICE, AND CHARACTERISTICS OF THE SHARES THE COMPANY WISHES TO ACQUIRE

The number of shares that may be bought back under the program may not exceed 10% of the Company's total shares. This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity agreement, the number of shares included for the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the authorization period.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

As of December 31, 2015, the Company's capital was composed of 417,029,585 shares. Given the 605,704 shares already directly held by the Company at this date, the maximum number of shares the Company could acquire in connection with this buyback program would be 41,097,254 shares.

Shares may not be purchased at a price of more than €80 per share and the maximum amount that may be invested in the program is €3.3 billion.

The maximum number of shares and the maximum purchase price as indicated above may be adjusted to reflect the impact on the share price of any share capital transactions carried out by the Company.

SHARE BUYBACK PROGRAM PROCEDURES

Shares may be purchased, sold, or transferred in one or several transactions and by any method allowed under the laws and regulations applicable at the transaction date, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, except during, or in the run-up to, a public offer for the Company's shares.

TERM OF THE SHARE BUYBACK PROGRAM

This new share buyback program shall be valid for a period of 18 months as from the approval of the Annual General Meeting of May 19, 2016, i.e., until November 18, 2017 at the latest.

7.3 Share ownership

7.3.1 Breakdown of share capital and voting rights

Situation as of December 31, 2015

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2015:

	Shares		Exercisable voting rights		Theoretical voting rights[5]	
Shareholders	**Number**	**% capital**	**Number**	**%**	**Number**	**%**
Private investors[1]	269,107,703	64.53	274,840,066	51.29	274,840,066	51.24
French State	64,193,131	15.39	128,386,262	23.96	128,386,262	23.93
Employees' corporate mutual fund (FCPE)[2]	33,100,70	7.94	59,107,656	11.03	59,107,656	11.02
BlackRock, Inc.	26,538,434[3]	6.36	26,538,434	4.95	26,538,434	4.95
Club Sagem[4]	13,204,407	3.17	26,408,814	4.93	26,408,814	4.92
Current or former employees	10,280,036	2.47	20,549,701	3.84	20,549,701	3.83
Treasury shares, held directly	605,704	0.14	-	-	605,704	0.11
Treasury shares, held indirectly	-	-	-	-	-	-
TOTAL	**417,029,585**	**100.00**	**535,830,933**	**100.00**	**536,436,637**	**100.00**

(1) Less the shares and voting rights held by BlackRock, Inc, (see (3) below).

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

(3) Number of shares declared by BlackRock, Inc. at December 29, 2015 by letter received by the AMF on December 31, 2015 (AMF notification no. 215C2193).

(4) Club Sagem is a simplified corporation with variable share capital (société par actions simplifiée à capital variable) *whose corporate purpose is the acquisition and management of securities and whose portfolio comprises Safran shares and shares in other companies resulting from activities previously carried out by the Sagem group. At December 31, 2015, Club Sagem was held at 64.6% by current and former employees of the Group (current and former employees of Sagem), notably via a corporate mutual fund and at 35.4% by the Crédit Mutuel-CIC group.*

(5) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Article 223-11 of the AMF's General Regulations).

To the best of the Company's knowledge, no shareholder apart from those listed in the table above holds more than 5% of Safran's share capital or voting rights.

DOUBLE VOTING RIGHTS

As of December 31, 2015, 119,407,052 shares are entitled to double voting rights pursuant to Article 31.8 of the Company's bylaws.

The main Safran shareholders do not have different voting rights from those of other shareholders. Any shareholder may be entitled to double voting rights in accordance with the conditions stipulated in Article 31.8 of the Company's bylaws (see section 7.1.2.2).

7.3.2 Breakdown of share ownership by geographic origin

According to a survey on identifiable bearer shares carried out by Euroclear France, as of December 31, 2015, Safran's free-float shareholders break down as approximately 81% institutional investors, 6% index funds and other institutional holdings, 7% individual investors and 6% unidentified.

The breakdown of the institutional investors identified by geographic area is as follows: 42% were from North America, 26% were from the UK and Ireland, 16% were from France and 16% were from other countries.

Individual shareholders represent around 5% of Safran's share capital, the majority of them being French.

7.3.3 Change in the breakdown of share capital and voting rights over the last three years

Shareholders	December 31, 2013			December 31, 2014			December 31, 2015		
	Number of shares	% capital	% voting rights[3]	Number of shares	% capital	% voting rights[3]	Number of shares	% capital	% voting rights[3]
Private investors[1]	261,687,728	62.75	51.90	264,821,713	63.50	52.73	269,107,703	64.53	51.29
French State	93,440,227	22.41	25.68	91,693,131	21.99	25.47	64,193,131	15.39	23.96
Employees' corporate mutual fund (FCPE)[2]	32,570,174	7.81	11.30	34,262,121	8.22	11.82	33,100,170	7.94	11.03
BlackRock, Inc.	-[4]	-[4]	-[4]	-[4]	-[4]	-[4]	26,538,434[5]	6.36	4.95
Club Sagem	16,804,407	4.03	6.51	14,754,407	3.54	5.75	13,204,407	3.17	4.93
Current or former employees	11,945,945	2.86	4.61	10,894,886	2.61	4.23	10,280,036	2.47	3.84
Treasury shares, held directly	581,104	0.14	-	603,327	0.14	-	605,704	0.14	-
Treasury shares, held indirectly	-	-	-	-	-	-	-	-	-
TOTAL	**417,029,585**	**100.00**	**100.00**	**417,029,585**	**100.00**	**100.00**	**417,029,585**	**100.00**	**100.00**

(1) Less the shares and voting rights held by BlackRock, Inc, (see 7.3.1).
(2) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.
(3) Exercisable voting rights.
(4) Less than 5%.
(5) Number of shares declared by BlackRock, Inc. at December 29, 2015 by letter received by the AMF on December 31, 2015 (AMF notification no. 215C2193).

7.3.4 Disclosure thresholds

7.3.4.1 Significant movements during 2015

1. The French State:
   - following the off-market sale of 16,500,000 shares by way of a placement agreement guaranteed through an accelerated book building process, completed on March 3, 2015, fell below the 25% statutory threshold of voting rights and the 20% statutory threshold of share capital of the Company, as well as the 21%, 20% and 19% thresholds of share capital stipulated in the Company's bylaws and the 25%, 24% and 23% thresholds of voting rights stipulated in the Company's bylaws. The French State informed the Company of this movement by letter of March 5, 2015 and the AMF by letter received on March 5, 2015 (AMF notification no. 215C0289). The French State reported that it now holds 75,193,131 shares representing 114,193,131 voting rights, i.e., 18.03% of the capital and 22.25% of the voting rights of the Company;
   - exceeded, on July 24, 2015, the 25% statutory threshold of voting rights as well as the 23%, 24%, 25% and 26% thresholds of voting rights stipulated in the Company's bylaws as a result of double voting rights being granted to shares held in registered form for over two years. The French State informed the Company of this movement by letter of July 28, 2015 and the AMF by letter received on July 28, 2015 (AMF notification no. 215C1146). The French State reported that it now holds 75,193,131 shares representing 150,386,262 voting rights, i.e., 18.03% of the capital and 27.46% of the voting rights of the Company;
   - following the off-market sale of 11,000,000 shares by way of a placement agreement guaranteed through an accelerated book building process, completed on December 1, 2015, fell below the 25% statutory threshold of voting rights, as well as the 18%, 17% and 16% thresholds of share capital stipulated in the Company's bylaws and the 27%, 26%, 25% and 24% thresholds of voting rights stipulated in the Company's bylaws. The French State informed the Company of this movement by letter of December 3, 2015 and the AMF by letter received on December 3, 2015 (AMF notification no. 215C1873). The French State reported that it now holds 64,193,131 shares representing 128,386,262 voting rights, i.e., 15.39% of the capital and 23.92% of the voting rights of the Company.
2. BlackRock, Inc. reported, on behalf of the funds and accounts that it manages, that:
   - following the purchase of shares on the market and an increase in the number of Safran shares held as collateral, on November 6, 2015 it exceeded the 5% statutory threshold of share capital. BlackRock, Inc. informed the AMF of this movement by letter received on November 11, 2015 (AMF notification no. 215C1658) and reported that, at that date, it held 21,248,891 shares representing 5.10% of the capital and 3.87% of the voting rights of the Company;
   - following the purchase of shares on the market and an increase in the number of Safran shares held as collateral, on December 8, 2015 it exceeded the 5% statutory threshold of voting rights. BlackRock, Inc. informed the AMF of this movement by letter received on December 14, 2015 (AMF notification no. 215C2002) and reported that, at that date, it held 27,728,441 shares representing 6.65% of the capital and 5.06% of the voting rights of the Company;

- following the off-market sale and a reduction in the number of Safran shares held as collateral, on December 29, 2015 it fell below the 5% statutory threshold of voting rights. BlackRock, Inc. informed the AMF of this movement by letter received on December 31, 2015 (AMF notification no. 215C2193) and reported that, at that date, it held 26,538,434 shares representing 6.36% of the capital and 4.95% of the voting rights of the Company.

3. The Capital Group Companies, Inc. reported, on behalf of the funds and accounts that it manages, that:
   - following the purchase of shares on the market, it exceeded the 5% statutory threshold of share capital. The Capital Group Companies, Inc. informed the Company of this movement by letter of July 8, 2015 and the AMF by letter received on July 9, 2015 (AMF notification no. 215C1011) and reported that, at that date, it held 20,898,912 shares representing 5.01% of the capital and 4.08% of the voting rights of the Company;
   - following the sale of shares on the market, it fell below the 5% statutory threshold of share capital. The Capital Group Companies, Inc. informed the Company of this movement by letter of October 22, 2015 and the AMF by letter received on October 23, 2015 (AMF notification no. 215C1491) and reported that, at that date, it held 20,387,463 shares representing 4.89% of the capital and 3.72% of the voting rights of the Company.
4. Following the sale of shares on the market, Club Sagem fell below the 5% statutory threshold of voting rights. Club Sagem informed the Company of this movement on November 4, 2015 and the AMF by letter received on November 5, 2015 (AMF notification no. 215C1611). Club Sagem reported that it now holds 13,690,407 Safran shares representing 27,380,814 voting rights, i.e., 3.28% of the capital and 4.99% of the voting rights of the Company.
5. By letter of April 24, 2015, Lone Pine Capital LLC reported, on behalf of the funds that it manages, that following the acquisition of shares on April 23, 2015, it exceeded the 2% threshold of share capital stipulated in the Company's bylaws and that it held, at that date, 8,362,916 shares representing 2.01% of the capital and 1.63% of the voting rights of the Company.
6. Egerton Capital (UK) LLP reported, on behalf of the funds and accounts it manages:
   - by letter of August 17, 2015, that following the acquisition of shares, as of August 14, 2015 it exceeded the 2% threshold of share capital and voting rights stipulated in the Company's bylaws and that it held, at that date, 8,536,233 shares representing 2.04% of the capital and voting rights of the Company;
   - by letter of November 23, 2015, that following the sale of shares, on November 20, 2015 it fell below the 2% threshold of share capital and voting rights stipulated in the Company's bylaws and that, at that date, it held 8,318,949 shares representing 1.99% of the capital and voting rights of the Company.
7. Amundi Asset Management reported, under the combined voting right policy in place between the Amundi group's five fundamental asset management companies (Amundi Asset Management, Société Générale Gestion, Étoile Gestion, CPR Asset Management and BFT Gestion):
   - by letter of April 20, 2015, that it held 8,336,804 shares in its money-market funds, representing 1.99% of the capital, thus falling below the 2% threshold of share capital stipulated in the Company's bylaws;
   - by letter of December 29, 2015, that it held 3,336,048 shares in its money-market funds, representing 0.8% of the capital, thus falling below the 1% threshold of share capital stipulated in the Company's bylaws.
8. Harris Associates L.P. reported, on behalf of the funds and accounts that it manages:
   - by letter of January 16, 2015, that following the sale of shares on January 9, 2015, it had fallen below the 2% threshold of share capital stipulated in the Company's bylaws and that it held, at that date, 8,314,300 shares representing 1.99% of the capital of the Company. It also clarified that the shares held by Oakmark International Fund are included in the total reported by Harris Associates L.P. and that as of January 9, 2015 these shares represented 1.49% of the capital of the Company;
   - by letter of August 20, 2015, that following the sale of shares on August 14, 2015, it had fallen below the 1% threshold of voting rights stipulated in the Company's bylaws and that it held, at that date, 5,033,150 shares representing 0.98% of the voting rights of the Company;
   - by letter of August 28, 2015, that following the sale of shares on August 24, 2015, it had fallen below the 1% threshold of share capital stipulated in the Company's bylaws and that it held, at that date, 4,061,740 shares representing 0.97% of the capital of the Company.

7.3.4.2 Significant movements since January 1, 2016

The significant movements between January 1, 2016 and March 15, 2016 were as follows:

1. BlackRock, Inc. reported, on behalf of the clients and funds that it manages, that:
   - following the purchase of shares on the market and an increase in the number of Safran shares held as collateral, on December 30, 2015 it exceeded the 5% statutory threshold of voting rights. BlackRock, Inc. informed the AMF of this movement by letter received on January 4, 2016 (AMF notification no. 216C0014) and reported that, at that date, it held 27,075,586 shares representing 6.49% of the capital and 5.05% of the voting rights of the Company;
   - following the off-market sale and a reduction in the number of Safran shares held as collateral, on March 1, 2016 it fell below the 5% statutory threshold of voting rights. BlackRock, Inc. informed the AMF of this movement by letter received on March 7, 2016 (AMF notification no. 216C0623) and reported that, at that date, it held 26,738,608 shares representing 6.41% of the capital and 4.98% of the voting rights of the Company;
   - following the purchase of shares on the market and an increase In the number of Safran shares held as collateral, on March 2, 2016 it exceeded the 5% statutory threshold of voting rights. BlackRock, Inc. informed the AMF of this movement by letter received on March 8, 2016 (AMF notification no. 216C0626) and reported that, at that date, it held 27,532,226 shares representing 6.60% of the capital and 5.13% of the voting rights of the Company.
2. TCI Fund Management Limited reported, by letter of January 19, 2016, that it had fallen below the 2% threshold of share capital stipulated in the Company's bylaws and that it held 8,093,918 shares, representing 1.94% of the capital of the Company.

3. By letter of February 26, 2016, Lone Pine Capital LLC reported, on behalf of the funds that it manages, that following the acquisition of shares on February 25, 2016, it exceeded the 3% threshold of share capital stipulated in the Company's bylaws and that it held, at that date, 12,823,269 shares representing 3.07% of the capital and 2.39% of the voting rights of the Company.
4. By letter of February 29, 2016, Harris Associates L.P. reported, on behalf of the clients and funds that it manages, that following the acquisition of shares on February 25, 2016, it exceeded the 1% threshold of share capital stipulated in the Company's bylaws and held, at that date, 6,000,030 shares representing 1.12% of the Company's voting rights.
5. By letter of February 29, 2016, Egerton Capital (UK) LLP reported, on behalf of the clients and funds that it manages, that following the acquisition of shares, on February 26, 2016 it exceeded the 2% threshold of share capital stipulated in the Company's bylaws and held, at that date, 8,348,923 shares representing 2% of the Company's capital and voting rights.

7.3.4.3 Trigger level for mandatory bids – Grandfather clause

No shareholder benefits from a "grandfather" clause providing an exception from the legal trigger level for mandatory filing of a public offer.

The French State, a shareholder of the Company, benefited from a grandfather clause from February 2011 to March 2013 (described in section 7.3.4.3 of the 2013 Registration Document).

7.3.5 Control of the Company – shareholders' agreement

As of the date of filing of this Registration Document, no shareholder held, directly or indirectly, jointly or in concert with another shareholder, a percentage of voting rights conferring control of the Company.

To the best of the Company's knowledge, there are no current shareholder agreements relating to Safran shares.

7.3.6 Agreements whose implementation could lead to a change in control of the Company

To the best of the Company's knowledge, there are no agreements whose implementation at a later date could lead to a change in control of the Company.

Undertaking to hold securities

To the best of the Company's knowledge, there is no collective undertaking to hold securities relating to Safran shares.

7.3.7 Employee shareholders

7.3.7.1 Free share grants

The Board of Directors did not use the 26-month authorization approved by the 21st resolution of the Annual General Meeting of May 28, 2013 to make free grants of existing or newly-issued Safran shares. This authorization expired on July 27, 2015.

No authorizations for the Board of Directors to make free share grants of the Company's existing shares or shares to be issued were in force as of December 31, 2015 or the date of this Registration Document.

There is no free share grant plan in progress.

Safran affiliates have not granted free shares.

7.3.7.2 Other transactions

EMPLOYEE SHAREHOLDING TRANSACTIONS

Following the sale by the French State of 2.64% of the Company's share capital on December 1, 2015 (see section 7.3.4.1) in accordance with Article 31.2 of the French government *ordonnance* (order) 2014-948 of August 20, 2014, regarding the governance of companies in which the French State has a stake and regarding equity-related operations involving these companies, as amended by the French Act 2015-990 on Growth, Business and Equal Economic Opportunity of August 6, 2015, 1,222,222 additional shares representing 0.29% of the capital will be offered to current and former employees of Safran and its subsidiaries at a later date.

7.3.7.3 Stock options

The Board of Directors did not use the 26-month authorization approved by the 20th resolution of the Annual General Meeting of May 28, 2013 to give stock options granting entitlement to subscribe new shares of the Company or to purchase existing shares bought back by the Company. This authorization expired on July 27, 2015.

No authorizations for the Board of Directors to give stock options granting entitlement to subscribe for new shares of the Company or to purchase existing shares were in force as of December 31, 2015 or the date of this Registration Document.

There is no stock subscription or stock purchase option plan in progress.

Safran affiliates do not grant stock subscription or purchase options.

7.3.8 Temporary transfer of Safran shares

In accordance with French law, any individual or legal entity (with the exception of the investment services firms described in paragraph IV-3 of Article L.233-7 of the French Commercial Code) holding alone or in concert a number of shares representing more than 0.5% of the Company's voting rights pursuant to one or more temporary transfers or similar transactions within the meaning of Article L.225-126 of the aforementioned Code is required to notify the Company and the AMF of the number of shares owned on a temporary basis no later than the second business day preceding the Shareholders' Meeting at zero hours.

If no notification is sent, any shares acquired under a temporary transfer will be stripped of voting rights at the Shareholders' Meeting concerned and at any Shareholders' Meeting that may be held until such shares are resold or returned.

No disclosures of temporary transfers were made in 2015.

No disclosures of temporary transfers were made between January 1, 2016 and the date the Registration Document was filed.

7.4 Relations with shareholders

7.4.1 Accessible financial information

The following financial information and financial publications are available on the website at www.safran-group.com in the Finance section:

- the annual report (including the sustainable development report);
- the Registration Document (including the financial report) and the half-year financial report filed with the AMF;
- financial press releases and financial publications (results, Capital Markets Day, roadshow, etc.);
- documents relating to the Shareholders' Meeting;
- the shareholders' newsletter, the shareholders' guide, the site visit program.

The information can be mailed upon request from the Financial Communications Department.

7.4.2 Relations with institutional investors and financial analysts

To ensure good relations with the financial community, the Financial Communications Department regularly organizes events to enable analysts and institutional investors to meet with Executive Management.

Executive Management participated in conference calls during which it presented first-quarter and third-quarter revenue, first half and annual results for 2015 and answered questions from investors and analysts.

On March 14, 2016, Safran also held its Capital Markets Day (CMD) in London, open to analysts and investors. This event was led by the Chief Executive Officer, assisted by members of the Executive Committee and the Executive Management team.

At the CMD, the Group's management executives presented Safran's strategy, business model and innovation drive during plenary sessions which focused on civil engines and aircraft equipment.

To make the event accessible to the greatest number, the presentations were broadcast live and in full on a dedicated page of Safran's website. The broadcast and the related slides can be viewed at www.safran-group.com/finance.

In addition, throughout 2015, Executive Management and the Financial Communications Department participated in over 500 meetings and conference calls, in France and abroad, with portfolio managers and analysts. These regular contacts contribute to developing a relationship of trust.

The Safran share is monitored by more than 20 financial analysts.

7.4.3 Relations with individual shareholders

Safran organized two meetings especially for individual shareholders, with a view to developing a close, trust-based relationship with them. The first of these meetings was held in Annecy on September 29, 2015, and the second in Toulouse on December 1, 2015.

To further strengthen these relationships, Safran proposes industrial-site visits to members of the Shareholders' Club. Five half-day visits were organized in 2015 during which more than 75 people got an insider's view of the Group's business activities. The Group also organized a visit to the Palais Brongniart, the historical home of the Paris stock exchange, followed by an introduction to the stock market provided by the French financial training institute École de la Bourse.

7.4.4 Provisional shareholders' calendar

First-quarter 2016 revenue: April 26, 2016

Ordinary and Extraordinary General Meeting of Shareholders: May 19, 2016 at 2:00 p.m.

First-half 2016 results: July 29, 2016

7.4.5 Investor relations contacts

2, boulevard du Général Martial-Valin

75724 Paris Cedex 15 - France

Tel.: +33 (0)1 40 60 80 80

Investors and analysts

Email: investor.relation@safran.fr

Individual shareholders and Shareholders' Club

Toll-free number (France only): 0 800 17 17 17

Email: actionnaire.individuel@safran.fr

7.5 Stock market information

The Safran share (ISIN code: FR0000073272 – Ticker symbol: SAF) is listed on compartment A of the Euronext Paris Eurolist market and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

Since September 19, 2011, the Safran share has been included in the CAC 40, CAC 40 Equal Weight, CAC Large 60, SBF 120, CAC All-Tradable, CAC All-Share, CAC Industrials, CAC Aero. & Def., Euronext 100 and Euronext FAS IAS indices. Safran's share has been included in the LC 100 Europe index since March 21, 2011 and the Euro STOXX 50 index since September 21, 2015

Main stock market data over three years	2013	2014	2015
Number of shares as of December 31	**417,029,585**	**417,029,585**	**417,029,585**
Safran share price *(in €)*			
High	50.690	54.590	72.450
Low	32.760	43.240	50.620
Closing	50.510	51.250	63.370
Market capitalization as of December 31 *(in € millions)*	21,064	21,372	26,427

Change in share price from January 1, 2015 to February 29, 2016		Average share price* (in €)	High (in €)	Low (in €)	Average daily transactions (in number of shares)	Average market capitalization** (in € millions)
January	**2015**	55.499	60.000	50.620	1,027,681	23,145
February		60.825	63.500	58.620	759,880	25,366
March		65.487	68.470	62.580	1,140,624	27,310
April		67.479	70.720	64.090	859,073	28,141
May		65.293	67.590	62.560	799,308	27,229
June		62.363	65.290	59.720	1,091,166	26,007
July		63.092	68.960	58.940	999,012	26,311
August		68.597	71.350	60.190	1,159,155	28,607
September		67.725	71.060	65.440	2,429,062	28,243
October		69.314	72.450	65.980	1,544,949	28,906
November		68.315	70.990	65.480	1,235,208	28,489
December		63.871	68.760	60.890	1,247,727	26,636
January	**2016**	58.528	63.620	54.000	1,526,767	24,408
February		53.832	59.690	48.865	1,692,344	22,450

(*) Average closing price.
(**) Out of the 417,029,585 shares that comprised the share capital from January 1, 2015 to February 29, 2016. Source: Euronext.

ZOOM

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ORDINARY RESOLUTIONS, INCLUDING TWO NOT RECOMMENDED BY THE BOARD OF DIRECTORS (RESOLUTION A AND RESOLUTION B)

2

EXTRAORDINARY RESOLUTIONS

1

RESOLUTION CONCERNING POWERS TO CARRY OUT FORMALITIES

THE ANNUAL GENERAL MEETING WILL BE HELD ON MAY 19, 2016 AT DOCK PULLMAN (DOCKS DE PARIS, LA PLAINE SAINT-DENIS)

PROPOSED RESOLUTIONS

- Approval of the parent company and consolidated financial statements for the year ended December 31, 2015
- Appropriation of profit for the year and approval of the recommended dividend
- Related-party agreements and commitments
- Expiry of the terms of office of Directors representing employee shareholders – Appointment of Directors representing employee shareholders
- Expiry of the terms of the Statutory Auditors – Re-appointment
- Setting the amount of attendance fees to be allocated to the Board of Directors
- Authorization for the Board of Directors to carry out a share buyback program
- Advisory votes on the compensation due or awarded to the executive corporate officers
- Financial authorizations
- Grant of performance shares free of consideration
- Powers to carry out formalities

DIVIDEND

At the Annual General Meeting of May 19, 2016, the Board of Directors will recommend a dividend payment of €1.38 per share, representing a total payout of approximately €575.5 million (including the €0.60 million interim dividend paid in December 2015).

	2013	2014	2015
Dividend per share	€1.12	€1.20	€1.38

ANNUAL GENERAL MEETING OF MAY 19, 2016

8.1 Agenda

Ordinary resolutions

First resolution:	Approval of the parent company financial statements for the year ended December 31, 2015
Second resolution:	Approval of the consolidated financial statements for the year ended December 31, 2015
Third resolution:	Appropriation of profit for the year and approval of the recommended dividend
Fourth resolution:	Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Ross McInnes (Chairman of the Board of Directors) concerning a defined contribution supplementary pension plan and a personal risk insurance plan
Fifth resolution:	Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Ross McInnes (Chairman of the Board of Directors) concerning a defined benefit supplementary pension plan
Sixth resolution:	Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Philippe Petitcolin (Chief Executive Officer) concerning a defined contribution supplementary pension plan and a personal risk insurance plan
Seventh resolution:	Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Philippe Petitcolin (Chief Executive Officer) concerning a defined benefit supplementary pension plan
Eighth resolution:	Approval of a new credit facility agreement entered into with a pool of banks including BNP Paribas, governed by Article L.225-38 of the French Commercial Code
Ninth resolution:	Approval of a new agreement entered into with the French State on February 8, 2016, governed by Article L.225-38 of the French Commercial Code
Tenth resolution:	Appointment of Gérard Mardiné as a Director representing employee shareholders
Eleventh resolution:	Appointment of Eliane Carré-Copin as a Director representing employee shareholders
Resolution A:	Re-appointment of Marc Aubry as a Director representing employee shareholders **(resolution not recommended by the Board of Directors)**
Resolution B:	Appointment of Jocelyne Jobard as a Director representing employee shareholders **(resolution not recommended by the Board of Directors)**
Twelfth resolution:	Re-appointment of Mazars as a Statutory Auditor
Thirteenth resolution:	Re-appointment of Gilles Rainaut as an Alternate Auditor
Fourteenth resolution:	Re-appointment of Ernst & Young et Autres as a Statutory Auditor
Fifteenth resolution:	Re-appointment of Auditex as an Alternate Auditor
Sixteenth resolution:	Setting the amount of attendance fees to be allocated to the Board of Directors
Seventeenth resolution:	Advisory vote on the compensation due or awarded for the period from April 24 to December 31, 2015 to Ross McInnes, Chairman of the Board of Directors
Eighteenth resolution:	Advisory vote on the compensation due or awarded for the period from April 24 to December 31, 2015 to Philippe Petitcolin, Chief Executive Officer
Nineteenth resolution:	Advisory vote on the compensation due or awarded for the period from January 1 to April 23, 2015 to Jean-Paul Herteman, former Chairman and Chief Executive Officer
Twentieth resolution:	Advisory vote on the compensation due or awarded for the period from January 1 to April 23, 2015 to the former Deputy Chief Executive Officers
Twenty-first resolution:	Authorization for the Board of Directors to carry out a share buyback program

Extraordinary resolutions

Twenty-second resolution:	Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares
Twenty-third resolution:	Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Safran group entities, with a waiver of shareholders' pre-emptive subscription rights

Powers to carry out formalities

Twenty-fourth resolution:	Powers to carry out formalities

8.2 Report of the Board of Directors on the proposed resolutions and text of the proposed resolutions

The proposed resolutions that will be submitted for shareholder approval at Safran's Annual General Meeting on May 19, 2016 are presented below.

Each of the resolutions is preceded by an explanatory paragraph providing a description of the resolution and setting out the reasons why it is being proposed.

All of these explanatory paragraphs form the report of the Board of Directors. This report should be read in conjunction with the text of the proposed resolutions.

8.2.1 Ordinary resolutions

Approval of the parent company and consolidated financial statements for the year ended December 31, 2015

PRESENTATION OF THE 1ST AND 2ND RESOLUTIONS

Shareholders are invited to approve the parent company and consolidated financial statements for the year ended December 31, 2015 as well as the expenses incurred during the year that are not deductible for tax purposes (company vehicles).

- The parent company financial statements show that the Company ended 2015 with profit of €1,648 million.
- The consolidated financial statements show an attributable loss for the year amounting to €424 million (€1.02 per share).

TEXT OF THE FIRST RESOLUTION

Approval of the parent company financial statements for the year ended December 31, 2015

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the parent company financial statements, the shareholders approve the financial statements of the parent company for the year ended December 31, 2015 as presented – showing profit for the year of €1,648,209,396.95 – together with the transactions reflected in these financial statements and referred to in these reports.

Pursuant to Article 223 quater of the French Tax Code (*Code général des impôts*), the shareholders approve the non-deductible expenses governed by Article 39-4 of said Code, which totaled €80,270 and gave rise to a tax charge of €30,503.

TEXT OF THE SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2015

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements, the shareholders approve the consolidated financial statements for the year ended December 31, 2015 as presented, together with the transactions reflected in these financial statements and referred to in these reports.

Appropriation of profit for the year and approval of the recommended dividend

PRESENTATION OF THE 3RD RESOLUTION

The Company's distributable profit for 2015 totals €2,032 million, breaking down as €1,648 million in profit for the year plus €384.3 million in retained earnings brought forward from the previous year.

The Board of Directors is recommending a total dividend payout of €575.5 million, representing a per-share dividend of €1.38, up 15% on 2014. In line with the Group's practice, this dividend payout represents approximately 40% of adjusted profit for the year.

An interim dividend of €0.60 per share was paid on December 23, 2015 with the ex-dividend date having been set as December 21, 2015. If the 3rd resolution is approved, the ex-dividend date for the balance of the 2015 dividend – corresponding to €0.78 per share – will be set as May 23, 2016 and the dividend payment will be made on May 25, 2016.

The remaining €1,457 million of distributable profit would be allocated to retained earnings.

Individual shareholders domiciled for tax purposes in France are eligible for 40% tax relief on the full amount of their interim dividend, as provided for under Article 158, 3-2° of the French Tax Code.

They also qualify for this 40% tax relief on the full amount of the balance of the dividend payment.

TEXT OF THE THIRD RESOLUTION

Appropriation of profit for the year and approval of the recommended dividend

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and based on the Board of Directors' recommendation, the shareholders' resolve to appropriate profit for the year ended December 31, 2015 as follows:

◆ Profit for 2015	€1,648,209,396.95
◆ Retained earnings(1)	€384,289,050.29
◆ Profit available for distribution	€2,032,498,447.24
Appropriation:	
◆ Dividend	€575,500,827.30
◆ Retained earnings	€1,456,997,619.94

(1) Including €723,911.44 corresponding to the 2014 dividend due on shares held in treasury at the dividend payment date.

Accordingly, the dividend paid will be €1.38 per share.

An interim dividend of €0.60 per share was paid on December 23, 2015. The ex-dividend date for the remaining payout of €0.78 per share will be May 23, 2016, and the dividend will be paid on May 25, 2016.

Individual shareholders domiciled for tax purposes in France are eligible for 40% tax relief on the full amount of their interim dividend and the remainder of the dividend, as provided for under Article 158, 3-2° of the French Tax Code.

The shareholders resolve that dividends not payable on shares held in treasury will be credited to retained earnings.

The shareholders note that dividends paid for the past three years were as follows:

Year	Number of shares carrying dividend rights(1)	Net dividend per share	Total payout(5)
2014	416,459,463(2)	€1.20	€499,711,590.56
2013	416,450,981(3)	€1.12	€466,423,898.72
2012	416,463,366(4)	€0.96	€399,645,083.40

(1) Total number of shares making up the Company's capital (417,029,585) less the number of Safran shares held in treasury at the dividend payment date.
(2) An interim dividend (€0.56) was paid on 416,388,454 shares and the remainder of the dividend (€0.64) was paid on 416,459,463 shares.
(3) An interim dividend (€0.48) was paid on 416,448,481 shares and the remainder of the dividend (€0.64) was paid on 416,450,981 shares.
(4) An interim dividend (€0.31) was paid on 415,948,050 shares and the remainder of the dividend (€0.65) was paid on 416,463,366 shares.
(5) Fully eligible for the 40% tax relief provided for under Article 158, 3-2° of the French Tax Code.

Related-party commitments

PRESENTATION OF THE 4TH, 5TH, 6TH AND 7TH RESOLUTIONS

The 4th, 5th, 6th and 7th resolutions concern related-party commitments governed by Articles L.225-38 and L.225-42-1 of the French Commercial Code *(Code de commerce)* given in 2015, as described in the Statutory Auditors' special report (see section 8.6.1 of the 2015 Registration Document).

Related-party commitments given to executive corporate officers correspond to benefits due or potentially due (i) as a result of the termination or a change in their duties, and (ii) in relation to pension plans and personal risk insurance. The Company gave a number of commitments relating to pension plans and personal risk insurance that were subject to this procedure in 2015.

4th and 5th resolutions – Commitments given to the Chairman of the Board of Directors

Personal risk insurance plan and defined contribution supplementary pension plan (4th resolution)

Prior to his appointment as Chairman of the Board of Directors, in his capacity as a Company employee, and then as Deputy Chief Executive Officer, Ross McInnes was a beneficiary under the personal risk insurance plan and defined contribution supplementary pension plan set up for all Safran group managerial-grade staff, subject to the same terms and conditions as the other plan members. The personal risk insurance plan includes the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015.

At its meeting on April 23, 2015, having appointed Ross McInnes as Chairman of the Board of Directors, the Board decided to authorize him to continue to be a beneficiary under these plans, subject to the same terms and conditions as the other plan members.

The contributions to the plans are based on the compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors.

Between April 24 and December 31, 2015, the corresponding expenses recorded in Safran's financial statements totaled €4,413 for the personal risk insurance plan and €4,895 for the defined contribution supplementary pension plan.

Shareholders are invited to approve this related-party commitment in the 4th resolution.

Defined benefit supplementary pension plan (5th resolution)

Prior to his appointment as Chairman of the Board of Directors, in his capacity as a Company employee, and then as Deputy Chief Executive Officer, Ross McInnes was a beneficiary under the defined benefit supplementary pension plan set up for executive managers within the Group, subject to the same terms and conditions as the other plan members.

At its April 23, 2015 meeting, the Board of Directors decided to authorize Ross McInnes to continue to be a beneficiary under this plan, subject to the same terms and conditions as the other plan members. The methods used to calculate the benefits payable to Mr. McInnes under the plan are exactly the same as those used for the other plan members, namely:

- The amount of the benefits will be calculated based on the average compensation over the last three years before retirement and will take into account the seniority of the beneficiary concerned within the category of top executives (*hors statut*) and officers (with at least five years of service), and will be equal to 1.8% of this reference compensation per year of seniority, capped at 18%.
- The total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation.
- The annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid (the applicable ceiling in 2016 is €38,616).
- The payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules, having completed the required number of working years.

Accordingly, the potential annual retirement benefits to which Ross McInnes would be entitled under this plan in his capacity as Chairman of the Board of Directors, provided he meets the above conditions, would be capped at three times the annual social security ceiling, i.e., €115,848 based on the ceiling applicable in 2016.

Shareholders are invited to approve this related-party commitment in the 5th resolution.

6th and 7th resolutions – Commitments given to the Chief Executive Officer

Personal risk insurance plan and defined contribution supplementary pension plan (6th resolution)

Prior to his appointment as Chief Executive Officer, in his capacity as a Company employee, Philippe Petitcolin was a beneficiary under the personal risk insurance plan and defined contribution supplementary pension plan set up for all Safran group managerial-grade staff, subject to the same terms and conditions as the other plan members. The personal risk insurance plan includes the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015.

At its meeting on April 23, 2015, having appointed Philippe Petitcolin as Chief Executive Officer, the Board decided to authorize him to continue to be a beneficiary under these plans, subject to the same terms and conditions as the other plan members.

The contributions to the plans are based on the compensation (annual fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

Between April 24 and December 31, 2015, the corresponding expenses recorded in Safran's financial statements totaled €4,413 for the personal risk insurance plan and €18,752 for the defined contribution supplementary pension plan.

Shareholders are invited to approve this related-party commitment in the 6th resolution.

Defined benefit supplementary pension plan (7th resolution)

Prior to his appointment as Chief Executive Officer, in his capacity as a Company employee, Philippe Petitcolin was a beneficiary under the defined benefit supplementary pension plan set up for executive managers within the Group, subject to the same terms and conditions as the other plan members.

At its April 23, 2015 meeting, the Board of Directors decided to authorize Philippe Petitcolin to continue to be a beneficiary under this plan subject to the same terms and conditions as the other plan members. The methods used to calculate the benefits payable to Mr. Petitcolin under the plan are exactly the same as those used for the other plan members (see presentation of the 5th resolution above).

Accordingly, the potential annual retirement benefits to which Philippe Petitcolin would be entitled under this plan in his capacity as Chief Executive Officer, provided he meets the above conditions, would be capped at three times the annual social security ceiling, i.e., €115,848 based on the ceiling applicable in 2016.

Shareholders are invited to approve this related-party commitment in the 7th resolution.

TEXT OF THE FOURTH RESOLUTION

Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Ross McInnes (Chairman of the Board of Directors) concerning a defined contribution supplementary pension plan and a personal risk insurance plan

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party commitments governed by Article L.225-42-1 of the French Commercial Code, the shareholders approve (i) the commitment described therein given to Ross McInnes (Chairman of the Board of Directors) concerning his continued membership of the Group personal risk insurance plan and defined contribution supplementary pension plan, and (ii) the related provisions of said report.

TEXT OF THE FIFTH RESOLUTION

Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Ross McInnes (Chairman of the Board of Directors) concerning a defined benefit supplementary pension plan

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party commitments governed by Article L.225-42-1 of the French Commercial Code, the shareholders approve (i) the commitment described therein given to Ross McInnes (Chairman of the Board of Directors) concerning his continued membership of the Group defined benefit supplementary pension plan, and (ii) the related provisions of said report.

TEXT OF THE SIXTH RESOLUTION

Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Philippe Petitcolin (Chief Executive Officer) concerning a defined contribution supplementary pension plan and a personal risk insurance plan

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party commitments governed by Article L.225-42-1 of the French Commercial Code, the shareholders approve (i) the commitment described therein given to Philippe Petitcolin (Chief Executive Officer) concerning his continued membership of the Group personal risk insurance plan and defined contribution supplementary pension plan, and (ii) the related provisions of said report.

TEXT OF THE SEVENTH RESOLUTION

Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Philippe Petitcolin (Chief Executive Officer) concerning a defined benefit supplementary pension plan

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party commitments governed by Article L.225-42-1 of the French Commercial Code, the shareholders approve (i) the commitment described therein given to Philippe Petitcolin (Chief Executive Officer) concerning his continued membership of the Group defined benefit supplementary pension plan, and (ii) the related provisions of said report.

Related-party agreements

PRESENTATION OF THE 8TH AND 9TH RESOLUTIONS

In the 8th and 9th resolutions, shareholders are asked to approve related-party agreements governed by Article L.225-38 of the French Commercial Code, as described in the Statutory Auditors' special report (see section 8.6.1 of the 2015 Registration Document).

Related-party agreements include agreements – other than those falling within the scope of routine operations – that are entered into between the Company and (i) any companies with which it has a member of management in common, or (ii) a shareholder owning more than 10% of the Company's voting rights.

APPROVAL OF A NEW CREDIT FACILITY AGREEMENT ENTERED INTO WITH A POOL OF BANKS INCLUDING BNP PARIBAS

Director concerned: Monique Cohen, a Director of Safran and a Director of BNP Paribas.

An agreement related to setting up a revolving credit facility 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 15 banks, including BNP Paribas, whose proportion of the facility is the same as that of the other banks which are parties to the agreement.

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 its two existing €1,600 million and €950 million facilities (which had shorter terms than the new facility), the Group was able to take advantage of the current favorable market interest rates.

During 2015, a €540,000 expense was recorded in Safran's financial statements corresponding to BNP Paribas' share of the participation and arrangement fee for the facility.

Shareholders are invited to approve this related-party agreement in the 8th resolution.

APPROVAL OF A NEW RELATED-PARTY AGREEMENT ENTERED INTO WITH THE FRENCH STATE ON FEBRUARY 8, 2016, GOVERNED BY ARTICLE L.225-38 OF THE FRENCH COMMERCIAL CODE

Directors concerned:

- *Astrid Milsan, representing the French State (shareholder);*
- *Patrick Gandil, Director put forward by the French State (shareholder);*
- *Vincent Imbert, Director put forward by the French State (shareholder).*

Shareholder concerned: the French state (shareholder owning more than 10% of the Company's voting rights).

On February 8, 2016, CNES, the French State and Airbus Safran Launchers Holding (ASLH – a joint venture by Safran and Airbus Group SE), in the presence of Airbus Group SE and Safran, signed the "Arianespace Framework Protocol".

Prior approval to sign this protocol was granted to Safran by the Board of Directors on December 17, 2015.

The protocol relates to the buying back by ASLH of Arianespace shares and Ariane brand names held by CNES. It establishes the principal terms and conditions of the sale to ASLH of Arianespace shares held by CNES, as well as the parties' declarations and commitments. In its capacity as a shareholder of ASLH, Safran undertakes to ensure that ASLH fully complies with said agreement.

The protocol, including Safran's commitment, would provide for a new operating framework for European launchers.

Subject to the various conditions precedent common to such transactions, the protocol would come into force at the same time as agreements relating to the second phase of the merging of Safran and Airbus space launcher activities, announced on June 16, 2014 and leading to the creation of ASLH (see section 2.1.3.1 of the 2015 Registration Document).

Shareholders are invited to approve this related-party agreement in the 9th resolution.

TEXT OF THE EIGHTH RESOLUTION

Approval of a new credit facility agreement entered into with a pool of banks including BNP Paribas, governed by Article L.225-38 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party agreements governed by Article L.225-38 of the French Commercial Code, the shareholders approve (i) the findings of said report, and (ii) the new agreement entered into during 2015 described therein, namely a credit facility agreement signed with a pool of banks including BNP Paribas.

TEXT OF THE NINTH RESOLUTION

Approval of a new related-party agreement entered into with the French State on February 8, 2016, governed by Article L.225-38 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party agreements governed by Article L.225-38 of the French Commercial Code, the shareholders approve the conclusions of this report and the related-party agreement entered into with the French State (Arianespace Framework Protocol) on February 8, 2016 described therein.

Appointment of Directors representing employee shareholders

PRESENTATION OF THE 10TH AND 11TH RESOLUTIONS AND RESOLUTION A AND RESOLUTION B

In accordance with the applicable law and Article 14.8 of Safran's bylaws, if the report presented by the Board at the Annual General Meeting shows that the shares held by employees of the Company – or of companies related to it within the meaning of Article L.225-180 of the French Commercial Code – represent more than 3% of the share capital, then one or more Directors representing employee shareholders must be appointed at an Ordinary General Meeting.

Safran's Board of Directors includes two employee shareholder representatives (Marc Aubry and Christian Halary) who were appointed at the Annual General Meeting held on April 21, 2011. The terms of office of these two Directors are due to expire at the close of the Annual General Meeting of May 19, 2016 and shareholders therefore need to be consulted at that meeting on the appointment of Directors representing employee shareholders.

In accordance with the procedure specified in the Company's bylaws, prior to this Annual General Meeting, the Chairman of the Board of Directors contacted the Supervisory Boards of the corporate mutual funds set up as part of the Group's employee share ownership program – whose investments mainly comprise shares in the Company – in order to carry out a consultation procedure with the members of the corporate mutual funds with a view to nominating candidates to be put forward for appointment as Directors representing employee shareholders.

Following a call for applications, the Supervisory Boards of the corporate mutual funds met on January 13, 2016 in order to nominate one or more candidates from among their titular members.

The following four candidates were duly nominated:

- Gérard Mardiné, Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund;
- Eliane Carré-Copin, titular member of the Supervisory Board of the Safran Investissement corporate mutual fund;
- Marc Aubry (Director representing employee shareholders since April 21, 2011), titular member of the Supervisory Board of the Safran Investissement corporate mutual fund; and
- Jocelyne Jobard, titular member of the Supervisory Boards of the Sagem Interfond and Avenir Sagem corporate mutual funds.

Each of these nominations is valid in terms of the law and the Company's bylaws and therefore must be submitted to shareholders at the Annual General Meeting.

However, the Board of Directors considers that, in order for the Board to maintain a balanced membership structure, there should be no more than two Directors representing employee shareholders.

Consequently, shareholders are asked to note that **only two of the four nominations are being recommended by Safran's Board of Directors, namely those of Gérard Mardiné and Eliane Carré-Copin.**

The Board selected these two nominations because they represent the largest number of employee shareholders who own units in the corporate mutual funds, i.e. they are the employee shareholders who received the largest number of favorable votes from the corporate mutual funds that hold the largest percentage of the Company's share capital.

Gérard Mardiné was selected by all of the corporate mutual funds concerned and Eliane Carré-Copin by those that hold the most Safran shares. In addition, Eliane Carré-Copin's election as a Director would increase the proportion of women on the Board.

Therefore, at the May 19, 2016 Annual General Meeting the Board of Directors is inviting shareholders to:

- appoint Gérard Mardiné and Eliane Carré-Copin as Directors representing employee shareholders for a four-year term expiring at the close of the 2020 Annual General Meeting to be held to approve the financial statements for 2019, **by voting for the 10th and 11th resolutions;**
- reject the nominations of Marc Aubry (who is standing for re-appointment) and Jocelyne Jobard, **by voting against Resolution A and Resolution B.**

TEXT OF THE TENTH RESOLUTION

Appointment of Gérard Mardiné as a Director representing employee shareholders

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders appoint Gérard Mardiné as a Director representing employee shareholders to replace Christian Halary whose term of office is due to expire at the close of this Meeting.

Gérard Mardiné is appointed for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2019.

TEXT OF THE ELEVENTH RESOLUTION

Appointment of Eliane Carré-Copin as a Director representing employee shareholders

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders appoint Eliane Carré-Copin as a Director representing employee shareholders for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2019.

TEXT OF RESOLUTION A

Re-appointment of Marc Aubry as a Director representing employee shareholders

(resolution not recommended by the Board of Directors)

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Marc Aubry as a Director representing employee shareholders, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2019.

TEXT OF RESOLUTION B

Appointment of Jocelyne Jobard as a Director representing employee shareholders

(resolution not recommended by the Board of Directors)

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders appoint Jocelyne Jobard as a Director representing employee shareholders, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2019.

Re-appointment of the Company's Statutory and Alternate Auditors

PRESENTATION OF THE 12^{TH}, 13^{TH}, 14^{TH} AND 15^{TH} RESOLUTIONS

The terms of office of the Company's current Statutory and Alternate Auditors are due to expire at the close of the Annual General Meeting of May 19, 2016.

The purpose of the 12^{th}, 13^{th}, 14^{th} and 15^{th} resolutions is to re-appoint all of the current Statutory and Alternate auditors, namely:

- Mazars as Statutory Auditor, with Gilles Rainaut as Alternate Auditor;
- Ernst & Young et Autres as Statutory Auditor, with Auditex as Alternate Auditor.

This recommendation by the Board results from a structured validation process launched in July 2015 by the Audit and Risk Committee, which involved (i) assessing the work carried out by the Auditors during their terms of office and noting the quality of the services provided, (ii) analyzing whether it was necessary to seek alternative offers from other Auditors, and (iii) validating an audit plan for the Auditors' new term of office (2016-2021), which includes an audit approach adapted to the Group's developments. Once this process was completed, the Audit and Risk Committee recommended to the Board of Directors that the terms of office of all of the Company's current Statutory and Alternate Auditors be renewed.

In accordance with the law, the terms of the Statutory and Alternate Auditors would be renewed for a six-year period, expiring at the close of the Annual General Meeting to be held to approve the 2021 financial statements.

TEXT OF THE TWELFTH RESOLUTION

Re-appointment of Mazars as a Statutory Auditor

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders resolve to re-appoint Mazars as a Statutory Auditor for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2021.

TEXT OF THE THIRTEENTH RESOLUTION

Re-appointment of Gilles Rainaut as an Alternate Auditor

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders resolve to re-appoint Gilles Rainaut as an Alternate Auditor for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2021.

TEXT OF THE FOURTEENTH RESOLUTION

Re-appointment of Ernst & Young et Autres as a Statutory Auditor

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders resolve to re-appoint Ernst & Young et Autres as a Statutory Auditor for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2021.

TEXT OF THE FIFTEENTH RESOLUTION

Re-appointment of Auditex as an Alternate Auditor

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders resolve to re-appoint Auditex as an Alternate Auditor for a six-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2021.

Attendance fees

PRESENTATION OF THE 16TH RESOLUTION

Shareholders are invited to set the aggregate amount of attendance fees to be allocated among the members of the Board of Directors at €1,000,000. This aggregate amount would apply for 2016 and subsequent years, until amended by a further decision by shareholders in a General Meeting.

The increase compared with the amount set in 2014 is intended to enable Safran to offer its Directors average attendance fees that are more in line with the practices of comparable French companies and therefore to continue to be able to attract Board members of the highest quality. Based on this total, the average theoretical amount allocated to each Director would be €59,000 (compared with €51,000 in 2015 based on an aggregate of €868,000 for that year), assuming that the full amount of attendance fees available is allocated.

Lastly, in parallel with this proposal, the Board of Directors has amended the rules for allocating attendance fees between Directors, by giving a greater weighting to the variable portion based on Directors' attendance at meetings of the Board and Board Committees and taking into account their actual related workload. These rules are presented in section 6.3.7 of the 2015 Registration Document.

TEXT OF THE SIXTEENTH RESOLUTION

Setting the amount of attendance fees to be allocated to the Board of Directors

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the report of the Board of Directors, the shareholders set at €1,000,000 the total maximum annual amount of attendance fees to be allocated among members of the Board of Directors for 2016 and each subsequent year, until the shareholders decide otherwise.

Advisory votes on the compensation due or awarded for 2015 to the executive corporate officers ("Say on Pay")

PRESENTATION OF THE 17TH, 18TH, 19TH AND 20TH RESOLUTIONS

Safran bases its corporate governance framework on the Corporate Governance Code for Listed Corporations published by the AFEP and MEDEF, as revised in November 2015 (hereinafter the "AFEP-MEDEF Code"). Article 24.3 of said Code provides that the "*Company's board must present the compensation of Executive Directors at the Annual General Meeting. This presentation must cover the elements of the compensation due or awarded for the previous financial year to each Executive Director, including:*

- *the fixed portion;*
- *the annual variable portion, and where applicable, the multi-annual variable portion, with a description of the objectives used to determine this variable portion;*
- *extraordinary compensation;*
- *stock options, performance shares and any other long-term compensation;*
- *benefits related to taking up or terminating office;*
- *supplementary pension plans;*
- *any other benefits."*

The AFEP-MEDEF Code recommends that this presentation be followed by a shareholder advisory vote, with separate resolutions presented for the Chairman of the Board and the Chief Executive Officer and a single resolution covering the Deputy Chief Executive Officers.

In accordance with these recommendations, the following four resolutions are being presented to shareholders in view of the change in the Company's governance structure that took place on April 23, 2015:

- in the 17th resolution, shareholders are invited to give an advisory vote on the components of compensation due or awarded for the period from April 24 to December 31, 2015 to Ross McInnes, Chairman of the Board of Directors;
- in the 18th resolution, shareholders are invited to give an advisory vote on the components of compensation due or awarded for the period from April 24 to December 31, 2015 to Philippe Petitcolin, Chief Executive Officer;
- in the 19th resolution, shareholders are invited to give an advisory vote on the components of compensation due or awarded for the period from January 1 to April 23, 2015 to Jean-Paul Herteman, the Company's former Chairman and Chief Executive Officer;
- in the 20th resolution, shareholders are invited to give an advisory vote on the components of compensation due or awarded for the period from January 1 to April 23, 2015 to the Company's former Deputy Chief Executive Officers.

17TH RESOLUTION – ADVISORY VOTE ON THE COMPENSATION DUE OR AWARDED FOR THE PERIOD FROM APRIL 24 TO DECEMBER 31, 2015 TO ROSS MCINNES, CHAIRMAN OF THE BOARD OF DIRECTORS

Compensation due or awarded for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€239,963** (calculated on a pro-rata basis for the period from April 24 to December 31, 2015)	Ross McInnes' gross fixed annual compensation was set at €350,000 (with effect from April 24, 2015) by the Board of Directors at its meeting of April 23, 2015.
Annual variable compensation	**N/A**(1)	Ross McInnes does not receive any annual variable compensation.
Deferred variable compensation	**N/A**	Ross McInnes does not receive any deferred variable compensation.
Multi-year variable compensation	**N/A**	Ross McInnes does not receive any multi-year variable compensation.
Extraordinary compensation	**N/A**	Ross McInnes does not receive any extraordinary compensation.
Stock options, performance shares and any other long-term compensation	Stock options = **N/A**	Ross McInnes does not receive any stock options.
	Performance shares = **N/A** Other long-term compensation = **N/A**	Ross McInnes does not receive any performance shares or any other long-term compensation.
Attendance fees	**€45,473** (calculated on a pro-rata basis for the period from April 24 to December 31, 2015)	Ross McInnes receives attendance fees in his capacity as a Director and Chairman of the Board of Directors, based on the allocation rules described in section 6.3.7 of the 2015 Registration Document.
Value of benefits-in-kind	**€3,148** (accounting value, calculated on a pro-rata basis for the period from April 24 to December 31, 2015)	Ross McInnes has the use of a company car.

(1) N/A = not applicable.

Compensation due or awarded for 2015 that has been approved by shareholders pursuant to the procedure for related-party agreements and commitments	Amounts submitted to the shareholder vote	Presentation
Termination benefits	**N/A**[1]	Ross McInnes is not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Ross McInnes is not subject to any non-compete clause.
Supplementary pension plan	**€0**	**Defined contribution supplementary pension plan:** At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Ross McInnes as Chairman of the Board of Directors. At the same meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board decided to authorize Mr. McInnes to continue to be a beneficiary under the defined contribution pension plan set up for the Group's managerial-grade staff (subject to the same terms and conditions as the other plan members). Mr. McInnes was previously a beneficiary under the plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer as decided by the Board of Directors at its meeting on July 27, 2011. The contributions to the plan are based on the compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors. The expense recorded in the 2015 financial statements relating to the contributions paid under this plan for Mr. McInnes (since April 23) amounted to €4,895. This commitment is being submitted for shareholder approval in the 4th resolution of the May 19, 2016 Annual General Meeting. At December 31, 2015, the estimated theoretical amount[2] of the annual retirement benefits that could be paid to Ross McInnes under the defined contribution supplementary pension plan was €4,919. **Defined benefit supplementary pension plan:** As part of the Group's human resources management policy, on October 31, 2013, the Board of Directors decided to set up a defined benefit supplementary pension plan in France, effective from January 1, 2014, for which the executive managers within the Group are eligible. At its April 23, 2015 meeting, the Board of Directors decided to authorize Ross McInnes to continue to be a beneficiary under this plan (subject to the same terms and conditions as the other plan members). Mr. McInnes was previously a beneficiary under the plan in his former capacity as Deputy Chief Executive Officer, as decided by the Board of Directors at its meeting on December 11, 2013. The methods used to calculate the benefits payable to Mr. McInnes under this plan are exactly the same as those used for the other plan members (see presentation of the 5th resolution above). Accordingly, the potential annual retirement benefits to which Ross McInnes would be entitled under this plan, provided he meets the required conditions, would be capped at three times the annual social security ceiling, i.e., €115,848 based on the ceiling applicable in 2016. At December 31, 2015, the estimated theoretical amount[2] of the annual retirement benefits that could be paid to him corresponded to this ceiling. This commitment is being submitted for shareholder approval in the 5th resolution of the May 19, 2016 Annual General Meeting.

(1) N/A = not applicable.

(2) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).

18TH RESOLUTION – ADVISORY VOTE ON THE COMPENSATION DUE OR AWARDED FOR THE PERIOD FROM APRIL 24 TO DECEMBER 31, 2015 TO PHILIPPE PETITCOLIN, CHIEF EXECUTIVE OFFICER

Compensation due or awarded for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€411,365** (calculated on a pro-rata basis for the period from April 24 to December 31, 2015)	Philippe Petitcolin's gross fixed annual compensation was set at €600,000 (with effect from April 24, 2015) by the Board of Directors at its meeting of April 23, 2015.

Annual variable compensation	**€502,619** (calculated on a pro-rata basis for the period from April 24 to December 31, 2015)	Also at its April 23, 2015 meeting, the Board set the method for calculating Philippe Petitcolin's annual variable compensation for the period from April 24 to December 31, 2015 as follows:
		◆ Two-thirds of the variable component based on financial performance by reference to the objectives set for ROI, working capital and FCF in the annual budget (see section 6.3.1.1 of the 2015 Registration Document for definitions of ROI, working capital and FCF).
		The Board set the following weightings for each of these objectives:
		– ROI: 60%;
		– working capital: 10%;
		– FCF: 30%.
		The Board also set the following minimum threshold levels for triggering payment:
		– 80% of the ROI target;
		– 135% of budgeted working capital (no variable compensation on this metric if the value of working capital is higher than 135% of budgeted working capital); and
		– 65% of the free cash flow target.
		◆ One-third of the variable component based on individual performance measured in relation to objectives set by the Board at its meeting on May 26, 2015. These objectives primarily related to the Group's main strategic goals and industrial programs as well as the implementation of a new organizational structure within the Group. They cannot be disclosed for reasons of strategic and competitive sensitivity.
		◆ If the above-mentioned objectives are met in full, Mr. Petitcolin's variable compensation is equal to €700,000 and if the objectives are exceeded, it can be increased. The applicable calculation methods are as follows:
		– the minimum threshold level of each performance metric triggers the allocation of variable compensation (from 0% to 100% if the budget target is achieved);
		– if an objective is exceeded, the variable compensation allocated in respect of that objective increases beyond 100% in proportion to the extent to which the objective is exceeded, capped at a maximum of 130%, which applies irrespective of the extent to which the objective is exceeded, as follows:
		  – if 130% (or more) of the ROI target is achieved, the maximum 130% of variable compensation is payable for this metric,
		  – if 65% (or less) of the working capital target is achieved, the maximum 130% of variable compensation is payable for this metric, and
		  – if 130% (or more) of the FCF target is achieved, the maximum 130% of variable compensation is payable for this metric.
		Consequently, Mr. Petitcolin's total annual variable compensation can represent more than €700,000 if his objectives are exceeded, subject to a cap of 130% of this amount. Any such outperformance has to be assessed by the Board of Directors based on both his individual objectives and in proportion to the Group's results for the financial objectives.
		At its February 24, 2016 meeting, based on the recommendation of the Appointments and Compensation Committee, the Board of Directors reviewed the achievement of the objectives set for the variable compensation payable to Philippe Petitcolin for 2015. The Board of Directors set Philippe Petitcolin's variable compensation for the period from April 24 to December 31, 2015 at €502,619, based on the following achievement rates:
		◆ 106% for the objectives related to the Group's financial performance (two-thirds weighting), breaking down as follows:
		– 104% for the ROI target,
		– 62% for the working capital target,
		– 126% for the free cash flow target;
		◆ 100% for the individual performance objectives (one-third weighting).

Compensation due or awarded for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Deferred variable compensation	**N/A**[1]	Philippe Petitcolin does not receive any deferred variable compensation.
Multi-year variable compensation	**€0**	On the recommendation of the Appointments and Compensation Committee, at its July 29, 2015 meeting, the Board of Directors decided to introduce a long-term variable compensation system in the form of the 2015 Performance Unit (PU) plan, designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over several years. The Board considered that this plan was based on appropriate, stringent criteria, in line with the interests of shareholders. Under this plan, the Board of Directors granted an initial 17,050 PUs to Philippe Petitcolin. The main characteristics of the plan are as follows: ◆ The number of PUs that ultimately vest will depend on the extent to which internal and external performance conditions are met, as measured over a period of three years (2015-2017). ◆ Internal performance conditions: The internal performance conditions correspond to the achievement of ROI and FCF objectives. For 2015, these objectives were based on the 2015 budget and for 2016 and 2017, they are based on Safran's 2014 medium-term plan, approved by the Board of Directors in December and October 2014 respectively. These objectives account for 60% of the performance criteria determining the number of PUs that will vest (30% for the ROI objective and 30% for the FCF objective). The following performance achievement levels have been set for both of these objectives: – target achievement level: if 100% of the average of the annual objectives is met over the period from 2015-2017, 100% of the internal performance condition-related compensation will vest; – highest achievement level: if 150% or more of the average of the annual objectives is met, 150% of the internal performance condition-related compensation will vest; – lowest achievement level: if 80% of the average of the annual objectives is met, 50% of the internal performance condition-related compensation will vest; – between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, 0% of the performance condition-related compensation will vest. ◆ External performance condition: The external performance condition is based on Safran's total shareholder return (TSR[2]) performance over a period of three years (2015-2017), as benchmarked against a group of peer companies[3] operating in the same business sectors as Safran (Aerospace, Defense and Security). This objective accounts for 40% of the performance criteria determining the number of PUs that will vest. The following performance achievement levels have been set for this condition: – target achievement level: if Safran delivers a TSR that is 8 points higher than the peer companies, 100% of the external performance condition-related compensation will vest; – highest achievement level: if Safran delivers a TSR that is 12 points higher than the peer companies, 150% of the external performance condition-related compensation will vest; – lowest achievement level: if Safran delivers a TSR that is equal to that of the peer companies, 50% of the external performance condition-related compensation will vest; – between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, 0% of the external performance condition-related compensation will vest. ◆ After the three-year performance period (2015-2017), the Board of Directors will decide how many PUs will ultimately vest based on the extent to which the performance conditions have been achieved[4].

(1) N/A = not applicable.

Compensation due or awarded for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
		◆ Payment terms and schedule – continuing service condition: – payment of the PUs is subject to the Chief Executive Officer remaining in the Group until his term of office expires[5] (apart from in certain exceptional circumstances[6]); – payments will be made in two installments (end-October 2018 and end-October 2019), each one corresponding to 50% of the vested PUs; – one-third of any compensation payable as part of each installment will be paid in Safran shares, with the remaining two-thirds paid in cash. ◆ Value of PUs and maximum compensation payable: – the gross compensation payable for each vested PU will correspond to the average of the closing prices for the Safran share during the 20 trading days prior to the payment of each of the two installments; – the potential gross compensation payable under the plan will be capped at 225% of the target long-term variable compensation[7] (corresponding to 262.5% of the Chief Executive Officer's fixed annual compensation for 2015, i.e., €1,575,000). The accounting measurement of this multi-year variable compensation, as determined in accordance with IFRS 2 (see Note 1.q in section 3.1) at the date on which the PUs were granted to Philippe Petitcolin, corresponds to €701,620, and is remeasured at the end of each accounts closing. As set out in the Board of Directors' Internal Rules, the Chief Executive Officer has given a formal undertaking to refrain from using instruments to hedge his risks related to either the PUs or any shares he may receive as payment under the PU plan.
Extraordinary compensation	**N/A**[1]	Philippe Petitcolin did not receive any extraordinary compensation.
Stock options, performance shares and any other long-term compensation	Stock options = **N/A**	Philippe Petitcolin did not receive any stock options.
	Performance shares = **N/A** Other long-term compensation = **N/A**	Philippe Petitcolin did not receive any performance shares.
Attendance fees	**€17,323**	Philippe Petitcolin receives attendance fees in his capacity as a Director of the Company, in accordance with the allocation rules described in section 6.3.7 of the 2015 Registration Document.
Value of benefits-in-kind	**€2,752** (accounting value, calculated on a pro-rata basis for the period from April 24 to December 31, 2015)	Philippe Petitcolin has the use of a company car.

(1) N/A = not applicable.
(2) Change in share price, adjusted to take account of dividend payments during this period.
(3) At the grant date, these companies comprised Airbus Group, BAe Systems, Boeing, Finmeccanica, Gemalto, MTU Aero Engines, Rolls Royce, Thales and Zodiac Aerospace, weighted according to their respective market capitalization.
(4) During the first quarter of 2018.
(5) The Chief Executive Officer's current term of office is due to expire at the 2018 Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.
(6) Death or disability.
(7) Corresponding to target long-term variable compensation of €700,000.

Compensation due or awarded for 2015 that has been approved by shareholders pursuant to the procedure for related-party agreements and commitments	Amounts submitted to the shareholder vote	Presentation
Termination benefits	**N/A**[(1)]	Philippe Petitcolin is not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Philippe Petitcolin is not subject to any non-compete clause.
Supplementary pension plan	**€0**	**Defined contribution supplementary pension plan:** At its meeting April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer and appointed Philippe Petitcolin as Chief Executive Officer. At the same meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board decided to authorize Mr. Petitcolin to continue to be a beneficiary under the defined contribution supplementary pension plan set up for the Group's managerial-grade staff (subject to the same terms and conditions as the other plan members). Mr. Petitcolin was previously a beneficiary under this plan in his former capacity as a Company employee. The contributions to the plan are based on the compensation (annual fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer. The expense recorded in the 2015 financial statements relating to the contributions paid under this plan for Philippe Petitcolin (since April 23) amounted to €18,752. This commitment is being submitted for shareholder approval in the 6th resolution of the May 19, 2016 Annual General Meeting. At December 31, 2015, the estimated theoretical amount[(2)] of the annual retirement benefits that could be paid to Philippe Petitcolin under the defined contribution supplementary pension plan was €18,548. **Defined benefit supplementary pension plan:** As part of the Group's human resources management policy, on October 31, 2013, the Board of Directors decided to set up a defined benefit supplementary pension plan in France, effective from January 1, 2014, for which executive managers within the Group are eligible. At its April 23, 2015 meeting, the Board of Directors decided to authorize Philippe Petitcolin to continue to be a beneficiary under this plan (subject to the same terms and conditions as the other plan members). Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as a Company employee. The methods used to calculate the benefits payable to Mr. Petitcolin under this plan are exactly the same as for the other plan members (see presentation of the 5th resolution above). Accordingly, the potential annual benefits to which Philippe Petitcolin would be entitled under this plan, provided he meets the required conditions, would be capped at three times the annual social security ceiling, i.e., €115,848 based on the ceiling applicable in 2016. At December 31, 2015, the estimated theoretical amount[(2)] of the annual retirement benefits that could be paid to him corresponded to this ceiling. This commitment is being submitted for shareholder approval in the 7th resolution of the May 19, 2016 Annual General Meeting.

(1) *N/A = not applicable.*

(2) *Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).*

19TH RESOLUTION – ADVISORY VOTE ON THE COMPENSATION DUE OR AWARDED FOR THE PERIOD FROM JANUARY 1 TO APRIL 23, 2015 TO JEAN-PAUL HERTEMAN, FORMER CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Compensation due or awarded for 2015(1)	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€229,508** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Jean-Paul Herteman's gross fixed annual compensation was set at €730,000 by the Board of Directors at its May 26, 2011 meeting. This amount remained unchanged from that date until the date on which his term of office as Chairman and Chief Executive Officer ceased.
Annual variable compensation	**€197,373** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	The method used for calculating Jean-Paul Herteman's annual variable compensation for the period from January 1 to April 23, 2015 is similar to that described for the annual variable compensation of the Chief Executive Officer (see the presentation and table related to the 18th resolution above). Mr. Herteman's total variable compensation could amount to 100% of his fixed compensation if all of the objectives were achieved and up to 130% if they were exceeded, as assessed by the Board based on both his individual objectives and in proportion to the Group's results for the financial objectives. At its February 24, 2016 meeting, based on the recommendation of the Appointments and Compensation Committee, the Board reviewed the achievement of the objectives set for the variable compensation payable to Jean-Paul Herteman for the period from January 1 to April 23, 2015. The Board set Mr. Herteman's variable compensation at €197,373, based on the following achievement rates: (i) 106% for the objectives related to the Group's financial performance (see the presentation and table for the 18th resolution above) and (ii) 50% for his individual performance objectives.
Deferred variable compensation	**N/A(2)**	Jean-Paul Herteman did not receive any deferred variable compensation.
Multi-year variable compensation	**N/A**	Jean-Paul Herteman did not receive any multi-year variable compensation.
Extraordinary compensation	**N/A**	Jean-Paul Herteman did not receive any extraordinary compensation.
Stock options, performance shares and any other long-term compensation	Stock options = **N/A**	Jean-Paul Herteman did not receive any stock options.
	Performance shares = **N/A** Other long-term compensation = **N/A**	Jean-Paul Herteman did not receive any performance shares or any other long-term compensation.
Attendance fees	**€0**	No attendance fees were allocated to Jean-Paul Herteman for 2015.
Value of benefits-in-kind	**€1,070** (accounting value, calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Jean-Paul Herteman had the use of a company car.

(1) In 2015, Jean-Paul Herteman also received €197,273 in settlement of leave due to him at the date on which his employment contract was terminated (April 21, 2011).

(2) N/A = not applicable.

Compensation due or awarded for 2015 that has been approved by shareholders pursuant to the procedure for related-party agreements and commitments	Amounts submitted to the shareholder vote	Presentation
Termination benefits	**€0**	Jean-Paul Herteman was not entitled to any termination benefits.
Non-compete indemnity	**N/A**[(1)]	Jean-Paul Herteman was not subject to any non-compete clause.
Supplementary pension plan	**€0** See explanation opposite.	**Defined contribution supplementary pension plan:** In his prior capacity as a Company employee, Mr. Herteman was previously a beneficiary under a defined contribution supplementary pension plan set up for the Company's managerial-grade staff. At its July 27, 2011 meeting, the Board of Directors decided to authorize Mr. Herteman to continue to be a beneficiary under this supplementary pension plan, subject to the same terms and conditions as the other plan members. The contributions to the plan were based on the compensation (fixed and variable) that he received for his role as Chairman and Chief Executive Officer. The expense recorded in the 2015 financial statements for the contributions paid under this plan for Mr. Herteman for the period from January 1 to April 23, 2015 amounted to €30,269. This commitment was submitted for shareholder approval in the 6th resolution of the May 31, 2012 Annual General Meeting. Jean-Paul Herteman retired in 2015. The annual retirement benefits that will be paid to him under the defined contribution supplementary pension plan will amount to €29,881. **Defined benefit supplementary pension plan:** As part of the Group's human resources management policy, on October 31, 2013, the Board of Directors decided to set up a defined benefit supplementary pension plan in France, effective from January 1, 2014, for which executive managers within the Group are eligible. On December 11, 2013, the Board of Directors decided to extend this plan to Safran's four executive corporate officers at that time, including Jean-Paul Herteman. This commitment was approved by shareholders in the 5th resolution of the May 27, 2014 Annual General Meeting. The methods used to calculate the benefits payable to Mr. Herteman under this plan were exactly the same as for the other plan members (see the presentation of the 5th resolution above). Jean-Paul Herteman has since retired. As he meets the applicable eligibility criteria, the annual retirement benefits described above will be paid to him as from 2016. The annual amount of these benefits is €114,120, which represents the plan's ceiling (corresponding to three times the annual social security ceiling in force at the date that Mr. Herteman claimed his French social security pension, i.e., in 2015).

(1) N/A = not applicable.

20TH RESOLUTION – ADVISORY VOTE ON THE COMPENSATION DUE OR AWARDED FOR THE PERIOD FROM JANUARY 1 TO APRIL 23, 2015 TO THE FORMER DEPUTY CHIEF EXECUTIVE OFFICERS

Presentation of the compensation due or awarded for the period from January 1 to April 23, 2015 to Stéphane Abrial, former Deputy Chief Executive Officer, Corporate Office

Compensation due or awarded for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€124,243** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Stéphane Abrial's gross fixed annual compensation was set at €400,000 by the Board of Directors at its July 25, 2013 meeting. This amount remained unchanged from that date until the date on which his term of office as Deputy Chief Executive Officer, Corporate Office, ceased.
Annual variable compensation	**€127,649** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	The method used for calculating Stéphane Abrial's annual variable compensation for the period from January 1 to April 23, 2015 is similar to that described for the annual variable compensation of the Chief Executive Officer (see the presentation and table related to the 18th resolution above). Mr. Abrial's total variable compensation could amount to 100% of his fixed compensation if all of the objectives were achieved and up to 130% if they were exceeded, as assessed by the Board based on both his individual objectives and in proportion to the Group's results for the financial objectives. At its February 24, 2016 meeting, based on the recommendation of the Appointments and Compensation Committee, the Board reviewed the achievement of the objectives set for the variable compensation payable to Stéphane Abrial for the period from January 1 to April 23, 2015. The Board set Mr. Abrial's variable compensation at €127,649, based on the following achievement rates: (i) 106% for the objectives related to the Group's financial performance (see the presentation and table for the 18th resolution above) and (ii) 100% for his individual performance objectives.
Deferred variable compensation	**N/A**(1)	Stéphane Abrial did not receive any deferred variable compensation.
Multi-year variable compensation	**N/A**	Stéphane Abrial did not receive any multi-year variable compensation.
Extraordinary compensation	**€0**	Stéphane Abrial did not receive any extraordinary compensation
Stock options, performance shares and any other long-term compensation	Stock options = **N/A**	Stéphane Abrial did not receive any stock options.
	Performance shares = **N/A** Other long-term compensation = **N/A**	Stéphane Abrial did not receive any performance shares or any other long-term compensation
Attendance fees	**N/A**	Stéphane Abrial did not receive any attendance fees
Value of benefits-in-kind	**€997** (accounting value, calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Stéphane Abrial had the use of a company car

(1) N/A = not applicable.

Compensation due or awarded for 2015 that has been approved by shareholders pursuant to the procedure for related-party agreements and commitments	Amounts submitted to the shareholder vote	Presentation
Termination benefits	**N/A**[1]	Stéphane Abrial was not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Stéphane Abrial was not subject to any non-compete clause.
Supplementary pension plan	**€0**	**Defined contribution supplementary pension plan:** In his prior capacity as a Company employee, Mr. Abrial was previously a beneficiary under a defined contribution supplementary pension plan set up for the Company's managerial-grade staff. At its July 25, 2013 meeting, the Board of Directors decided to authorize Mr. Abrial to continue to be a beneficiary under this supplementary pension plan, subject to the same terms and conditions as the other plan members. The contributions to the plan were based on the compensation (fixed and variable) that he received for his role as Deputy Chief Executive Officer. The expense recorded in the 2015 financial statements for the contributions paid under this plan for Mr. Abrial for the period from January 1 to April 23, 2015 amounted to €10,991. This commitment was approved by shareholders in the 4th resolution of the May 27, 2014 Annual General Meeting. At December 31, 2015, the estimated theoretical amount[2] of the annual retirement benefits that could be paid to Stéphane Abrial under the defined contribution supplementary pension plan was €1,595. **Defined benefit supplementary pension plan:** As part of the Group's human resources management policy, on October 31, 2013, the Board of Directors decided to set up a defined benefit supplementary pension plan in France, effective from January 1, 2014, for which executive managers within the Group are eligible. On December 11, 2013, the Board of Directors decided to extend this plan to Safran's four executive corporate officers at that time, including Stéphane Abrial. The methods used to calculate the benefits payable to Mr. Abrial were exactly the same as for the other plan members (see the presentation of the 5th resolution above). This commitment was approved by shareholders in the 6th resolution of the May 27, 2014 Annual General Meeting. According to this plan, the potential annual retirement benefits to which Stéphane Abrial would be entitled under this plan, provided he meets the required conditions, would be capped at three times the annual social security ceiling, i.e., €115,848 based on the ceiling applicable in 2016. At December 31, 2015, the estimated theoretical amount[2] of the annual retirement benefits that could be paid to him under the defined benefit supplementary pension plan was €36,000, i.e., less than the ceiling of the plan.

(1) N/A = not applicable.

(2) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2016, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code introduced by governmental decree 2016-182 dated February 23, 2016).

Presentation of the compensation due or awarded for the period from January 1 to April 23, 2015 to Ross McInnes in his capacity as former Deputy Chief Executive Officer, Finance

Compensation due or awarded for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€157,196** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Ross McInnes' gross fixed annual compensation was set at €500,000 by the Board of Directors at its December 12, 2012 meeting. This amount remained unchanged from that date until the date on which his term of office as Deputy Chief Executive Officer, Finance, ceased.
Annual variable compensation	**€160,986** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	The method used for calculating Ross McInnes' annual variable compensation for the period from January 1 to April 23, 2015 is similar to that described for the annual variable compensation of the Chief Executive Officer (see the presentation and table related to the 18th resolution above). Mr. McInnes' total variable compensation could amount to 100% of his fixed compensation if all of the objectives were achieved and up to 130% if they were exceeded, as assessed by the Board based on both his individual objectives and in proportion to the Group's results for the financial objectives. At its February 24, 2016 meeting, based on the recommendation of the Appointments and Compensation Committee, the Board reviewed the achievement of the objectives set for the variable compensation payable to Ross McInnes for the period from January 1 to April 23, 2015. The Board set Mr. McInnes' variable compensation at €160,986, based on the following achievement rates: (i) 106% for the objectives related to the Group's financial performance (see the presentation and table for the 18th resolution above) and (ii) 100% for his individual performance objectives.
Deferred variable compensation	**N/A**(1)	Ross McInnes did not receive any deferred variable compensation.
Multi-year variable compensation	**N/A**	Ross McInnes did not receive any multi-year variable compensation.
Extraordinary compensation	**€0**	Ross McInnes did not receive any extraordinary compensation.
Stock options, performance shares and any other long-term compensation	Stock options = **N/A**	Ross McInnes did not receive any stock options.
	Performance shares = **N/A** Other long-term compensation = **N/A**	Ross McInnes did not receive any performance shares or any other long-term compensation.
Attendance fees	**N/A**	Ross McInnes did not receive any attendance fees.
Value of benefits-in-kind	**€1,412** (accounting value, calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Ross McInnes had the use of a company car.

(1) N/A = not applicable.

Compensation due or awarded for 2015 that has been approved by shareholders pursuant to the procedure for related-party agreements and commitments	Amounts submitted to the shareholder vote	Presentation
Termination benefits	**N/A[1]**	Ross McInnes was not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Ross McInnes was not subject to any non-compete clause.
Supplementary pension plan	**€0**	**Defined contribution supplementary pension plan:** In his prior capacity as a Company employee, Mr. McInnes was previously a beneficiary under a defined contribution supplementary pension plan set up for the Company's managerial-grade staff. At its July 27, 2011 meeting, the Board of Directors decided to authorize Mr. McInnes to continue to be a beneficiary under this supplementary pension plan, subject to the same terms and conditions as the other plan members. The contributions to the plan were based on the compensation (fixed and variable) that he received for his role as Deputy Chief Executive Officer. The expense recorded in the 2015 financial statements for the contributions paid under this plan for Mr. McInnes for the period from January 1 to April 23, 2015 amounted to €14,072. This commitment was submitted for shareholder approval in the 6th resolution of the May 31, 2012 Annual General Meeting. See the presentation and table related to the 17th resolution above for the estimated theoretical amount of the annual retirement benefits payable to Mr. McInnes under the defined contribution supplementary pension plan. **Defined benefit supplementary pension plan:** As part of the Group's human resources management policy, on October 31, 2013, the Board of Directors decided to set up a defined benefit supplementary pension plan in France, effective from January 1, 2014, for which executive managers within the Group are eligible. On December 11, 2013, the Board of Directors decided to extend this plan to Safran's four executive corporate officers at that time, including Ross McInnes. The methods used to calculate the benefits payable to Mr. McInnes were exactly the same as for the other plan members (see the presentation of the 5th resolution above). See the presentation and table related to the 17th resolution above for the potential annual retirement benefits to which Ross McInnes would be entitled under this plan, provided he met the required conditions, as well as the estimated theoretical amount of the annual retirement benefits payable to him under this plan. This commitment was approved by shareholders in the 6th resolution of the May 27, 2014 Annual General Meeting.

(1) N/A = not applicable.

Presentation of the compensation due or awarded for the period from January 1 to April 23, 2015 to Marc Ventre, former Deputy Chief Executive Officer, Operations

Compensation due or awarded for 2015	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	**€157,196** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Marc Ventre's gross fixed annual compensation was set at €500,000 by the Board of Directors at its December 12, 2012 meeting. This amount remained unchanged from that date until the date on which his term of office as Deputy Chief Executive Officer, Operations, ceased.
Annual variable compensation	**€135,187** (calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	The method used for calculating Marc Ventre's annual variable compensation for the period from January 1 to April 23, 2015 is similar to that described for the annual variable compensation of the Chief Executive Officer (see the presentation and table related to the 18th resolution above). Mr. Ventre's total variable compensation could amount to 100% of his fixed compensation if all of the objectives were achieved and up to 130% if they were exceeded, as assessed by the Board based on both his individual objectives and in proportion to the Group's results for the financial objectives. At its February 24, 2016 meeting, based on the recommendation of the Appointments and Compensation Committee, the Board reviewed the achievement of the objectives set for the variable compensation payable to Marc Ventre for the period from January 1 to April 23, 2015. The Board set Mr. Ventre's variable compensation at €135,187, based on the following achievement levels: (i) 106% for the objectives related to the Group's financial performance (see the presentation and table for the 18th resolution above) and (ii) 50% for his individual performance objectives.
Deferred variable compensation	**N/A**(1)	Marc Ventre did not receive any deferred variable compensation.
Multi-year variable compensation	**N/A**	Marc Ventre did not receive any multi-year variable compensation.
Extraordinary compensation	**N/A**	Marc Ventre did not receive any extraordinary compensation.
Stock options, performance shares and any other long-term compensation	Stock options = **N/A**	Marc Ventre did not receive any stock options.
	Performance shares = **N/A** Other long-term compensation = **N/A**	Marc Ventre did not receive any performance shares or any other long-term compensation.
Attendance fees	**N/A**	Marc Ventre did not receive any attendance fees.
Value of benefits-in-kind	**€1,035** (accounting value, calculated on a pro-rata basis for the period from January 1 to April 23, 2015)	Marc Ventre had the use of a company car.

(1) N/A = not applicable.

Compensation due or awarded for 2015 that has been approved by shareholders pursuant to the procedure for related-party agreements and commitments	Amounts submitted to the shareholder vote	Presentation
Termination benefits	**N/A(1)**	Marc Ventre was not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Marc Ventre was not subject to any non-compete clause.
Supplementary pension plan	**€0** See explanation opposite.	**Defined contribution supplementary pension plan:** In his prior capacity as a Company employee, Mr. Ventre was previously a beneficiary under a defined contribution supplementary pension plan set up for the Company's managerial-grade staff. At its July 27, 2011 meeting, the Board of Directors decided to authorize Mr. Ventre to continue to be a beneficiary under this supplementary pension plan, subject to the same terms and conditions as the other plan members. The contributions to the plan were based on the compensation (fixed and variable) that he received for his role as Deputy Chief Executive Officer. The expense recorded in the 2015 financial statements for the contributions paid under this plan for Mr. Ventre for the period from January 1 to April 23, 2015 amounted to €18,848. This commitment was submitted for shareholder approval in the 6th resolution of the May 31, 2012 Annual General Meeting. Marc Ventre retired in 2015. The annual retirement benefits that will be paid to him under the defined contribution supplementary pension plan will amount to €30,360. **Defined benefit supplementary pension plan:** As part of the Group's human resources management policy, on October 31, 2013, the Board of Directors decided to set up a defined benefit supplementary pension plan in France, effective from January 1, 2014, for which executive managers within the Group are eligible. On December 11, 2013, the Board of Directors decided to extend this plan to Safran's four executive corporate officers at that time, including Marc Ventre. This commitment was approved by shareholders in the 6th resolution of the May 27, 2014 Annual General Meeting. The methods used to calculate the benefits payable to Mr. Ventre were exactly the same as for the other plan members (see the presentation of the 5th resolution above). Marc Ventre has since retired. As he meets the applicable eligibility criteria, the annual retirement benefits described above will be paid to him as from 2016. The annual amount of these benefits totals €114,120, which represents the plan's ceiling (corresponding to three times the annual social security ceiling in force at the date that Mr. Ventre claimed his French social security pension, i.e., in 2015).

(1) N/A = not applicable.

TEXT OF THE SEVENTEENTH RESOLUTION

Advisory vote on the compensation due or awarded for the period from April 24 to December 31, 2015 to Ross McInnes, Chairman of the Board of Directors

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and having been consulted in connection with the "say-on-pay" recommendations in Article 24.3 of the November 2015 revised version of the AFEP-MEDEF Code on Corporate Governance – which the Company uses as its reference framework for corporate governance in accordance with Article L.225-37 of the French Commercial Code – the shareholders issue a positive advisory vote on the compensation due or awarded for the period from April 24 to December 31, 2015 to Ross McInnes (Chairman of the Board of Directors), as presented in section 8.2.1. of the 2015 Registration Document.

TEXT OF THE EIGHTEENTH RESOLUTION

Advisory vote on the compensation due or awarded for the period from April 24 to December 31, 2015 to Philippe Petitcolin, Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and having been consulted in connection with the "say-on-pay" recommendations in Article 24.3 of the November 2015 revised version of the AFEP-MEDEF Code on Corporate Governance – which the Company uses as its reference framework for corporate governance in accordance with Article L.225-37 of the French Commercial Code – the shareholders issue a positive advisory vote on the compensation due or awarded for the period from April 24 to December 31, 2015 to Philippe Petitcolin (Chief Executive Officer), as presented in section 8.2.1. of the 2015 Registration Document.

TEXT OF THE NINETEENTH RESOLUTION

Advisory vote on the compensation due or awarded for the period from January 1 to April 23, 2015 to Jean-Paul Herteman, former Chairman and Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and having been consulted in connection with the "say-on-pay" recommendations in Article 24.3 of the November 2015 revised version of the AFEP-MEDEF Code on Corporate Governance – which the Company uses as its reference framework for corporate governance in accordance with Article L.225-37 of the French Commercial Code – the shareholders issue a positive advisory vote on the compensation due or awarded for the period from January 1 to April 23, 2015 to Jean-Paul Herteman (former Chairman and Chief Executive Officer), as presented in section 8.2.1 of the 2015 Registration Document.

TEXT OF THE TWENTIETH RESOLUTION

Advisory vote on the compensation due or awarded for the period from January 1 to April 23, 2015 to Stéphane Abrial, Ross McInnes and Marc Ventre, former Deputy Chief Executive Officers

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and having been consulted in connection with the "say-on-pay" recommendations in Article 24.3 of the November 2015 revised version of the AFEP-MEDEF Code on Corporate Governance – which the Company uses as its reference framework for corporate governance in accordance with Article L.225-37 of the French Commercial Code – the shareholders issue a positive advisory vote on the compensation due or awarded for the period from January 1 to April 23, 2015 to the former Deputy Chief Executive Officers, as presented in section 8.2.1 of the 2015 Registration Document.

Authorization for the Board of Directors to carry out a share buyback program

PRESENTATION OF THE 21ST RESOLUTION

Share buyback programs

The Company needs to have the necessary flexibility to react to changes in financial markets by buying back Safran shares.

Shareholders are therefore invited to renew the authorization given to the Board of Directors to carry out a share buyback program, with the following main conditions:

The number of shares that may be bought back may not exceed 10% of the Company's total outstanding shares (for information purposes, 41,702,958 shares based on the issued capital at December 31, 2015) and the Company may at no time directly or indirectly hold a number of Safran shares representing more than 10% of its capital.

The shares may be purchased, sold or transferred by any authorized method, including through block trades or the use of derivatives, subject to the regulations in force at the date on which the authorization is implemented.

Subject to the limits authorized by the applicable laws and regulations, the Board of Directors may use this authorization at any time, except during periods when there is a public offer in progress for the Company's shares, or during the run-up to such an offer.

The maximum per-share purchase price of shares acquired using this authorization would be set at €80 and the maximum total investment in the buyback program would be €3.3 billion.

The buyback program would be used to purchase shares for the following purposes:

- to maintain a liquid market in the Company's shares via a liquidity agreement entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers, notably in connection with a profit-sharing plan, free share grant plan or Group employee savings plan;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- for delivery in payment or exchange for external growth transactions; and
- for cancellation, subject to the approval of the 22nd resolution below.

This program is also intended to provide for the implementation of any market practice that may subsequently be authorized by the AMF and, more generally, the carrying out of any other transactions authorized by applicable current or future laws and regulations. In such an event, the Company will notify its shareholders by way of a press release.

This authorization would be given for a period of 18 months and would supersede the previous authorization granted for the same purpose in the 15th resolution of the Annual General Meeting held on April 23, 2015.

Report on the utilization in 2015 of previous shareholder-approved share buyback programs

In 2015, the aggregate number of shares purchased under the liquidity agreement entered into with Oddo Corporate Finance amounted to 2,734,658.

The total number of shares sold under this liquidity agreement during the year amounted to 2,732,281.

No treasury shares purchased under a buyback program were canceled in 2015.

At December 31, 2015, the Company directly held 605,704 Safran shares, representing 0.14% of its capital.

These treasury shares were held for the following purposes:

- for allocation or sale to employees: 518,604 shares, representing 0.12% of the Company's capital;
- to maintain a liquid market in the Company's shares via a liquidity agreement: 87,100 shares, representing 0.02% of the Company's capital.

TEXT OF THE TWENTY-FIRST RESOLUTION

Authorization for the Board of Directors to carry out a share buyback program

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the report of the Board of Directors, the shareholders grant the Board of Directors an authorization – which may be delegated in accordance with the law – to purchase, directly or indirectly, the Company's shares in accordance with the conditions set out in Articles L.225-209 et seq. of the French Commercial Code, EC Regulation 2273/2003 dated December 22, 2003 implementing EC Directive 2003/6/EC dated January 28, 2003, the General Regulations of the French financial markets authority (*Autorité des Marchés Financiers* – AMF), market practices permitted by the AMF, and any other laws and regulations that may become applicable in the future.

The authorization may be used to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the French association of financial and investment firms (*Association Française des Marchés Financiers* – AMAFI), approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, the free grant of shares, the exercise of stock options, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery in payment or exchange for external growth transactions; and
- for cancellation, subject to the approval of the 22nd resolution of this Annual General Meeting.

This program is also intended to provide for the implementation of any market practice that may become authorized by the AMF and, more generally, the carrying out of any other transactions authorized by applicable current or future laws and regulations.

In such an event, the Company will notify its shareholders by way of a press release.

Shares may be purchased, sold, or transferred by any method allowed under the laws and regulations applicable at the transaction date, on one or more occasions, including, in accordance with the regulations in force at the date of this meeting, over-the-counter and through a block trade for all or part of the program, as well as through the use of derivative financial instruments.

The Board of Directors may use this authorization at any time, subject to the limitations set down by the applicable laws and regulations, except during, or in the run-up to, a public offer for the Company's shares.

The number of shares that may be bought back under this authorization may not exceed 10% of the Company's total outstanding shares (for information purposes, 41,702,958 shares based on the issued capital at December 31, 2015). This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity agreement, the number of shares included in the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the period covered by this authorization.

Under no circumstances may the Company hold, either directly or indirectly, more than 10% of its share capital.

The shares may not be purchased at a price of more than €80 per share and the maximum amount that may be invested in the program is €3.3 billion. However, the Board of Directors may adjust this maximum purchase price to take into account the impact on the share price of any corporate actions.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to carry out this share buyback program, set the applicable terms and conditions, make the required adjustments as a result of any corporate actions, place any and all buy and sell orders, enter into any and all agreements, notably for the keeping of registers of share purchases and sales, make any and all filings with the AMF and any other organization, carry out all other formalities, and generally do everything necessary to use this authorization.

This authorization is given for a period of 18 months from the date of this meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 15th resolution of the Annual General Meeting held on April 23, 2015.

8.2.2 Extraordinary resolutions

Authorization for the Company to reduce its capital by canceling treasury shares

PRESENTATION OF THE 22ND RESOLUTION

In the 22nd resolution, the Board of Directors is seeking an authorization to reduce the Company's capital by canceling all or some of the treasury shares purchased under share buyback programs previously authorized by shareholders as well as the new program proposed in the 21st resolution.

The Company may choose to cancel treasury shares in order to achieve certain financial objectives, such as actively managing its capital, optimizing its balance sheet structure or offsetting the dilutive impact of capital increases.

In compliance with the applicable law, the number of shares canceled in any 24-month period would not be able to exceed 10% of the Company's capital.

This authorization would be given for a period of 24 months and would supersede the unused authorization given for the same purpose in the 12th resolution of the Annual General Meeting held on May 27, 2014.

TEXT OF THE TWENTY-SECOND RESOLUTION

Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with Article L.225-209 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to reduce the Company's capital on one or more occasions, in the proportions and at the times it deems appropriate, by canceling all or some of the treasury shares held by the Company as a result of implementing a share buyback program. The number of treasury shares that may be canceled within any 24-month period may not exceed 10% of the Company's capital. This 10% ceiling will apply to the amount of the Company's capital as adjusted, where applicable, to take into consideration any corporate actions that may be carried out after this Annual General Meeting;
2. resolve that the Board of Directors will have full powers, which may be delegated in accordance with the law, to implement this resolution and in particular to:
   - set the definitive amount of the capital reduction,
   - set the terms and conditions of the capital reduction and carry it out,
   - charge the difference between the carrying amount of the canceled shares and their par value against any available reserves and additional paid-in capital accounts,
   - place on record the completion of the capital reduction and amend the Company's bylaws accordingly, and
   - carry out any formalities and other measures and generally do everything necessary to complete the capital reduction.

This authorization is given for a period of 24 months from the date of this meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 12th resolution of the Annual General Meeting held on May 27, 2014.

Grant of performance shares free of consideration

PRESENTATION OF THE 23RD RESOLUTION

In the 23rd resolution, shareholders are invited to authorize the Board of Directors to grant performance shares to (i) employees or certain categories of employees of the Company and/or of other entities in the Safran group, and/or (ii) executive corporate officers of the Company and/or other entities in the Safran group (except the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law.

Free share grants are a common method used by companies in order to strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the company and its shareholders. They are also in line with the Board's strategy of linking the incentives of executive managers to Safran's share performance – with the inherent risks and rewards that this involves – in order to encourage long-term reasoning in their actions.

The Board of Directors would determine the beneficiaries of the grants and set the terms and conditions thereof as well as the applicable eligibility criteria.

The main characteristics of any free share grants carried out using this authorization would be as follows:

Performance conditions

The vesting of all of the free shares would be subject to the achievement of internal and external performance conditions, which would be similar for all beneficiaries and would be assessed over three full consecutive fiscal years, including the year during which the performance shares are granted.

- The two internal performance conditions would count for 70% of the total vested shares and would be based on:
  - ROI (as defined in section 6.3.1.1 of the 2015 Registration Document) – 35%;
  - FCF (as defined in section 6.3.1.1 of the 2015 Registration Document) – 35%;
  - the achievement levels for these conditions would be measured by reference to the average of the targets for ROI and FCF set for the fiscal year in which the grant takes place and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels would be set for these conditions:
    - lowest achievement level: if 80% of the MTP target were achieved, 40% of the shares contingent on that target would vest,
    - target achievement level: if 100% of the MTP target were achieved, 80% of the shares contingent on that target would vest,
    - highest achievement level (cap): if 125% of the MTP target were achieved, 100% of the shares contingent on that target would vest,
    - between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting would vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned would vest.
- The external performance condition would count for 30% of the total vested shares and would be based on Safran's total shareholder return (TSR) performance as measured relative to a group of peer companies operating in the same business sectors as Safran (Aerospace, Defense and Security). These companies currently comprise Airbus Group, BAe Systems, Boeing, Finmeccanica, Gemalto, MTU Aero Engines, Rolls Royce, Thales and Zodiac Aerospace.

  The following achievement levels would be set for this condition:
    - lowest achievement level: if Safran delivered a TSR equal to that of the peer companies, 40% of the shares contingent on the external performance condition would vest,
    - target achievement level: if Safran delivered a TSR 8 points higher than the peer companies, 80% of the shares contingent on the external performance condition would vest,
    - highest achievement level: if Safran delivered a TSR 12 points higher than the peer companies, 100% of the shares contingent on the external performance condition will vest,
    - between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting would vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the external performance condition would vest.

Ceilings

The total number of performance shares granted could not exceed (i) 0.35% of the Company's capital as at the date on which the Board of Directors decides to make the share grants (main ceiling), and (ii) 0.18% of the Company's capital in any given fiscal year (sub-ceiling).

In addition, for each grant of performance shares, the maximum number of shares granted to each of the Company's corporate officers would be set at 5% of the total number of shares making up the grant (representing a sub-ceiling of 0.009% of the Company's capital per corporate officer and fiscal year).

Vesting and lock-up periods

The shares granted would be subject to a vesting period set by the Board of Directors, which may not be less than three years.

In addition, any shares granted to the Chief Executive Officer and members of Safran's Executive Committee would be subject to a lock-up period of at least one year following their vesting date.

In accordance with the Board of Directors' Internal Rules, if any free shares are granted to the Chief Executive Officer, he will be required to hold in registered form a proportion of his vested shares, as set by the Board of Directors, until his duties as Chief Executive Officer cease.

Each beneficiary will also be required to give a formal undertaking to refrain from hedging the risk to her/his granted shares until she/he may freely transfer the shares granted (end of vesting period or, where applicable, end of lock-up period set by the Board of Directors, depending on the beneficiaries).

The shares granted could either be new shares or existing shares bought back by the Company under the terms and conditions provided for by law.

This authorization would entail the waiver by existing shareholders of their pre-emptive rights to subscribe for any shares issued pursuant to this resolution.

Term

This authorization would be granted for a period of 14 months from the date of this meeting.

Anticipated use

The Company does not currently have any performance share plans (or stock option plans) in place. If this authorization is approved by shareholders, the Board of Directors intends to set up a performance share plan in 2016 which will have the characteristics and be subject to the performance conditions and ceilings described above. This authorization may also be used for another performance share plan in 2017 if such a plan is set up before the 2017 Annual General Meeting.

TEXT OF THE TWENTY-THIRD RESOLUTION

Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Safran group entities, with a waiver of shareholders' pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with Articles L.225-197-1 et seq. of the French Commercial Code, the shareholders:

1. authorize the Board of Directors to grant, on one or more occasions, existing or new Safran shares, free of consideration, to (i) employees or certain categories of employees of the Company and/or of related companies or groups within the meaning of Article L.225 197 2 of the French Commercial Code, and/or (ii) corporate officers of the Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code (except for the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated) provided said corporate officers are eligible for such grants under the applicable law. The amounts and timing of such grants will be determined at the Board's discretion;
2. resolve that the total number of existing or new shares granted free of consideration pursuant to this authorization may not exceed (i) 0.35% of the Company's capital at the date of the Board of Directors' decision to grant free shares, and (ii) 0.18% of the Company's capital in any given fiscal year;
3. resolve that the shares granted pursuant this authorization will be subject to performance conditions set by the Board of Directors based on the recommendations of the Appointments and Compensation Committee and assessed over a minimum period of three consecutive fiscal years, including the year of grant;
4. resolve that for each grant of free shares, any shares granted to the Company's corporate officers in accordance with the conditions provided for by law may not represent over 5% of the total number of shares making up the grant (per corporate officer);
5. resolve that the shares granted will be subject to a vesting period which will be set by the Board of Directors but may not be less than three years, followed, as the case may be, by a lock-up period whose duration will also be set by the Board of Directors;
6. resolve that any free shares granted to the Company's corporate officers and members of the Executive Committee will be subject to a lock-up period which will be set by the Board of Directors but may not be less than one year as from the vesting date;
7. resolve that the shares will vest before the expiry date of the above-mentioned vesting period and will be freely transferable before the expiry of the above-mentioned lock-up period in the event that the beneficiary becomes disabled, within the meaning of the definition set down in the second or third categories under Article L.341-4 of the French Social Security Code (or the equivalent in any foreign country);
8. note that if new shares are issued for the purpose of allocating the free shares, this authorization will result in capital increases paid up by capitalizing reserves, retained earnings or additional paid-in capital as the shares vest, as well as a corresponding waiver by shareholders of their pre-emptive rights to subscribe for the shares issued as part of these capital increases.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization within the limits set by the applicable laws and regulations and in particular to:

- determine if the shares granted free of consideration will be new shares or existing shares, it being specified that the Board may change its choice before the vesting date;
- draw up the list or categories of eligible beneficiaries;
- set the applicable performance and vesting conditions, notably the duration of the vesting period and lock-up period, particularly concerning the Company's corporate officers and members of the Executive Committee;
- provide for the possibility to provisionally suspend the beneficiaries' rights to receive the shares;
- place on record the vesting dates of the shares granted and the dates from which the shares may be freely transferred or sold;
- make any adjustments required during the vesting period to the number of free shares granted in order to protect the rights of beneficiaries, it being specified that the shares granted in connection with any such adjustments will be deemed to have been granted on the same date as the initial grant;
- in the event of the issue of new shares, (i) deduct, where applicable, from reserves, retained earnings or additional paid-in capital, the amounts necessary to pay up the shares, (ii) place on record the capital increases carried out pursuant to this authorization, (iii) amend the bylaws to reflect the new capital; and generally
- take all appropriate measures and enter into any and all agreements to successfully complete the contemplated share grants.

This authorization is given for a period of 14 months from the date of this meeting.

8.2.3 Resolution concerning powers to carry out formalities

PRESENTATION OF THE 24TH RESOLUTION

The 24th resolution concerns the powers that are necessary to carry out the filing and other legal formalities required for the resolutions adopted at the meeting.

TEXT OF THE TWENTY-FOURTH RESOLUTION

Powers to carry out formalities

The shareholders give full powers to the bearer of an original, extract or copy of the minutes of this meeting to carry out any and all filing, publication, declaration and other formalities required by the applicable laws and regulations.

8.2.4 Nominees to the Board of Directors

Nominees standing for appointment and re-appointment

The following nominations for appointment and re-appointment of Directors are being submitted to shareholders at the Annual General Meeting (see section 8.2.1):

- nominations recommended by the Board of Directors, corresponding to the 10th and 11th resolutions, which **the Board is asking shareholders to adopt and which concern:**
  - the appointment of Gérard Mardiné as a Director representing employee shareholders (see profile below),
  - the appointment of Eliane Carré-Copin as a Director representing employee shareholders (see profile below);
- nominations not recommended by the Board of Directors, corresponding to Resolutions A and B, which **the Board is asking shareholders to reject and which concern:**
  - the re-appointment of Marc Aubry as a Director representing employee shareholders (see profile in section 6.1.2),
  - the appointment of Jocelyne Jobard as a Director representing employee shareholders (see profile below).

Nominee standing for appointment as a Director representing employee shareholders, recommended by the Board of Directors

Gérard Mardiné

Sagem – 18-20 Quai du point du jour – 92659 Boulogne-Billancourt, France

Number of Safran shares held: 1,196*

Profile – Expertise and experience

Born in 1959, Gérard Mardiné holds a degree from ENSAM engineering school in Paris and is also a graduate of the École Supérieure des Techniques Aérospatiales.

Mr. Mardiné joined Snecma in 1982 as an engineer specialized in regulating turbojet engines and subsequently took up a post at Sagem as head of development of navigation equipment and drone systems. For the past ten years, he has specialized in drones and aviation and he is a member of EUROCAE, a European standard-setting body for the aviation industry.

Gérard Mardiné would bring to the Board his view of Safran from an employee shareholder's perspective as well as an in-depth knowledge of the Group and its markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP:

- Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund
- Member of the Works Council, Employee Representative and Trade Union Representative at Sagem (Boulogne)
- Coordinator for the CFE-CGC trade union within the Group

NON-GROUP:

- Director of ARRCO (French national association for employee pensions)
- Director of Humanis Retraite ARRCO (pension fund)
- Member of the Club Sagem Management Committee
- Chairman of the Steering Committee of IPSA (an aerospace engineering school)

Offices and positions that expired in the last five years

SAFRAN GROUP:

- Chairman of the Supervisory Board of the Safran Mixte Solidaire corporate mutual fund

NON-GROUP:

None

(*) Via corporate mutual fund units (conversion based on the Safran share price as of December 31, 2015).

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Nominee standing for appointment as a Director representing employee shareholders, recommended by the Board of Directors

Eliane Carré-Copin

Safran – 2, boulevard du Général Martial-Valin – 75724 Paris Cedex 15, France

Number of Safran shares held: 356*

Profile – Expertise and experience

Born in 1952, Eliane Carré-Copin holds a degree in English from the University of Lille and is also a graduate of the Institut d'Études Politiques de Paris *and Advancia.*

Ms. Carré-Copin has been with the Group for 24 years.

After working as PA to the Chairmen of Snecma between 1992 and 1997, she was then appointed as a project manager for the Group International Affairs Department, where she deepened her knowledge of the Group's various entities and their international markets.

Ms. Carré-Copin is currently Group Assistant Compliance Director, specializing in commercial compliance and anti-corruption measures. As part of this role, she covers compliance matters concerning the international partners of the Group's entities and helps train employees about Safran's compliance program.

Eliane Carré-Copin would bring to the Board her view of Safran from an employee shareholder's perspective as well as an in-depth knowledge of the Group and its markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP:

- CFE-CGC trade union representative on the Group Works Council
- Member of the Supervisory Board of the Safran Investissement corporate mutual fund
- Director of the Safran Music Foundation
- Member of Safran's Central Works Council
- Member of the Works Council and Employee Representative at Safran (Martial Valin)

NON-GROUP:

None

Offices and positions that expired in the last five years

SAFRAN GROUP:

None

NON-GROUP:

None

(*) *Via corporate mutual fund units (conversion based on the Safran share price as of December 31, 2015).*

Nominee standing for appointment as a Director representing employee shareholders, not recommended by the Board of Directors

Jocelyne Jobard

Sagem – 100, avenue de Paris – 91344 Massy, France

Number of Safran shares held: 1,507*

Profile – Expertise and experience

Born in 1957, Jocelyne Jobard trained as an accountant.

*Ms. Jobard has worked with the Group for 36 years. Her first position was principal accountant at SAT (*Société Anonyme de Télécommunications*) and she then went on to deal with debt recovery at Sagem Communication before joining Sagem in 2000, where she was also in charge of debt recovery.*

Since 2007, Ms. Jobard has been a sales administrator and her principal customer account is the French Defense Procurement Agency (DGA).

Jocelyne Jobard would bring to the Board her view of Safran from an employee shareholder's perspective as well as an in-depth knowledge of the Group.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP:

- Member of the Supervisory Boards of the Sagem Interfond and Avenir Sagem corporate mutual funds
- CFTC trade union representative on the Sagem Massy Works Council
- Employee representative at Sagem Massy

NON-GROUP:

None

Offices and positions that expired in the last five years

SAFRAN GROUP:

- CFTC trade union representative at Sagem
- CFTC trade union representative on the Group Works Council
- Member of the Economic Committee of Sagem's Central Works Council
- Trade union representative and member of the Hygiene, Health and Safety and Working Conditions Committee at Sagem's head office

NON-GROUP:

- Member of the Board of Directors of Lycée Lakanal in Sceaux (2,000 pupils) as a parent-teacher representative
- Assistant treasurer of the CFTC trade union for central Paris

(*) Via corporate mutual fund units (conversion based on the Safran share price as of December 31, 2015).

Nominee standing for re-appointment as a Director representing employee shareholders, not recommended by the Board of Directors

The profile of Marc Aubry, who is standing for re-appointment as a Director representing employee shareholders (not recommended by the Board of Directors), is provided in section 6.1.2.

8.2.5 Summary table of authorizations for the Board of Directors submitted for approval at the Annual General Meeting of May 19, 2016

The resolutions approved by the Board of Directors on March 24, 2016, which will be submitted for approval at the Annual General Meeting on May 19, 2016, provide for the authorizations described below to be granted to the Board of Directors.

Type of authorization	Date of authorization	Term	Ceiling
Authorization for the Board of Directors to carry out a share buyback program	May 19, 2016 AGM (21st resolution)	18 months	€3.3 billion 10% of the Company's capital
Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares	May 19, 2016 AGM (22nd resolution)	24 months	10% of the Company's capital
Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Safran group entities, with a waiver of shareholders' pre-emptive subscription rights	May 19, 2016 AGM (23rd resolution)	14 months	0.35% of the Company's capital at the grant date

8.2.6 Summary table of authorizations in force already granted to the Board of Directors

Details of the financial authorizations in force already granted by shareholders to the Board of Directors, and the Board's use of these authorizations, are provided in section 7.2.2.1 of the 2015 Registration Document.

8.3 Report on the use of the authorization granted to the Board of Directors in the 21st resolution adopted at the Annual General Meeting of April 23, 2015

SPECIAL REPORT BY THE CHIEF EXECUTIVE OFFICER ON THE TERMS AND CONDITIONS OF THE ISSUE OF BONDS CONVERTIBLE AND/OR EXCHANGEABLE FOR NEW AND/OR EXISTING SHARES ("OCEANE" BONDS), MATURING ON DECEMBER 31, 2020 (DRAWN UP IN ACCORDANCE WITH ARTICLE R.225-116 OF THE FRENCH COMMERCIAL CODE)

Decision of the Board of Directors dated December 17, 2015 and Decision of the Chief Executive Officer dated January 5, 2016

To the shareholders,

At its December 17, 2015 meeting, the Board of Directors (the "Board") of Safran (the "Company") decided to use the shareholder authorization granted in the 21st resolution of the Company's Annual General Meeting held on April 23, 2015 in order to carry out, without pre-emptive subscription rights for existing shareholders, a private placement of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANEs"), maturing on December 31, 2020 (the "Bonds").

In accordance with Article R.225-116 of the French Commercial Code, and acting as the duly empowered representative of the Board of Directors for this purpose, I hereby report to you on the terms and conditions applicable to this private placement.

1. BACKGROUND

1.1 The Company's Annual General Meeting of April 23, 2015

In the 21st resolution of the April 23, 2015 Annual General Meeting, in accordance with Articles L.225-129 *et seq.* and L.228-91 *et seq.* of the French Commercial Code, the shareholders granted the Board of Directors a 26-month authorization to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement that complies with the conditions set out in Article L.411-2-II of the French Monetary and Financial Code *(Code monétaire et financier).*

The shareholders set the following ceilings in this resolution: (i) the maximum nominal amount of any capital increases carried out pursuant to the resolution – either directly and/or on exercise of rights to shares – was set at €8 million (not including the nominal amount of any shares to be issued to protect the rights of holders of securities carrying rights to the Company's shares), and (ii) the maximum nominal amount of debt securities that could be issued pursuant to the resolution was set at €1.3 billion.

In addition to these ceilings set by the shareholders, in accordance with Article L.225-136, 3° of the French Commercial Code, the aggregate nominal amount of any capital increases carried out pursuant to the 21st resolution may not represent over 20% of the Company's share capital in any given year.

1.2 Board meeting of December 17, 2015

At its December 17, 2015 meeting, having placed on record that the above-mentioned authorization granted at the April 23, 2015 Annual General Meeting had not yet been used, the Board used said authorization to unanimously decide:

(i) to authorize in principle:

- **a.** the issuance by the Company of the Bonds, without pre-emptive subscription rights for existing shareholders, by way of a private placement in accordance with the provisions of Article L.411-2 II of the French Monetary and Financial Code, representing a maximum nominal amount of €650 million, and
- **b.** any increase(s) in the Company's capital that may be necessary due to the issue, on one or more occasions, of new Company shares as a result of holders of the bonds (the "Bondholders") exercising their conversion rights subject to a ceiling representing a maximum nominal amount of €1.5 million (not including the nominal amount of any shares to be issued in accordance with the applicable laws and terms and conditions of the issue as at December 17, 2015 to protect the rights of the Bondholders in the event of any subsequent corporate actions); and

(ii) to grant the Chief Executive Officer – or any representative duly empowered in accordance with the law – the necessary powers to issue the Bonds and determine the final terms and conditions thereof.

1.3 Decision of the Chief Executive Officer of January 5, 2016

On January 5, 2016, using the authorization granted by the Board of Directors on December 17, 2015, the Chief Executive Officer decided to issue the Bonds in accordance with the terms and conditions described in section 2 below.

2. TERMS AND CONDITIONS OF THE ISSUE

2.1 Characteristics of the issue

Nominal amount of the issue	€649,999,950.60
Gross proceeds from the issue	€675,999,948.62
Net proceeds from the issue	€670,591,949.03
Number of Bonds issued	7,277,205
Par value per Bond	€89.32, representing an issue premium of 45% over the reference share price of the Company used at the time of determining the final terms and conditions of the Bonds and corresponding to the volume-weighted average price of the Company's shares listed on Euronext Paris between the launch of the issue on January 5, 2016 and the determination of the final terms and conditions of the Bonds.
Private placement	In France and outside France – apart from in the USA, Canada, Japan and Australia – carried out on January 5, 2016 among entities falling within the scope of Article L.411-2-II of the French Monetary and Financial Code, using the fast-track procedure.
Public offering	No public offering was carried out.
Issue price of the Bonds	104% of par.
Issue and settlement date of the Bonds	January 8, 2016 (the "Bond Issue Date").
Listing of the Bonds	January 8, 2016 on the open market (Freiverkehr) of the Frankfurt stock exchange, under ISIN code FR0013087186.
Clearing	Euroclear Bank S.A./N.V. and/or Clearstream Banking S.A. (Luxembourg).
Global Coordinators – Lead Managers – Joint Bookrunners	BoA Merrill Lynch, BNP Paribas and Credit Agricole Corporate and Investment Bank.
Securities services and centralizing and calculation agents	CACEIS Corporate Trust – securities services and centralizing agent. Aether Financial Services SNC – calculation agent.
Blackout period	Undertaking not to issue shares of the Company or securities carrying rights to the Company's shares for a period of 90 days as from the settlement-delivery date (January 8, 2016), apart from certain exceptions or prior consent from the Global Coordinators.

2.2 Characteristics of the Bonds

Ranking of the Bonds	The Bonds constitute unsecured, direct, general, unconditional, unsubordinated and unsecured debt obligations of the Company, ranking equally among themselves and, subject to legal mandatory exceptions, pari passu with all other present or future unsecured debts and guarantees of the Company.
Negative pledge	Only applies in the event that the Company or one of its principal subsidiaries grants a guarantee or other type of security interest to the holders of other bonds or other marketable instruments representing debt securities issued or guaranteed by the Company or one of its principal subsidiaries.
Nominal rate – Coupon	The Bonds do not carry any coupon.
Term of the Bonds	4 years and 358 days.
Maturity date of the Bonds	December 31, 2020 (the "Maturity Date of the Bonds").
Redemption at maturity	Redemption in full at par on the Maturity Date of the Bonds (or the following business day if this date is not a business day).
Early redemption, at the Company's discretion	**(i)** The Company may redeem all or some of the Bonds at any time before the Maturity Date of the Bonds, without any limitation on price or number, either by repurchasing them through on-market or off-market transactions, or through repurchase or exchange offers. **(ii)** The Company may redeem all of the outstanding Bonds at par, at any time from December 31, 2018 until the Maturity Date of the Bonds, subject to a minimum prior notice period of 30 calendar days, if the arithmetic mean, calculated over a period of 20 consecutive trading days chosen by the Company out of the 40 consecutive trading day period preceding the publication of the early redemption notice, of the product of (a) the opening trading price of the Company's shares traded on Euronext Paris, and (b) the Conversion Ratio (as defined below) applicable at each date, exceeds 130% of the par value of the Bonds. **(iii)** The Company may redeem all of the outstanding Bonds at par at any time, subject to a minimum prior notice period of 30 calendar days, if the total number of Bonds still outstanding represents less than 15% of the number of Bonds originally issued.
Obligatory early redemption of the Bonds	Possible, with the Bonds redeemed at par, notably in the event of default by the Company.
Early redemption at the option of the Bondholders	Possible, with the Bonds redeemed at par, in the event of a change in control of the Company.
Rights attached to the Bonds/ Conversion Right	**Nature of the Conversion Right** The Bonds carry a conversion right ("Conversion Right"), whereby the Bondholders will be entitled to receive a number of existing or new shares (at the option of the Company) equal to the Conversion Ratio (as defined below) applicable at the Exercise Date (as defined below), multiplied by the number of Bonds for which the Conversion Right has been exercised. At January 5, 2016 the Conversion Ratio was one share for one Bond (subject to any subsequent adjustments carried out to protect the rights of holders of the Company's securities). **Exercise Period of the Conversion Right** The Bondholders may request to exercise their Conversion Right at any time from the Issue Date of the Bonds until the start of the seventh trading day preceding (i) the Maturity Date of the Bonds or, (ii) the early redemption date, it being specified that any Bonds for which the Bondholders have requested the exercise of their Conversion Right will not entitle their holders to any redemption at either the Maturity Date of the Bonds or at their early redemption date. Any Bondholder who has not requested the exercise of its Conversion Right during the time period indicated above will be reimbursed in cash at the Maturity Date of the Bonds or at their early redemption date. **Terms of allocation of shares pursuant to exercise of the Conversion Right** On exercise of its Conversion Right, each Bondholder will receive new and/or existing shares of the Company. The total number of new and/or existing shares will be determined by the Calculation Agent and will be equal, for each Bondholder, to the Conversion Ratio in effect on the Exercise Date multiplied by the number of Bonds transferred to the Centralizing Agent and for which the Conversion Right has been exercised.

<table>
<tr><td>Rights attached to the Bonds/ Conversion Right</td><td> Suspension of the Conversion Right
In the event of a capital increase or the issuance of new shares or securities carrying rights to shares, or any other financial transactions conferring pre-emptive subscription rights or reserving a priority subscription period for the benefit of the shareholders of the Company, the Company will be entitled to suspend the exercise of the Conversion Right for a period which may not exceed three months or any other period provided for in the applicable regulations. However, in no circumstances, may such suspension cause the Bondholders to lose their Conversion Right.
Any decision by the Company to suspend the Conversion Right of the Bondholders will be published in a notice in the French legal gazette (Bulletin des annonces légales obligatoires (“BALO”)). This notice must be published at least seven calendar days before the suspension of the Conversion Right becomes effective and must specify the dates on which the suspension period begins and ends. This information will also be published by the Company on its website (www.safran-group.com).
Conditions of exercise of the Conversion Right
To exercise their Conversion Right, Bondholders must make a request to the financial intermediary that holds their Bonds in a securities account. Any such request is irrevocable once received by the relevant financial intermediary. The Centralizing Agent will ensure the centralization of the request.
The date of the request will correspond to either (i) the business day on which both of the conditions described below are satisfied, if they are satisfied by 5:00 p.m. (Paris time), or (ii) the following business day, if said conditions are satisfied after 5:00 p.m. (Paris time) (the “Date of the Request”).
the Centralizing Agent has received the exercise request transmitted by the financial intermediary that holds the Bonds in a securities account; and
the Bonds have been transferred to the Centralizing Agent by the relevant financial intermediary.
Any request for the exercise of a Conversion Right sent to the Centralizing Agent will be effective as of the first trading day following the Date of the Request (the “Exercise Date”). All requests for the exercise of the Conversion Right must be received by the Centralizing Agent (and the Bonds transferred to the Centralizing Agent) no later than the start of the seventh trading day preceding the Maturity Date of the Bonds or the early redemption date of the Bonds.
All Bondholders with Bonds having the same Exercise Date will be treated equally and will each receive the same proportion of new and/or existing shares for their Bonds, subject to rounding.
The Bondholders will receive delivery of their new and/or existing shares no later than the seventh trading day following the Exercise Date. </td></tr>
<tr><td>Dividend rights and listing of the underlying shares</td><td> The existing or new shares delivered on exercise of the Conversion Right will carry dividend rights and entitle their holders to all the rights attached to the shares as from their delivery date, it being specified that in the event that a record date for a dividend (or interim dividend) occurs between the Exercise Date and the delivery date of the shares, the Bondholders will not be entitled to such dividend (or interim dividend) nor to any compensation therefor, subject to the right to an adjustment of the Conversion Ratio – a right to which the Bondholders are entitled until the day prior to the delivery date of the shares.
Applications will be made for the admission to trading on Euronext Paris of the new shares issued upon exercise of the Conversion Right. Accordingly, the new shares will immediately become fungible with the existing shares listed on Euronext Paris and will be tradable, as from the date on which they are admitted to trading, on the same listing line as said existing shares under the same ISIN code (FR0000073272).
Any existing shares allocated upon exercise of the Conversion Right will be immediately tradable on Euronext Paris. </td></tr>
<tr><td>Currency of the issue</td><td>Euro</td></tr>
<tr><td>Governing law</td><td>French law</td></tr>
</table>

3. PURPOSE OF THE ISSUE

The purpose of the issue of the Bonds is for the Company to be able to have access to financing for its general operations.

4. IMPACT OF THE ISSUE OF THE BONDS AND THE EXERCISE OF THE CONVERSION RIGHT ON EXISTING HOLDERS OF THE COMPANY'S SHARES AND SECURITIES CARRYING RIGHTS TO SHARES

4.1 Dilution in the event that new shares of the Company are issued on exercise of the Conversion Right – Impact on equity attributable to owners of the Company

For information purposes, if the Company chooses to only deliver new shares on exercise of the Conversion Right, assuming that all of the Bonds are converted, the impact on equity attributable to owners of the Company would be as follows:

(Calculations based on (i) equity as recorded in the parent company financial statements at December 31, 2015, as approved by the Board of Directors at its meeting on February 24, 2016, (ii) the number of shares making up the Company's capital at that date, after deducting treasury shares, and (iii) an assumption that the Conversion Ratio equals 1).

	Attributable equity per share[(1)] *(in €)*
Before issue of the Bonds	16.61
After issue of the Bonds and exercise of the Conversion Right	16.33

(1) The Company does not have any outstanding dilutive instruments.

4.2 Dilution in the event that new shares of the Company are issued on exercise of the Conversion Right – Impact on shareholders' existing ownership interests

For information purposes, if the Company chooses to only deliver new shares on exercise of the Conversion Right, assuming that all of the Bonds are converted, the impact on shareholders owning 1% of the Company's capital at December 31, 2015 would be as follows:

(Calculations based on (i) the number of shares making up the Company's capital at December 31, 2015, i.e., 417,029,585 shares, and (ii) an assumption that the Conversion Ratio equals 1).

	Shareholder's ownership interest[(1)] *(%)*
Before issue of the Bonds	1
After issue of the Bonds and exercise of the Conversion Right	0.98

(1) The Company does not have any outstanding dilutive instruments.

5. IMPACT OF THE ISSUE OF THE BONDS AND THE EXERCISE OF THE CONVERSION RIGHT ON SAFRAN'S MARKET CAPITALIZATION

The theoretical impact of the issue and conversion of the Bonds on Safran's market capitalization would be a positive 0.77%.

This impact was calculated based on the following:

- a price of €63.62 per Safran share, corresponding to the average of the opening Safran share prices over the 20 trading days preceding the date on which the issue was launched;
- the issue of 7,277,205 Bonds with a par value of €89.32 per bond, which could potentially be converted into an aggregate 7,277,205 Safran shares (at a ratio of 1 share for 1 Bond); and
- net issue proceeds of €670,591,949.03.

Based on the above assumptions, the following table shows the theoretical impact of the issue and conversion of the Bonds on Safran's market capitalization.

Theoretical impact of the issue and conversion of the Bonds on Safran's market capitalization and share price

Number of Safran shares outstanding before issue of the Bonds	417,029,585
Safran share price before issue of the Bonds	€63.62
Safran's market capitalization before issue of the Bonds	€26,531,422,198
Number of Bonds issued	7,277,205
Conversion Ratio	1
Total number of Safran shares that could potentially be issued on conversion of the Bonds	7,277,205
Total number of Safran shares after issue and conversion of the Bonds	424,306,790
Net proceeds from issue of the Bonds	€670,591,949
Safran's theoretical market capitalization after issue and conversion of the Bonds	€27,202,014,147
Theoretical value of one Safran share after issue and conversion of the Bonds	€64.11
Theoretical impact of the issue and conversion of the Bonds	+0.77%

French original signed in Paris

On March 4, 2016

Philippe Petitcolin

Chief Executive Officer

8.4 Dividend payment policy

Year	Type of shares	Number of shares	Dividend per share *(in €)*	Total dividend payment *(in €)*
2010	Ordinary	417,029,585	0.50	208,514,792
2011	Ordinary	417,029,585	0.62	258,558,343
2012	Ordinary	417,029,585	0.96	400,348,402
2013	Ordinary	417,029,585	1.12	467,073,135
2014	Ordinary	417,029,585	1.20	500,435,502
2015	**ORDINARY**	**417,029,585**	**1.38**	**575,500,827**

Dividends that have not been claimed within five years are time-barred and paid over to the French State in accordance with the applicable legislation.

Future dividends will depend on Safran's ability to generate profits, its financial position and any other factors deemed relevant by the Company's corporate governance bodies.

Additional disclosures relating to the taxation of dividends for individuals domiciled in France for tax purposes

For income tax purposes, since January 1, 2012, the full amount of dividends paid has qualified for the 40% tax relief provided for under Article 158, 3-2° of the French Tax Code for individuals domiciled in France for tax purposes.

Individual shareholders domiciled in France for tax purposes are eligible for the 40% tax relief on the full amount of their €0.60 per-share interim dividend paid on December 23, 2015.

They also qualify for this 40% tax relief on the full amount of the €0.78 per share balance of the dividend, which will be paid on May 25, 2016, if the 3rd resolution of the May 19, 2016 Annual General Meeting is approved.

However for such shareholders, the Company's paying agent – BNP Paribas Securities Services – will withhold at source from the gross amount of said balance (i) a compulsory deduction of 21% as required in accordance with Article 117 quater 1-1° of the French Tax Code, and (ii) 15.5% in social security contributions.

The compulsory 21% withholding tax does not apply to income from shares held as part of a PEA personal equity plan, as defined in Articles L.221-30 et seq. of the French Monetary and Financial Code.

The 21% withholding tax corresponds to a downpayment of personal income tax due on the dividend payment and is not a payment in full discharge of all of the tax that may potentially be due on the dividend income. Consequently, the tax payable on the dividend will be subject to the progressive tax scale applicable to personal income tax, after applying the above-mentioned 40% tax relief. The withholding tax deducted at the time of the dividend payment may be set off against the overall amount of the income tax due on said payment. If the withholding tax exceeds the amount actually due, the excess will be repaid to the shareholder concerned by the French tax authorities in accordance with Article 117 quater 1-1° of the French Tax Code.

In practice, the amount withheld at source when the balance of the dividend is paid on May 25, 2016 will be offset against shareholders' personal income tax payable in 2017 on income received in 2016.

Individual shareholders domiciled in France for tax purposes whose reference taxable income for 2014 was less than €50,000 (for single, divorced or widowed taxpayers) or €75,000 (for taxpayers filing a joint tax return) may apply for an exemption from this withholding tax. In order to qualify for this exemption on the balance of the 2015 dividend, to be paid on May 25, 2016, shareholders must have lodged with the Company's paying agent by November 30, 2015 a statement of honor as provided for in Article 242 quater of the French Tax Code certifying that their reference taxable income for 2014 did not exceed the ceilings set out in Article 117 quater 1-1° of said Code.

8.5 Five-year financial summary of the Company

(in €)	2011	2012	2013	2014	2015
Capital at December 31					
Share capital	83,405,917	83,405,917	83,405,917	83,405,917	83,405,917
Number of ordinary shares outstanding	417,029,585	417,029,585	417,029,585	417,029,585	417,029,585
Financial results					
Profit before tax, statutory employee profit-sharing, depreciation, amortization and provisions	311,960,503	583,002,487	351,489,419	218,114,906	1,564,574,645
Income tax expense	(85,414,505)	(190,424,330)	(49,857,914)	(135,606,853)	(102,700,757)
Statutory employee profit-sharing for the fiscal year	-	-	-	-	-
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	352,862,622	764,947,485	327,839,113	654,303,872	1,648,209,397
Dividend payment	258,558,343	400,348,402	467,073,135	500,435,502	575,500,827
Per share data					
Profit after tax, statutory employee profit-sharing, but before depreciation, amortization and provisions					
◆ divided by the number of shares outstanding	0.95	1.85	0.96	0.85	4.00
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions					
◆ divided by the number of shares outstanding	0.85	1.83	0.79	1.57	3.95
Net dividend					
◆ per ordinary share outstanding	0.62	0.96	1.12	1.20	1.38
Employees					
Average number of employees during the fiscal year	895	1,085	1,211	1,370	1,519
Total payroll	87,901,591	99,864,352	109,929,617	124,923,990	133,628,961
Social security and other social welfare contributions	75,671,943(1)	56,713,929	71,358,273(2)	75,609,338	88,424,113(3)

(1) *Including €27 million in respect of the April 3, 2009 free share plan, of which €26.4 million was rebilled to the French subsidiaries employing the beneficiaries.*

(2) *Including €3.7 million in respect of the international free share plan, of which the full amount of €3.7 million was rebilled to the European subsidiaries employing the beneficiaries.*

(3) *Including €7.4 million in contributions paid to the insurer that manages the defined benefit pension plan described in section 6.3.1.3 of the 2015 Registration Document.*

8.6 Statutory Auditors' reports

8.6.1 Statutory Auditors' report on related-party agreements and commitments

SHAREHOLDERS' MEETING TO APPROVE THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

This is a free translation into English of the Statutory Auditors' special report issued in French 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 on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R.225-31 of the French Commercial Code (*Code de Commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French Commercial Code (*Code de Commerce*) concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for the approval of the General Meeting of Shareholders

In accordance with Article L.225-40 of the French Commercial Code (*Code de Commerce*), we have been advised of certain related-party agreements and commitments which received prior authorization from the Board of Directors.

CONTINUATION OF THE PERSONAL RISK INSURANCE AND DEFINED CONTRIBUTION SUPPLEMENTARY PENSION PLANS FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS

Person concerned

Ross McInnes, Chairman of the Board of Directors.

Nature, purpose, terms and conditions

At its April 23, 2015 meeting, in accordance with Article L.225-42-1 of the French Commercial Code (*Code de Commerce*), the Board of Directors decided to authorize Ross McInnes to continue to be a beneficiary under:

- The personal risk insurance plan set up for all Safran Group employees, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary under the plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer, as decided by the Board of Directors at its July 27, 2011 meeting. This includes, as decided by the Board of Directors at its December 17, 2014 meeting, the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015;
- The defined contribution supplementary pension plans set up for the Safran Group managerial-grade staff, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary under the plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer, as decided by the Board of Directors at its July 27, 2011 meeting.

The contributions to the plans are based on the fixed compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors.

Between April 23 and December 31, 2015, the corresponding expenses recorded in Safran's financial statements totaled €4,413 for the personal risk insurance plan and €4,895 for the defined contribution supplementary pension plan.

Reason for the agreement

The Board of Directors signed the agreement for the following reason:

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Ross McInnes as Chairman of the Board of Directors. At the same meeting, the Board decided to authorize him to continue to be a beneficiary under the personal risk insurance and defined contribution supplementary pension plans, subject to the same terms and conditions as the other plan members.

CONTINUATION OF THE DEFINED BENEFIT SUPPLEMENTARY PENSION PLAN FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS

Person concerned

Ross McInnes, Chairman of the Board of Directors.

Nature, purpose, terms and conditions

At its April 23, 2015 meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors also decided to authorize Ross McInnes to continue to be a beneficiary under the defined benefit plan set up for executive managers within the Group, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary under the plan in his former capacity as Deputy Chief Executive Officer, as decided by the Board of Directors at its December 11, 2013 meeting.

The methods used to calculate the benefits payable to Mr. McInnes are the same as those used for the other plan members, namely:

- The amount of the benefits will be calculated based on the average compensation over the last three years before retirement and will take into account the seniority of the beneficiary concerned within the category of top executives (hors statut) and officers (with at least five years of service), and will be equal to 1.8% of this reference compensation per year of seniority, capped at 18%;
- The total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation;
- The annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid;
- The payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules, having completed the required number of working years.

Reason for the agreement

The Board of Directors signed the agreement for the following reason:

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Ross McInnes as Chairman of the Board of Directors. At the same meeting, the Board decided to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan, subject to the same terms and conditions as the other plan members.

CONTINUATION OF THE PERSONAL RISK INSURANCE AND DEFINED CONTRIBUTION SUPPLEMENTARY PENSION PLANS FOR THE CHIEF EXECUTIVE OFFICER

Person concerned

Philippe Petitcolin, Chief Executive Officer.

Nature, purpose, terms and conditions

At its April 23, 2015 meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors decided to authorize Philippe Petitcolin to continue to be a beneficiary under:

- The personal risk insurance plan set up for all Safran Group employees, subject to the same conditions as the other plan members. Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as a Company employee. This includes the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015;
- The defined contribution supplementary pension plan set up for the Safran Group managerial-grade staff, subject to the same terms and conditions as the other plan members, under which he was previously a beneficiary in his prior capacity as a Company employee.

The contributions to the plans are based on the compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

Between April 23 and December 31, 2015, the corresponding expenses recorded in Safran's financial statements totaled €4,413 for the personal risk insurance plan and €18,752 for the defined contribution supplementary pension plan.

Reason for the agreement

The Board of Directors signed the agreement for the following reason:

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Philippe Petitcolin as Chief Executive Officer. At the same meeting, the Board decided to authorize him to continue to be a beneficiary under the personal risk insurance and defined contribution supplementary pension plans, subject to the same terms and conditions as the other plan members.

CONTINUATION OF THE DEFINED BENEFIT SUPPLEMENTARY PENSION PLAN FOR THE CHIEF EXECUTIVE OFFICER

Person concerned

Philippe Petitcolin, Cheif Executive Officer.

Nature, purpose, terms and conditions

At its April 23, 2015 meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors also decided to authorize Philippe Petitcolin to continue to be a beneficiary under the defined benefit supplementary pension plan set up for executive managers within the Group, subject to the same terms and conditions as the other plan members. Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as Company employee.

The methods used to calculate the benefits payable to Mr. Petitcolin are the same as those used for the other plan members, namely:

- The amount of the benefits will be calculated based on the average compensation over the last three years before retirement and will take into account the seniority of the beneficiary concerned within the category of top executives (hors statut) and officers (with at least five years of service), and will be equal to 1.8% of this reference compensation per year of seniority, capped at 18%;
- The total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation;
- The annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid;
- The payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules, having completed the required number of working years.

Reason for the agreement

The Board of Directors signed the agreement for the following reason:

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Philippe Petitcolin as Chief Executive Officer. At the same meeting, the Board decided to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan, subject to the same terms and conditions as the other plan members.

APPROVAL OF A NEW CREDIT FACILITY AGREEMENT ENTERED INTO WITH A POOL OF BANKS INCLUDING BNP PARIBAS

Person concerned

Monique Cohen, a Director of Safran and a Director of 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 which are parties to the agreement.

Reason for the agreement

The Board of Directors signed the agreement for the following reason:

The 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 its two existing €1,600 million and €950 million facilities (which had shorter terms than the new facility), the Group was able to take advantage of the current favorable market interest rates.

During 2015, a €540,000 expense was recorded in Safran's financial statements corresponding to BNP Paribas' share of the participation and arrangement fee for the facility.

ARIANESPACE FRAMEWORK PROTOCOL ENTERED INTO WITH THE FRENCH STATE AND AIRBUS SAFRAN LAUNCHERS HOLDING, IN THE PRESENCE OF SAFRAN

Directors concerned: Astrid Milsan, Director representing the French State, Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

Shareholder concerned: the French State (shareholder owning more than 10% of the Company's voting rights).

Nature, purpose, terms and conditions

On February 8, 2016, CNES, the French State and Airbus Safran Launchers Holding (ASLH – a joint venture by Safran and Airbus Group SE), in the presence of Airbus Group SE and Safran, signed the "Arianespace Framework Protocol".

Prior approval to sign this protocol was granted to Safran by the Board of Directors on December 17, 2015.

The protocol relates to buying back by ASLH of Arianespace shares and Ariane brand names held by CNES. It establishes the principal terms and conditions of the sale to ASLH of Arianespace shares held by CNES, as well as the parties' declarations and commitments. In its capacity as a partner to the protocol, Safran undertakes to ensure that ASLH fully complies with said agreement.

Subject to the various conditions precedent common to such transactions, the protocole would come into force at the same time as agreements relating to the second phase of the merging of Safran and Airbus space launcher activities, announced on June 16, 2014 and leading to the creation of ASLH in January 2015.

Reason for the agreement

The Board of Directors signed the agreement for the following reason:

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

Agreements and commitments authorized in prior years but not approved by the General Meeting of Shareholders

We hereby report to you on the related-party agreements or commitments, authorized in the course of the year 2011, included in our special report on related-party agreements and commitments to the Shareholders' Meeting to approve the financial statements for the year ended December 31, 2011, not approved by this Shareholders' Meeting, and which remained in force during the year ended December 31, 2015.

With Jean-Paul Herteman, Chairman and Chief Executive Officer, and Ross McInnes and Marc Ventre, Deputy Chief Executive Officers (whose terms in office ended on April 23, 2015, with Ross McInnes being appointed Chairman of the Board of Directors at the same date).

1. Continuation of personal risk insurance benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

Nature and purpose

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously beneficiaries under the personal risk insurance plan set up for all Safran Group employees.

Terms and conditions

At its meeting of July 27, 2011 the board of directors decided to authorize, in accordance with article L.225-42-1 of the French commercial code (*Code de Commerce*), Jean-Paul Herteman, chairman and chief executive officer, and Ross McInnes and Marc Ventre, deputy chief executive officers, to continue to be covered by this plan, subject to the same terms and conditions as the other plan members. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as chief executive officer and deputy chief executive officer.

Between January 1 and April 23, 2015, the corresponding expenses recorded in Safran's financial statements totaled €6,107.

2. Continuation of supplementary pension benefits for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

Nature and purpose

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously beneficiaries under the defined contribution supplementary pension plan for managerial-grade staff.

Terms and conditions

At its meeting of July 27, 2011 the board of directors decided to authorize, in accordance with Article L. 225-42-1 of the French commercial code (*Code de Commerce*), Jean-Paul Herteman, chairman and chief executive officer, and Ross McInnes and Marc Ventre, deputy chief executive officers, to continue to be covered by these supplementary pension plans, subject to the same terms and conditions as the other plan members. The contributions and benefits are based on the compensation (fixed and variable) that they receive for their role as chief executive officer and deputy chief executive officer.

Between January 1 and April 23, 2015, the corresponding expenses recorded in Safran's financial statements totaled €63,189.

Agreements and commitments already approved by the General Meeting of shareholders

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS WHICH REMAINED IN FORCE DURING THE PAST YEAR

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the General Meeting of Shareholders in previous years, continued during the year.

Continuation of the personal risk insurance and defined contribution supplementary pension plans for Stéphane Abrial, Deputy Chief Executive Officer, whose term in office ended on April 23, 2015

Person concerned

Stéphane Abrial, Deputy Chief Executive Officer.

Nature and purpose

As a Company employee, Stéphane Abrial was previously a beneficiary under the personal risk insurance plan set up for all Safran Group employees and the defined contribution supplementary pension plan set up for managerial-grade staff.

Terms and conditions

At its July 27, 2011 meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors decided to authorize Stéphane Abrial to continue to be a beneficiary under the personal risk insurance and defined contribution supplementary pension plans, subject to the same terms and conditions as the other plan members. The contributions are based on the compensation (fixed and variable) that he received for his role as Deputy Chief Executive Officer.

Between January 1 and April 23, 2015, the corresponding expenses recorded in 2015 financial statements totaled €13,048.

Extension of the defined benefit pension plan to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers, whose terms in office ended on April 23, 2015

Persons concerned

Jean-Paul Herteman, Chairman and Chief Executive Officer, and Stéphane Abrial, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers (whose terms in office ended on April 23, 2015, with Ross McInnes being appointed Chairman of the Board of Directors at the same date).

Nature and purpose

At its October 31, 2013 meeting, the Board of Directors decided to implement a new defined benefit supplementary pension plan in France, effective from January 1, 2014, for which executive managers within the Group are eligible.

At its December 11, 2013 meeting, the Board of Directors authorized the extension of this defined benefit supplementary pension plan to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers.

Terms and conditions

The methods used to calculate the benefits that would be paid to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers are the same as for the other plan members, namely:

- The amount of the benefits will be calculated based on the average compensation over the last three years before retirement and will take into account the seniority of the beneficiary concerned within the category of top executives (hors statut) and officers (with at least five years of service), and will be equal to 1.8% of this reference compensation per year of seniority, capped at 18%;
- The total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation;
- The annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid;
- The payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules, having completed the required number of working years.

AGREEMENTS AND COMMITMENTS APPROVED DURING THE YEAR

We have been informed of the implementation, during the year ended December 31, 2015, of the following agreements and commitments, previously approved by the April 23, 2015 General Meeting of Shareholders, as indicated in the Statutory Auditors' special report of March 18, 2015.

Extension of the new Accidental Death and Disability insurance coverage to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers (whose terms in office ended on April 23, 2015)

Persons concerned

Jean-Paul Herteman, Chairman and Chief Executive Officer, and Stéphane Abrial, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers (whose terms in office ended on April 23, 2015, with Ross McInnes being appointed Chairman of the Board of Directors at the same date).

Nature, purpose, terms and conditions

Safran's work-related accident insurance coverage was changed pursuant to a Group agreement signed on October 13, 2014 relating to the accidental death and disability insurance coverage available to all Safran Group employees in France. This coverage is in addition to that provided for under the Group personal risk insurance plan and has been effective since January 1, 2015.

At its meeting of December 17, 2014 the board of directors decided to extend these changes to Safran's accidental death and disability coverage to the chairman and chief executive officer and to the deputy chief executive officers.

Amendments to the three-way agreement in lieu of a "golden share" entered into by Sagem S.A., Snecma and the French State on December 21, 2004

Persons concerned

The members of the Board of Directors representing the French State (Astrid Milsan, Laure Reinhart, Vincent Imbert and Patrick Gandil).

When Sagem S.A. and Snecma merged, the French State required adequate contractual rights to be put in place to protect France's national interests, as consideration for waiving its right to take a golden share in Snecma in accordance with article 10 of Act no. 86-912 of August 6, 1986.

A three-way agreement in lieu of a golden share was therefore entered into between the French State and Sagem S.A. and Snecma, which have now been merged into Safran.

This agreement, which was signed on December 21, 2004, remained in force during 2015 as modified by three amendments.

Amendment no. 1

Nature and purpose

Following Safran's acquisition of (i) the entire interest owned by SNPE in SNPE Matériaux Énergétiques (subsequently renamed Herakles), except for one share held by the French State, and (ii) a 40% stake in Regulus, the French State's contractual rights concerning the protection of national interests as provided for in the December 21, 2004 agreement were extended by way of an amendment to said agreement (Amendment no. 1). This extension covers Safran's newly-acquired 40% interest in Regulus as well as a number of strategic assets held by Roxel France, in which Herakles holds an indirect 50% stake.

Terms and conditions

The signature of this amendment was authorized by the Supervisory Board on March 30, 2011. It was signed on March 31, 2011 and entered into force on April 5, 2011.

Amendment no. 2

Nature and purpose

Following its April 21, 2011 Annual General Meeting, Safran changed its corporate governance structure from a two-tier system with an executive board and a supervisory board to a single-tier system with a Board of Directors. The provisions of the December 21, 2004 agreement entered into with the French State were consequently amended for the sole purpose of harmonization with Safran's new governance structure.

Terms and conditions

The signature of this amendment was authorized by the Board of Directors on May 26, 2011. It was signed on June 29, 2011 and entered into force on the same date.

Amendment no. 3

Nature and purpose

Following this amendment, Herakles was added to the list of strategic subsidiaries whose shares and assets are protected by the December 21, 2004 three-way agreement.

Terms and conditions

The signature of this amendment was authorized by the Board of Directors on December 15, 2011. It was signed on December 16, 2011 and entered into force on the same date.

Amendment no. 4

Nature and purpose

Following the decision by Airbus Group and Safran to combine their space launcher activities in a joint venture called Airbus Safran Launchers Holding, which is held on a 50-50 basis by Airbus and Safran, the French State and Safran considered it important that Airbus Safran Launchers Holding should become a party to the December 21, 2004 agreement (by way of an amendment) in order to ensure that the French State's rights under the agreement are maintained and are respected by Airbus Safran Launchers Holding.

Safran and the French State also sought through the amendment to change the provisions of the December 21, 2004 agreement in order to extend the lists of the subsidiaries and affiliates protected by the agreement to include (i) the shares of Airbus Safran Launchers Holding, (ii) the shares of Airbus Safran Launchers SAS (which is wholly owned by Airbus Safran Launchers Holding), and (iii) the interests contributed by Safran to these two entities.

Terms and conditions

The signature of this amendment was authorized by the Board of Directors on December 1, 2014. It was signed on the same date and entered into force on January 14, 2015.

Amendment no. 5

Nature and purpose

Under the terms of the December 21, 2004 agreement, the French State is entitled to appoint a non-voting representative to the boards of Safran's strategic subsidiaries or subsidiaries holding assets related to French combat aircraft engines.

In view of a project put in place to convert the legal form of a number of Safran's main operating subsidiaries from a joint-stock corporations ("société anonyme") to a simplified joint-stock corporations ("société par actions simplifiée"), the French state required an amendment to be signed to confirm that its right under the December 21, 2004 agreement would still apply irrespective of the legal form of the companies concerned.

Terms and conditions

The signature of this amendment was authorized by the Board of Directors on December 17, 2014. It was signed on the same date and entered into force immediately.

Courbevoie and Paris-La Défense, March 29, 2016

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

8.6.2 Statutory Auditors' report on the proposed resolutions presented to the Annual General Meeting of May 19, 2016

STATUTORY AUDITORS' REPORT ON THE REDUCTION IN CAPITAL

ANNUAL GENERAL MEETING OF MAY 19, 2016 – TWENTY-SECOND RESOLUTION

This is a free translation into English of a Statutory Auditors' report issued in French and it 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 standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Safran and in compliance with Article L.225-209 of the French Commercial Code (*Code de commerce*), in respect of the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions for the proposed reduction in capital.

Your Board of Directors requests that it be authorized, for a period of 24 months as from the date of the present meeting, to proceed with the cancelation of shares the Company was authorized to repurchase, representing an amount not exceeding 10% of its total share capital, by period of 24 months, in accordance with the provisions of the above-mentioned article.

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 that the terms and conditions for the proposed reduction in capital, which should not compromise the equality among the shareholders, are fair.

We have no matters to report as to the terms and conditions of the proposed reduction in capital.

Courbevoie and Paris-La Défense, March 29, 2016

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

STATUTORY AUDITORS' SPECIAL REPORT ON THE AUTHORIZATION TO GRANT NEW OR EXISTING SHARES, FREE OF CONSIDERATION

ANNUAL GENERAL MEETING OF MAY 19, 2016 – TWENTY-THIRD RESOLUTION

This is a free translation into English of a Statutory Auditors' report issued in French and it 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 standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your company and in compliance with Article L.225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed authorization to grant new or existing shares of the Company, free of consideration to (i) employees or certain categories of employees of the Company or of related companies within the meaning of Article L.225-197-2 of the French Commercial Code, or (ii) corporate officers of the Company or of related companies within the meaning of Article L.225-197-2 of the French Commercial Code, provided said corporate officers are eligible for such grants under the applicable law.

The total number of shares granted free of consideration pursuant to this authorization may not exceed (i) 0.35% of the Company's share capital at the date of grant decision by the Board of Directors, and (ii) 0.18% of the Company's share capital in any given fiscal year.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of 14 months starting on the date of this meeting to grant new or existing shares, free of consideration.

It is the responsibility of the Board of Directors to prepare a report on the proposed transaction. Our role is to report on any matters relating to the information regarding the proposed operation.

We have performed the procedures which 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 mainly in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed authorization to grant new or existing shares of the Company.

Courbevoie and Paris-La Défense, March 29, 2016

The Statutory Auditors

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

8.6.3 Statutory Auditors' supplementary report on the issue, without pre-emptive subscription rights, of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds)

This is a free translation into English of a Statutory Auditors' report issued in French and it 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 standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with Article R.225-116 of the French Commercial Code (*Code de commerce*), and further to our report of March 18, 2015, we hereby report to you on the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares or securities carrying rights to shares, as authorized by the Extraordinary Shareholders' Meeting of April 23, 2015.

The Extraordinary Shareholders' Meeting of April 23, 2015 authorized the Board of Directors – or any duly empowered representative – to issue ordinary shares or securities carrying rights to shares, within the scope of an offering set out in II of Article L.411 2 of the French Monetary Financial and Code (*Code monétaire et financier*), without pre-emptive subscription rights for existing shareholders, for a period of twenty-six months from the date of the meeting. The Shareholders' Meeting set the following ceilings: the maximum nominal amount of debt securities that could be issued was set at €1.3 billion and the maximum nominal amount of the capital increases that could be carried out was set at €8 million.

At its meeting of December 17, 2015, using the authorization granted by the Shareholders' Meeting, the Board of Directors decided on the principle of the issuance, without pre-emptive subscription rights, of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds), and set: (i) the maximum nominal amount of debt securities that could be issued at €650 million, and (ii) the maximum nominal amount of the capital increase that could be carried out at €1.5 million. Also at its meeting of December 17, 2015, the Board of Directors decided to grant the Chief Executive Officer – or any representative duly empowered in accordance with the law – the necessary powers to issue the bonds and determine the final terms and conditions thereof.

On January 5, 2016, using this delegation of authority, the Chief Executive Officer decided to issue the bonds under the following terms and conditions:

The nominal amount of the issue was €649,999,950.60, represented by 7,277,205 bonds. The par value of the bonds was €89.32, representing an issue premium of 45% over the reference share price of the Company used at the time of determining the final terms and conditions of the bonds and corresponding to the volume-weighted average price of the Company's shares listed on Euronext Paris between the launch of the issue on January 5, 2016 and the determination of the final terms and conditions of the bonds. The maturity date of the bonds is December 31, 2020.

It is the responsibility of the Chief Executive Officer to prepare a special report in accordance with Articles R.225-113 et seq. of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the annual financial statements, on the proposed cancellation of pre-emptive subscription rights and on certain other disclosures relating to the share issue contained in this report.

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 mainly consisted in verifying:

- the fairness of the financial information taken from the annual financial statements authorized for issue by the Board of Directors and audited by us in accordance with professional standards applicable in France;
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Shareholders' Meeting;
- the information provided in the Chief Executive Officer's special report on the choice of constituent elements used to determine the issue price and on its final amount.

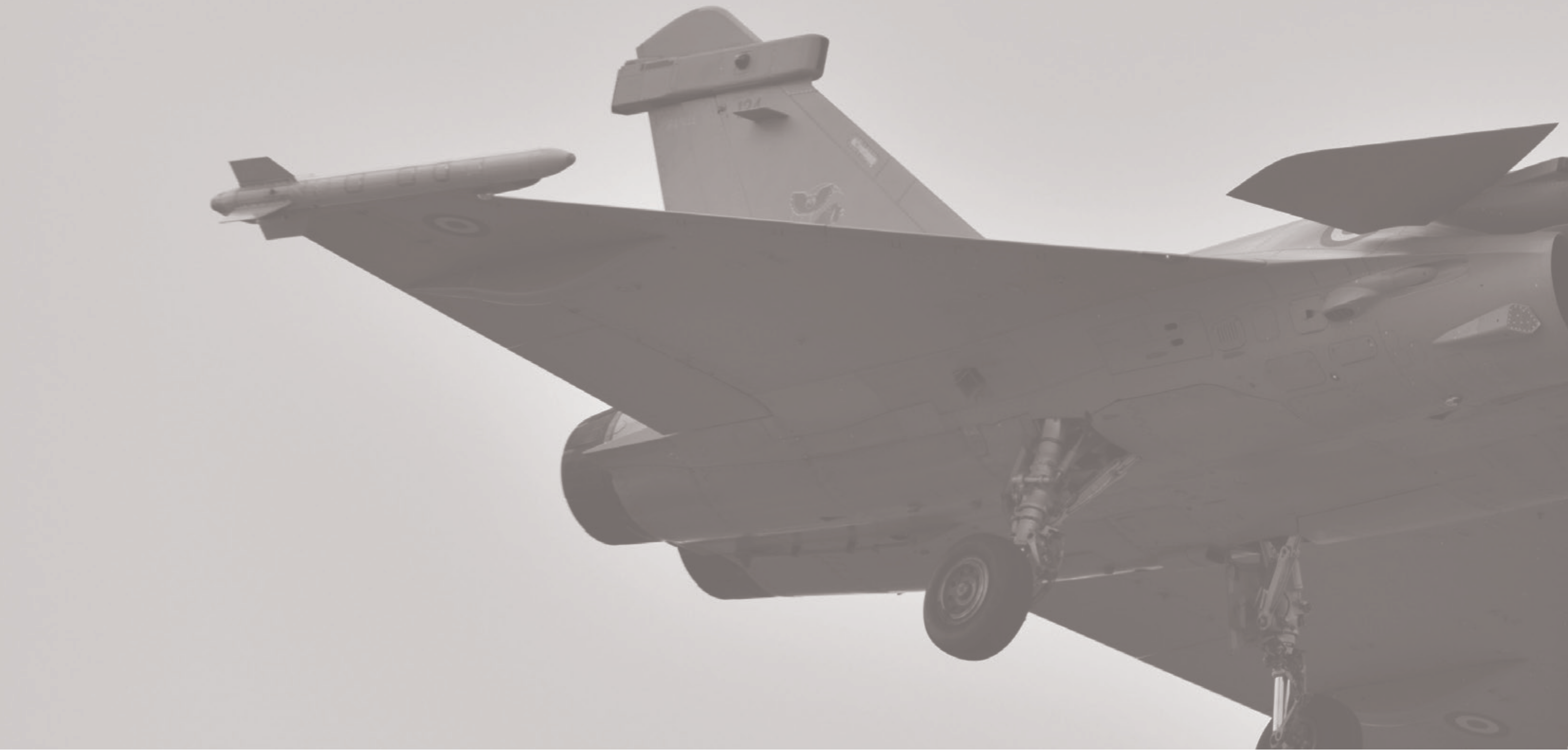
We have no matters to report as to:

- the fairness of the financial information taken from the annual financial statements and the information provided in the Chief Executive Officer's special report, it being specified that these annual financial statements have not yet been authorized by the Shareholders' Meeting;
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Shareholders' Meeting of April 23, 2015 and with the information provided to the shareholders;
- the choice of constituent elements used to determine the issue price and its final amount;
- the presentation of the impact of the issue on the situation of the shareholders, as expressed in relation to shareholders' equity and to the market value of the share;
- the proposed cancelation of pre-emptive subscription rights, upon which you have voted.

Courbevoie and Paris-La Défense, March 4, 2016

The Statutory Auditors

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé



PERSONS RESPONSIBLE

Person responsible for the Registration Document

Philippe Petitcolin

Chief Executive Officer

Person responsible for the financial information

Bernard Delpit

Chief Financial Officer

STATUTORY AUDITORS

Statutory Auditors

Mazars

61, rue Henri-Regnault

92400 Courbevoie

Ernst & Young et Autres

1-2, place des Saisons – Paris-La Défense 1

92400 Courbevoie

The terms of office of the Company's Statutory Auditors will expire at the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2015.

A proposal to renew their terms of office will be put to the shareholders at the Annual General Meeting of May 19, 2016 (see section 8.2.1).

CROSS-REFERENCE TABLES

- Board of Directors' management report cross-reference table.
- EC Regulation No. 809/2004 cross-reference table.
- Annual financial report cross-reference table.
- Social, environmental and community involvement cross-reference table.
- Annual General Meeting information cross-reference table.

9

ADDITIONAL **INFORMATION**

9.1 Persons responsible

9.1.1 Person responsible for the Registration Document

Philippe Petitcolin

Chief Executive Officer of Safran

9.1.2 Declaration by the person responsible for the Registration Document

"I hereby declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings in the consolidation taken as a whole, and that the management report (the cross-reference table for which is shown in section 9.4.1) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings in the consolidation taken as a whole, and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the Statutory Auditors, Mazars and Ernst & Young et Autres, in which they state that they have audited the information contained in this document relating to the financial position and the financial statements contained herewithin, and that they have read this document in its entirety.

Statutory audit reports have been issued in respect of the historical financial information presented or incorporated by reference, as stated in the foreword to section 3 of this Registration Document. They are presented in sections 3.2 and 3.4 for the year ended December 31, 2015 and incorporated by reference for the years ended December 31, 2013 and December 31, 2014.

The unqualified Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2014 contains an emphasis of matter of a technical nature concerning the change in accounting policies resulting from the application of new IFRSs applicable for the first time during the financial year concerned.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2015 contains no qualifications."

Paris, March 29, 2016

Chief Executive Officer,

Philippe Petitcolin

9.1.3 Person responsible for the financial information

Bernard Delpit

Chief Financial Officer

Telephone: +33 (0)1 40 60 81 24

Email: bernard.delpit@safran.fr

9.2 Statutory Auditors

For the period covered by the historical financial information, Safran's Statutory Auditors are as follows:

Statutory Auditors

Mazars	Ernst & Young et Autres
Represented by:	Represented by:
Thierry Colin and Christophe Berrard	**Vincent de La Bachelerie and Nicolas Macé**
61, rue Henri-Regnault	1-2, place des Saisons – Paris-La Défense 1
92400 Courbevoie	92400 Courbevoie
◆ Start date of first term of office: May 27, 2010	◆ Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)	Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
◆ Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015	◆ Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

Mazars and Ernst & Young are members of the Versailles regional auditing body *(Compagnie régionale des commissaires aux comptes de Versailles).*

Alternate auditors

Gilles Rainaut	Auditex
60, rue du Général-Leclerc	1-2, place des Saisons – Paris-La Défense 1
92100 Boulogne-Billancourt	92400 Courbevoie
◆ Start date of first term of office: May 27, 2010	◆ Start date of first term of office: May 27, 2010
Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)	Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)
◆ Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015	◆ Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2015

New terms of office and non-renewal

None.

Audit fees

Pursuant to Article R.233-14, paragraph 17 of the French Commercial Code, the following table shows the amount of the fees paid to the Group's Statutory Auditors as included on the consolidated income statement for the fiscal year, a distinction being made between fees charged for the statutory audit of the consolidated financial statements and those charged for advice and services falling within the scope of assistance directly related to the statutory audit engagement with regard to the consolidated financial statements. The fees shown for subsidiaries are those consolidated according to the full consolidation method.

	Ernst & Young				Mazars				TOTAL			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(in ¤ millions)	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Audit												
1) Statutory audit, certification, review of parent company and consolidated financial statements												
1.a) Safran (issuer)	0.82	0.65	18%	14%	0.84	0.65	19%	13%	1.66	1.30	18%	13%
1.b) Subsidiaries	3.34	3.68	73%	80%	3.26	3.66	74%	71%	6.60	7.34	74%	76%
2) Other engagements and services directly related to the statutory audit engagement												
2.a) Safran (issuer)	0.19	0.17	4%	3%	0.17	0.26	4%	5%	0.36	0.43	4%	4%
2.b) Subsidiaries	0.21	0.12	5%	3%	0.15	0.59	3%	11%	0.36	0.71	4%	7%
Sub-total	**4.56**	**4.62**	**100%**	**100%**	**4.42**	**5.16**	**100%**	**100%**	**8.98**	**9.78**	**100%**	**100%**
Other services rendered by the network to fully consolidated subsidiaries												
3.a) Legal, tax, employee-related	-	-	-	-	-	-	-	-	-	-	-	-
3.b) Other (provide details if >10% of audit fees)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**4.56**	**4.62**	**100%**	**100%**	**4.42**	**5.16**	**100%**	**100%**	**8.98**	**9.78**	**100%**	**100%**

NOTE 1 – STATUTORY AUDIT, CERTIFICATION, REVIEW OF PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

These services include, but are not limited to, the engagements defined by applicable laws and regulations and set out in sections 2, 5 and 6 of the manual of professional standards drafted by the French institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes* – CNCC).

They mainly concern the professional services rendered by the Statutory Auditors and other persons responsible for audits, members of their networks, certifying the parent company and consolidated financial statements of the parent company and fully consolidated subsidiaries in France and other countries.

NOTE 2 – OTHER ENGAGEMENTS AND SERVICES DIRECTLY RELATED TO THE STATUTORY AUDIT ENGAGEMENT

Other engagements and services directly related to the audit engagement and rendered by the Statutory Auditor or a member of its network concern services entering into the scope of services usually rendered in conjunction with the statutory audit engagement (drafting of specific reports and statements, due diligence procedures on the acquisition or divestment of an activity or of companies to be included in or removed from the scope of consolidation).

NOTE 3 – LEGAL AND TAX SERVICES

The services concerned are assignments for the provision of legal or tax assistance in general on a non-recurring basis and by agreement. These engagements mainly concern assistance with fulfilling tax requirements not related to the statutory audit engagement and carried out in other countries.

NOTE 4 – OTHER SERVICES

These services cover all other specific assignments in general on a non-recurring basis and by agreement.

9.3 Documents on display

Availability of documents and information concerning the Company

Safran's legal documents that must be made available to shareholders, in accordance with the applicable regulations, may be consulted at the registered office located at 2, boulevard du Général Martial-Valin, 75015 Paris.

Safran provides its shareholders with a wide range of tools for the frequent communication of transparent and accessible information on the Group, its businesses and its results. The Group website (www.safran-group.com) contains information for the public, such as presentations to analysts, financial press releases, and Registration Documents (last five years).

9.4 Cross-reference tables

9.4.1 Board of Directors' management report cross-reference table

This Registration Document includes the information contained in the Board of Directors' management report provided for by Articles L.225-100, L.225-100-2, L.225-102 and L.225-102-1 of the French Commercial Code.

The table below lists the references to excerpts of the Registration Document corresponding to the various sections of the management report as approved by the Board of Directors:

	Board of Directors' management report headings	2015 Registration Document section(s)
1	**Group activities in 2015**	**Profile and 2.1**
	Summary of key figures by business	**Profile and 2.1.3**
2	**Human resources**	
2.1	Headcount	**5.4.2**
2.2	Human resources policy	**5.4.1 and 5.4.3**
2.3	Labor relations	**5.4.5**
2.4	Statutory and optional profit-sharing schemes	**5.4.4**
2.5	Group employee savings plan and international Group employee savings plan	**5.4.4**
2.6	The importance of sub-contracting	**5.3**
2.7	Group ethics and values	**5.2**
3	**CSR Information**	**5**
4	**Research and development**	
4.1	Major technological focuses	**1.5.1**
4.2	Technical and scientific partnerships	**1.5.2**
4.3	Innovation and intellectual property	**1.5.3**
5	**Operating and financial position**	
5.1	Consolidated income statement	**2.1.2 and 3.1**
5.2	Consolidated balance sheet as at December 31, 2015	**2.2.2 and 3.1**
5.3	Research and development expenditure	**1.5.4**
5.4	Information concerning supplier payment periods	**2.3.3**
5.5	Parent company financial statements	**2.3 and 3.3**
5.6	Non-deductible expenses	**8.2.1**
5.7	Proposed appropriation of profit	**8.2.1**
6	**Risk factors**	
6.1	Identified risk factors	**4.1**
6.2	General risk management policy	**4.2**
6.3	Insurance	**4.3**
6.4	Health, safety and environmental risks	**5.5**
7	**Investments**	**7.1.3.2**

9.4.2 EC Regulation No. 809/2004 cross-reference table

This Registration Document includes the information to be included in registration documents as set out in Annex 1 of EC Regulation No. 809/2004.

The following table presents the cross-references between the two documents.

	EC Regulation No. 809/2004 Annex 1 headings	2015 Registration Document section(s)
1	**Persons responsible**	
1.1	Name and positions of the persons responsible	**9.1.1**
1.2	Declaration by the persons responsible	**9.1.2**
2	**Statutory Auditors**	
2.1	Names and addresses of the issuer's auditors	**9.2**
2.2	Change in auditors, where applicable	**9.2**
3	**Selected financial information**	
3.1	Historical financial information	**Profile**
3.2	Interim financial information	**N/A**
4	**Risk factors**	**4.1**
5	**Information about the issuer**	
5.1	Selected history and development of the issuer	
5.1.1	Legal and commercial name of the issuer	**7.1.1**
5.1.2	Place of registration of the issuer and its registration number	**7.1.1**
5.1.3	Date of incorporation and the length of life of the issuer	**7.1.1**
5.1.4	Domicile and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	**7.1.1**
5.1.5	Important events in the development of the issuer's business	**1.1.1**
5.2	Investments	
5.2.1	Past principal investments	**1.1.1, 1.5.4, 1.6.2 and 1.7**
5.2.2	Principal investments in progress	**1.6.2**
5.2.3	Future principal investments	**1.5**
6	**Business overview**	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and its principal activities	**1.1.4 and 1.3**
6.1.2	New products	**1.3 and 2.1.3**
6.2	Principal markets	**1.3, 2.1.3 and 3.1 Note 5**
6.3	Exceptional factors	**N/A**
6.4	Extent to which the issuer is dependent on patents or licenses, industrial contracts or manufacturing processes	**1.5.3 and 4.1.3**
6.5	Competitive position	**1.4**
7	**Organizational structure**	
7.1	Brief description of the Group	**1.1.2 and 1.1.3**
7.2	List of significant subsidiaries	**1.1.3, 1.1.4 and 3.1 Note 33**
8	**Property, plant and equipment**	
8.1	Material property, plant and equipment	**1.7**
8.2	Environmental issues	**1.7, 4.1.9 and 5.5**

	EC Regulation No. 809/2004 Annex 1 headings	2015 Registration Document section(s)
9	**Operating and financial review**	
9.1	Financial position	**2.1 and 2.2**
9.2	Operating results	
9.2.1	Significant factors materially affecting the issuer's income from operations	**2.1**
9.2.2	Explanation of material changes in net sales or revenue	**2.1**
9.2.3	Policies or factors that have materially affected, directly or indirectly, the issuer's operations	**2.1**
10	**Capital resources**	
10.1	Issuer's capital resources	**3.1 Note 19 and 3.3 Note 3.7**
10.2	Source and amounts of cash flows	**3.1 (including the statement of cash flows)**
10.3	Borrowing requirements and the funding structure of the issuer	**3.1 Note 23**
10.4	Restrictions on the use of capital resources	**N/A**
10.5	Information regarding the anticipated sources of funds	**2.2.3, 2.4 and 3.1 Notes 17 and 23**
11	**Research and development, patents and licenses**	**1.5**
12	**Trend information**	
12.1	Most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	**N/A**
12.2	Information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current fiscal year	**2.4 and 2.5**
13	**Profit forecasts or estimates**	**N/A**
14	**Administrative, management, and supervisory bodies and Executive Management**	
14.1	Members of the administrative and management bodies	**6.1**
14.2	Administrative and management bodies conflicts of interest	**6.1.2**
15	**Compensation and benefits**	
15.1	Compensation paid and benefits in kind	**6.3**
15.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	**6.3**
16	**Board practices**	
16.1	Date of expiration of the current terms of office	**6.1.2 and 6.5.1**
16.2	Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	**6.1.2**
16.3	Information about Board committees	**6.1.3 and 6.5.1**
16.4	Statement of compliance with the corporate governance regime in force	**6.5.3**
17	**Employees**	
17.1	Number and breakdown of employees	**5.4.2**
17.2	Shareholdings and stock options	**6.3**
17.3	Arrangements for involving the employees in the capital of the issuer	**5.4.4 and 7.3.7**
18	**Major shareholders**	
18.1	Major shareholders	**7.3.1**
18.2	Breakdown of voting rights	**7.3.1**
18.3	Controlling shareholder	**7.3.5**
18.4	Change in control	**7.3.6**
19	**Related-party transactions**	**7.1.4**

	EC Regulation No. 809/2004 Annex 1 headings	2015 Registration Document section(s)
20	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
20.1	Historical financial information	**3.1 and 3.3**
20.2	Pro forma financial information	**N/A**
20.3	Financial statements	**3.1 and 3.3**
20.4	Auditing of historical annual financial information	
20.4.1	Statement that the historical financial information has been audited	**3.2, 3.4 and 9.1.2**
20.4.2	Indication of other financial data that has been audited by the auditors	**6.6 and 8.6**
20.4.3	Indication of the source of the data and the absence of verification of the financial data appearing in the Registration Document that is not taken from the issuer's audited financial statements	**N/A**
20.5	Date of the latest financial information	**December 31, 2014, 3.2 and 3.4**
20.6	Interim and other financial information	
20.6.1	Quarterly or half-yearly financial information	**N/A**
20.6.2	Interim financial information	**N/A**
20.7	Dividend policy	
20.7.1	Amount of dividend	**8.4**
20.8	Disputes and litigation	**3.1 Note 31**
20.9	Significant change in the issuer's financial or trading position	**3.1 Note 32**
21	**Additional information**	
21.1	Share capital	
21.1.1	Amount of issued capital	**7.2.1**
21.1.2	Shares not representing capital	**7.2.3**
21.1.3	Shares held by the issuer	**7.2.6**
21.1.4	Convertible securities, exchangeable securities or securities with warrants	**7.2.3.2**
21.1.5	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	**N/A**
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	**N/A**
21.1.7	History of share capital	**7.2.4**
21.2	Bylaws	
21.2.1	Corporate purpose	**7.1.1**
21.2.2	Provisions of the issuer's bylaws with respect to administrative, management and supervisory bodies	**7.1.2.1**
21.2.3	Rights, preferential rights and restrictions attached to shares	**7.1.2.3**
21.2.4	Change in shareholder rights	**7.1.2.4**
21.2.5	Notice of meeting and admission to shareholders' meetings	**7.1.2.2**
21.2.6	Change in control	**7.1.2.6**
21.2.7	Share ownership thresholds	**7.1.2.5 and 7.3.4**
21.2.8	Description of conditions imposed by the bylaws governing changes in capital, where such conditions are more stringent than is required by law	**7.1.2.4**
22	**Material contracts**	**7.1.4.2**
23	**Third party information, statements by experts and declarations of interest**	
23.1	Statement or report attributed to a person as an expert	**N/A**
23.2	Information sourced from a third party	**N/A**
24	**Documents on display**	**9.3**
25	**Information on investments**	**7.1.3, 3.1 Note 33 and 3.3 Note 3.1**

9.4.3 Annual financial report cross-reference table

This Registration Document includes the information contained in the annual financial report mentioned in paragraph 1 of Article L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations.

The following table presents the cross-references between the two documents.

Annual financial report headings	2015 Registration Document section(s)
Declaration by the person responsible	9.1.2
Board of Directors' management report	See the cross-reference tables, 9.4.1 and 9.4.4
Report of the Chairman of the Board of Directors	6.5
Statutory Auditors' report on the report prepared by the Chairman	6.6
Financial statements and reports	
Parent company financial statements	3.3
Consolidated financial statements	3.1
Disputes and litigation	3.1 Note 31
Significant change in the issuer's financial or trading position	3.1 Note 32
Statutory Auditors' reports	3.2, 3.4 and 8.6
Audit fees	9.2

9.4.4 Social, environmental and community involvement cross-reference table

This Registration Document includes the social, environmental and community involvement information contained in the Board of Directors' management report in accordance with Articles L.225-102-1 and L.225-102-2 of the French Commercial Code.

The following table presents the cross-references between the two documents.

	Headings from Articles R.225-105-1 and R.225-105-2 of the French Commercial Code	2015 Registration Document section(s)
1	**Social information**	
1.1	**Employment**	
1.1.1	Total headcount and breakdown of employees by gender, age and geographic area	**5.4.2 and 5.4.6**
1.1.2	New hires and layoffs	**5.4.2**
1.1.3	Compensation and changes in compensation	**5.4.4**
1.2	**Working hours**	
1.2.1	Organization of working time	**5.4.5**
1.2.2	Absenteeism	**5.4.1**
1.3	**Labor relations**	
1.3.1	Organization of social dialogue in particular procedures for informing, consulting and negotiating with employees	**5.4.5**
1.3.2	Collective bargaining agreements	**5.4.5**
1.4	**Health and safety**	
1.4.1	Occupational health and safety conditions	**5.5.1.2 and 5.5.2**
1.4.2	Bargaining agreements signed with trade unions and employee representatives concerning occupational health and safety	**5.5.1.2**
1.4.3	Work-related accidents, in particular frequency and severity, and occupational illnesses	**5.5.2**
1.5	**Training**	
1.5.1	Training policies	**5.4.3**
1.5.2	Total number of training hours	**5.4.3**
1.6	**Equal treatment**	
1.6.1	Measures taken to promote gender equality	**5.4.6**
1.6.2	Measures taken to promote the employment and integration of persons with disabilities	**5.4.6**
1.6.3	Policy concerning the fight against discrimination	**5.4.6**
1.7	**Promotion of and compliance with the core conventions of the International Labour Organization as regards:**	
1.7.1	the respect for the freedom of association and the right to collective bargaining	**5.4.1 and 5.4.5**
1.7.2	the elimination of discrimination in respect of employment and occupation	**5.4.1 and 5.4.6**
1.7.3	the elimination of forced and compulsory labor	**5.2.1 and 5.4.1**
1.7.4	the effective abolition of child labor	**5.2.1 and 5.4.1**

	Headings from Articles R.225-105-1 and R.225-105-2 of the French Commercial Code	2015 Registration Document section(s)
2	**Environmental information**	
2.1	**General environmental policy**	
2.1.1	Organization of steps taken by the Company to address environmental issues and, where applicable, environmental assessment and certification procedures	**5.5.1 and 5.5.3**
2.1.2	Initiatives taken to train and raise awareness among employees on environmental protection	**5.5.2.2**
2.1.3	Resources assigned to the prevention of environmental risks and pollution	**5.5.3**
2.1.4	Amount of provisions set aside for environmental risks, provided that this information is not likely to cause serious prejudice to the Company in the context of ongoing proceedings	**5.5.3.5 and 5.5.3.9**
2.2	**Pollution and waste management**	
2.2.1	Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant impact on the environment	**5.5.3**
2.2.2	Measures taken to prevent, recycle and eliminate waste	**5.5.3.6**
2.2.3	Steps taken to address noise pollution and any other form of pollution relating to a specific activity	**5.5.3.2**
2.3	**Sustainable use of resources**	
2.3.1	Water consumption and supply of water in accordance with local regulations	**5.5.3.7**
2.3.2	Raw materials consumption and measures taken to promote more efficient use	**5.5.3.2**
2.3.3	Energy consumption and measures taken to improve energy efficiency and use of renewable energy	**5.5.3.8**
2.3.4	Land use	**5.5.3.12**
2.4	**Climate change**	
2.4.1	Greenhouse gas emissions	**5.5.3.3**
2.4.2	Adapting to the consequences of climate change	**5.5.3.4**
2.5	**Protection of biodiversity**	
2.5.1	Measures taken to protect and develop biodiversity	**5.5.3.11**
3	**Information on community involvement promoting sustainable development**	
3.1	**Community, economic and social impact of the Company's activities on:**	
3.1.1	Employment and regional development	**5.4.5 and 5.3**
3.1.2	Local residents	**5.4.5**
3.2	**Relationships with people and organizations who benefit from the Company's activities, in particular integration associations, educational institutions, environmental protection associations, consumer and local residents' associations**	
3.2.1	Status of dialogue conditions with these people and organizations	**5.4.3, 5.4.5 and 5.4.6**
3.2.2	Partnership and sponsorship initiatives	**5.6**
3.3	**Sub-contracting and suppliers**	
3.3.1	Incorporation of social and environmental issues in purchasing policies	**5.3**
3.3.2	Scale of outsourcing and steps taken to raise awareness among suppliers and sub-contractors with respect to corporate social responsibility	**5.2.1 and 5.3**
3.4	**Fair practices**	
3.4.1	Steps taken to fight against corruption	**5.2**
3.4.2	Measures taken to promote consumer health and safety	**1.9 and 5.5**
3.5	**Other action taken, pursuant to paragraph 3 of Article R.225-105, to promote human rights**	**5.2.1 and 5.4.1**
	Report by the independent third party on the consolidated human resources, environmental and social information included in the management report	**5.7.2**

9.4.5 Annual General Meeting information cross-reference table

This Registration Document includes the main information mentioned in Article R.225-83 of the French Commercial Code.

The following table presents the cross-references between the two documents.

Headings from Article R.225-83 of the French Commercial Code	2015 Registration Document section(s)
Executive management, supervisory and control bodies	6.1
Annual General Meeting agenda	8.1
Board of Directors' management report	See the cross-reference table, 9.4.1
Board of Directors' report on the resolutions	8.2
Report of the Chairman of the Board of Directors	6.5
Report on the use of the authorization granted to the Board of Directors by resolution 21, adopted by the Annual General Meeting of April 23, 2015	8.3
Parent company financial statements	3.3
Consolidated financial statements	3.1
Draft resolutions	8.2
Statutory Auditors' reports	3.2, 3.4, 6.6 and 8.6

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All financial information pertaining to Safran is available on the Group's website at www.safran-group.com, in the Finance section.

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