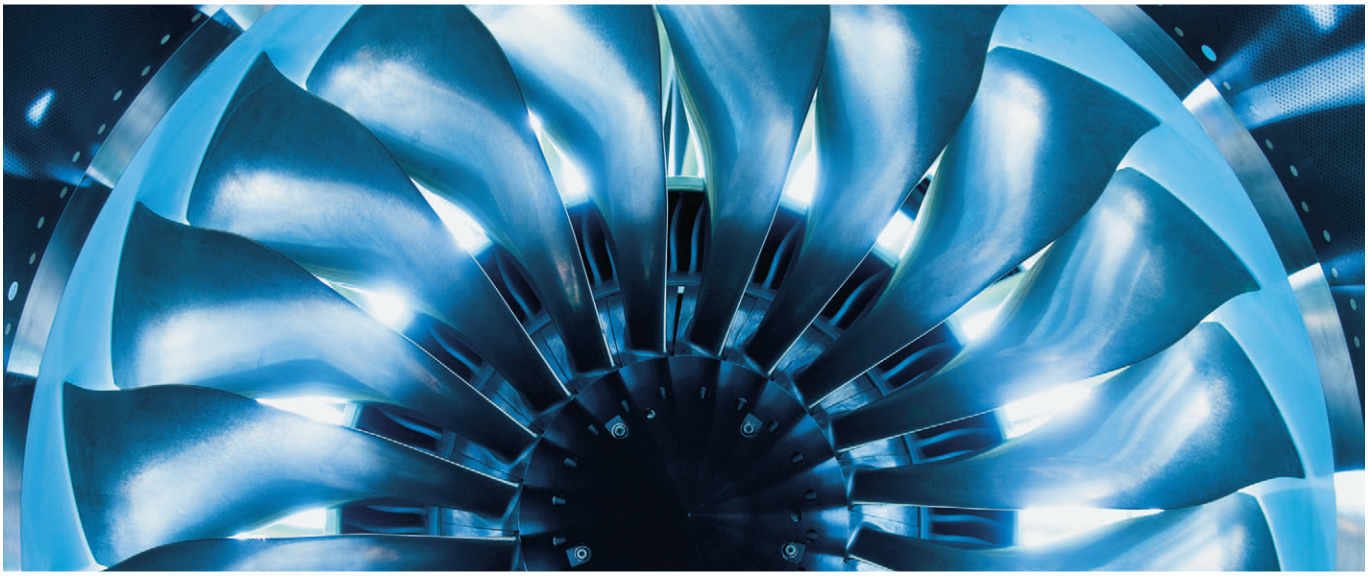


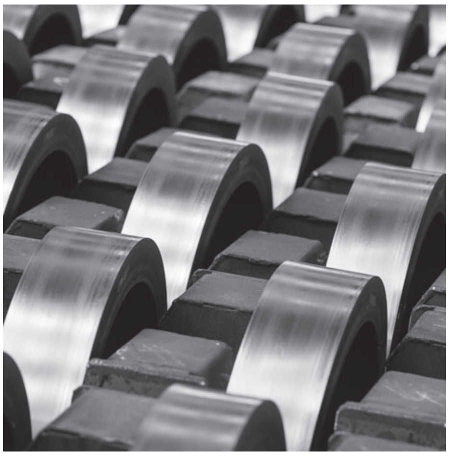
SAFRAN

2014 REGISTRATION DOCUMENT

SAFRAN
AEROSPACE · DEFENCE · SECURITY

CONTENTS

SAFRAN
AEROSPACE · DEFENCE · SECURITY


Safran employs 69,000 people worldwide. It is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), 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.

Revenue
€15.4 billion

R&D spending
€2 billion

Headcount
69,000

2,200 job creations in 2014
1,100 in France
1,100 outside France

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 highly 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 successful LEAP engine picking up where the CFM56 will leave off. The Group offers comprehensive offerings to aircraft manufacturers and airlines, including propulsion and landing systems. Safran has great confidence in the move towards more electric aircraft systems 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 expertise in optronics and ultra-precise navigation, which contributes significantly to the competence of armed forces around the world. In Security, Safran develops multi-biometric technology for personal identification and secure documents such as passports and identity cards, and technology for the detection of dangerous and illicit substances in order to respond to growing needs in terms of security and authentication.

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 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. It 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.

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 19, 2015 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.

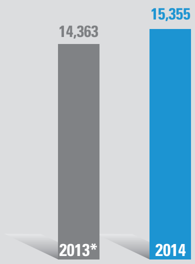
The English language version of this report is a free translation from the original, which was prepared in French. In all matters of interpretation, views or opinions expressed in the original language version of the document in French take precedence over the translation.

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.

KEY FIGURES *(Adjusted data)*

REVENUE (ADJUSTED DATA)[1]

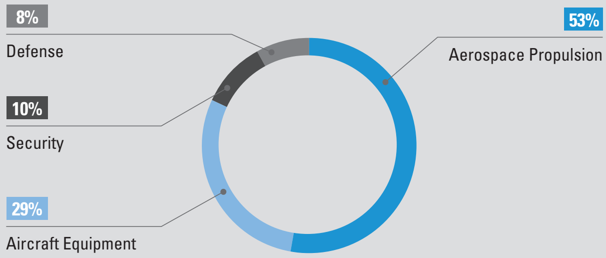
(in € millions)



(*) Adjusted for the impact of the application of IFRS 11.

Adjusted revenue climbed 6.9%, driven by a strong performance from the Aerospace Propulsion and Aircraft Equipment businesses which advanced 7.4% and 8.7%, respectively.

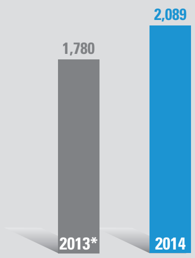
BREAKDOWN OF REVENUE BY BUSINESS



Safran is a leading international high-technology Group in Aerospace. These activities – Propulsion and Equipment – generate 82% of its revenue.

RECURRING OPERATING INCOME (ADJUSTED DATA)[1]

(in € millions)

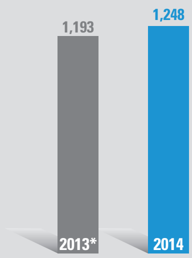


(*) Adjusted for the impact of the application of IFRS 11.

Adjusted recurring operating income represented 13.6% of adjusted revenue, up 17.4% year on year. This improvement was driven by the Aerospace business, which benefited from sharp growth in services and an increase in civil original equipment deliveries, as well as the strong performance in Security (notably in the identification business).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (ADJUSTED DATA)[1]

(in € millions)



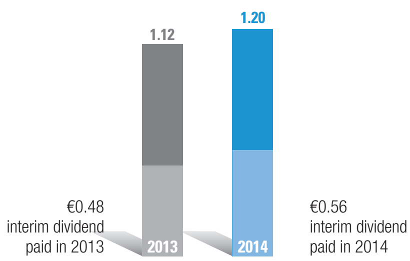
(*) Adjusted for the impact of the application of IFRS 11.

Adjusted profit attributable to owners of the parent rose 4.6% in 2014, representing €3.00 per share, up from €2.87 in 2013 (including €0.31 per share from the sale of shares in Ingenico). Adjusted for the capital gain on the sale of shares in Ingenico, this indicator was up 17%.

(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.

DIVIDEND

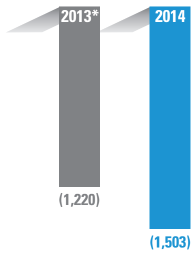
(in € per share)



At the Ordinary and Extraordinary Shareholders' Meeting of April 23, 2015, the Board of Directors will recommend a dividend of €1.20 per share, a 7.1% increase from the previous year. An interim dividend (€0.56 per share) was paid in December 2014 and the final dividend (€0.64 per share) will be paid in 2015.

NET DEBT

(in € millions)

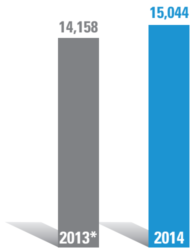


(*) Adjusted for the impact of the application of IFRS 11.

The Group's capacity to maintain a good level of free cash flow in 2014 enabled it to maintain a moderate level of debt while financing strategic acquisitions (mainly in the Equipment segment) for €512 million and the dividend payment of €500 million.

REVENUE (CONSOLIDATED DATA)

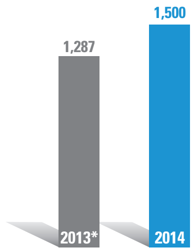
(in € millions)



(*) Adjusted for the impact of the application of IFRS 11.

RECURRING OPERATING INCOME (CONSOLIDATED DATA)

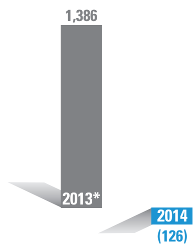
(in € millions)



(*) Adjusted for the impact of the application of IFRS 11.

PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT (CONSOLIDATED DATA)

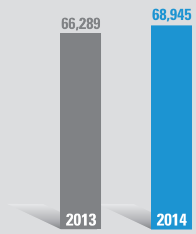
(in € millions)



(*) Adjusted for the impact of the application of IFRS 11.

Unadjusted consolidated loss attributable to owners of the parent amounted to €126 million in 2014 and includes a non-cash charge of €1,922 million, before related deferred tax income, resulting from the large adverse change in fair value in 2014 of the portfolio of currency derivatives used to hedge cash flows for future years (at a hedged rate equivalent to or more favorable than that obtained in 2014).

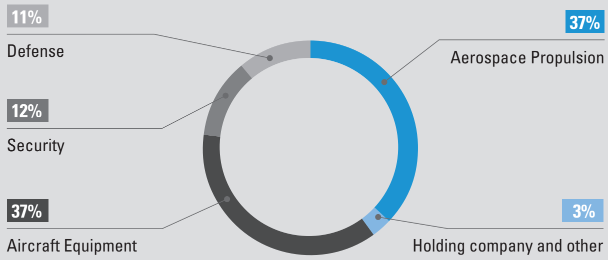
HEADCOUNT AS OF DECEMBER 31, 2014



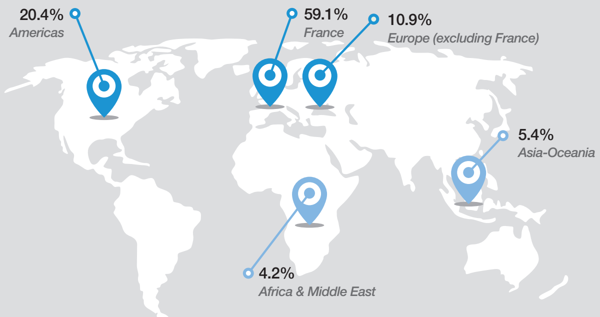
The Group's workforce grew by more than 2,600 compared to end-2013, in response to business growth, 2,200 of which were net job creations.

R&D resources are also being bolstered.

BREAKDOWN OF HEADCOUNT BY BUSINESS



BREAKDOWN OF HEADCOUNT BY GEOGRAPHIC AREA



The Group's expansion continued apace both in France and abroad. Outside France, the headcount comes to more than 28,000 across nearly 60 countries.

KEY FIGURES BY BUSINESS (ADJUSTED DATA)

	Revenue *(in € millions)*	Recurring operating income *(in € millions)*	Headcount
Aerospace Propulsion	8,153	1,633	25,498
Aircraft Equipment	4,446	426	25,447
Defense	1,221	71	7,411
Security	1,530	134	8,578
Holding company and other	5	(175)	2,011
TOTAL	**15,355**	**2,089**	**68,945**

CORPORATE GOVERNANCE

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS 1/2

Jean-Paul Herteman

Chairman and Chief Executive Officer

Christian Streiff

Independent Vice-Chairman of the Board of Directors

Marc Aubry

Director representing employee shareholders

Giovanni Bisignani

Independent Director

Frédéric Bourges

Director representing employees

Jean-Lou Chameau

Independent Director

Monique Cohen

Independent Director

Odile Desforges

Independent Director

Jean-Marc Forneri

Independent Director

Patrick Gandil

Director representing the French State

Christian Halary

Director representing employee shareholders

Vincent Imbert

Director representing the French State

Xavier Lagarde

Director

Elisabeth Lulin

Independent Director

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS 2/2

Daniel Mazaltarim

Director representing employees

Astrid Milsan

Director representing the French State

Laure Reinhart

Director representing the French State

BOARD ADVISOR

Caroline Grégoire-Sainte Marie

BOARD COMMITTEES

The Audit and Risk Committee

Five members – Chairman: 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

Five 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.

The Strategy and Major Projects Committee

Eight members – Chairman: Christian Streiff

The Strategy and Major Projects Committee expresses its opinion on the Group's major strategic orientations, development policy and major industrial product development projects or programs as presented to the Board of Directors by Executive Management.

It also examines proposals for strategic agreements and partnerships, acquisitions and all other transactions that impact Group structure.

EXECUTIVE MANAGEMENT

Jean-Paul Herteman

Chairman and Chief Executive Officer

Stéphane Abrial

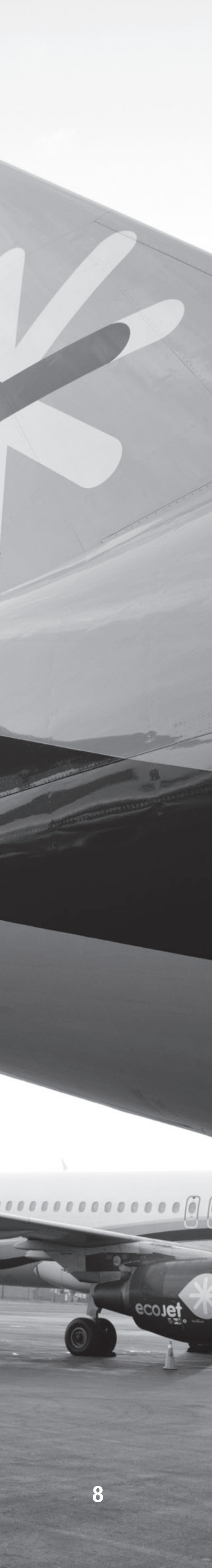
Deputy Chief Executive Officer, Corporate Office

Ross McInnes

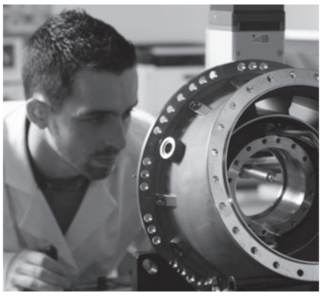
Deputy Chief Executive Officer, Finance

Marc Ventre

Deputy Chief Executive Officer, Operations



1 PRESENTATION OF THE GROUP



2014 revenue (adjusted data)

€15,355 million

Recurring operating income, 2014 (adjusted data)

€2,089 million

2014 profit (attributable to owners of the parent, adjusted data)

€1,248 million (**€3.00** per share)

Total R&D expenditure (including the portion funded by customers)

€1,990 million

Industrial investments

€674 million

Headcount as of December 31, 2014

68,945 employees

The Group's positioning

Safran is a leading international high-technology group with three core businesses: Aerospace (Propulsion and Equipment), Defense and Security. It is a prime player on all of its markets.

AEROSPACE

Through its rocket and Aerospace Propulsion systems, Safran covers the entire life cycle 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 life cycle of systems and equipment 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, 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 transport systems. Safran's Security business covers systems for 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, 74% of which is self-financed, amounted to around €2 billion in 2014, representing 13% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

Safran+

The Safran+ program targets continuous performance enhancements. It stimulates initiative and innovation through intra-group synergies, the ultimate aim being ever-higher customer satisfaction.

1.1 OVERVIEW

1.1.1 HISTORY

Safran is a leading international high-technology group in the Aerospace (Propulsion and Equipment), 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, 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[(1)], and is the world's oldest aircraft engine manufacturer. Comprising a number of companies with prestigious brand names, 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 has become 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 Générale 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 analogue telephone network. Sagem creates Société d'Application Téléphonique, which in 1960 becomes the 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[(2)].

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 56th project). This engine currently represents the world's largest civil aircraft engine fleet[(3)]: 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 GE in the fields of Aerospace Propulsion and nacelles through to 2040. Safran's Security business acquires Sdu-I in Holland, renamed Morpho BV.

2009 Safran acquires 81% of GE's Homeland Protection business, as well as 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 Harvard Custom Manufacturing is renamed Labinal Salisbury.

(1) Sagem is the trading name of Sagem Défense Sécurité.
(2) Source: Safran.
(3) Source: Ascend, www.ascendworldwide.com.

2011 Safran acquires L-1 Identity Solutions, now MorphoTrust USA, a leading American identity management provider, 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 Rolls-Royce's 50% interest 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 business of Eaton Aerospace, to extend its coverage of the electrical energy chain.

Safran and Airbus Group announce a new 50-50 joint venture, Airbus Safran Launchers, 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.

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

Hispano-Suiza and Rolls-Royce sign a final agreement on a new 50-50 joint venture specializing in power transmission systems for all Rolls-Royce's forthcoming civil aircraft engines.

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 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 Group companies with:
  - 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,
  - shared services in the following areas: payroll administration and management, recruitment, non-production 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.

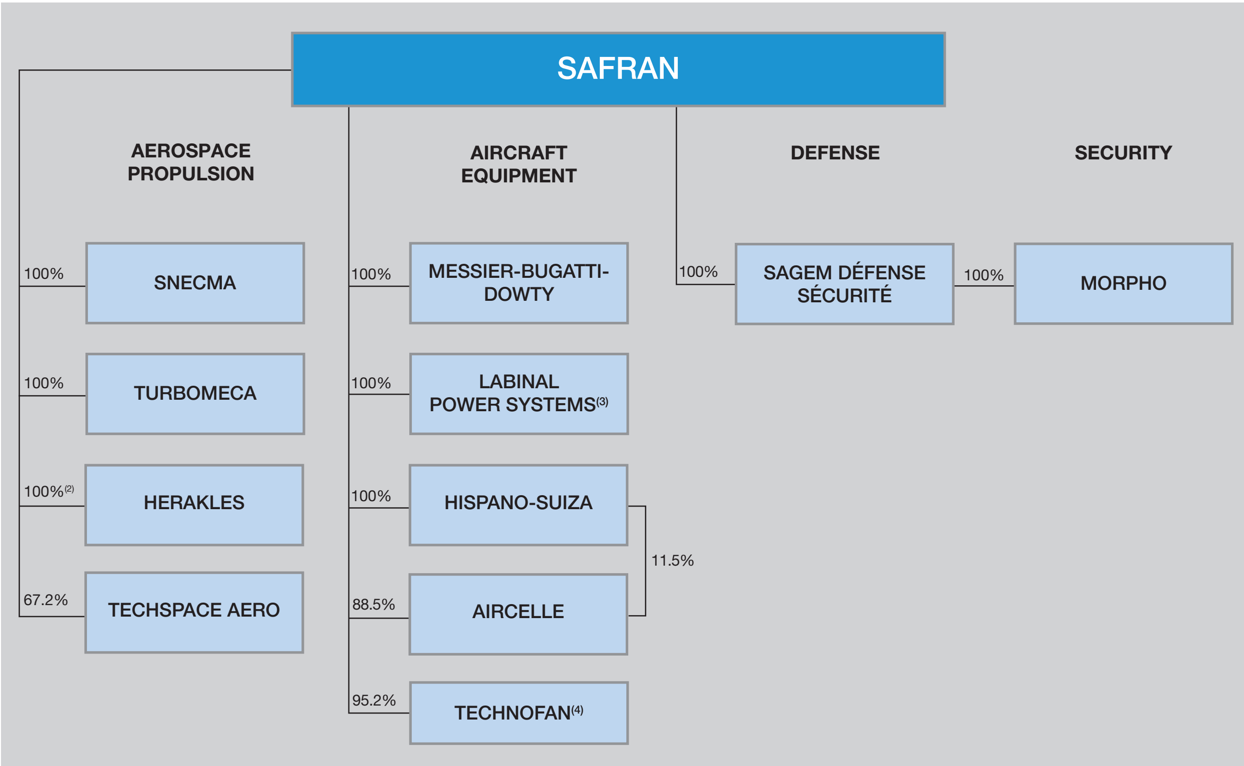
Financial flows between the issuer and Group companies

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 Safran Group. The simplified organizational chart as of December 31, 2014 is as follows:



(1) First-tier operational companies and listed company.
(2) Less one share held by the French State.
(3) Labinal was renamed Labinal Power Systems on January 2, 2014.
(4) Company listed in compartment C of the Euronext Paris Eurolist. Second-tier company.

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

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 civil and military aircraft, support & services, maintenance and repair. Liquid-propellant systems for launch vehicles and electric propulsion systems for satellites and space vehicles.

TURBOMECA

Turbine engines for civil, parapublic and military helicopters; auxiliary power units and ignition and propulsion systems for missiles and drones. Maintenance, repair, support and related services.

HERAKLES

Solid propellant rocket engines for space launch vehicles and missiles. Energy raw materials, pyrotechnic equipment, thermostructural and organic composite materials for defense, aerospace, automotive safety and industrial applications.

TECHSPACE AERO

Low-pressure compressors for aircraft engines. Equipment for aerospace applications. Equipment and test cells for aerospace engines.

Aircraft Equipment

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

MESSIER-BUGATTI-DOWTY

Aircraft landing and braking systems. Control and surveillance systems. Expert know-how covering full product lifecycle from design and manufacture through to maintenance and repair.

LABINAL POWER SYSTEMS

Electricity generation and distribution systems, power electronics and wiring systems for civil and military aircraft. Comprehensive engineering services for the aerospace, defense, automobile and rail industries. Support and related services.

HISPANO-SUIZA

Mechanical engine power transmissions for civil and military aircraft and helicopters. Maintenance, repair, support and related services. Mechanical components for aircraft and helicopter propulsion systems.

AIRCELLE

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

TECHNOFAN

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

Defense

SAGEM

Equipment and systems in optronics, avionics, navigation, electronics and critical software for civil and defense applications. Customer support for all land, sea, air and space applications.

Security

MORPHO

Multi-biometric identification and authentication technologies (fingerprint, iris and face recognition), and identity management solutions. Smartcards, identity documents and secure transaction systems. Systems for detecting explosives and illicit substances. Road safety solutions.

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. It places a strong emphasis on the development of innovative engine solutions. A number of Aerospace Propulsion milestones were reached in 2014:

- in short- and medium-haul commercial aviation, two major milestones were reached in the development program for the LEAP engine (successor to the best-selling CFM56) that will be powering the A320neo (-1A version), the Boeing 737 MAX (-1B version, exclusive source) and the C919 (-1C version, sole Western source): as scheduled, the -1B version completed its first bench test in June, and the -1C version its first flight test in October;
- in business aviation, the Silvercrest engine, selected by Dassault Aviation for its Falcon 5X and by Cessna for its Citation Longitude, reached a major milestone with the start of flight tests in May;
- in long-haul commercial aviation, GE selected Safran to make the composite fan blades, fan disc, rear turbine frame, forward fan case, low-pressure compressor and exhaust systems for the GE9X engine chosen by Boeing as exclusive power unit for its forthcoming 777X;
- in the space segment, Safran and Airbus joined forces across their respective propulsion and systems businesses for civil space launch vehicles, and submitted a joint proposal on the Ariane 6 program, thus enabling the ESA ministerial conference to give the go-ahead for this new program in early December. The 50-50 joint venture Airbus Safran Launchers was founded accordingly and will begin by consolidating management of the two partners' civil programs. It will then proceed to bring together the assets, sites and personnel involved in the space launcher and strategic military businesses, in synergy with the civil programs.

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- to 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.

On the Security market, Safran harnesses world-renowned experience to meet growing demand for multi-biometric identification systems, secure document systems (passports, identity cards, etc.), 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.

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 the defense markets of emerging countries.

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- to medium-haul aircraft (partnership dating back to 1974, then renewed in 2008 through to 2040), and more recently with Honeywell (United States), on an ecology-friendly electric taxiing system (EGTS™) that does not require the use of the aircraft's engines. The joint venture Airbus Safran Launchers is a further illustration of this long-term alliance strategy.

Safran also executed 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 broadens the scope of Labinal Power Systems to cover aircraft electrical distribution and complements 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.

Safran takes up positions on long-term markets on which sustained demand ensures growth and profitability. Growth opportunities are found not only in the strong development potential of emerging countries, but also 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 operating cash flow underpins a strong long-term position at the technological frontline, sustained R&D investments, and a vigorous acquisitions policy, thus driving short- and medium-term growth.

Safran implements its development strategy in accordance with strong ethical principles, on job satisfaction, environmental protection, and the absolute need to implement the most rigorous safety and security solutions. These principles are outlined in a charter that sets out Safran's values and ethical standards (see section 5.2.1).

1.3 GROUP BUSINESSES

Safran operates in the high-tech Aerospace (Propulsion and Equipment), Defense and Security markets. In certain cases, it forges alliances and partnerships when participating in major programs in these markets, due to the technological challenges, cost and development times involved.

By joining forces, each party brings the best of its know-how to the project in hand and shares risks thanks to a diversified product portfolio.

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- to medium-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

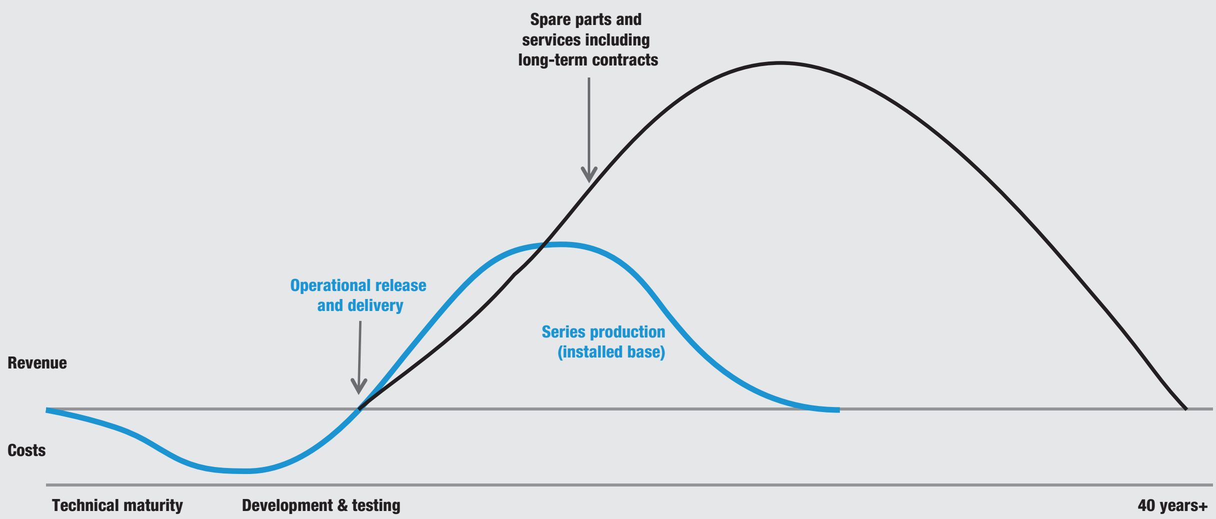
The civil aviation sector comprises four main segments:

- 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- to medium-haul aircraft with 100 to 200 seats, powered by engines delivering between 18,000 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 life cycle of a civil aircraft engine



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.

On this market, there is a growing tendency to offer operators 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) and 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 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 Cessna for its Citation Longitude and 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 7000/8000 business jets).

Safran also makes a general aviation engine, the SR305-230E, from SMA (Société de Motorisations Aéronautiques). The SMA SR305-230E engine powers the latest arrival in the Cessna 182 Skylane line: the four-seater, single-engine, high-wing Turbo Skylane JT-A, released in 2013.

Medium-thrust engines for civil aircraft

The CFM56 engine program generates the largest share of Safran's Aerospace Propulsion revenue (approximately 50%, including spare parts, maintenance and repair sales). 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- to 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)]. The main competition to power the Airbus range comes from the IAE consortium's V2500 engine. Following the purchase of Rolls-Royce's share by Pratt & Whitney in 2012, the IAE consortium now comprises three engine manufacturers: Pratt & Whitney, MTU Aero Engines and Japanese Aero Engines Corp.

(1) Source: Safran.

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

The CFM56 engine's share of the overall market for short-to medium-haul aircraft is above 80%[1].

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; more than 27,200 units have been delivered and more than 26,200 are in operation.

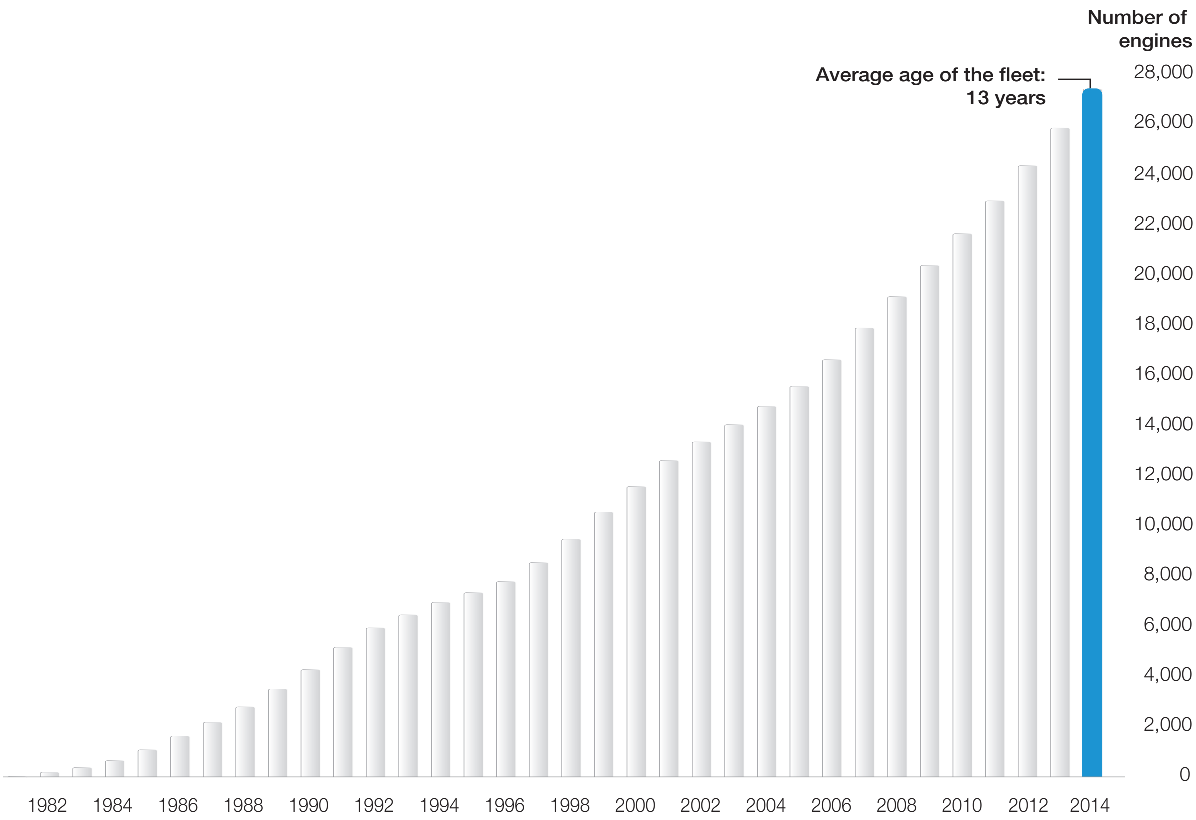
CFM International is in the final stages of developing a new generation of engine called LEAP, which should achieve a 15% reduction in fuel consumption and CO_2 emissions in comparison with the best CFM56 engines currently in service. The new engine will also significantly reduce nitrogen oxide emissions 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 is the PurePower PW1000G developed by Pratt & Whitney);
- the LEAP-1B version is the exclusive source for the new Boeing 737MAX;
- the LEAP-1C version is the only Western source for the propulsion system (engine plus nacelle) on COMAC's C919 Chinese aircraft.

In 2014, two "twin" production facilities making fan blades and housings for the LEAP engine were opened, at Commercy, Meuse (France) and Rochester, New Hampshire (US), in partnership with the US company Albany.

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 of 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 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, exclusive source for Boeing's new 777X long-haul aircraft. Finally, as part of its cooperative arrangements with the Engine Alliance consortium partners, 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, servicing and repair services. They hold very high growth and profitability potential for the Group, owing to the size and lifespan of the aircraft fleets concerned.

(1) Source: Safran.

For the fleet of CFM56 engines, after-sales operations chiefly involve sales of new spare parts and provision of engine maintenance services. For several years the Group has been developing long-term service contracts with airlines and major maintenance workshops, to assert its position on this highly competitive market. All CFM56 engines are removed for inspection and servicing in a maintenance workshop from three to five times during an average service life. CFM Materials (CFMM), a business run jointly by GE and Snecma (Safran), also provides reconditioned CFM56 parts. The growing number of CFM56 engines in service will generate a growing volume of highly profitable business in the future.

For new-generation LEAP engines, scheduled to come into service from 2016, all OEM purchase intention and firm order agreements (except for sales for aircraft rental companies), have been signed almost simultaneously with spare parts provision and/or flat rate service contracts running for seven to twenty years. As this type of offering becomes increasingly systematic, it ensures long-term service revenue covering spare parts and repairs from the sale of the aircraft engine.

On all 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 revenues 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 client air forces. The military market is also influenced by national independence and diplomatic considerations.

The nature and performance of engines varies 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 activity, 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; RollsRoyce, 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 (UK), 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 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%). In the future, the TP400 engine, which powers the Airbus A400M European military transport aircraft, will play a dominant role. Snecma holds a 32% stake in this program as a member of the Europrop International GmbH (EPI) consortium, which also includes Rolls-Royce, MTU Aero Engines and Industria de Turbo Propulsores – ITP.

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. 484 engines remain in service with six customers;
- the M53 engine (9.5 metric tons of thrust), which powers the Mirage 2000. There are 576 of these engines in service with eight customers;
- the M88 engine (7.5 metric tons of thrust), which powers the Rafale, with 335 engines in service.

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 2014, there were 730 engines in service with 14 customers;
- the Adour engine, which delivers thrust of 3.7 metric tons (with afterburner) or 2.9 metric tons (without afterburner), is 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 1,140 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), for 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 revenues through spare parts and repairs;
- the 8,203 kW TP400 turboprop engine powering the Airbus A400M European transport aircraft, with 40 engines in service.

Spare parts and services for military aircraft

After-sales operations for military aircraft primarily involve the sale of spare parts and maintenance, servicing and repair services. This business directly addresses the need for aircraft availability 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. It drastically reduces M88 ownership costs and extends the service life of hot parts and rotating parts, which makes for a longer servicing interval. 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).

European civil space activities are assigned among manufacturers in each country to ensure a fair return on investment for all European Space Agency (ESA) member states.

In 2014, Safran and Airbus Group announced they would be joining forces in the space launch vehicle sector through a 50-50 joint venture, Airbus Safran Launchers, to boost competitive performance and safeguard profitability for the European space sector faced with increasing international competition.

To begin with, Airbus Safran Launchers will handle the management of Safran and Airbus Group civil space programs, and bring together both partners' shares in commercial launch vehicle operations.

At a later stage, Airbus Safran Launchers is to be provided with the assets and resources needed to run civil launch vehicle and military launcher (strategic missile) projects as an autonomous unit.

The joint venture will eventually take responsibility for all space launcher operations in Europe, from initial design through to launch. Here, the new organization will be operating through a public-private partnership to be arranged with ESA.

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 new Vinci restartable cryogenic engine, delivering 18 metric tons of thrust, selected for the upper stage of the new-generation Ariane 6 launch vehicle.

In propulsion and orbit control for satellites and space exploration probes, Safran develops, integrates, tests and markets a full range of plasma thrusters with power ratings from 500 W to 20,000 W. These devices offer a considerable advantage over traditional chemical-propulsion systems as regards take-off mass. Examples of satellites using Safran plasma thrusters include Eurostar 3000 (Airbus Defence and Space), Alphabus (Thales Alenia Space, Airbus Defence and Space), Spacebus (Thales Alenia Space) and Small Geo (OHB).

1.3.1.2 Helicopter turbines and auxiliary power units

Key characteristics of the business sector

The helicopter turbine engine market is characterized by significant diversity in applications and customer-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, transport, 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);
- service 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.

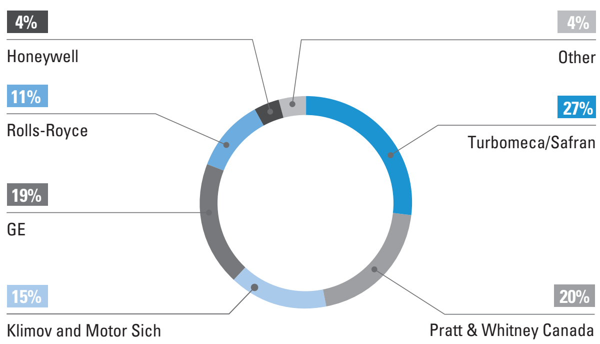
The airframe/engine pairing is often unique and at the origin of a new model. However, there is a trend toward multiple engine sizes among some helicopter manufacturers (offering a choice between two engines). This can also be seen where a helicopter is adapted for a specific purpose, thereby reintroducing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

There are fewer partnerships between engine manufacturers than in the civil aviation engine sector. The main partnership is between Rolls-Royce, Turbomeca, MTU and ITP (MTRI), on the 1,450 shp MTR390-E engine[(1)] that powers 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 both becoming major customers and partners.

The majority of major Western aircraft manufacturer groups are also present in the helicopter turbine engine market: Turbomeca (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, 2010-2014[(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, Panther), AgustaWestland (A109 Power) and AVIC (Z9).

In 2013, the US helicopter manufacturer Bell Helicopter selected the Arrius 2R, latest variant of the Arrius engine, to power its new Bell 505 Jet Ranger X. In November 2014, this new helicopter successful completed its maiden flight at Mirabel, near Montréal, Canada. The new turbine is scheduled for certification in late 2015.

Turbine engines for medium-weight helicopters

Safran's 1,100 shp Arrano engine was started up for the first time in February 2014. This unit will be powering the Airbus Helicopters H160 twin-turbine helicopter, and other helicopters from four to six metric tons. The new engine will consume 10% to 15% less fuel than other engines in service today, and this means higher performance (range, payload) as well as a smaller environmental footprint.

For medium-weight helicopters (five to seven metric tons), Turbomeca 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 civil and military applications (non-contractual) in the five to eight ton helicopter range, Turbomeca develops the Ardiden. The Ardiden range of engines covers power ratings from 1,400 to 2,000 shp. It includes the Ardiden 1 in its Indian Shakti version, developed in partnership with HAL, which powers the Indian twin-engine helicopter Dhruv. In 2014, HAL selected the latest variant of this turbine, the Ardiden 1U, to power its forthcoming single-engine LUH (Light Utility Helicopter).

The Ardiden 3 version, which addresses helicopters up to 8 tons, has already won orders from AVIC in China (for the AC352/Z15) and Kamov in Russia (for the Ka-62). With its modular architecture and dual-channel FADEC (Full Authority Digital Engine Control), the Ardiden 3 engine boasts high reliability and exceptionally low fuel consumption.

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

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 EC 225/725 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), in 2013 Safran acquired Rolls-Royce's 50% share in the joint RTM322 engine program. Safran thus assumes global responsibility for design, production, product support and services for the RTM322 engine.

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, in addition to spare parts and services for turbo engines. Local coverage is provided through a worldwide network of repair centers (performing in-depth maintenance) and Turbomeca (Safran) 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 and 8000).

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

Safran also provides customer 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 government budgets, such as the European Space Agency (ESA) for civil space activities in Europe or the national defense budget for strategic operations. Tactical missile development is also financed by customer governments.

Series production activities generally involve limited quantities and fixed costs are high.

Group products and programs

Safran addresses the civil and military space segments through Herakles.

In 2014, Safran further expanded its coverage of this area with the acquisition of a majority holding in Aerospace Propulsion Products (APP). This Dutch-based company, with a workforce of 38, is a leading European manufacturer of space engine igniters.

Civil space propulsion

This segment features the following activities:

- ***series production,*** with the manufacture of powder boosters and solid propellant engines for Ariane 5 boosters. Europropulsion, which assembles the engines, and Regulus, which produces the propellants, are 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. In 2015, Safran's shares in Europropulsion and Regulus will be brought together under the new joint venture Airbus Safran Launchers.
- ***development activities,*** Safran develops and produces nozzles in advanced composite materials for US space engines, and is responsible for preliminary design studies on the P120c solid propulsion engines for the future Ariane 6 launch vehicle.

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 develops and assembles 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-defence 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 growth potential of Safran's Aircraft Equipment business is significant, with the Group enjoying 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 737NG), Airbus (A380, A350, and A320ceo and neo) 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 and Honeywell (US) are present in several sectors of the Aircraft Equipment market, whereas Liebherr (Germany), Spirit (US), Moog (US), Zodiac, Thales, Meggitt (UK), Avio Aero (Italy), LATelec and Fokker (Holland) 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 control 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 (US), Liebherr (Germany), plus 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 volume 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 25,000 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 is the entire Airbus range, including the A350, as well as Boeing's 787 Dreamliner, the first contract with this US manufacturer.

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 36%[1] of commercial aircraft of 100 or more seats, and aircraft with carbon brakes, invented by Safran, which still account for 64%[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 (US), Honeywell (US) and Meggitt (UK).

Group products and programs

Safran designs, manufactures and provides after-sales services for wheels and carbon brakes for aircraft. 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 C17 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 6,850 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. In 43% of cases, these fleets are less than five years old, which, given the activity's business model, offers the Group a strong and highly profitable future revenue outlook on a constant-fleet basis.

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™

There is a growing emphasis on the development of systems for increasing the proportion of electric aircraft systems. A good illustration of this comes with the EGTS International joint venture formed by Safran and Honeywell in 2012, 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.

Following those with Airbus, Air France and easyJet, further agreements came in 2014 on development of the EGTS with the airline companies GoAir (India), Interjet (Mexico), Delta Airlines (US), Lufthansa (Germany) and Qantas (Australia). At a 2014 conference on the EGTS, more than a hundred pilots from the world over were able to test the new system under real-life conditions.

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, including the A350 and the A320 family, Boeing for the 747-8, Embraer for its KC-390 military program, and Dassault Aviation for its Falcon (7X, 2000 and 900) and Rafale programs.

In the landing/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.

Support 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, Sabena and Dassault Aviation Falcon Jet.

In 2014, Safran strengthened its coverage of the landing gear repair market by buying out the Sabena Technics share in Hydrep. This company, based in Dinard (Ille-et-Vilaine, France) and previously owned by Safran (50%) and Sabena Technics (50%), is a leading player in the French market for landing gear repair services for regional and business jets and helicopters.

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.

(1) Source: Safran.

Nacelle research requires specific technical expertise in areas such as the quest for 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 unique 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 (US), 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.

Safran designs, manufactures and provides after-sales services for nacelles. 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 A320, A320neo, A330 and A380 platforms. In 2014, Safran was selected by Airbus to supply nacelles for the Airbus A330 and A330neo (new engine option) and by Boeing as one of the suppliers of part of the Boeing 777X nacelle. Safran also supplies nacelles for regional jets (Sukhoi Superjet 100, Embraer170) and is the leading supplier of nacelles for top-end business jets (Dassault Aviation, Gulfstream, Bombardier), with a market share of 30%[(1)].

Aircelle is working in partnership with the GE subsidiary, Middle River Aircraft System (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 to supply CFM nacelles, 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 7000/8000 business jets.

Services for nacelles and thrust reversers

Safran offers operators service solutions through its Customer Service Development (CSD) Department, 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 or aircraft systems), reduction drives (which transfer power to the propeller blades on turboprop aircraft), 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 group (US), Avio Aero (Italy), 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. Its reputation for technical expertise in mechanical power transmission systems has enabled it to enter into agreements with the world's leading aircraft manufacturers and with Airbus Helicopters. Safran's position among the market's leaders was further strengthened by the 2014 agreement on a joint venture with Rolls-Royce.

1.3.2.3 Electrical systems and engineering

The shift toward more electrical 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 higher safety, lighter weight, smaller volume, and reductions in fuel consumption and greenhouse gas emissions. The introduction of 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 acquisitions in power generation and distribution. In 2011, acquisition of the US company Aerosource, Inc. brought Safran access to backup power generation technologies (with the Ram Air Turbine) and electrical equipment repair services. In 2013, Safran acquired Goodrich Electrical Power Systems (GEPS), a leading supplier of onboard aircraft electrical power generation and conversion systems. More recently, in May 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. Safran has reorganized its electrical systems businesses by consolidating them under a single unit of expertise named Labinal Power Systems (formed on January 2, 2014).

The Labinal Power Systems unit includes:

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

(1) Source: Safran.

With this new operational unit, Safran forms a new world number-one in wiring and power systems. Specifically, Labinal Power Systems covers the whole of the aircraft electrical power chain, thus putting Safran in an ideal position to succeed in its bid for a breakthrough in "more electrical aircraft".

ELECTRICAL POWER GENERATION AND DISTRIBUTION SYSTEMS

Key characteristics of the business sector

The electrical systems market is longer-established, and 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.

Group products and programs

Safran's operations in these segments involve part of the Hispano-Suiza businesses consolidated under Labinal Power Systems in 2014. Since the acquisition of GEPS, Safran has held critical experience and know-how in electrical power generation central to aircraft electrical systems. The Group also addresses electrical power generation through operations in engines and power transmission 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 Systems), the world's only 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.

Embraer has selected Safran to provide all emergency backup power and primary and secondary distribution systems for its KC-390 military transport aircraft program. The KC-390 completed its first flight at the beginning of 2015.

ELECTRICAL CONNECTION SYSTEMS

Key characteristics of the business sector

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. The Group is the leading worldwide supplier[1] on this market. Its main rivals are Fokker Elmo (Netherlands), LATelec and, in the US, Ducommun LaBarge.

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 – 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 (US) and Honeywell (US) 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 major development programs approach completion (Airbus A350 and Boeing 787), aircraft manufacturers and equipment vendors have less need of specialist engineering skills.

(1) Source: Safran.

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 and Altran as well as niche aviation suppliers, e.g., Assystem and Aeroconseil.

Group products and programs

Safran is present in the engineering market through Safran Engineering Services. In Europe, the Americas and Asia, Safran is primarily active in the aviation market but also provides services to related markets such as automobile and rail. 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. However, it also provides services to major aviation customers (Airbus Group, Boeing, Dassault Aviation and Embraer) as well as land transport companies (Bombardier Transport, Renault and Peugeot).

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.

1.3.3 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
Upgrading of military aircraft and civil avionics
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, navigation assistance 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 (French and international) include: Thales, Airbus Defence and Space, BAe Systems (UK), Finmeccanica (Italy), Rockwell Collins (US), Northrop Grumman (formerly Litton) (US), Honeywell (US), and Elbit (Israel).

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).

(1) Source: Safran.

■ **Soldier modernization**

Safran harnesses experience from the FELIN[1] 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

Safran is a trailblazer in, and the leading European producer[2] of, portable optronics. 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, have become a global market reference widely used in overseas operations conducted by French and other Allied armies.

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 for approximately 20 countries.

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, Agosta and Daphné. The new generation of combat nuclear submarines, the Barracuda class, will be equipped with Safran's surface detection 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 was appointed by the French government's Civil Aviation Department (DGAC) to take charge of the drones section of the *Nouvelle France Industrielle* plan, the aim being to organize and promote the civil drones industry, and draw up technological roadmaps for the development of safe civil usages.

■ **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 towards 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. A significant part of this activity has civil applications.

In addressing several different markets and platforms with common-core technology, Safran enhances competitive performance and optimizes its customer 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 (French and international) include: Thales, BAe Systems (UK), Finmeccanica (Italy), Rockwell Collins (US), Northrop Grumman (formerly Litton) (US), Honeywell (US), and Liebherr (Germany).

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, Europe's leading player[2] in inertial navigation, broadened its portfolio of technologies in 2013 by acquiring the Swiss company Colibrys which specializes in high-performance micro-movement (acceleration and vibration) sensors using MEMS[3] technologies. This acquisition adds to Safran's recognized know-how in inertial sensors, gyrometers (mechanical, gyrolaser, optic fiber and vibrational) and accelerometers (pendular and vibrational).

Finally, Safran bolstered its offering in avionics and flight controls in 2014 by completing the acquisition of the integrated cockpit solutions business of Eaton Aerospace.

■ **Navigation and sensors**

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

(1) *FELIN:* Fantassin à équipements et liaisons intégrés *(infantrymen with integrated equipment and links).*
(2) *Source: Safran.*
(3) *MEMS – Micro Electro Mechanical Systems.*

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 (*Armement Air-Sol Modulaire*) is a very 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. The AASM comes in several versions and harnesses Safran know-how in many areas – infrared and image processing technology, inertial components with hemispherical resonant gyrometer (GRH) 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[1] and for the future French-British light anti-ship missile, the FASGW[2].

Flight control systems

As a worldwide leader[3] 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, in particular Airbus Helicopter's next-generation helicopter, Embraer's KC390 and the MA700 aircraft made by Chinese manufacturer AVIC.

Upgrading of military aircraft and civil avionics

Safran offers turnkey upgrade solutions for helicopters and airplanes that include training and maintenance. They are based on Safran's expertise in inertial navigation and fire direction systems, visible and infrared optronics, and digital processing both onboard (weapons systems) and on the ground (mission preparation).

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 (FDM, Flight Data Management) and optimization of fuel consumption (SFCO2, with Snecma).

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 their current strategic importance, Safran vertically integrates its onboard electronics and critical software technologies through Sagem's Safran Electronics division.

The Safran Electronics division provides all Group companies with world-leading electronic equipment and critical software. It develops, produces, and provides maintenance for electronic circuit boards and certified onboard computers for numerous systems, particularly in aviation (FADEC engines, thrust reversers, nacelles, landing gear, braking systems or flight control systems).

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[4]. In the space segment, Safran is conducting work on the electronic propellant flow-rate regulation demonstrator for the Vulcain X engine, 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 industrial excellence center particularly at its Fougères plant.

ONBOARD CRITICAL SOFTWARE

Safran develops the complex critical software used in Safran 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 Safran Group and third-party manufacturers. It also maintains and repairs computers and electronic boards for a significant number of airlines and airforces worldwide.

(1) *MMP:* Missiles moyenne portée *(medium range missile).*
(2) *FASGW: Future Anti-Surface Guided Weapon.*
(3) *Source: Safran.*
(4) *See 1.3.2.3 – Electrical systems and engineering.*

1.3.4 SECURITY

Security activities can be split into three key areas:

Identification systems
Civil identification solutions
Biometric enrollment services
Legal identification solutions
Border control solutions
Biometric equipment
Other businesses

Business solutions
Security solutions for the bank sector
Security solutions for telecom operators
Security solutions for businesses

Detection
Detection by X-ray tomography 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 authentication solutions, and a leading player in border control for passengers and goods. Safran's Security businesses are driven by constantly changing sources of threats, the emergence of new security and authentication needs in an increasingly connected world, and government modernization, especially in emerging countries. Safran pursues constant progress in technologies, backed by a policy of industrial and academic partnerships, plus new acquisitions as relevant opportunities arise. The acquisition of Dictao in 2014, for example, fits in with Safran's strategy on digital identity development, from management to usage of identity documents. Specifically, it enables Safran to offer comprehensive transaction security solutions for government applications and private markets (banks, insurance companies, businesses), and holds strong growth potential, on international markets in particular.

Safran has perfected cutting-edge technologies in biometrics, onboard software (in particular smartcard operating systems), secure terminals (biometric identification terminals, gaming terminals, speed control radars, etc.), cryptology and strong authentication, secure printing techniques, and detection of explosives and illegal substances. Such technology is necessary to access key target markets.

In the air and airport sectors the trend towards increased security continues and requires a considerable joint effort by numerous players, including airport and civil aviation authorities, airline companies, border police and customs authorities. Safran cooperates with all national and international organizations influencing the development of new technologies in the aviation sector. Safran is a world partner of professional organizations including Airport Council International (ACI), the International Air Transport Association (IATA), and the International Civil Aviation Organization (ICAO). It is actively involved in their working groups on issues regarding transport safety and passenger convenience. Finally, to simplify and streamline the various pre-boarding controls in airports, Safran is developing the concept of the "checkpoint of the future", an integrated airport security system that draws upon Safran's wide range of technological expertise in biometric identification and the detection of dangerous substances.

Safran is present in the Security sector through Morpho, a global player whose 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, one of Europe's leading players in the printing of secure documents such as passports;
- MorphoTrust USA, LLC, founded to manage, under an agreement with the US government, the US businesses 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 Identification

Key characteristics of the business sector

Identification programs comprise all identity solutions (issue of identity documents, identity management solutions, automatic systems for processing biometric data, identity verification solutions), biometric equipment (biometric enrollment kiosks, biometric terminals) and biometric enrollment services that contribute to the protection of persons, goods or sites by identifying persons.

The main biometric techniques for identifying physical persons are fingerprint, vein pattern, face, iris or DNA recognition.

The market for automated fingerprint identification systems (AFIS) and multi-biometric platforms (fingerprint, face and iris recognition) addressing forensic applications is concentrated in the hands of a few players, primarily Safran, NEC (Japan) and 3M (US). Demand for biometric technologies is growing, with international development of applications for the delivery and verification (mainly at border controls) of passports and other biometric identification documents (ID card, health card, etc.), and with the development of applications for delivering unique identification to each individual, as with the Aadhaar (unique number) project run by the Indian government's Unique Identification Authority of India (UIDAI), using fingerprint and iris biometric identification.

Markets for identity document issue, identity management and border control are highly competitive, addressed by numerous industrial players including Gemalto (Holland), NEC (Japan), Giesecke & Devrient (Germany), 3M (US) Crossmatch Technologies (US), HID Global (US) and major integrators including Accenture (US), Lockheed Martin (US), Siemens (Germany) and IBM (US).

With a market share of around 25%[1], Safran leads the world biometric market for solutions in civil and criminal identification, production of identity documents, biometric terminals, automatic biometric identification systems and biometric enrollment services.

Group products and programs

Civil identification solutions

Safran civil identification services comprise population data collection and listing, production and personalization of identity documents (ID cards, voter cards, passports, health insurance cards, driver licenses, etc.), and document lifecycle management. Safran has developed a comprehensive range of solutions and services in response to the new opportunities for 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 that guarantee 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.

Biometric enrollment services

Biometric enrollment is particularly developed in the US, and Safran provides enrollment services through a country-wide network. Enrollment services involve recording user's biometric and biographical data, and performing background checks and other ID services. Biometric enrollment is used to deliver accreditations and access documents meeting the security requirements demanded by the partners concerned.

Legal identification solutions

Safran provides police services and legal authorities with crime investigation solutions such as automatic fingerprint identification systems (AFIS), facial recognition systems and biometric enrollment stations. It also offers rapid DNA identification solutions.

Border control solutions

Safran provides a range of border control and air transport security solutions: automatic passenger control by biometric identification, or biometric authentication with electronic passport data; European Schengen common visa system and visas for asylum-seekers; and verification of air passenger data (PNR).

Biometric equipment

Safran biometric identification solutions are based on fingerprint, vein pattern, face or iris recognition, or a combination of these techniques. Safran also provides biometric enrollment terminals, identity verification terminals, and biometric terminals for physical access control applications (all types of premises) and logical access control (information systems).

Other businesses

Safran's image analysis expertise is also applied to secure terminals for lotteries and bookmaking, or products, systems and services for transport safety (road transport safety in particular). In road safety for example, Safran products cover all safety rule control requirements (current and average speed, signaling, etc.) and include manual solutions and fully automated digital systems.

1.3.4.2 Business solutions

Key characteristics of the business sector

Through Morpho and its subsidiaries, Safran is a major player in transaction and commercial identity security. Safran covers all main market segments, including telecom, bank and transport applications and secure access to business networks and the internet.

Safran solutions range from smartcards, that identify beneficiaries in a whole range of applications, to service platforms. On the market for smartcards for banks and telecom operators, Safran is a leading world player alongside Gemalto, Oberthur Technologies and Giesecke & Devrient (Germany).

Group products and programs

Security solutions for the bank sector

Safran offers a full range of innovative secure payment solutions, using smartcard and mobile-phone payment technologies.

(1) Source: Safran.

Via an extensive network of production and personalization centers, Safran's clients include Europe's, Latin America's and Asia's major banks. 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 EMV (Europay MasterCard Visa) standard; and no-contact 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. Solutions cover electronic identity management, multi-factor authentication (non-repeatable passwords, biometrics, etc.), and electronic signature and archiving. Developments under way include an experimental project with a major bank on a smartphone-based face recognition system for access to bank data.

Security solutions for telecom operators

On the telecommunications security market, Safran offers a variety of secure devices 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 technology capable of tracking a fleet 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.

Security solutions for businesses

With its expertise in electronic identity and trusted services management (multifunction cards for employees, online strong authentication and electronic signature systems, etc.), Safran can meet business needs in areas such as physical and logical access control, data protection and confidentiality, document traceability and transaction proofs.

1.3.4.3 Detection

Key characteristics of the business sector

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

Safran's operations in the detection market primarily concern air transport security; it 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 3D X-ray tomography, X-ray diffraction spectroscopy, ion mobility spectrometry, Raman spectroscopy and quadripolar magnetic resonance. Safran has also extended its portfolio of technologies to include mass spectrometry, addressing applications that require very high sensitivity and precision.

Safran is an approved detection systems supplier for many airports and airport security authorities worldwide (including transport security authorities in the US and Canada), chiefly through the US company Morpho Detection, acquired from GE in 2009 and wholly owned since 2012.

Safran's main competitors in tomography detection are the US companies L3 Communication and Leidos/Reveal and more recently new arrivals in the sector including Smiths Detection (UK), OSI/Rapiscan (US) and Nuctech (China). In ion mobility spectroscopy and Raman spectroscopy for explosive trace analysis, Safran has one of the market's most comprehensive and efficient offerings. Its main competitors here are Smiths Detection (UK), Thermo Fisher Scientific (US), Bruker (US) and Implant Sciences (US).

Group products and programs

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 at airports. Safran's CTX 5800 and 9800 tomography systems meet the new 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. Safran holds a share of more than 50%[(1)] of the market for X-ray tomography hold-luggage control systems. Safran is currently developing new solutions for the detection and identification of liquid and gel explosives in cabin luggage; initial field tests are at the qualification stage.

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

This kind of equipment (fixed, mobile or even portable) uses ion mobility spectrometry, mass spectrometry or Raman spectrometry to detect and identify vapor traces of explosive or illicit substances. 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, cabin luggage), and for protection of sensitive sites (ministries, nuclear power stations, prisons, etc.) and major events (sports tournaments, international conferences, etc.).

(1) Source: Safran.

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 makes every effort to ensure absolute compliance with all countries' applicable competitive business practice rules.

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. From aircraft engines and equipment to defense and security systems, the required technological expertise and reliability must be second to none, given the highly critical nature of the applications. In order to achieve this objective, Safran calls on the best knowledge available in mechanical engineering, aerodynamics, combustion, thermodynamics, metal and composite materials, fuel materials, electronic and electrical engineering, spectrometry, X-ray imaging, image processing and information processing. 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. To bridge the gap between R&T and R&D, and accelerate the emergence of new operations involving innovative concepts, Safran's Innovation Department covers everything from technological demonstrations through to market launch.

Safran 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.

Safran R&T breaks down into seven broad fields, each covering a range of technological capacities consistent with Group endeavors.

There are around fifty of these technological capacities, forming the elementary cells for cross-functional skills management, benchmarking, partnerships and mutualized projects operating across Safran Group companies. Each technological capacity is managed by a leader chosen from among the best experts in the Group.

In 2014, initial recruitment went ahead at Safran's new group-wide research center, Safran Tech, which is to employ a research workforce of around 300 within the next two years based at a new site and investigating six broad research areas: energy & propulsion, materials & processes, sensors, electronics, information & communication technologies, and digital simulation for engineering. Initial projects have been launched at Safran Tech, as have investment programs on the resources the new center will be needing in order to take up the long-term challenges it addresses.

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.

(1) ACARE: Advisory Council for Aeronautics Research in Europe.

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. 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[(1)], 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 technology programs along similar lines to address future market needs. Following the demonstration, in 2013, of a new 800 kW engine for the next-generation 4-ton helicopter program from Airbus Helicopters, Safran went ahead in 2014 with the first stages of a technological demonstration plan for high-power engines in the 3,000 shp range. 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 aircraft, helicopters and their equipment has led to increased use of composite materials. Safran engines and equipment (whether engines, 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, 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 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[(2)] regulations, is coordinated by the Safran materials and processes department. It enables Safran to take up positions on the propulsion system for the future B777X, with composites for the GE9X engine housing and titanium alloys for the exhaust.

Research efforts into rocket propulsion, a cutting-edge industry where 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, Safran group expertise in solid- and liquid-propellant space propulsion systems will be harnessed side by side with Airbus Group expertise on launch vehicle architecture through a new joint venture.

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 electrical aircraft

The move continues towards 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- to 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 (founded January 2, 2014), the Safran 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 (APU) in hybrid solutions combining turbines, fuel cells and batteries. Here, the Innovation Department will coordinate liaison between Labinal Power Systems and other Group companies, Microturbo, Herakles and Snecma. One of the units of the Safran Tech innovation center is dedicated to developing simulation systems to provide a systemic vision and explore advanced global energy and propulsive architectures.

Safran is involved in several technology programs alongside aircraft manufacturers in a European or French context. Work is conducted in close cooperation with aircraft manufacturers and 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

(1) FPRTD: Framework Program for Research and Technological Development.
(2) REACh: Registration, Evaluation and Authorization of Chemicals.

Alstom, Schlumberger, Schneider 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[(1)] technology, whose characteristics make it possible to design and produce world-leading navigation equipment and weapons at competitive costs. Through its subsidiary Sagem, the Group continues with the development of MEMS[(2)] technology for accelerometers and gyrometers in portable geolocation applications. With its prime expertise in high-integrity navigation systems, Sagem leads the field in drone navigation; in 2014, the French government put Sagem in charge of a *Nouvelle France Industrielle* plan on the inclusion of drones in air traffic.

ELECTRONIC SOLUTIONS AND CRITICAL SOFTWARE

Because onboard electronic systems for severe environments are key components of many Safran 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.

"Big data" information extraction techniques offer promising development opportunities. Here, Safran plans to step up rollout of more agile services, better oriented to value creation for aircraft operators, as with the Safran Analytics project launched in late 2014. In addition, Safran founded the "Machine Learning – Big Data" chair at the Suptelecom Paris Tech engineering school.

1.5.1.5 Defense and dual-use

Sagem harnesses advanced optronics and information and communication technology to develop innovations that will help the Group offer enhanced operational efficacy to land, air and sea 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 the Safran Group 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 there are plans to open a joint laboratory at the Safran Tech site.

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

(1) HRG: Hemispherical Resonating Gyro.
(2) MEMS – Micro Electro Mechanical Systems.

require sensor technologies which 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. With the acquisition of GE's Homeland Protection division, Safran can proceed with development in systems for detecting explosives and other illicit substances: technological advances achieved by Morpho Detection, LLC 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 transport 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 seven 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. In the past two years, Safran renewed its 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 150 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 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.

Safran takes part in many international cooperative research initiatives, with university laboratories in Europe, the US, Russia, Singapore and India.

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. 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.

In 2014, Safran stepped up its cooperative innovation drive by setting up a new unit —Safran Corporate Ventures— that would take minority holdings in innovative companies, with two purposes:

- obtain prompt access to relevant innovations under way at agile startups by way of business development support in exchange for a Safran Group minority holding;
- create value for the Group by developing synergies and cooperation between innovative companies and Safran Group companies.

The innovative companies selected by this investment instrument may work in technological fields covered directly by Safran Group businesses (materials, advanced manufacturing systems, components, sensors, onboard energy systems, software), or in other areas of relevance to operations in aerospace, defense or security (e.g., medicine, digital systems, big data).

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: 898 in 2014. This places the Group among the front-runners in French patents[1]. The Thomson Reuters agency also ranks Safran among the one hundred most innovative research organizations worldwide. Overall, the Group's portfolio comprises close to 29,000 intellectual property rights around the world, bolstering its position as international leader 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", of this Registration Document.

1.5.4 RESEARCH AND DEVELOPMENT EXPENDITURE

Including the portion funded by customers, the total expenditure on research, technology and development (RTD) was approximately €2.0 billion in 2014, representing 13% of revenue. RTD operations in France amounted to €1.8 billion, representing 90% of overall RTD expenditure. Some 74% of RTD expenditure is self-funded, and can be broken down as follows:

- Aircraft programs (including LEAP, Silvercrest and Airbus A350): 52%;
- Helicopter engines: 5%;
- Security and defense: 15%;
- R&T: 24%;
- Other: 4%.

(in € millions)	2013[(1)]	2014
Total R&D	**(1,809)**	**(1,990)**
External financing	520	526
Self-funded RTD	**(1,289)**	**(1,464)**
% of revenue	*9.0%*	*9.5%*
Research tax credit	136	151
Self-funded RTD after research tax credit	**(1,153)**	**(1,313)**
Capitalized expenditure	693	644
Amortization and impairment of R&D expenditure[(2)]	(76)	(78)
Impact on profit from operations	**(536)**	**(747)**
% of revenue	*3.7%*	*4.9%*

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).
(2) Excluding non-recurring items.

The significant rise in total self-financed expenditure (€175 million, up by 14%) is explained chiefly by the development of different LEAP engine versions.

Amortization and impairment of R&D expenditure stood at €78 million in 2014, compared with €76 million in 2013.

(1) Second in INPI ranking, April 2014 (for patents filed in 2013).

1.6 INDUSTRIAL INVESTMENTS

1.6.1 INDUSTRIAL POLICY AND THE FACTORY OF THE FUTURE

The Safran Group is an established industry reference and a major player in its core businesses of Aerospace, Defense and Security. Its aim is to supply its clients 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 and of 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, green taxiing, etc.).

The plants also respond to this demand for performance and innovation that is central to the success of Safran's products and services world-wide. The Safran 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.

And 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. The inauguration attended by the French President of our Commercy plant designed to manufacture LEAP engine fan blades using cutting-edge three-dimensional composite material weaving technology with our partners at Albany, symbolized this success in 2014. Turbomeca has also announced the introduction of additive manufacturing (3D printing) in its series production of engine parts (Arrano fuel injector nozzles and Ardiden 3 combustor swirlers). The Group is working towards the connected factory and 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 connecting machines and plants or better controlling manufacturing processes through data analysis. Finally, Safran recognizes the importance of developing and encouraging continuous innovation amongst its teams: the Safran Innovation Awards presented each year include an award for the most creative and innovative teams in the Group.

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 the Safran Group 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.

Safran is devoted to maintaining and developing the skills of its employees in order to support business and technological transformation. The Group invests heavily in training. The inauguration at the end of 2014, of the Safran University campus in Massy devoted to the training of Group employees is the embodiment of this policy (see section 5.3).

1.6.2 MAIN INDUSTRIAL INVESTMENTS

Safran's property, plant and equipment investments totaled €674 million in 2014, up by 38% on 2013.

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

Geographical zone *(in € millions)*	**2013(1)**	**2014**
France	295	473
Europe (excluding France)	45	48
North America	66	97
Asia	63	41
Rest of the world	20	15
TOTAL	**489**	**674**

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

In 2014, most of Safran's property, plant and equipment investments (70%) were in France, primarily for the construction of new sites:

- R&D center for the development of new composite materials, in Itteville (Essonne) near Paris;
- a plant for making composite parts (fan blades and casings) for future LEAP engines, in Commercy (Meuse) in partnership with Albany;
- Messier-Bugatti-Dowty shop at Bidos (South-West France), for machining titanium landing gear rods.

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

- renovation and modernization of industrial sites 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 modernization at existing sites (Messier-Bugatti-Dowty in Molsheim, Snecma Corbeil, Snecma Villaroche, etc.);
- modernization of test equipment (Turbomeca Bordes, etc.).

Safran's main investments outside of France were:

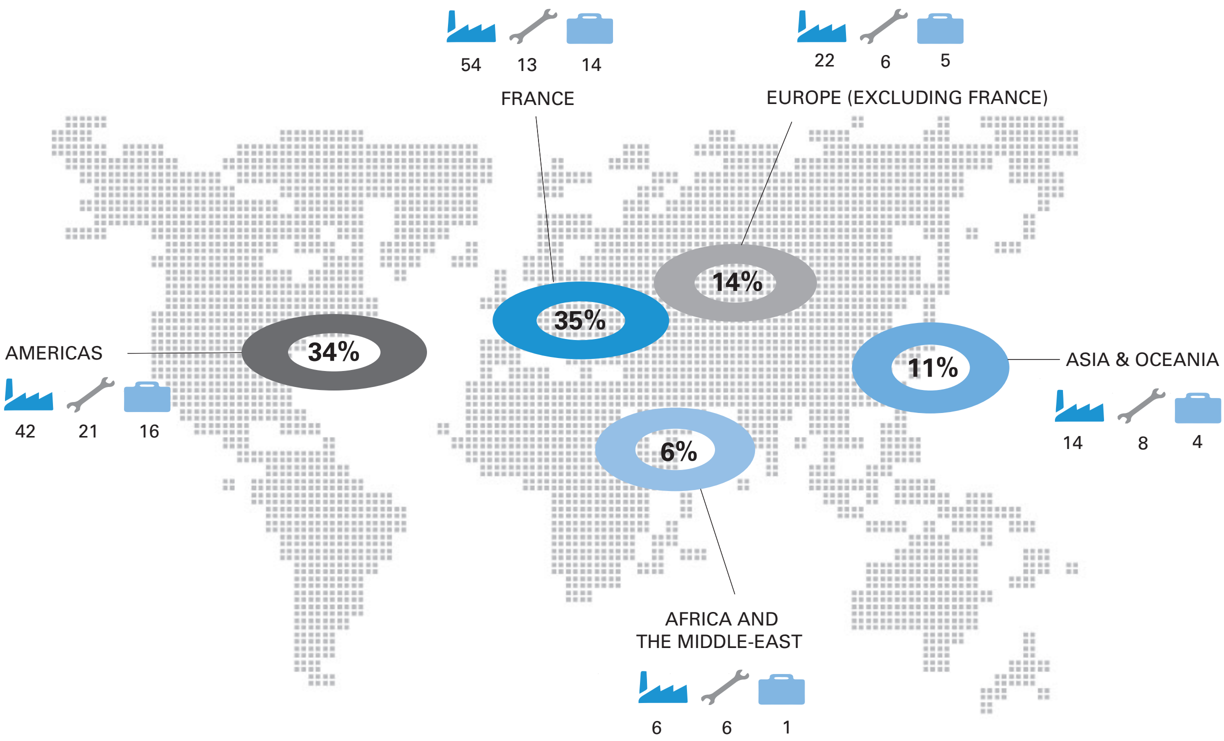
- a new industrial site in Rochester, New Hampshire (US), used to produce woven composite parts in partnership with Albany international. The factory is twinned to the Commercy site (Meuse) and was inaugurated in 2014;
- construction of a new Messier-Bugatti-Dowty facility making carbon brakes in Malaysia;
- New Industrial Plan production resources at the Techspace Aero Milmort site in Belgium to meet the rapid and continued ramp-up of the company's new programs.

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 Safran Group[1] sites in each geographical region, broken down by the main type of site activity. Figures and locations shown here correspond to companies consolidated under the Safran Group, as defined in Note 1.b in Chapter 3 of this Registration Document.



Legend: number of sites

(1) A "unit" 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	26	11	11	4	10	16
Turbomeca	17	7	9	1	8	9
Herakles	14	11	1	2	5	9
Techspace Aero	2	2	-	-	1	1
MBD	17	11	5	1	10	7
LPS	38	29	8	1	9	29
Technofan	2	1	1	-	1	1
Hispano-Suiza	2	2	-	-	2	-
Aircelle	8	5	2	1	5	3
Sagem	26	20	2	4	8	18
Morpho	71	36	15	20	4	67
Safran	5	2	-	3	4	1
Other	4	1	-	3	-	4
TOTAL	**232**	**138**	**54**	**40**	**67**	**165**

(*) *Including seven units under financial lease.*

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

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

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

There were significant site and production plant additions in 2014:

In France

- the Safran University campus was opened in Massy (Essonne), accommodating personnel training, seminars and other events;
- the Safran Aero Composite plant was opened at Commercy (Meuse), specializing in the manufacture of composite parts (fan blades and housings) for future LEAP engines, under a partnership with Albany.

Elsewhere

- the Safran Aerospace Composites, LLC plant was opened in Rochester, New Hampshire (US), specializing in the manufacture of parts in woven composite materials, under a partnership with Albany;
- a new Messier-Bugatti-Dowty facility making carbon brakes was opened in Malaysia.

Environmental factors liable to influence the Group's use of its property, plant and equipment are presented in section 5.4.3. 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 SAFRAN 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 dialog 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 profitable 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 Safran 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 Safran 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 life-cycle phases.

Following on from the 2013 suppliers' convention, Safran took two initiatives in 2014 aimed at further enhancing rollout efficacy for its purchasing policy:

- supplier relations management was enhanced through an emphasis on value creation, achieved by a more individualized approach to the supplier panel;
- cooperative innovation with suppliers was stepped up to help get innovative products and services to market more promptly.

1.9 SAFRAN QUALITY PERFORMANCE AND POLICY

Safran pursues an ambitious quality policy targeting three main goals:

- customer satisfaction;
- continuous progress in performance;
- competitive standing.

Safran's quality policy operates synergetically across all Group companies, and involves setting performance targets and determining priority actions to ensure lasting efficiency. Group-wide methods and tools are used, derived from pooled experience and best practices across all Group companies. Safran has tightened up its development management, by implementing a milestones system with formal reviews, driven by the Group's program management standard (PROMPT), and by stepping up the use of risk analysis and control methods applied to products and processes.

The quality policy is rooted in Safran Group values and is rolled out consistently with the Safran+ plan.

In 2014, customers expressed confidence in and satisfaction with Safran teams' customer relations, attention and response. The upward trend in internal quality performance continued.

Quality progress measures for 2015 focus on four main points:

- customer satisfaction, through group-wide presence of "customer voice";
- processes, with improved attention to feedback;
- quality performance (internal and with suppliers);
- the Safran quality system, to ensure workforce-wide buy-in.

Three cross-functional initiatives are to be carried through in 2015:

- upgrade of the Safran Toolkit, a consistent set of tools and methods issued and promoted through internal cooperative networks;
- systematic group-wide rollout of QRQC (Quick Response Quality Control), a management method for improving day-to-day operational performance, both internally and with key suppliers;
- upgrade of Safran's industrial validation process, a key instrument in risk control and production release robustness (management of industrial change and production release for new developments), to ensure comprehensive, consistent application throughout the Safran Group and among manufacturer suppliers.

Safran's quality progress measures are defined and structured in line with the Group-wide quality vision, namely: *to achieve recognized second-to-none quality worldwide, worthy of our customers' trust in us*.

1.10 SAFRAN+ PROGRESS INITIATIVE

The Safran+ continuous progress and modernization initiative was launched in 2009 with the aim of driving continuous performance improvements throughout the Group. In order to achieve this, Safran+ has defined key areas for progress, set targets and developed a specific approach. Safran+ is a centralized initiative, featuring its own network, and deployed within all of the Group's entities. This structure 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. Most of these initiatives involve ongoing improvement, but five ground-breaking projects have also been put forward by the Group. These involve:

- the upgrade of management processes (geared towards support functions);
- decreased working capital requirement;
- control over production purchases;
- the optimization of the upstream Supply chain;
- increased effectiveness of development, research and engineering programs.

They are joined by two permanent, cross-Group initiatives:

- interactive innovation initiatives offering employees the possibility to improve the Company through their sector;
- the use of the Lean Sigma[1] approach to train Green Belts[2], Black Belts[2] and Master Black Belts[2], professional drivers of Group change, acting in a structured and standardized manner.

Most projects target at least one of the following three objectives:

- higher operating profit;
- lower working capital requirements;
- lower EUR/USD exchange rate risk.

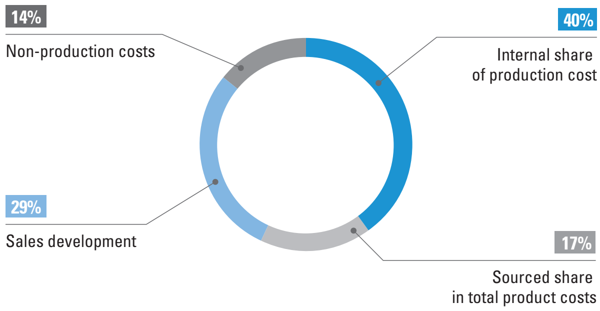
For each of these objectives, the Group's strategy helps define an annual objective per company.

Work toward these objectives is monitored by means of two complementary approaches:

- upstream, managers assess the direct progress of actions using project-relevant operational indicators, from identification through to fulfillment;
- downstream, key management indicators are applied to compare expected against actual performance achieved by the Company during the year (e.g., production cost indexes, lead part cycles, etc.).

The managers concerned report on progress to Group executive management at two reviews carried out at two different sites per company.

The savings achieved by the Safran+ initiative in 2014 break down as follows:



We note the following progress plan highlights in 2014:

- intensive rollout of the Lean-Sigma and Interactive Innovation programs continued throughout the Group:
  - 700 new Green Belts and Black Belts were trained, and 13 new Master Black Belts certified,
  - 70,400 on-site ideas have been generated and put in to practice in workshops and offices;
- Shared Services Centers in France (non-production purchasing, payroll, recruitment, internal mobility, finance, IT, and health-safety-environment, brought together in a single unit, in the same building, in 2013) pushed ahead with their improvement projects, to Lean Office principles, on performance and service culture;
- the initiative on simplified organization for the Safran Group continued across all company management teams. Many opportunities were examined in 2014, and further action will proceed 2015;
- the purchasing function matured, with the Group-wide convergence of multiple processes and the coordination of joint purchasing operations. Work continued on the supplier performance monitoring system, based on a harmonized standard. Rollout of the Group-wide Purchasing Specification project continued, to help new sectors optimize their purchasing decisions through improved measurement of actual needs;
- the R&D progress initiative developed with correspondents from Group companies continued to apply lean engineering principles with rollout of "management by sight" targeting customer satisfaction in terms of costs, quality and delivery times. Work continued on objective cost design, across new and existing programs, and the process was extended to suppliers;

(1) Lean Sigma: Continuous performance improvement and waste elimination process.
(2) Standardized responsibility levels in the implementation of Lean Sigma methods.

- QRQC[1] pilot projects were carried out internally and with suppliers. Rollout of this rigorous day-to-day performance management method went ahead across many Safran Group units in 2014, with full Group-wide coverage being set for 2015;
- the Group continued with active rollout of cooperative enterprise networks aimed at developing innovation and propagating expertise and good practices across varied business sectors.

  This initiative is proving highly successful; 518 dedicated networks have been formed so far, half of them cross-functional and half at company level.

The combined result of these initiatives is a record level of improvement, yielding a significant contribution to the Safran Group's competitive capability.

(1) QRQC – Quick-Response Quality Control.

2 REVIEW OF OPERATIONS IN 2014 AND OUTLOOK FOR 2015

Business highlights in 2014

AEROSPACE PROPULSION

- A total of 1,560 CFM56 engines delivered in 2014, up 4% year on year (1,502 engines) and close to 13,000 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 first flight tests for LEAP and the first flight test phase for Silvercrest. First flight for the Arrius 2R turboshaft on the new Bell 505 Jet Ranger X helicopter;
- Creation of Airbus Safran Launchers, combining the space launcher activities of Safran and Airbus Group.

AIRCRAFT EQUIPMENT

- Continued strong momentum on mature programs (A320, A330) and ramp-up on new programs (B787 and A350);
- Safran chosen to supply nacelles on Airbus' A330neo (new engine option) and exhaust systems for engines on Boeing's new 777X jetliner;
- Reorganization of Safran's electrical systems business into a single division (Labinal Power Systems) and finalization of the acquisition of Eaton Aerospace's power distribution activities;
- Joint venture created with Rolls-Royce in power transmissions.

DEFENSE

- New orders for multifunction day- and night-vision goggles;
- Commercial success for high-performance thermal imagers Matis and CM3;
- Series production order for infrared seekers for MBDA's MMP medium-range missiles used by the French Armed Forces, and contract for the development and series production of seekers for the FASGW, MBDA's Franco-British light anti-ship missile;
- Integration of Eaton Aerospace's integrated cockpit solutions within the Group's Avionics business.

SECURITY

- No. 1 ranking maintained in the US, with Safran supplying 80% of all driving licenses;
- US-based TSA Pre√™ program extended;
- Contract signed to produce the new Egyptian electronic national ID card. Contracts signed with various governments to supply ID solutions (Slovakia, UAE, etc.);
- Acquisition of Dictao, the leading developer of software solutions for security and digital trust, including the NATO-approved electronic signature solution.

2014 adjusted key figures

	Aerospace Propulsion		Aircraft Equipment		Defense		Security		Holding co. and other		Total	
(in € millions)	2013(1)	2014	2013(1)	2014	2013(1)	2014	2013(1)	2014	2013(1)	2014	2013(1)	2014
Revenue	7,589	8,153	4,091	4,446	1,197	1,221	1,482	1,530	4	5	14,363	15,355
Recurring operating income (loss)	1,358	1,633	376	426	84	71	120	134	(158)	(175)	1,780	2,089
Profit (loss) from operations	1,342	1,624	373	368	91	74	117	109	(177)	(193)	1,746	1,982
Free cash flow(2)	493	380	73	149	126	17	(49)	97	56	97	699	740
Acquisitions of property, plant and equipment(3)	215	362	168	170	8	46	66	59	33	37	489	674
Self-funded R&D	789	894	254	308	117	133	129	129	N/A	N/A	1,289	1,464

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

(2) 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.

(3) Net income from disposals including the sale in 2013 of office buildings primarily serving the defense industry.

2.1 COMMENTS ON THE GROUP'S PERFORMANCE IN 2014 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;
- 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.

Reconciliation of the consolidated income statement with the adjusted income statement

The impact of these adjustments on income statement items is as follows:

		Currency hedges		Business combinations		
(in € millions)	2014 consolidated 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)	2014 adjusted data
Revenue	**15,044**	**311**	**-**	**-**	**-**	**15,355**
Other recurring operating income and expenses	(13,589)	5	(33)	147	159	(13,311)
Share in profit from joint ventures	45	-	-	-	-	45
Recurring operating income	**1,500**	**316**	**(33)**	**147**	**159**	**2,089**
Other non-recurring operating income and expenses	(107)	-	-	-	-	(107)
Profit from operations	**1,393**	**316**	**(33)**	**147**	**159**	**1,982**
Cost of debt	(42)	-	-	-	-	(42)
Foreign exchange gains (losses)	(1,654)	(316)	1,922	-	-	(48)
Other financial income and expense	(75)	-	-	-	-	(75)
Financial income (loss)	**(1,771)**	**(316)**	**1,922**	**-**	**-**	**(165)**
Income tax benefit (expense)	292	-	(717)	(51)	(46)	(522)
Share in profit from associates	18	-	-	-	-	18
Profit (loss) from continuing operations	**(68)**	**-**	**1,172**	**96**	**113**	**1,313**
Profit (loss) for the period attributable to non-controlling interests	**(58)**	**-**	**(5)**	**(2)**	**-**	**(65)**
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**(126)**	**-**	**1,167**	**94**	**113**	**1,248**

(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 €1,922 million excluding tax, and the negative impact of taking into account hedges when measuring provisions for losses on completion (€33 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.*

(4) *Including cancellation of depreciation and amortization of identifiable property, plant and equipment and intangible assets amounting to €142 million, the impacts of remeasuring inventories and other assets and liabilities in connection with acquisitions for €25 million, along with losses on remeasuring the Group's previously held interest in Hydrep amounting to €8 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 2014

Adjusted income statement

(in € millions)	2013 Adjusted data[(1)]	2014 Adjusted data
Revenue	**14,363**	**15,355**
Other income	258	291
Income from operations	**14,621**	**15,646**
Change in inventories of finished goods and work-in-progress	(20)	275
Capitalized production	907	998
Raw materials and consumables used	(8,443)	(9,043)
Personnel costs	(4,442)	(4,744)
Taxes	(271)	(275)
Depreciation, amortization, and increase in provisions, net of use	(500)	(639)
Asset impairment	(82)	(66)
Other recurring operating income and expenses	(42)	(108)
Share in profit from joint ventures	52	45
Recurring operating income	**1,780**	**2,089**
Other non-recurring operating income and expenses	(34)	(107)
Profit from operations	**1,746**	**1,982**
Cost of net debt	(42)	(42)
Foreign exchange losses	(26)	(48)
Other financial income and expense	(70)	(75)
Financial loss	**(138)**	**(165)**
Profit before tax	**1,608**	**1,817**
Income tax expense	(529)	(522)
Share in profit from associates	15	18
Gain on disposal of Ingenico shares	131	-
PROFIT FOR THE PERIOD	**1,225**	**1,313**
Attributable to:		
• owners of the parent	1,193	1,248
• non-controlling interests	32	65
Earnings per share attributable to owners of the parent *(in €)*		
Basic earnings per share	2.87	3.00
Diluted earnings per share	2.87	3.00

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

Review of operations

ADJUSTED REVENUE

For full-year 2014, Safran's revenue was €15,355 million, up 6.9%, or €992 million, compared to €14,363 million in 2013. On an organic basis (excluding the effects of acquisitions, disposals and currency fluctuations), Group revenue increased by 5.8%, or €835 million, reflecting continued strong momentum in most Aerospace activities (OE and services). The Identification business in Security as well as Avionics activities also contributed to this performance.

ADJUSTED RECURRING OPERATING INCOME

For full-year 2014, Safran's recurring operating income increased €309 million or 17.4% compared to 2013 and stood at €2,089 million, or 13.6% of revenue (€1,780 million and 12.4% of revenue in 2013). After taking into account the positive transaction currency impact (€100 million) and the impact of acquisitions, newly consolidated activities and disposals (€9 million), the organic year-on-year improvement was €200 million, or 11.2%.

This improvement was primarily driven by Aerospace activities (Propulsion and Equipment), which saw solid OE growth and positive trends in civil aftermarket, and by a return to growth in Security.

(in € millions)	2013 adjusted(1)	2014
Recurring operating income	**1,780**	**2,089**
% of revenue	12.4%	13.6%
Total non-recurring items	**(34)**	**(107)**
Capital gain on disposals	39	-
Impairment net of reversals on intangible assets	(17)	(45)
Other non-recurring items	(56)	(62)
PROFIT FROM OPERATIONS	**1,746**	**1,982**
% of revenue	12.2%	12.9%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

ADJUSTED PROFIT FROM OPERATIONS

Adjusted profit from operations climbed 13.5% to €1,982 million, or 12.9% of revenue, versus €1,746 million (12.2% of revenue) in 2013. Non-recurring items represented an expense of €107 million in 2014 and include the impairment taken against capitalized development costs following the decision by Bombardier to pause the Learjet 85 program, charges taken in Security and Propulsion (Turbomeca) to adapt the industrial footprint in response to operational challenges as well as acquisition and integration costs.

ADJUSTED FINANCIAL INCOME (LOSS)

The Group reported an adjusted financial loss of €165 million in 2014, compared to a loss of €138 million in 2013. The financial loss chiefly reflects the cost of net debt, which remained stable year on year at €42 million in both 2013 and 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, particularly to calculate provisions. The cumulative impact of these non-cash items was an expense of €55 million in 2014 and an expense of €50 million in 2013. The interest cost on post-employment benefit obligations amounted to €25 million in 2014 versus €24 million one year earlier. The financial loss also includes a non-cash charge totaling €75 million arising on the translation of provisions denominated in US dollars (non-cash income of €22 million in 2013).

ADJUSTED INCOME TAX EXPENSE

Adjusted income tax expense fell from €529 million in 2013 to €522 million in 2014, representing an effective tax rate of 28.7% (32.9% in 2013). This is chiefly the result of a reduction in Techspace Aero's tax base following the recognition of a tax allowance for income generated from patents in respect of 2013 and 2014.

ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Adjusted profit attributable to owners of the parent grew by 4.6% year on year, to €1,248 million or €3.00 per share, compared to €1,193 million (€2.87 per share) in 2013. In addition to the rise in recurring operating income, adjusted profit for 2014 includes:

- net financial expense of €165 million, including €42 million in cost of debt;
- tax expense of €522 million.

2.1.3 ADJUSTED KEY FIGURES BY BUSINESS

SUMMARY OF ADJUSTED KEY FIGURES BY BUSINESS

The backlog grew 15% to €63.8 billion in 2014 compared to €55.4 billion last year.

	Aerospace Propulsion		Aircraft Equipment		Defense		Security		Holding co. and other		Total	
(in € millions)	2013[(1)]	2014	2013[(1)]	2014	2013[(1)]	2014	2013[(1)]	2014	2013[(1)]	2014	2013[(1)]	2014
Backlog[(2)]	35,261	41,532	16,455	18,435	2,095	2,209	1,586	1,578	N/A	N/A	55,397	63,754
Orders recorded during the year[(3)]	11,200	14,187	6,748	5,854	988	1,337	1,451	1,463	N/A	N/A	20,387	22,841
Revenue	7,589	8,153	4,091	4,446	1,197	1,221	1,482	1,530	4	5	14,363	15,355
Recurring operating income (loss)	1,358	1,633	376	426	84	71	120	134	(158)	(175)	1,780	2,089
Profit (loss) from operations	1,342	1,624	373	368	91	74	117	109	(177)	(193)	1,746	1,982
Free cash flow[(4)]	493	380	73	149	126	17	(49)	97	56	97	699	740
Acquisitions of property, plant and equipment[(5)]	215	362	168	170	8	46	66	59	33	37	489	674
Self-funded R&D[(3)]	789	894	254	308	117	133	129	129	N/A	N/A	1,289	1,464
Headcount[(6)]	24,511	25,498	24,495	25,447	7,195	7,411	8,403	8,578	1,685	2,011	66,289	68,945

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

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

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

(4) 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.

(5) Net income from disposals including the sale in 2013 of office buildings primarily serving the defense industry.

(6) Headcount at December 31.

2.1.3.1 Aerospace Propulsion

KEY FIGURES (ADJUSTED DATA)

	2013 adjusted(1)	2014	Year-on-year change
Quantities delivered			
CFM56 engines	1,502	1,560	4%
(in € millions)			
Backlog	35,261	41,532	18%
Orders recorded during the year	11,200	14,187	27%
Revenue	7,589	8,153	7%
Recurring operating income	1,358	1,633	20%
Profit from operations	1,342	1,624	21%
Free cash flow	493	380	-23%
Acquisitions of property, plant and equipment	215	362	68%
Research and development			
Self-funded R&D	(789)	(894)	13%
% of revenue	*10.4%*	*11.0%*	*+0.6 pts*
Research tax credit	51	58	14%
Self-funded R&D after research tax credit	(738)	(836)	13%
Capitalized expenditure	516	475	-8%
Amortization and impairment of R&D expenditure	(24)	(25)	4%
Impact on profit from operations	(246)	(386)	57%
% of revenue	*3.2%*	*4.7%*	*+1.5 pts*
Headcount(2)	24,511	25,498	4%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).
(2) Headcount at December 31.

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

	% of business line revenue	
Sector	**2013 adjusted(1)**	**2014**
Civil aviation	65%	66%
Military aviation	10%	10%
Helicopter turbine engines	15%	15%
Ballistics and space	10%	9%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

REVIEW OF AEROSPACE PROPULSION OPERATIONS IN 2014

Full-year 2014 revenue was €8,153 million, an increase of 7.4%, or 6.2% on an organic basis, compared to revenue of €7,589 million in the year-ago period. Revenue growth resulted from rising sales of services and spares, particularly for engines installed on medium- and long-haul aircraft. Civil OE deliveries also grew, with CFM56 reaching record production rates (1,560 units sold, 58 more than in 2013) and a favorable mix effect. Military OE revenues increased with higher volumes of M88 and TP400 deliveries. Deliveries of helicopter turbines accelerated in the fourth quarter and partially caught up the drop seen over the first nine months. Space and missile propulsion revenue was flat in the year.

Civil aftermarket revenue grew by 11.3% in US dollars terms, lifted by the first overhauls of the latest-generation CFM56 and GE90 engines. Helicopter turbine maintenance revenue strengthened over the year, driven by improving volume and mix, with a notable contribution from the RTM322 and Makila fleets. Military engine aftermarket revenue grew by around 5%. Overall service revenue in Aerospace Propulsion grew by 11.3% in euro terms and represents a 50.0% share of revenue (48.3% in 2013).

Full-year 2014 recurring operating income was €1,633 million (20.0% of revenue), up 20.3% compared to €1,358 million in 2013 (17.9% of revenue). This improvement resulted from healthy activity in the civil aftermarket, which saw robust growth in sales of spare parts, as well as from increased OE volume and a favorable mix effect on commercial engine programs. The impact of R&D on recurring operating income increased in 2014, primarily due to spending under the Silvercrest program, which was capitalized only during first-quarter 2014. Currency hedging had a positive impact on profitability.

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 unrivalled 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 for its new Citation Longitude business jet.

The first phase of flight tests was completed in June 2014 near San Antonio in the US. The flight tests were successful in all flight situations. The second phase of flight tests for Silvercrest began in late 2014.

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. Its in-service performance has been thoroughly satisfactory.

A total of 52 SaM146 engines were delivered in 2014. At the end of the year, the backlog for PowerJet stood at 168 engines. 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 by Aeroflot, Interjet and Sky Aviation airlines.

Passport (10,000 – 20,000 pounds of thrust)

Through Techspace Aero, Safran has a 7% share in Passport, a new GE engine program designed for the future Bombardier Global 7000 and 8000 business jets. Global 8000 will have a range comparable to ultra long-haul commercial aircraft (7,900 miles, or more than 14,600 km).

Ongoing tests on this engine in 2014 included ingestion and endurance tests. The first flight tests were also carried out. The engine should be certified in 2015 and is expected to come into operation in 2016.

SMA

The SMA SR305-230E turboprop engine powers Turbo Skylane JT-A, the latest arrival in the Cessna 182 range. A total of 17 engines were delivered in 2014, with the backlog standing at 232 engines at the end of the year.

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

CFM56 – LEAP

Major commercial progress was made in 2014, with new orders and purchase commitments for 2,717 LEAP engines. The backlog for LEAP has overtaken the CFM56 backlog, at almost 8,500 engines under the A320neo, Boeing 737 MAX and COMAC C919 programs.

On the A320neo, the LEAP-1A model competes with the PurePower PW1000G engine made by US firm Pratt & Whitney. At December 31, 2014, LEAP-1A had a market share of 55%(1) in aircraft for which engines had already been chosen. The LEAP-1B model was chosen as the sole engine for the Boeing 737 MAX. The LEAP-1C is the sole Western source for the propulsion system (engine plus nacelle) on COMAC's C919 Chinese aircraft. LEAP is expected to be in service by 2016.

A record 1,560 CFM56 engines were delivered by Safran during the year, compared to 1,502 engines in 2013. More than 27,000 CFM56 engines have been delivered since the launch of the program. The in-service fleet of CFM56 engines passed the 725 million flying hours mark in 2014 and the engines are used by over 530 customers and operators.

Taking into account the 1,527 orders for CFM56 engines and 2,717 orders for LEAP engines taken during the year, the overall backlog (CFM56 + LEAP) represents around 13,000 engines, or more than eight years of production at current rates. This success confirms CFM as leader in the market for 100+ seater aircraft, and guarantees the success of these programs over several decades.

(1) Source: Safran.

The first flight tests for LEAP were run in 2014. The tests were a resounding success, meeting all performance and engine operability objectives. These tests are part of an extensive ground and flight certification program that will encompass 60 engines and will accumulate 40,000 test cycles before entry into service.

The LEAP-1A and LEAP-1C should be certified in 2015 and the LEAP-1B in 2016.

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

Production of high-thrust engines was up sharply in 2014, with 690 modules delivered compared to 619 in 2013.

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 234 modules in 2014 versus 212 modules in 2013.

GE9X

In early July, Safran announced that it was to participate in 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), as well as design and produce the turbine rear frame and the forward fan case using 3D woven composite parts. Techspace Aero will manufacture the low-pressure compressor and the fan disk.

GP7200

Safran delivered 90 high- and low-pressure compressor modules in 2014 compared to 96 in 2013, and has a 17.5% interest in this engine program which powers the A380. In 2014, 70% of the A380 aircraft delivered in the year were fitted with the GP7200 engine.

GEnx

The GEnx engines manufactured for the Boeing 747-8 and the Boeing 787, respectively GEnx-2B and GEnx-1B, were certified in 2011. Safran has a 7.3% share in GEnx-2B and a 7.7% share in GEnx-1B. To meet the needs of the US aircraft manufacturer, Safran delivered 261 compressor modules in 2014, 44% more than in 2013.

CF6 – LM6000 family

A total of 105 modules for LM6000 engine and gas turbines were billed in 2014. 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 with Korean Air and Ethiopian Airlines.

Industrial operations

Safran has developed an exclusive partnership with US-based Albany for three-dimensional weaving of carbon fiber preforms. These preforms are placed in metal molds and then injected with resin. The ties between Safran and Albany were subsequently strengthened with the creation of shared production facilities bringing together the resources and activities of both companies.

Two "twin" plants based in Rochester, New Hampshire (US) and in Commercy, Meuse (France) were inaugurated in 2014 and produce fan blades and cases from woven composite parts for the LEAP engine.

Military aviation

M88

A total of 26 M88 engines were delivered for the Rafale in 2014. The in-service fleet topped the 350,000 flying hours mark during the year.

Following the Egyptian authorities' announcement of their plan to acquire 24 Rafale fighter jets in 2014, the official sale agreement was signed in Cairo in February 2015.

India is in exclusive talks with Rafale EIG to purchase 126 aircraft. Discussions are continuing under the guidance of Dassault. Other prospective customers are also 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 53 engines were delivered in 2014 (36 in 2013) and the backlog at the end of the year stood at 621 engines for the A400M aircraft ordered by Airbus Defence and Space.

Adour

A total of nine Adour engines were delivered in 2014 for the Bae Hawk trainer aircraft. The backlog at the end of 2014 stood at 34 engines.

Spare part and service activities

In 2014, Safran teamed up with the Indian maintenance company Max AeroSpace & Aviation Pvt. to create a joint venture offering military aircraft engine maintenance, repair and overhaul (MRO) services in India. The new structure, known as Max Aero Engine Private Limited (MAEPL), will provide complete engine support solutions for the Snecma M53 turbofan engines powering the Mirage 2000H "Vajra" fighters on behalf of the Indian Air Force (IAF) starting in 2015.

Helicopter turbines and auxiliary power units

Light helicopters

This segment continued to grow throughout the year:

- on November 10, the new Bell 505 Jet Ranger X helicopter fitted with an Arrius 2R engine completed a successful first flight in Mirabel, Canada. This success is the result of the first long-term partnership between Safran and Bell Helicopter. Arrius 2R, selected as sole engine on the Bell 505 Jet Ranger X, is slated for certification in late 2015;
- the new version of the Arrius engine was certified by the European Aviation Safety Agency (EASA) in October 2014. Designed especially to power single- and twin-engine light helicopters, the Arrius 2B2plus was chosen by Airbus Helicopters for the EC135 T3, its new EC135 helicopter;
- certified in 2013, the new version of the Arriel 2 (2E) turbine engine came into service in July 2014 on Airbus Helicopters' latest EC145 model, the EC145 T2. Arrius 2E turbine engines will also feature on the military version of this aircraft, the EC645 T2, which carried out its first flight in November 2014;
- the new Chinese helicopter Avicopter AC311, fitted with an Arriel 2B1A turbine engine, completed its first flight in August 2014.

Medium-weight helicopters

In February 2014, Safran announced the bench test rotations of the Arrano engine. The new 1,100 shp engine benefits from technological developments stemming from Safran's R&T strategy. It incorporates the results of several research projects, including products and processes validated by the Tech800 demonstrator. The first use for this engine will be on Airbus Helicopter's new H160 model.

In 2014, Indian helicopter manufacturer HAL selected the latest version of the Ardiden 1 turbine, the Ardiden 1U, to power its forthcoming single-engine LUH (Light Utility Helicopter). Ardiden 1U is expected to be certified by EASA in 2017.

On March 26, a first order of 120 Ardiden 3C/WZ16 turbines was announced during the visit of Chinese president Xi Jinping to Paris. This engine was developed in partnership with AVIC Engines (China) for the AC352 helicopter (the Chinese name for the helicopter developed in partnership with Airbus Helicopters based on the EC175 program), and is the result of close cooperation between Safran and China Aviation Industry Corporation (AVIC). The helicopter is scheduled to undergo its first flight in 2015.

Throughout the year, Safran also continued its cooperation with the Russian helicopter manufacturer Kamov. An Ardiden 3G engine was on show at the HeliRussia exhibition. Selected to power the Russian helicopters Kamov Ka-62, the development and certification plans for the new turboprop engine are aligned with the period within which the helicopters are due to enter into service.

Heavy-lift helicopters

Safran unveiled the Turbomeca Makila 2B engine at the Anaheim Heli-Expo tradeshow (US) in February 2014. Featuring a new combustion chamber and new-generation high-power turbine blades, this new version of Makila will offer improved performance for Airbus Helicopters' new EC225e helicopters. These are designed for extended-range missions, particularly for deep-water oil and gas exploration, search-and-rescue missions and passenger transportation. The test runs of the Makila 2B are currently ongoing and certification is planned for 2015.

Helicopter turbine engine services

Maintenance activity grew for helicopter turbine engines as the Group signed new service agreements. At the end of the year, 4,136 engines were covered by service agreements for 387 civil and military customers.

Auxiliary power units (APUs)

In 2011, Safran teamed up with Pratt & Whitney AeroPower to develop new-generation auxiliary power units for Bombardier's Global 7000 and 8000 business jets and Dassault Aviation's Falcon 5X. At the Farnborough Airshow in 2014, the two groups announced that Safran was to assume full responsibility for design, production, product support and services under these two programs. The two groups will also extend their existing relationship to allow collaboration on future business jet and regional APU programs: Safran will lead on opportunities in the business APU segment, while Pratt & Whitney AeroPower will lead on opportunities in the regional APU segment.

In February, Safran and UK-based helicopter operator Bristow also signed a five-year support agreement for the e-APU60 fitted on Bristow's AW189 helicopters. Lastly, a new research, production and support facility was inaugurated in San Diego (US) for the development of Safran's commercial auxiliary power units.

Ballistics and space

On June 16, 2014, Safran and Airbus Group announced they would be joining forces in the space launch vehicle sector to boost competitive performance and safeguard viability for the European space sector in the face of increasing international competition. This initiative also includes a proposal to develop a family of new-generation launchers (Ariane 6) based on Ariane 5, offering synergies with the Vega launcher, especially designed to be able to adapt to all potential developments in the market.

An Agency-Industry taskforce was set up in this respect and in late October, published a joint program file along with an agreement setting out new governance rules for Agency-Industry relations based on a public-private partnership (PPP) structure.

The conference of ministers of the European Space Agency (ESA) meeting on December 2 in Luxembourg ratified this proposal and decided to officially launch the Ariane 6 program. The following day, Safran and Airbus Group announced the creation of a 50/50 joint venture, Airbus Safran Launchers. The first phase of the tie-up began in December 2014, on completion of which all of the activities and assets/liabilities of the two groups' civilian and military ballistic missile launcher businesses will be contributed to the joint venture.

The Ariane 5 heavy launcher successfully performed six launches during the year. This marks the European launch vehicle's 63rd consecutive success and confirms Ariane's excellent reliability.

2014 also saw the completion of a new test runs for the Vinci engine selected for the upper stage of the future Ariane 6 launchers. Confirming the engine's maturity and endurance, the development of this system is continuing in line with the technical and schedule objectives set by the ESA. Vinci is slated for certification in early 2017.

Safran is also an important contributor to Vega, the European launch vehicle. A Vega launcher successfully completed its lift-off from the space center in French Guiana in 2014.

Regarding the naval component of France's nuclear deterrence force, the French Directorate General of Weapons Procurement (*Direction générale de l'armement* – DGA) notified the start of development and production of the P523 and P524 launchers for the future M51.3 nuclear missile.

During the year, the plasma thruster for PPS®1350-E satellites completed a series of endurance tests totaling 6,700 hours of operation, for a total impulse[1] of 3.4 million Newton-seconds (MN.s), a world record for this type of thruster. Based on this performance, the PPS®1350-E electronic propulsion solution is fully capable of carrying out two major functions on today's satellites: part of the transfer of a geostationary satellite into its definitive orbit, then Station Keeping throughout its orbital life.

In 2014, Safran's PPS®5000 plasma thruster was chosen by Airbus Defence and Space to power the Eurostar 3000 platform during its orbital maneuvers. A cooperation agreement was also signed with Thales Alenia Space France during the year to offer the PPS®5000 plasma thruster as standard equipment on its new Spacebus satellites.

2

2.1.3.2 Aircraft Equipment

ADJUSTED KEY FIGURES

(in € millions)	2013 adjusted[(1)]	2014	Year-on-year change
Backlog	16,455	18,435	12%
Orders recorded during the year	6,748	5,854	-13%
Revenue	4,091	4,446	9%
Recurring operating income	376	426	13%
Profit from operations	373	368	-1%
Free cash flow	73	149	104%
Acquisitions of property, plant and equipment	168	170	1%
Research and development			
Self-funded R&D	(254)	(308)	21%
% of revenue	*6.2%*	*6.9%*	*+ 0.7 pts*
Research tax credit	38	46	21%
Self-funded R&D after research tax credit	(216)	(262)	21%
Capitalized expenditure	129	122	-5%
Amortization and impairment of R&D expenditure	(37)	(37)	-
Impact on profit from operations	(124)	(177)	43%
% of revenue	*3.0%*	*4.0%*	*+1.0 pts*
Headcount[(2)]	24,495	25,447	4%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

(2) Headcount at December 31.

(1) Total impulse is the thrust multiplied by the time over which it is applied.

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

Sector	% of business line revenue 2013 adjusted[(1)]	2014
Landing and aircraft systems	44%	45%
Engine systems and equipment	26%	26%
Electrical systems and engineering	28%	29%
Other equipment[(2)]	2%	-

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

(2) Disposal of Globe Motors Inc. in October 2013 (see section 3.1, Note 4).

REVIEW OF AIRCRAFT EQUIPMENT OPERATIONS IN 2014

The Aircraft Equipment segment reported full-year 2014 revenue of €4,446 million, up 8.7% (7.3% on an organic basis) compared to €4,091 million in 2013.

Increases in production rates (notably under the Boeing 787 and the A350 programs) boosted OE revenue (up 9.1%). The harnessing and landing gear activities saw strong growth in shipments driven by this ramp-up in production. The nacelles business recorded an increase in A380 nacelle deliveries (112 units, 4 more than in 2013).

On a full-year basis, service revenue grew by 7.6% and represents 28.8% of segment revenue. This increase is principally driven by aftermarket growth in wheels and brakes (including carbon brakes) and nacelles.

Full-year 2014 recurring operating income was €426 million (9.6% of revenue), up 13.3% compared to €376 million in the year-ago period (9.2% of revenue). As expected, this improvement was lower than last year as OE revenue grew faster than services. The increase in profitability was driven by high returns from the carbon brakes business and increased volumes (wiring, nacelles), partially offset by higher R&D charges. Currency hedging had a positive impact on profitability.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Landing and aircraft systems

Landing gear

In all, 1,377 landing gear units were delivered by Safran in 2014, 58 more than in 2013.

To meet the increase in production rates of the Boeing 787 aircraft, 118 units were delivered by Safran in the year (61 in 2013). Deliveries consisted of all landing gear versions, including the new 787-9 jetliner which entered into service in 2014. In all, 16 units were delivered during the year for the new A350 aircraft.

The first A320neo fitted with Safran landing gear rolled out from the assembly line in 2014. Incumbent landing gear supplier for the A320ceo family, Safran was selected in 2011 to supply modified landing gear for Airbus' single-aisle aircraft that would also support the transition to the A320neo program. This new program cements the decades-long partnership between Safran and Airbus Group.

Throughout 2014, Safran signed landing gear maintenance and repair contracts, notably for the Airbus fleets operated by Vietnam Airlines, China Eastern Airlines, Air Canada, British Airways and Azerbaijan Airlines.

During the year, Safran also strengthened its coverage of the landing gear repair market by buying out the Sabena Technics' share in Hydrep. This company, based in Dinard (Ille-et-Vilaine, France) and previously owned by Safran (50%) and Sabena Technics (50%), is a leading player in the French market for landing gear repair services for regional and business jets and helicopters.

Wheels and brakes

At December 31, 2014, more than 6,850 aircraft were equipped with Messier-Bugatti-Dowty 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 represents 72%[(1)]. Safran was selected by Airbus to supply carbon brakes meeting the requirements of its new A320neo single-aisle aircraft. Already selected by two airline companies for a total of 49 aircraft at December 31, 2014, 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 64%[(1)]. A long-standing partner of Boeing, Safran was selected by the US aircraft manufacturer during the year to supply wheels and carbon brakes for all models of the Boeing 737 MAX (new engine option).

Safran's electric brakes for the Boeing 787 Dreamliner continue to capture market share. At December 31, 2014, they had been chosen for a total 417 aircraft operated by 29 different airlines, and are currently fitted onto 115 in-service aircraft.

To address strong business growth in the Asia-Pacific region, in 2014 Safran chose Malaysia as the location of a new facility producing and reconditioning carbon brakes.

(1) Source: Safran.

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. Pre-development work in conjunction with aircraft manufacturers continued during the year. Tests were run to gauge the maturity of new wheel transmission architecture in light of the new requirements and specifications defined by aircraft manufacturers.

At the first Pilot Days conference for the EGTS in March 2014, more than 30 airline pilots from across the globe were able to test the new system in real-life conditions. This three-day event held in Toulouse was also attended by airline companies and Airbus representatives.

Airbus, Air France and easyJet have already shown their support for EGTS by signing memoranda of understanding. New agreements were signed in 2014 to partner the development of this technology. One such agreement was signed with Indian airline GoAir in March to study the system's operational benefits, while in April, Mexican airline company Interjet signed an agreement to test the system at high-altitude airports. Agreements were also entered into with Delta Air Lines, Lufthansa and Qantas during the year, in particular to assess the environmental benefits of the EGTS electric taxiing system and the cost savings it offers. Lastly, an agreement was signed in November with China Aviation Energy and Emission Solution (CAEES) to evaluate the benefits for Chinese airlines and airports of the automated taxiing system developed by EGTS International. The agreement also aims to facilitate discussions and make the system more accessible to different aviation stakeholders on the Chinese market.

Engine systems and equipment

Nacelles and thrust reversers

During the year Safran was chosen by Airbus as the sole supplier of nacelles for the Rolls-Royce Trent 7000 engines on the A330neo (new engine option) jetliner.

Safran was also selected by Boeing to study and produce titanium exhaust systems for GE9X engines on its future 777X jetliner. This marks the Group's first nacelles contract with the US aircraft manufacturer.

Since 2014, Safran has been active in the top-end business jet segment developing nacelles with integrated propulsion solutions that could be marketed by Rolls-Royce.

A number of decisive advances were made in 2014:

- first flight for the LEAP-1C integrated propulsion system package (CFM engine/Nexcelle nacelle) on the Chinese manufacturer COMAC's C919 program;
- first flight for the Passport integrated propulsion system package (GE engine/Nexcelle nacelle) on Bombardier's Global 7000/8000 business jets;
- first flight for the Silvercrest integrated propulsion system package for which Safran is developing the nacelle under the Falcon 5X program.

In 2014, Safran and its partner GE successfully completed the Critical Design Review of the nacelle for the LEAP-1A engine intended for the A320neo.

Services

Safran reported a 9% rise in business related to nacelle services and continued to increase sales of new contracts:

- at the MRO Americas conference, an agreement was signed to provide nacelle and thrust reverser support services for the SaM146 engine which equips the Sukhoi SuperJet 100 operated by Mexican airline company Interjet;
- a service agreement was signed for Rolls-Royce Trent 700 engine nacelles on the A330 aircraft operated by US company Hawaiian Airlines.

To meet the growing demand for nacelle support services, in 2014 Safran inaugurated a new 4,500 sq.m. building at its Pont-Audemer facility in Normandy, France. The new site will allow Safran to accommodate its growing volume of maintenance, repair and overhaul work on in-service engine nacelles; creates capacity for repair work on new nacelle products currently in development and production; and opens the possibility of processing equipment from other manufacturers.

Mechanical power transmission systems

In 2014, Safran and Rolls-Royce signed an exclusive agreement to create a 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. It will contribute as of the present time to the Trent 7000 engine installed on the Airbus A330neo.

Construction will begin on a production plant in 2015 and the plant will be operational sometime between late 2016 and early 2017.

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. Compared to the current architecture combining electrical, hydraulic, pneumatic and mechanical networks, the "more electric" aircraft offers optimum performance, superior reliability, a lighter carbon footprint and significantly lower production and maintenance costs.

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. This acquisition strengthens the Labinal Power Systems operational division and creates a world leader in electrical and power transmission systems.

In 2014, Safran signed a letter of intent with Xi'an Aircraft, a subsidiary of China-based AVIC, for the supply of the main and auxiliary electrical power generation systems for the MA700, AVIC's future civil regional turboprop aircraft.

Electrical wiring interconnection systems (EWIS)

Safran finalized the Partnering for Success (PFS) contract with Boeing for all programs (787, 737, 747, 767 and 777) on which it supplies part or all of the wiring harnesses. At the same time, the contract (excluding the 787) was extended for a further ten years until 2023.

Regarding Airbus, development work continued in the year on EWIS systems for the long-bodied version of the A350 (350-1000), with the preliminary design review (PDR) and critical design review (CDR) completed successfully. Safran also delivered on schedule all of the equipment for the A380 over the last 18 months under the "End to End" contract on the fuselage, combining engineering, production and services as well as the manufacture of wiring harnesses and vertical tail.

There were decisive advances in the design of EWIS systems for Chinese aircraft manufacturer COMAC and its C919 program in 2014, and production began at the plant operated by the Saifei joint venture in Shanghai.

In 2013, Safran landed the contract to produce the entire EWIS system for Dassault Aviation's Falcon 5X. The Vichy site in France took over production of custom harnesses for the three aircraft under development, along with the installation of wiring on the nose section. Matis, the joint venture between Boeing and Safran in Casablanca (Morocco) is in charge of the production of all electric harnesses and of wiring for the test installation for the three aircraft being developed. A major milestone was reached in August 2014 with the power-up of the first Falcon 5X aircraft.

Boeing and Air France Industries announced the completion of the mid-life upgrade modification on the first of four Airborne Warning and Control System (AWACS) aircraft. In accordance with the 2012 contract, Safran teams were in charge of the wiring section and of installing new harnesses. Since this time, Safran has been on hand to provide Air France Industries with technical and reassembly assistance and help fit units, as well as to track flight tests and power-ups.

Lastly, 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) to its plant in Denton (Texas). This strategic decision was taken in response to an increasingly competitive market resulting in strong downward pressure on prices.

Ventilation systems and electrical engines

In 2014, through its subsidiary Technofan, Safran was selected by Embraer to supply the ventilation system package for its E-JETS E2 program. The package includes the electronic bays and cargo bay ventilation equipment, the cabin recirculation system equipment and the filtration components. Safran already supplies ventilation system equipment to Embraer on other programs including the ALX Super Tucano, the Phenom 100/300, the Legacy 4050/500 and the new KC390 military transport aircraft.

Engineering services

In March 2014, Airbus Group officially confirmed that it would renew Safran's E2S preferred supplier status for 2014 and 2015. In addition, Safran was also selected by Airbus Group for Flight Test Instrumentation (FTI) on the A350-1000 program and as the sole supplier of structural studies for the nose and central fuselage on the A350-900.

However, research expenses are set to decrease for engineering companies with the end of the development of major programs, such as Boeing 787 and Airbus A350. This decrease was already considerable in 2014 and is expected to amplify in the next few years forcing Safran to find new areas for growth and adapt the scope of its activities.

2.1.3.3 Defense

ADJUSTED KEY FIGURES

(in € millions)	2013 adjusted(1)	2014	Year-on-year change
Backlog	2,095	2,209	5%
Orders recorded during the year	988	1,337	35%
Revenue	1,197	1,221	2%
Recurring operating income	84	71	-15%
Profit from operations	91	74	-19%
Free cash flow	126	17	N/A
Acquisitions of property, plant and equipment	8	46	N/A
Research and development			
Self-funded R&D	(117)	(133)	14%
% of revenue	*9.8%*	*10.9%*	*+1.1 pts*
Research tax credit	35	35	-
Self-funded R&D after research tax credit	(82)	(98)	20%
Capitalized expenditure	31	26	-16%
Amortization and impairment of R&D expenditure	(9)	(11)	22%
Impact on profit from operations	(60)	(83)	38%
% of revenue	*5.0%*	*6.8%*	*+1.8 pts*
Headcount(2)	7,195	7,411	3%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).
(2) Headcount at December 31.

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

	% of business line revenue	
Sector	**2013 adjusted(1)**	**2014**
Optronics	44%	41%
Avionics	46%	49%
Electronics and critical software (Safran Electronics)	10%	10%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

REVIEW OF DEFENSE OPERATIONS IN 2014

Full-year 2014 revenue was up 2.0% at €1,221 million, or down slightly (-0.1%) on an organic basis, compared to €1,197 million in the previous year. Avionics revenue grew on the back of increased deliveries of navigation systems and seeker kit modules. In Optronics, more shipments of infra-red goggles in France only partially offset steeper declines in export deliveries. The final deliveries of FELIN equipment were made to the French Armed Forces. Safran will continue to provide support service and upgrades for installed FELIN equipment.

Full-year 2014 recurring operating income at €71 million (5.8% of revenue) was down 15.5% compared to €84 million (7.0% of revenue) in full-year 2013. Safran continues to invest in its leading portfolio of products. Increased spending on R&D and a drop in capitalized R&D expenses impacted recurring operating income in 2014. Optronics delivered lower profit than in 2013, due to a decline in deliveries of night vision equipment. The continued turnaround of profitability in Avionics resulted from a combination of a favorable volume, price and mix effect.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Optronics

Modernizing infantry

2014 saw delivery of the last FELIN equipment suite for soldier modernization programs, bringing the final number of regiments equipped to 18 (the 2014-2019 French Military Planning Law canceled the deliveries for the three last regiments initially scheduled for 2015). Safran took an order from the DGA for an upgraded system (FELIN V1.3) with reduced mass, responding to feedback resulting from its use on the ground.

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

FELIN continues to attract interest outside France, with its solid performance in overseas operations by the French Army further cementing its reputation.

Portable optronic equipment, sight equipment and drones

Thermal goggles and imagers

A host of commercial success stories in portable optronics this year confirms the front-ranking position of Safran technology, despite an overall decline in the market prompted by cuts in the defense budget in most developed countries. These new orders will bring the number of JIM-LR multifunction goggles in service and on order across the globe to over 7,000.

In France, Safran received confirmation that two additional tranches of the JIRTTANG contract to deliver 300 new-generation infrared goggles would go ahead.

Throughout the year Safran, via its subsidiary Vectronix, supplied various countries including the US and the UK with telemetric rangefinders (JIM, Vector and Moskito), and landed a contract to supply one hundred or so STERNA Precision Target Location Systems.

High-performance thermal imagers (Matis and CM3) also enjoyed commercial success on the international stage (South Africa, Saudi Arabia, Italy, etc.) and within France, notably for missile launcher stations.

During the year Optovac, Safran's Brazilian subsidiary specializing in optronics and night vision, continued to operate out of the Univap Technology Park in San Jose dos Campos and obtained its ISO 9001 certification. Public authorities in Brazil approved the plan to nationalize JIM goggles.

Optovac was also active in avionics with the first deliveries of the Automatic Flight Control System (AFCS) for the EC 725 program, and sealed a development contract for navigation systems with the Innova Defesa fund and São Paulo University.

Onboard optronic equipment

Sea: Safran continued to deliver EOMS-NG observation and fire direction systems for French Navy projection and command (BPC) ships and landing craft transport vessels (TCD), and was also selected to develop and supply optronic attack masts for Barracuda submarines. During the year Safran cemented its leadership in the periscope business in several key national markets. The Group scored a number of commercial wins in the export market with its Vigy Observer panoramic stabilized shipborne observation system.

Air: In 2014 Sagem delivered a large number of Euroflir optronics systems for several major export markets. Through Optrolead, its joint venture with Thales, Safran continues to take an active role in the upstream study program for fourth-generation airborne gyrostabilized pods incorporating several types of sensors, which offer industry-beating performances at equal mass and volumes to existing systems.

As part of the Tiger helicopter program, studies were launched on the STRIX sighting system with the aim of expanding its capabilities and enhancing its performance following on-the-ground feedback from countries using the system.

Land: The new range of PASEO multifunction viewfinders for armoured vehicles was launched at the Eurosatory tradeshow and attracted keen interest from potential clients, particularly for export markets.

Drones

Safran continued to provide support services on its interim tactical drone system (SDTI) for the French Armed Forces throughout 2014.

Safran received an invitation to bid from the DGA for the new French SDT tactical drone set to replace the SDTI and will submit its bid in 2015 with its new Patroller multimission drone. Patroller has aroused considerable international interest thanks chiefly to its versatility and dual positioning in both civil security and military air surveillance.

In the last quarter of 2014 Safran, together with its European Odrea partners, successfully completed some 20 flight tests for the Patroller drone in non-segregated airspace. During these flight tests, the drone demonstrated its complete anti-collision function (Sense and Avoid), a key capability for its integration in shared airspace.

Harnessing its experience in drone flight control, Safran was appointed by the French government to take charge of the drones section of the *Nouvelle France Industrielle* plan, the aim being to organize and promote the civil drones industry and draw up technological roadmaps for the development of safe use.

Avionics

Navigation systems and sensors

In 2014, Safran continued to benefit from the investments made in this high-tech industry in previous years. Over 500 inertial gyrolaser systems were delivered in 2014, both to France (Rafale, NH90, A400M, etc.) and for export. The Group also produced one hundred or so precision altitude and heading reference systems using new hemispherical resonator gyro (HRG) technology, such as BlueNaute for marine navigation and EPSILON 20 for land applications.

On the commercial front, the Group saw brisk orders for HRG or gyrolaser navigation systems for marine and land applications as well as the first orders for the EPSILON 10 miniature tactical navigator from Nexter and Thales. This navigator has considerable potential for land applications in both France and export markets over the coming years.

At the 2014 Euronaval tradeshow, Safran announced that it had delivered the 200th BlueNaute precision navigation system for civilian maritime applications.

During the year Safran completed dockside and sea trials for the modernization of its inertial navigation and alignment system on the Charles-de-Gaulle aircraft carrier, and began retrofitting its existing systems starting with the high-performance gyrolaser SIGMA 40.

Towards the end of 2014, the DGA awarded Safran a contract to design and develop high-performance MEMS[(1)]-based inertial measurement units (IMU) to meet France's future needs. This success has strengthened Sagem's leadership in inertial navigation systems and in the fast-growing MEMS market, particularly since the acquisition of Colibrys in 2013 which specializes in the design and production of high-performance MEMS sensors.

Seekers and guidance systems

The French Military Planning Law reduced the total number of Modular Air-to-Ground Weapons (AASM) to be delivered, which could lead to a slowdown in production rates. At the same time, studies began with the aim of improving the AASM and expanding its capabilities.

In late May 2014, an AASM was successfully fired from a US Air Force (USAF) F16 compliant with NATO Universal Armament Interface (NUAI) standards. This firing test places AASM as a leading NATO weapon and gives it genuine export potential.

Building on its expertise in weapons guidance, Safran took a series production order for infrared seekers for MBDA's MMP[(2)] missiles for the French Army, and was awarded a contract to develop and produce seekers for MBDA's Franco-British light anti-ship missile, the FASGW[(3)]. This success allows Safran to maintain its technological edge in this field of critical national importance.

Flight control and actuation systems

There were several wins in the field of electric flight control systems in 2014:

- Safran's Cockpit Control System was chosen for China's regional transport aircraft, the MA 700;
- the first horizontal stabilizer trim system for Embraer's KC 390 program was delivered for testing.

Onboard information systems/Data management and services

The Aircraft Condition Monitoring Systems (ACMS) data recording device and its upgraded version offering Wireless Extension For ACMS (WEFA) was selected by several new airline companies in 2014. Safran also developed and began to market an innovative service offer aimed at reducing aircraft fuel consumption (SFCO2). This offer draws on the expertise of both Sagem and Snecma and is associated with Sagem's Cassiopée online data system. The service has been an initial success with airline companies.

Many new Flight Data Management (FDM) service agreements also based on Cassiopée were also signed in 2014 with customers in Europe, Africa and the Middle East. Demand is also growing for Analysis Ground Station (AGS), which stores, reads and analyzes flight data, particularly in China where numerous contracts were signed in 2014.

Electronics and critical software

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

In 2014, FADEC 4 successfully completed several milestones:

- vibration tests were carried out with the aim of obtaining certification for the FADEC pressure gauge module;
- the first pressure gauge manufactured entirely by Safran for the Passport program was delivered to GE, with highly satisfactory behavior in engine tests and during its first flight;
- the first FADEC 4 devices were produced in line with the ramp-up in production of LEAP engines.

Messier-Bugatti-Dowty also benefited from several developments successfully completing significant milestones, in particular the Remote Braking Control Unit and tire monitoring system for the A350, along with the Braking Control Unit (BCU) for Embraer's KC390.

Over the year Safran Electronics continued to successfully develop the control software for Silvercrest. Significant cost savings were made at the design stage thanks to the use of Safran's SYNCRHRONe software.

Lastly, Singapore-based Safran Electronics Asia was designated an "Authorized Repair Center" for FADEC International.

(1) MEMS: Micro Electro Mechanical Systems.
(2) MMP: Medium-range missiles.
(3) FASGW: Future Anti-Surface Guided Weapon.

2.1.3.4 Security

ADJUSTED KEY FIGURES

(in € millions)	2013 adjusted[(1)]	2014	Year-on-year change
Backlog	1,586	1,578	-1%
Orders recorded during the year	1,451	1,463	1%
Revenue	1,482	1,530	3%
Recurring operating income	120	134	12%
Profit from operations	117	109	-7%
Free cash flow	(49)	97	N/A
Acquisitions of property, plant and equipment	66	59	-11%
Research and development			
Self-funded R&D	(129)	(129)	-
% of revenue	*8.7%*	*8.4%*	*-0.3 pts*
Research tax credit	12	12	-
Self-funded R&D after research tax credit	(117)	(117)	-
Capitalized expenditure	17	21	24%
Amortization and impairment of R&D expenditure	(6)	(5)	-17%
Impact on profit from operations	(106)	(101)	-5%
% of revenue	*7.2%*	*6.6%*	*-0.6 pts*
Headcount[(2)]	8,403	8,578	2%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

(2) Headcount at December 31.

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

	% of business line revenue	
Sector	**2013 adjusted[(1)]**	**2014**
Identification	59%	64%
Business Solutions	25%	23%
Detection	16%	13%

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

REVIEW OF SECURITY OPERATIONS IN 2014

The Security business reported full-year 2014 revenue of €1,530 million, up 3.2% compared to €1,482 million in the previous year. On an organic basis, revenue grew 4.5%, reflecting positive momentum in Identification. MorphoTrust continued its robust growth, driven by contracts with US federal authorities, including TSA Pre√™ and State enrollment contracts. Government Solutions returned to growth thanks to increasing volumes in most regions.

The smartchip telco and banking segments continue to see strong downward pressure on prices, offsetting significantly higher volumes. In Detection, despite an acceleration in CTX deliveries in the fourth quarter, annual shipments were below last year due to a tough comparison base and delays in airport construction which pushed some installations into 2015. Service revenues in Detection increased, notably at the TSA[(1)] (US).

(1) TSA: Transportation Security Administration.

Full-year 2014 recurring operating income increased by 11.7% at €134 million (8.8% of revenue) compared to €120 million (8.1% of revenue) in 2013. Adverse currency variations partially offset very strong organic growth in profitability. Increases in volumes and the benefits of large-scale cost cutting initiatives taken in 2014 drove a significant improvement in Identification. In Business Solutions, cost reductions did not entirely offset margin declines due to pricing pressure in smart cards. Detection margins improved mainly due to cost reductions.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Identification

Civil identification solutions

Safran supplies identification solutions for governments under long-term agreements. These can include population data collection and listing, production and personalization of identity documents, and document lifecycle management. Safran offers a comprehensive range of solutions and services for public sector markets in response to the new opportunities for electronic documents created by the widespread growth of digital technologies and the intensifying shift toward electronic management of government services. These range from ID document management to use.

Safran's main contracts in the field of identification solutions are with the Netherlands, Chile, UAE, India, the US and Albania.

In 2014, Safran signed a contract with AOI Electronics to produce the Egyptian national electronic ID (eID) card. In addition to embedding a smart chip allowing e-services, digital signature applications with Match-on Card, the Egyptian eID card inlay will incorporate other complex security features to protect against fraudulent use, including 3D technology.

Safran was also selected by Slovakia to supply over 2 million national eID cards. Morpho already supplies most of the other official secure documents for the Ministry of Interior of the Slovak Republic, delivering 300,000 passports with complete booklet and polycarbonate data pages per year, as well as Slovakian vehicle registration cards and resident permits.

As of this year, ID cards and passports in the Netherlands feature Safran's patented 3D SLI technology.

One year after launch, the Chilean ID card and passport program has high production volumes.

In the US, Safran is the leading supplier of identity management solutions, with its system for issuing driving licenses covering around 80% of the country's population.

India's Unique Identification Authority (UIDAI) had delivered over 700 million unique identification numbers at the end of December 2014 from its Aadhaar biometric system, for which Safran is the main supplier. Following on from the Aadhaar project, alternate usages have been confirmed for the technology, in particular biometric identification for the banking industry.

In the US, the National Institute of Standards and Technology (NIST) awarded Safran a pilot grant in North Carolina to create an electronic ID for accessing online services with the same security, privacy protection and ability to authenticate identity as today's face-to-face transactions.

Biometric enrollment services

These services involve recording users' biometric and biographical data, and performing background checks and other ID-related services. Biometric enrollment is used to deliver accreditations and access documents meeting the security requirements demanded by the partners concerned. These can be national (e.g., the TSA) or local government bodies.

In 2014, Safran won new background checking contracts based on biometric fingerprint recognition technology with the Massachusetts Executive Office of Public Safety and Security, the New Jersey Department of Public Safety, and the Nevada Department of Public Safety.

The TSA also launched its TSA Pre√™ pre-check program and selected Safran to supply enrollment services. At the end of 2014, 800,000 passengers had been enrolled in the program, a rate of 4,000 enrollments per day.

Legal identification solutions

Safran provides legal identification solutions based on fingerprint, facial recognition and DNA technology.

The FBI's new-generation identification system (NGI) has reached full operating capacity with the final deliveries of the latest MorphoBIS and MBSS solutions. Safran is the main supplier of the technology for this program.

In the field of DNA identification solutions, Safran and IntegenX signed a partnership agreement which enables Safran to integrate rapid DNA technology within its biometric enrollment offer and to market these new solutions to customers, forensic police services and government organizations.

Border control solutions

Safran provides automated border and passenger control solutions at airports.

In the US, the TSA awarded Safran a contract to provide its E-CAT travel document authentication technology for US airports. This program will allow TSA travel document checkers to scan passenger credentials at the checkpoint versus the current visual inspection.

In France, Safran was chosen to supply airline passenger data (PNR) verification systems for air transport security.

Biometric equipment

Safran provides innovative biometric capture solutions (fingerprint, vein, iris and facial recognition) for biometric enrollment, ID verification and access control applications.

In 2014, Safran announced the commercial launch of "Finger On the Fly", the world's fastest contactless capturer of fingerprints. Using advanced imaging technologies, this innovative product captures images of the user's four fingertips from a single wave of the hand in less than a second. During the year, Safran also launched marketing operations for its Iris-at-a-Distance (IAD™) technology, which can simultaneously capture the iris and face of a person at a distance of one meter in just one second.

Safran also launched its "MorphoTablet", a compact tablet which secures mobile data operations and features biometric fingerprint and facial recognition technology. MorphoTablet can meet the various ID verification needs of both government and commercial applications.

Safran's fingerprint recognition algorithms were ranked no. 1 in the latest Minutiae Interoperability Exchange (MINEX) benchmark test sponsored by the US-based National Institute of Standards and Technology (NIST). Morpho was placed first in fingerprint matching accuracy, template interoperability and matcher interoperability.

Other businesses

The ELITE games terminals first rolled out for La Française des Jeux in 2013 continued to be installed in 2014. These latest-generation terminals use new On-the-Fly imaging technology, making them easy to use and increasing bulletin design possibilities.

Business Solutions

Production volumes grew for smart chips used in the banking and telecommunications sectors but suffered strong downward pressure on prices due to increased competition and were also affected by currency devaluations – particularly the Brazilian real.

Safran acquired Dictao, a prominent publisher of software solutions for security and digital trust. Dictao offers innovative solutions for strong authentication, secure online transactions and secure archiving, which are integrated in the banking and business solutions activity. Safran also joined the Fast IDentity Online (FIDO) alliance, an industry consortium delivering standards for simpler, stronger authentication during online transactions.

Security solutions for the banking sector

The migration from stripe cards to smart cards in line with the Europay MasterCard Visa (EMV) standard and the growing trend towards Dual Interface Contactless/Contact technology in Western Europe continued to drive growth in the banking market. Safran and Perfect Plastic Printing (PPP), a world leader in plastic card manufacturing, signed an agreement to strengthen their partnership in EMV card production in the US.

In 2014, Morpho began talks to increase the capacity of the fingerprint recognition system developed in partnership with Brazilian bank Itaú. Itaú's biometric database could cover up to 40 million people, enabling the bank to expand its biometric banking services.

In Mexico, a biometric identification project is in progress with Banamex (Citigroup). Starting in 2014, 8,000 biometric readers are being rolled out.

Dictao's digital transaction security solutions for banks should deliver international growth thanks to Safran's worldwide network in the banking sector.

Security solutions for telecom operators

On the telecommunications security market, Safran offers a broad spectrum of secure devices and services, including a wide range of SIM cards. It also supplies the biggest global mobile telephony operators including Orange, AT&T, Deutsche Telekom, Telefonica, Vodafone and T-Mobile.

Security solutions for businesses

Dictao's digital security solutions for businesses and government bodies (strong authentication, transaction security through digital signatures and secure archiving), today represent the pillar of digital trust for many French companies and government agencies.

Detection

Tomography and diffraction-based detection systems

Safran supplies Explosive Detection Systems (EDS) for hold luggage which use 3D X-ray tomography and X-ray diffraction. Morpho is developing a new generation of spectrometry-based systems for the automatic inspection of cabin luggage based on XDi X-ray diffraction.

The first tests on XDi™ detection devices were successfully completed at Belgium's Charleroi airport in December 2014 and the devices will be launched on the market towards the end of 2015. XDi™ is an advanced cabin luggage explosive detection system which will avoid passengers having to remove carry-on liquids and portable computers for screening.

Spectrometry-based trace detection equipment

Safran supplies inspection solutions based on equipment analyzing traces of explosives (vapor or particles) for vetting luggage, passengers and air freight.

The new Itemiser® 4DX explosives trace detector (ETD) successfully completed the European Civil Aviation Conference (ECAC) Common Evaluation Process. As a result, Itemiser 4DX is now approved for airport screening of passengers and luggage throughout ECAC's 44 member nations. Built on the industry-leading Itemiser® ETD platform, Itemiser 4DX delivers advanced explosives detection and screening capabilities powered by a non-radioactive ITMS™ (Ion Trap Mobility Spectrometer). 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.

In 2014, Air Canada, United Airlines, Lufthansa and Frankfurt airport chose Itemiser DX (ETD) for screening air freight, thereby enabling Morpho to top 5,000 Itemiser desktop units (ETD) shipped worldwide.

2.2 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 CONSOLIDATED INCOME STATEMENT

(in € millions)	2013 adjusted(1)	2014	Year-on-year change
Revenue	**14,158**	**15,044**	**+6.3%**
Other operating income and expenses	(12,923)	(13,589)	
Share in profit from joint ventures	52	45	
Recurring operating income	**1,287**	**1,500**	**+16.6%**
Other non-recurring operating income and expenses	182	(107)	
Profit from operations	**1,469**	**1,393**	**-5.2%**
Financial income (loss)	439	(1,771)	
Income tax benefit (expense)	(639)	292	
Share in profit from associates	15	18	
Capital gain from the sale of Ingenico shares	131	-	
Profit (loss) from continuing operations	1,415	(68)	
Loss for the period attributable to non-controlling interests	(29)	(58)	
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,386**	**(126)**	

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

Consolidated revenue

Consolidated revenue climbed 6.3% year-on-year to €15,044 million from €14,158 million in 2013.

The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures. Neutralizing the impact of foreign currency hedging decreased consolidated revenue by €311 million in 2014 and by €205 million in 2013. 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 2014 was 1.26, against an annual average rate of 1.33, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is lower 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 rose 16.6% to €1,500 million in 2014 from €1,287 million in 2013. The difference between recurring operating income and adjusted recurring operating income, which came in at €2,089 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for business combinations, representing €147 million versus €150 million in 2013 for the May 2005 Sagem-Snecma business combination;
- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €134 million versus €100 million in 2013, and a cancellation of the impact of inventory remeasurement, representing an expense of €25 million (expense of €27 million in 2013);
- a negative €283 million impact resulting from foreign currency transactions (negative impact of €216 million in 2013).

Changes in recurring operating income, excluding the impact of adjusting items, are analyzed below (see section 2.1.2).

Profit from operations

Profit from operations came in 5.2% lower at €1,393 million for the year, compared to €1,469 million in 2013. Profit from operations includes recurring operating income of €1,500 million in 2014 (€1,287 million in 2013) and a non-recurring loss of €107 million (non-recurring loss of €182 million in 2013). In 2013, profit from operations differed from profit from operations as adjusted (€1,746 million) since, as well as recurring operating items, it also included a net gain of €216 million on the remeasurement of the Group's previously held interest in the RTM322 project.

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

Financial income (loss)

The Group reported a financial loss of €1,771 million in 2014 versus financial income of €439 million in 2013.

Two items account for the difference between consolidated and adjusted financial loss for 2014 (see section 2.1.2):

- changes in the fair value of currency instruments hedging future cash flows, which had a negative impact of €1,922 million in 2014 (positive €374 million impact in 2013). This amount is recognized in full in financial income (loss) in the consolidated financial statements. However, the impact of changes in 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 1.21 at December 31, 2014 and 1.38 at end-2013;
- the net positive impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by the Group, totaling €316 million in 2014 and €203 million in 2013. 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 full-year 2014 came in at €292 million compared to income tax expense of €639 million in 2013. Changes in the tax effect are primarily due to changes in the fair value of currency instruments hedging future cash flows recognized in financial income (loss) with a negative impact of €1,922 million in 2014 and a positive impact of €374 million in 2013.

Consolidated profit (loss) attributable to owners of the parent

This caption represented a loss of €126 million for 2014 compared to profit of €1,386 million for 2013.

2.2.2 SIMPLIFIED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2014

The simplified consolidated balance sheet at December 31, 2014 presented below is taken directly from the consolidated financial statements included in section 3.1 of this document.

(in € millions)	Dec. 31, 2013 adjusted(1)	Dec. 31, 2014
Assets		
Goodwill	3,399	3,420
Property, plant and equipment and intangible assets	7,083	8,464
Investments in equity-accounted companies	680	771
Other non-current assets	585	674
Derivatives (positive fair value)	864	406
Inventories and work-in-progress	3,998	4,265
Trade and other receivables	4,967	5,827
Other current assets	575	673
Cash and cash equivalents	1,547	1,633
TOTAL ASSETS	**23,698**	**26,133**
Equity and liabilities		
Share capital	6,813	6,478
Provisions	2,958	3,329
Borrowings subject to specific conditions	670	713
Interest-bearing financial liabilities	2,736	3,165
Derivatives (negative fair value)	186	1,636
Other non-current liabilities	1,404	829
Trade and other payables	8,668	9,638
Other current liabilities	263	345
TOTAL EQUITY AND LIABILITIES	**23,698**	**26,133**

(1) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

2.2.3 CHANGE IN NET DEBT

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

(in € millions)	2013 adjusted[(1)]	2014
Cash flow from operations	**1,946**	**2,468**
Change in working capital	174	(111)
Acquisitions of property, plant and equipment	(489)	(674)
Acquisitions of intangible assets	(212)	(267)
Capitalization of R&D expenditure	(720)	(676)
Free cash flow	**699**	**740**
Dividends paid	(481)	(511)
Divestments/acquisitions of securities and other	(381)	(512)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(163)**	**(283)**
Net debt at January 1	(1,057)	(1,220)
Net debt at December 31	**(1,220)**	**(1,503)**

(1) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3).

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 €522 million over the year, from €1,946 million in 2013 to €2,468 million in 2014.

Operations generated €740 million of free cash flow (35% of adjusted recurring operating income in 2014), €41 million more than in 2013. Free cash flow generation of €740 million results from cash from operations of €2,468 million, an increase in working capital needs of €111 million – a modest increase in light of the rise in production volumes – and rising R&D and capital expenditure in preparation for future growth. Working capital needs were kept in check in the second half of 2014 despite delays in payments due from the French Ministry of Defense, amounting to €186 million at December 31, 2014.

Dividends paid in the year include the final dividend payment of €0.64 per share in respect of 2013 and an interim dividend of €0.56 per share in respect of 2014, representing a total payout of €500 million.

Acquisitions of securities mainly relate to the acquisition of the aerospace power distribution solutions and integrated cockpit solutions business of Eaton Aerospace for €197 million.

The net debt position was €1,503 million at December 31, 2014 compared to €1,220 million at December 31, 2013.

At December 31, 2014, Safran had cash and cash equivalents of €1,633 million and €2,550 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, 2014 were prepared using the same accounting principles as those used for the 2013 parent company financial statements.

During the year Safran sold its interest in Sagem Mobiles to Établissements Vallaroche, one of its direct subsidiaries.

2.3.1 SAFRAN INCOME STATEMENT

(in € millions)	**2013**	**2014**
Revenue	388	461
Other operating income and expenses	(547)	(645)
Loss from operations	(159)	(184)
Financial income	473	753
Non-recurring items	(26)	(16)
Income tax benefit	40	101
PROFIT FOR THE PERIOD	**328**	**654**

Revenue came in at €461 million in 2014 versus €388 million in 2013 and chiefly includes billings of general assistance services provided by the parent company to its subsidiaries, as well as amounts billed in respect of rent, employees, IT services and miscellaneous services related to projects managed by the parent company on behalf of all of its subsidiaries. The €73 million year-on-year increase in revenue in 2014 results primarily from the development of 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 €645 million in 2014 and a net expense of €547 million in 2013. The increase in net other operating expenses in 2014 stems mainly from the roll-out of group-wide projects and from the rise in the number of Safran employees following the implementation and completion of projects to upgrade the Group's administrative and support functions.

Loss from operations totaled €184 million in 2014 and €159 million in 2013.

Safran reported financial income of €753 million in 2014 and €473 million in 2013. This figure mainly includes dividends received from subsidiaries for €758 million (€502 million in 2013), net interest expense of €8 million (€4 million in 2013), foreign exchange gains of €10 million (foreign exchange losses of €21 million in 2013), and net additions to provisions for impairment of financial assets or exchange losses totaling €7 million (€5 million in 2013).

The Company reported a non-recurring loss of €16 million in 2014 and €26 million in 2013, due mainly to the net €15 million negative impact of accelerated depreciation and amortization charged against noncurrent assets.

The income tax line represented a benefit of €135 million under the Group's tax consolidation regime (benefit of €50 million in 2013). 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 €34 million.

On account of the above, profit for the year came in at €654 million, compared to €328 million in 2013.

2.3.2 SAFRAN SIMPLIFIED BALANCE SHEET AT DECEMBER 31, 2014

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Assets		
Non-current assets	9,843	9,912
Cash equivalents and marketable securities	1,359	1,363
Other current assets	2,157	2,866
TOTAL ASSETS	**13,359**	**14,141**
Equity and liabilities		
Share capital	5,636	5,806
Provisions	707	728
Borrowings	2,565	2,815
Other payables	4,451	4,792
TOTAL EQUITY AND LIABILITIES	**13,359**	**14,141**

The increase in share capital in 2014 reflects profit for the year of €654 million, dividends paid in 2014 for a total of €500 million (€267 million for the remaining 2013 dividend balance and €233 million in 2014 interim dividends paid in December 2014), and a net charge to tax-driven provisions amounting to €16 million.

Changes in non-current assets result chiefly from the share capital increase carried out at Safran USA for €290 million and from repayments net of intragroup loans amounting to €209 million.

Changes in borrowings chiefly reflect the April 2014 issue of a €200 million bond. The November 2009 €750 million bond issue was redeemed at maturity in November 2014 and mainly refinanced by means of commercial paper issues.

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, 2014	8	19	132	159
December 31, 2013	4	17	78	99

2.4 OUTLOOK FOR 2015

Safran's 2015 outlook is applicable to the Group's current structure and does not take into account any potential impact in 2015 of the finalization of the regrouping of its space launcher activities with those of Airbus Group in their joint venture, Airbus Safran Launchers.

Safran expects on a full-year basis:

- adjusted revenue to increase by between 7% and 9% compared to 2014 (based on the assumption of an average exchange rate of USD 1.20 to the euro);
- adjusted recurring operating income to increase by just over 10% compared to 2014 recurring operating income (at a hedged rate of USD 1.25 to the euro). The hedging policy isolates adjusted recurring operating income from current EUR/USD variations, except for the portion generated in USD by activities located in the US, subject to a translation impact when converted into euros;
- free cash flow to represent between 35% and 45% of adjusted recurring operating income, with the timing of advance payments and amounts due by governments remaining uncertain.

The full-year 2015 outlook is based on the following underlying assumptions:

- healthy increase in Aerospace OE deliveries;
- civil aftermarket growth of approximately 10%;
- reduction of around €100 million to €150 million in self-funded R&D compared to 2014, with a lower level of R&D capitalization and less spending on LEAP, the A350 and helicopter turbines as they come closer to certification and entry-into-service;
- sustained level of acquisitions in property, plant and equipment (around €700 million), as required by production transition and ramp-up;
- profitable growth for the Security business;
- continued benefits from the ongoing Safran+ plan to optimize costs and reduce overheads.

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

Disposal of 3.96% of the French State's interest in Safran

On March 3, 2015, the French State finalized the disposal of 16.5 million Safran shares (i.e., 3.96% of the share capital) to institutional investors, leaving it with a share ownership of 18.03%.

3 FINANCIAL STATEMENTS



Consolidated financial statements for the year ended December 31, 2014

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)	2013*	2014
Revenue	14,158	15,044
Recurring operating income	1,287	1,500
Profit from operations	1,469	1,393
Profit (loss) for the period	1,415	(68)

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

Parent company financial statements for the year ended December 31, 2014

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)	2013	2014
Revenue	388	461
Profit from ordinary activities before tax	315	568
Profit for the year	328	654

Note

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, 2012 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2012 Registration Document filed with the AMF on March 28, 2013 under number D. 13-0243; 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, 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.

Those sections of the 2012 and 2013 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 2014 Registration Document.

3.1 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2014

CONSOLIDATED INCOME STATEMENT

(in € millions)	Note	2013*	2014
Revenue	**6**	**14,158**	**15,044**
Other income	6	258	291
Income from operations		**14,416**	**15,335**
Change in inventories of finished goods and work-in-progress		(46)	255
Capitalized production		907	998
Raw materials and consumables used	6	(8,452)	(9,048)
Personnel costs	6	(4,442)	(4,744)
Taxes		(271)	(275)
Depreciation, amortization, and increase in provisions, net of use	6	(759)	(894)
Asset impairment	6	(86)	(59)
Other recurring operating income and expenses	6	(32)	(113)
Share in profit from joint ventures	3 and 14	52	45
Recurring operating income		**1,287**	**1,500**
Other non-recurring operating income and expenses	6	182	(107)
Profit from operations		**1,469**	**1,393**
Cost of net debt		(42)	(42)
Foreign exchange gains (losses)		551	(1,654)
Other financial income and expense		(70)	(75)
Financial income (loss)	**7**	**439**	**(1,771)**
Profit (loss) before tax		**1,908**	**(378)**
Income tax benefit (expense)	8	(639)	292
Share in profit from associates	14	15	18
Capital gain from the sale of Ingenico shares	4	131	-
Profit (loss) from continuing operations		**1,415**	**(68)**
PROFIT (LOSS) FOR THE PERIOD		**1,415**	**(68)**
Attributable to:			
• owners of the parent		1,386	(126)
• non-controlling interests		29	58
Earnings per share attributable to owners of the parent *(in €)*	**9**		
Basic earnings (loss) per share		3.33	(0.30)
Diluted earnings (loss) per share		3.33	(0.30)

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	2013*	2014
Profit (loss) for the period	**1,415**	**(68)**
Other comprehensive income (expense)		
Items to be recycled to profit	**(102)**	**318**
Available-for-sale financial assets	4	21
Foreign exchange differences and net investment hedges	(79)	230
Income tax related to components of other comprehensive income to be recycled to profit	(12)	30
Share in other comprehensive income of equity-accounted companies (net of tax)	(15)	37
Items not to be recycled to profit	**(15)**	**(79)**
Actuarial gains and losses on post-employment benefits	(21)	(113)
Income tax related to components of other comprehensive income not to be recycled to profit	6	34
Share in other comprehensive income of equity-accounted companies (net of tax) not to be recycled to profit	-	-
Other comprehensive income (expense) for the period	**(117)**	**239**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,298**	**171**
Attributable to:		
• owners of the parent	1,273	113
• non-controlling interests	25	58

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Changes in translation adjustments in 2014 include:

- €39 million in translation gains (€6 million in translation losses in 2013) arising 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;
- €118 million in translation losses (gains of €39 million in 2013) corresponding to exchange differences arising 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;
- €309 million in translation gains (€112 million in translation losses in 2013) on foreign subsidiaries excluding equity-accounted companies.

In 2014, the portion of other comprehensive income of equity-accounted companies (net of tax) to be recycled to income for €37 million solely relates to changes in translation adjustments on foreign joint ventures. In 2013, this amount included €12 million in translation losses arising on foreign joint ventures and €3 million in translation losses arising on associates.

As of January 1, 2013, and in accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and not subsequently recycled to profit (see Note 21).

CONSOLIDATED BALANCE SHEET

Assets

(in € millions)	Note	Jan. 1, 2013*	Dec. 31, 2013*	Dec. 31, 2014
Goodwill	10	2,981	3,399	3,420
Intangible assets	11	3,852	4,620	5,536
Property, plant and equipment	12	2,292	2,463	2,928
Non-current financial assets	13	268	370	446
Investments in equity-accounted companies	14	836	680	771
Non-current derivatives (positive fair value)	27	62	-	29
Deferred tax assets	8	240	203	228
Other non-current financial assets		13	12	-
Non-current assets		**10,544**	**11,747**	**13,358**
Current financial assets	13	171	195	221
Current derivatives (positive fair value)	27	585	864	377
Inventories and work-in-progress	15	4,001	3,998	4,265
Trade and other receivables	16	4,879	4,967	5,827
Tax assets	8	411	380	452
Cash and cash equivalents	17	2,083	1,547	1,633
Current assets		**12,130**	**11,951**	**12,775**
TOTAL ASSETS		**22,674**	**23,698**	**26,133**

Equity and liabilities

(in € millions)	Note	Jan. 1, 2013*	Dec. 31, 2013*	Dec. 31, 2014
Share capital	19	83	83	83
Consolidated retained earnings	19	5,726	5,137	6,246
Net unrealized gains on available-for-sale financial assets	19	25	29	50
Profit (loss) for the period		-	1,386	(126)
Equity attributable to owners of the parent		**5,834**	**6,635**	**6,253**
Non-controlling interests		**163**	**178**	**225**
Total equity		**5,997**	**6,813**	**6,478**
Provisions	20	1,805	1,738	1,870
Borrowings subject to specific conditions	22	670	670	713
Non-current interest-bearing financial liabilities	23	2,249	1,291	1,658
Non-current derivatives (negative fair value)	27	12	36	-
Deferred tax liabilities	8	952	1,264	728
Other non-current financial liabilities	25	104	140	101
Non-current liabilities		**5,792**	**5,139**	**5,070**
Provisions	20	1,061	1,220	1,459
Current interest-bearing financial liabilities	23	941	1,445	1,507
Trade and other payables	24	8,493	8,668	9,638
Tax liabilities	8	151	199	220
Current derivatives (negative fair value)	27	213	150	1,636
Other current financial liabilities	25	26	64	125
Current liabilities		**10,885**	**11,746**	**14,585**
TOTAL EQUITY AND LIABILITIES		**22,674**	**23,698**	**26,133**

(*) The data published for January 1 and December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Notes 3.a and 3.b).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments and net investment hedges	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total
At January 1, 2013	**83**	**3,360**	**(18)**	**25**	**120**	**1,174**	**(276)**	**1,282**	**84**	**5,834**	**163**	**5,997**
Comprehensive income for the period	-	-	-	4	(91)	-	(21)	1,386	(5)[(a)]	1,273	25	1,298
Acquisitions/disposals of treasury shares	-	-	1	-	-	1	-	-	(3)	(1)	-	(1)
Dividends	-	-	-	-	-	(271)	-	-	-	(271)	(10)	(281)
2013 interim dividend	-	-	-	-	-	(200)	-	-	-	(200)	-	(200)
Other movements	-	-	-	-	-	1,282	-	(1,282)	-	-	-	-
At December 31, 2013*	**83**	**3,360**	**(17)**	**29**	**29**	**1,986**	**(297)**	**1,386**	**76**	**6,635**	**178**	**6,813**
Comprehensive income for the period	-	-	-	21	267	-	(113)	(126)	64[(a)]	113	58	171
Acquisitions/disposals of treasury shares	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Dividends	-	-	-	-	-	(267)	-	-	-	(267)	(11)	(278)
2014 interim dividend	-	-	-	-	-	(233)	-	-	-	(233)	-	(233)
Other movements	-	-	-	-	-	1,386	-	(1,386)	6	6	-	6
At December 31, 2014	**83**	**3,360**	**(17)**	**50**	**296**	**2,872**	**(410)**	**(126)**	**145**	**6,253**	**225**	**6,478**

(*) The data published for January 1 and December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b). The impact on consolidated equity was a negative €1 million in 2013.
(a) See table below:

	Tax impact on actuarial gains and losses	Tax impact on translation adjustments	Total
Comprehensive income (expense) for 2013 (attributable to owners of the parent)	7	(12)	(5)
Comprehensive income (expense) for 2014 (attributable to owners of the parent)	34	30	64

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)		Note	2013*	2014
I. Cash flow from operating activities				
Profit (loss) attributable to owners of the parent			1,386	(126)
Depreciation, amortization, impairment and provisions(1)			916	1,160
Share in profit from associates (net of dividends received)		14	(26)	(36)
Change in fair value of currency and commodity derivatives(2)		27	(432)	1,934
Capital gains and losses on asset disposals(3)			(385)	(12)
Profit (loss) attributable to non-controlling interests			29	58
Other			458	(510)
Cash flow from operations, before changes in working capital			**1,946**	**2,468**
Change in inventories and work-in-progress		15	54	(185)
Change in operating receivables and payables(4)		16, 24, 27	193	(58)
Change in other receivables and payables(5)		16, 24	(73)	132
Change in working capital			**174**	**(111)**
	Total I(6)		**2,120**	**2,357**
II. Cash flow used in investing activities				
Capitalization of R&D expenditure(7)		11	(720)	(676)
Payments for the purchase of intangible assets, net of proceeds(8)			(212)	(267)
Payments for the purchase of property, plant and equipment, net of proceeds(9)			(489)	(674)
Payments arising from the acquisition of investments or businesses, net			(733)	(272)
Proceeds arising from the sale of investments or businesses, net			353	5
Proceeds (payments) arising from the sale (acquisition) of investments and loans			(35)	(70)
	Total II		**(1,836)**	**(1,954)**
III. Cash flow used in financing activities				
Change in share capital			-	-
Acquisitions and disposals of treasury shares		19.c	2	(1)
Repayment of borrowings and long-term debt		23	(98)	(850)
Increase in borrowings		23	9	209
Change in repayable advances		22	(27)	3
Change in short-term borrowings		23	(210)	809
Dividends and interim dividends paid to owners of the parent		19.c	(471)	(500)
Dividends paid to non-controlling interests			(10)	(11)
	Total III		**(805)**	**(341)**
Effect of changes in foreign exchange rates	**Total IV**		**(15)**	**24**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III+IV**		**(536)**	**86**
Cash and cash equivalents at beginning of year			2,083	1,547
Cash and cash equivalents at end of year		17	1,547	1,633
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**(536)**	**86**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Including in 2014 €818 million in depreciation and amortization (€730 million in 2013), €137 million in impairment (€107 million in 2013) and €205 million in provisions (€79 million in 2013).

(2) Including in 2014 change in fair value of currency derivatives of €1,924 million ((€438) million in 2013).

(3) Including in 2013 the capital loss on the disposal of Ingenico amounting to €131 million.

(4) Including in 2014 premiums for €36 million received on currency options (see Note 27), shown in the balance sheet under current derivatives with a negative fair value (€95 million in 2013).

(5) Excluding changes in deferred income arising on the research tax credit (see Note 1.h), which amounted to €13 million in 2014 (€22 million in 2013).

(6) Including in 2014 taxes paid amounting to €279 million (€171 million in 2013), of which €85 million in interest paid (€93 million in 2013) and €38 million in interest received (€43 million in 2013).

(7) Including in 2014 capitalized interest of €32 million (€26 million in 2013).

(8) Including in 2014 €265 million in disbursements for acquisitions of intangible assets (€265 million in 2013), €1 million in proceeds from disposals (€28 million in 2013) and adverse changes in amounts payable on acquisitions of non-current assets representing €3 million (positive changes of €25 million in 2013).

(9) Including in 2014 €727 million in disbursements for acquisitions of property, plant and equipment (€567 million in 2013), €38 million in proceeds from disposals (€55 million in 2013) and positive changes in amounts payable on acquisitions of non-current assets representing €15 million (€23 million in 2013).

NOTES TO THE SAFRAN GROUP 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 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, 2015 adopted and authorized the publication of the 2014 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders' Meeting.

The Board of Directors' meeting of February 24, 2015 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the year ended December 31, 2014.

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, 2014

- IFRS 10, Consolidated Financial Statements.
- IFRS 11, Joint Arrangements.
- IFRS 12, Disclosures of Interests in Other Entities.
- IAS 27 (revised 2011), Separate Financial Statements.
- IAS 28 (revised), Investments in Associates and Joint Ventures.
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 12, Disclosure of Interests in Other Entities: Transition Guidance.
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 12, Disclosure of Interests in Other Entities; and IAS 27 (revised 2011), Separate Financial Statements – Investment Entities.
- Amendments to IAS 36, Impairment – Recoverable Amount Disclosures for Non-Financial Assets.
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.

The changes and impacts resulting from the application of IFRS 11 are detailed Note 3, "Change in accounting policy". IFRS 12 introduces a host of new disclosure requirements regarding an entity's interests in other entities and particularly those accounted for by the equity method (see Note 14).

Other standards, interpretations and amendments effective for reporting periods beginning on or after January 1, 2014 do not have a material impact on the Group's financial statements.

New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2014

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.
- Amendment to IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income and Disclosure Initiative.
- 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.
- Improvements to IFRSs published in December 2013.
- Improvements to IFRSs published in September 2014.
- IFRIC 21, Levies.

Except for the amendments to IAS 19, annual IFRS improvements and IFRIC 21, these new standards, amendments and interpretations 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 has assessed or is in the process of assessing the impacts resulting from the first-time application of these standards, amendments and interpretations.

The Group estimated the impact of the new interpretation IFRIC 21, Levies, on the 2014 accounts to be included for comparative purposes in the 2015 financial statements. As a result of IFRIC 21, the Group expects consolidated equity to increase by around €13 million at January 1, 2014 and around €25 million in recurring operating expenses (chiefly taxes levied in France and the US) will be accounted for in first-half 2014 instead of in the second half of that year.

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 of an asset) with one of its joint operations, any resulting gains or losses are recognized in the consolidated financial statements solely in proportion to 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 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 has applied the revised IFRS 3 since January 1, 2010. As the application of this revised standard is prospective, business combinations carried out prior to January 1, 2010 continue to be accounted for under the previous IFRS 3.

Business combinations carried out after January 1, 2010

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.

Business combinations carried out prior to January 1, 2010

The principles set out above were already applicable to business combinations, except that:

- acquisition-related costs were included in the cost of the combination;
- non-controlling interests (previously known as minority interests) were recognized for each combination based on their share in the net identifiable assets of the acquiree (including fair value adjustments);
- business combinations carried out in stages (step acquisitions) were recognized separately at the date of each transaction; any additional interest acquired did not impact previously recognized goodwill, and the difference with respect to the fair value at the date control was acquired was recognized in equity;
- partial sales led to recognition of a disposal gain or loss in proportion to the interest sold, and the assets and liabilities retained were not remeasured;
- adjustments to contingent consideration were only recognized if they represented an obligation for the Group at the acquisition date, it was probable that an outflow of resources would be required to settle the obligation, and the obligation could be estimated reliably. Any adjustments to contingent consideration after the measurement period impacted goodwill rather than profit or loss.

Options used on the first-time adoption of IFRS

Business combinations prior to January 1, 2004 were not restated in accordance with IFRS 3, Business Combinations.

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

(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.

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 foreign exchange 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.

Options used on the first-time adoption of IFRS

All cumulative translation adjustments at January 1, 2004 were written off against equity. Accordingly, the gain or loss on any subsequent disposals of a foreign operation will be adjusted only by those cumulative translation differences arising after January 1, 2004.

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).

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 Safran 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, it is taken into account by discounting future payments.

Standard product and spare part sales contracts

Revenue is only recognized if the entity 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. If there is a risk that the transaction will be canceled or that the receivable identified at the inception of the contract cannot 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.

Income from Group service contracts is recorded under the percentage-of-completion method, based on the technical objectives formally set down in such contracts, notably design sales contracts, or using a unit-based approach (e.g., flying hours), notably for installed base maintenance and support contracts.

If contract income cannot be measured reliably, revenue is only recognized to the extent of the contract costs incurred.

If revenue 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 aircraft brand names 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.

Where the payment of research and development contracts is contractually guaranteed by the customer (e.g., certain development contracts whose financing is included in the selling price of the deliverables), the expenditure incurred is recognized in "Inventories and work-in-progress".

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.

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)[1]. 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.

(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.

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, 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, 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. 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 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 (cash in hand, bank accounts, etc.), highly liquid short-term investments (less than three months) 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.

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 grants various share-based payments to its employees, including free shares and leveraged or unleveraged savings plans.

In accordance with IFRS 2, Share-based Payment, free share grants and employee share issues are measured at fair value at their respective grant dates. These employee benefits are recognized as personnel costs for the Group with an offsetting entry to consolidated retained earnings. Total equity is not impacted.

Free share plan

In accordance with IFRS 2, the expense representing the fair value of these plans is recognized on a straight-line basis through profit or loss over the vesting period of the rights under the plans. The vesting period runs from the grant date to the final vesting date and spans two or four years, depending on the country. The fair value of free share grants is determined by reference to the market value of the shares at the grant date, adjusted for future dividends and the cost of non-transferability, assessed using a forward purchase/sale approach.

Group savings plans

For its leveraged employee shareholding plan, the Group applies a calculation method which takes into account the cost of the five-year lock-up period for shares granted to employees and the opportunity gain which allows employees to enjoy the same market conditions as those of the Group (i.e., more attractive conditions than those they could obtain as retail investors). The cost booked in respect of this plan represents the difference between the fair value of the shares subscribed calculated as described above, and the subscription price, and is expensed in full within profit or loss at the end of the subscription period.

For its employee share ownership scheme initiated by one of the Group's shareholders, the basis of measurement and recognition is identical to that described above, except that as the scheme does not offer any leverage, no opportunity gain is taken into account when measuring the fair value of the shares subscribed.

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.

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 standard sales contracts, when:

- it is highly probable that a contract will be onerous (the unavoidable costs of meeting the obligations under the contract exceed the associated economic benefits);
- the contract, 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;
- a reliable estimate can be made of the Group's obligation.

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).

In the aviation industry, standard sales contracts may be onerous particularly when they do not specifically provide for spare part sales. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when it is firmly committed to delivering goods under an onerous contract.

The cash flows used in this analysis are discounted to take into account their spread over time.

Under onerous contracts subject to a firm commitment, losses arising on delivery commitments are recognized primarily as a deduction from work-in-progress for the completed portion of the contract, and shown in provisions for work to be completed.

Provisions for financial guarantees on sales

As part of its civil engine sales campaigns, the Safran 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 Safran together with General Electric, and form part of financing packages proposed by aircraft manufacturers to airline companies. They 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 Safran 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

These provisions are recorded to cover the Group's share of probable future expenses with respect to operating and performance warranties on deliveries of engines and equipment. They generally cover operations for a period of one to three years depending on the type of equipment delivered, However, specific warranties may be granted for a longer period. These provisions are calculated as appropriate based on technical files or statistics, particularly with respect to the return of parts covered by a warranty.

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 the assets belonging to a multi-employer defined benefit plan cannot be reliably allocated to each participating employer, the plan is accounted for as a defined contribution plan, in accordance with IAS 19.34 (revised).

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" and not subsequently recycled to profit. They are shown on the balance sheet within equity for their net-of-tax amount.

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 Safran 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).

Owing to the Group's select choice of counterparties, the counterparty risk taken into account in pricing derivatives is 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

Some Group subsidiaries sell their trade receivables. The asset may be removed from the balance sheet only in the case of sales involving the transfer of substantially all of the risks and rewards associated with the asset (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, Safran 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., negotiated sales agreements, changes in production processes, etc.);
- capital gains and losses on disposals of operations;
- gains on remeasuring any previously held equity interests in entities in which the Group has acquired a controlling interest;
- 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:** in the aviation industry, standard sales contracts may be onerous when they do not specifically provide for spare part sales. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when it is firmly committed to delivering goods under an onerous contract 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 and projected production costs;
- **repayable advances:** the forecast repayment of advances received from the State is based on income 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 supplied 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 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 IFRS 11, Joint Arrangements, with effect from January 1, 2014. Under IFRS 11, jointly controlled entities may no longer be proportionately consolidated.

Entities that were previously proportionately consolidated by the Group have been classified as either joint operations or joint ventures as defined by IFRS 11. In all, 12 entities which were previously proportionately consolidated have been classified as joint ventures as defined by IFRS 11 and are therefore now accounted for by the equity method (see Note 14.b). Since the businesses of these entities are closely linked to the Group's own operations, the Group's share in their profit is presented in its recurring operating income.

The other seven joint arrangements previously proportionately consolidated have been classified as joint operations. Accordingly, the Group recognizes the assets, liabilities, income and expenses relating to its interest in these joint operations.

In accordance with IAS 8, since this represents a change in accounting policy, comparative information for the prior period is presented in the 2014 consolidated financial statements showing the impact of retrospective application.

The impacts of this change in accounting policy on the 2013 consolidated financial statements are shown below.

a) Impacts at January 1, 2013

Balance sheet at January 1, 2013

Assets

(in € millions)	Jan. 1, 2013 (published)	IFRS 11 impact	Jan. 1, 2013 (restated)
Goodwill	3,078	(97)	2,981
Intangible assets	3,872	(20)	3,852
Property, plant and equipment	2,604	(312)	2,292
Non-current financial assets	281	(13)	268
Investments in equity-accounted companies	281	555	836
Non-current derivatives (positive fair value)	62	-	62
Deferred tax assets	243	(3)	240
Other non-current financial assets	13	-	13
Non-current assets	**10,434**	**110**	**10,544**
Current financial assets	176	(5)	171
Current derivatives (positive fair value)	585	-	585
Inventories and work-in-progress	4,131	(130)	4,001
Trade and other receivables	5,025	(146)	4,879
Tax assets	421	(10)	411
Cash and cash equivalents	2,193	(110)	2,083
Current assets	**12,531**	**(401)**	**12,130**
TOTAL ASSETS	**22,965**	**(291)**	**22,674**

Equity and liabilities

(in € millions)	Jan. 1, 2013 (published)	IFRS 11 impact	Jan. 1, 2013 (restated)
Equity attributable to owners of the parent	5,834	-	5,834
Non-controlling interests	163	-	163
Total equity	**5,997**	-	**5,997**
Provisions	1,823	(18)	1,805
Borrowings subject to specific conditions	670	-	670
Non-current interest-bearing financial liabilities	2,259	(10)	2,249
Non-current derivatives (negative fair value)	12	-	12
Deferred tax liabilities	981	(29)	952
Other non-current financial liabilities	81	23	104
Non-current liabilities	**5,826**	**(34)**	**5,792**
Provisions	1,064	(3)	1,061
Current interest-bearing financial liabilities	916	25	941
Trade and other payables	8,767	(274)	8,493
Tax liabilities	156	(5)	151
Current derivatives (negative fair value)	213	-	213
Other current financial liabilities	26	-	26
Current liabilities	**11,142**	**(257)**	**10,885**
TOTAL EQUITY AND LIABILITIES	**22,965**	**(291)**	**22,674**

Net debt at January 1, 2013

(in € millions)	Jan. 1, 2013 (published)	IFRS 11 impact	Jan. 1, 2013 (restated)
Cash and cash equivalents (A)	2,193	(110)	2,083
Interest-bearing financial liabilities (B)	3,175	15	3,190
Fair value of interest rate derivatives hedging borrowings (C)	50	-	50
TOTAL (A)-(B)+(C)	**(932)**	**(125)**	**(1,057)**

b) Impacts at December 31, 2013

Consolidated income statement for full-year 2013

(in € millions)	2013 (published)	IFRS 11 impact	2013 (restated)
Revenue	**14,490**	**(332)**	**14,158**
Other income	264	(6)	258
Income from operations	**14,754**	**(338)**	**14,416**
Change in inventories of finished goods and work-in-progress	(32)	(14)	(46)
Capitalized production	911	(4)	907
Raw materials and consumables used	(8,648)	196	(8,452)
Personnel costs	(4,506)	64	(4,442)
Taxes	(276)	5	(271)
Depreciation, amortization, and increase in provisions, net of use	(790)	31	(759)
Asset impairment	(82)	(4)	(86)
Other recurring operating income and expenses	(36)	4	(32)
Share in profit from joint ventures	-	52	52
Recurring operating income	**1,295**	**(8)**	**1,287**
Other non-recurring operating income and expenses	185	(3)	182
Profit from operations	**1,480**	**(11)**	**1,469**
Cost of debt	(42)	-	(42)
Foreign exchange gains (losses)	551	-	551
Other financial income and expense	(70)	-	(70)
Financial income (loss)	**439**	**-**	**439**
Profit before tax	**1,919**	**(11)**	**1,908**
Income tax expense	(650)	11	(639)
Share in profit from associates	15	-	15
Gain on disposal of Ingenico shares	131	-	131
Profit from continuing operations	**1,415**	**-**	**1,415**
Profit for the period	**1,415**	**-**	**1,415**
Attributable to:			
• owners of the parent	1,386	-	1,386
• non-controlling interests	29	-	29

Consolidated statement of comprehensive income for full-year 2013

(in € millions)	2013 (published)	IFRS 11 impact	2013 (restated)
Profit for the period	**1,415**	**-**	**1,415**
Other comprehensive income			
Items to be recycled to profit	**(101)**	**(1)**	**(102)**
Available-for-sale financial assets	4	-	4
Foreign exchange differences and net investment hedges	(90)	11	(79)
Income tax related to components of other comprehensive income to be recycled to profit	(12)	-	(12)
Share in other comprehensive income of equity-accounted companies (net of tax)	(3)	(12)	(15)
Items not to be recycled to profit	**(15)**	**-**	**(15)**
Actuarial gains and losses on post-employment benefits	(21)	-	(21)
Income tax related to components of other comprehensive income not to be recycled to profit	6	-	6
Share in other comprehensive income of equity-accounted companies (net of tax) not to be recycled to profit	-	-	-
Other comprehensive income (expense) for the period	**(116)**	**(1)**	**(117)**
o/w transferred to profit for the period	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,299**	**(1)**	**1,298**
Attributable to:			
• owners of the parent	1,274	(1)	1,273
• non-controlling interests	25	-	25

In 2013, the retrospective application of IFRS 11 gave rise to a €1 million translation loss arising on goodwill relating to joint ventures. This is the only impact on consolidated equity resulting from the application of this new standard (see statement of changes in shareholders' equity).

Consolidated balance sheet at December 31, 2013

Assets

(in € millions)	Dec. 31, 2013 (published)	IFRS 11 impact	Dec. 31, 2013 (restated)
Goodwill	3,495	(96)	3,399
Intangible assets	4,641	(21)	4,620
Property, plant and equipment	2,740	(277)	2,463
Non-current financial assets	384	(14)	370
Investments in equity-accounted companies	133	547	680
Non-current derivatives (positive fair value)	-	-	-
Deferred tax assets	205	(2)	203
Other non-current financial assets	12	-	12
Non-current assets	**11,610**	**137**	**11,747**
Current financial assets	198	(3)	195
Current derivatives (positive fair value)	864	-	864
Inventories and work-in-progress	4,135	(137)	3,998
Trade and other receivables	5,102	(135)	4,967
Tax assets	392	(12)	380
Cash and cash equivalents	1,672	(125)	1,547
Current assets	**12,363**	**(412)**	**11,951**
TOTAL ASSETS	**23,973**	**(275)**	**23,698**

Equity and liabilities

(in € millions)	Dec. 31, 2013 (published)	IFRS 11 impact	Dec. 31, 2013 (restated)
Equity attributable to owners of the parent	6,636	(1)	6,635
Non-controlling interests	178	-	178
Total equity	**6,814**	**(1)**	**6,813**
Provisions	1,751	(13)	1,738
Borrowings subject to specific conditions	670	-	670
Non-current interest-bearing financial liabilities	1,295	(4)	1,291
Non-current derivatives (negative fair value)	36	-	36
Deferred tax liabilities	1,293	(29)	1,264
Other non-current financial liabilities	119	21	140
Non-current liabilities	**5,164**	**(25)**	**5,139**
Provisions	1,224	(4)	1,220
Current interest-bearing financial liabilities	1,435	10	1,445
Trade and other payables	8,920	(252)	8,668
Tax liabilities	202	(3)	199
Current derivatives (negative fair value)	150	-	150
Other current financial liabilities	64	-	64
Current liabilities	**11,995**	**(249)**	**11,746**
TOTAL EQUITY AND LIABILITIES	**23,973**	**(275)**	**23,698**

Net debt at December 31, 2013

(in € millions)	Dec. 31, 2013 (published)	IFRS 11 impact	Dec. 31, 2013 (restated)
Cash and cash equivalents (A)	1,672	(125)	1,547
Interest-bearing financial liabilities (B)	2,730	6	2,736
Fair value of interest rate derivatives hedging borrowings (C)	(31)	-	(31)
TOTAL (A)-(B)+(C)	**(1,089)**	**(131)**	**(1,220)**

Consolidated statement of cash flows for full-year 2013

(in € millions)	2013 (published)	IFRS 11 impact	2013 (restated)
Profit attributable to owners of the parent	1,386	-	1,386
Depreciation, amortization, impairment and provisions	941	(25)	916
Share in profit from equity-accounted companies (net of dividends received)	(15)	(11)	(26)
Capital gains and losses on asset disposals	(382)	(3)	(385)
Other changes related to operations	54	1	55
Cash flow from operations, before changes in working capital	**1,984**	**(38)**	**1,946**
Change in working capital	**155**	**19**	**174**
Total cash flow from operating activities	**2,139**	**(19)**	**2,120**
Capitalization of R&D expenditure	(720)	-	(720)
Payments for the purchase of intangible assets, net of proceeds	(215)	3	(212)
Payments for the purchase of property, plant and equipment, net of proceeds	(492)	3	(489)
Payments arising from the acquisition of investments and other financial assets, net of proceeds	(415)	-	(415)
Total cash flow used in investing activities	**(1,842)**	**6**	**(1,836)**
Increase in borrowings	9	-	9
Repayment of borrowings and long-term debt	(111)	13	(98)
Change in short-term borrowings	(191)	(19)	(210)
Dividends paid to owners of the parent and non-controlling interests	(481)	-	(481)
Other cash flows from financing activities	(25)	-	(25)
Total cash flow used in financing activities	**(799)**	**(6)**	**(805)**
Effect of changes in foreign exchange rates	(19)	4	(15)
Net increase (decrease) in cash and cash equivalents	**(521)**	**(15)**	**(536)**
Cash and cash equivalents at beginning of year	2,193	(110)	2,083
Cash and cash equivalents at end of year	1,672	(125)	1,547
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(521)**	**(15)**	**(536)**

Segment information for full-year 2013

(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
Published revenue	7,791	4,121	1,278	1,502	14,692	3	14,695	(205)	-	14,490
IFRS 11 impact	(202)	(30)	(81)	(20)	(333)	1	(332)	-	-	(332)
Restated revenue	**7,589**	**4,091**	**1,197**	**1,482**	**14,359**	**4**	**14,363**	**(205)**	**-**	**14,158**
Published recurring operating income	1,359	380	87	120	1,946	(158)	1,788	(216)	(277)	1,295
IFRS 11 impact	(1)	(4)	(3)	-	(8)	-	(8)	-	-	(8)
Restated recurring operating income (loss)	**1,358**	**376**	**84**	**120**	**1,938**	**(158)**	**1,780**	**(216)**	**(277)**	**1,287**
Published free cash flow	521	67	110	(42)	656	56	712	-	-	712
IFRS 11 impact	(28)	6	16	(7)	(13)	-	(13)	-	-	(13)
Restated free cash flow	**493**	**73**	**126**	**(49)**	**643**	**56**	**699**	**-**	**-**	**699**
Reported gross operating working capital	(422)	1,088	389	150	1,205	(47)	1,158	-	-	1,158
IFRS 11 impact	(21)	(28)	(21)	(9)	(79)	6	(73)	-	-	(73)
Restated gross operating working capital	**(443)**	**1,060**	**368**	**141**	**1,126**	**(41)**	**1,085**	**-**	**-**	**1,085**
Reported segment assets	10,587	5,032	1,692	2,506	19,817	1,371	21,188	-	-	21,188
IFRS 11 impact	(113)	-	(13)	2	(124)	1	(123)	-	-	(123)
Restated segment assets	**10,474**	**5,032**	**1,679**	**2,508**	**19,693**	**1,372**	**21,065**	**-**	**-**	**21,065**

Note 4 · Scope of consolidation

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 provisional allocation of the purchase price at December 31, 2014 is summarized below:

(in € millions)	Provisional allocation
Acquisition cost of shares	**197**
Fair value of net assets:	
Net assets at acquisition date	21
Fair value of technology	29
Fair value of customer relationships	57
Remeasurement of inventories	1
Other property, plant and equipment	3
Fair value of identifiable assets acquired and liabilities assumed	**111**
Provisional goodwill	**86**

The final allocation of the purchase price to identifiable assets and liabilities will be completed within the 12 months following the acquisition.

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 connection with the provisional purchase price accounting (€6 million at December 31, 2014).*

Acquisition of Sabena technics' stake in Hydrep

On September 15, 2014, Safran finalized its 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 the year, and fully consolidated (100%) in the last quarter. Hydrep is part of Safran's "Aircraft Equipment" operating segment.

This transaction classifies 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".

Hydrep's contribution to the Group's performance in the fourth quarter was as follows:

(in € millions)	2014
Revenue	10
Recurring operating income	4

Main changes in the scope of consolidation in 2013

Acquisition of Goodrich Electrical Power Systems (GEPS)

On March 26, 2013, after completing all required approval procedures, Safran finalized its acquisition of Goodrich Electrical Power Systems (GEPS), a leading supplier of on-board aerospace electrical power systems. The cash consideration for the transaction amounted to USD 390 million. GEPS brings new capabilities to Safran's product offering, including the critical electrical power generation know-how and experience which is the heart of electrical power systems. By combining GEPS and Safran's complementary strengths, this transaction gives birth to a world leader in aerospace electrical power systems with a comprehensive product portfolio. GEPS is part of Safran's "Aircraft Equipment" operating segment.

The final purchase price accounting can be summarized as follows:

(in USD millions)	Provisional allocation	Final allocation
Purchase price	390	390
Acquisition cost of shares	**390**	**390**
Fair value of net assets:		
Net assets at acquisition date	52	40
Fair value of technology	65	66
Fair value of customer relationships	89	92
Remeasurement of inventories	6	6
Other intangible assets	5	4
Fair value of identifiable assets acquired and liabilities assumed	**217**	**208**
Goodwill	**173**	**182**

The finalization of the purchase price accounting in first-quarter 2014 resulted in a USD 9 million increase in goodwill compared to end-2013.

The contribution of the business to the Group's performance in full-year 2013 based on its activity in the nine months following the acquisition was as follows:

(in € millions)	2013
Revenue	138
Recurring operating income(1)	3

(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 (€9 million at December 31, 2013).

Acquisition of Rolls Royce's stake in the RTM322 program

On September 2, 2013, Safran completed its purchase of Rolls-Royce's 50% stake in their joint RTM322 helicopter engine program for €293 million. Besides Rolls-Royce's 50% share in the RTM322 program, the transaction also includes the intellectual property rights (IPR) related to this business as well as Rolls-Royce's 50% share in the RRTM (Rolls-Royce-Turbomeca) joint arrangement. Turbomeca (Safran's world leading helicopter engine business) will assume global responsibility for the design, production, product support and services for the RTM322 engine.

Since this transaction is classified as a business combination within the meaning of IFRS 3, the Group has remeasured its previously held interest in the venture at fair value through profit or loss. The gains on this fair value remeasurement were recognized in "Other non-recurring operating income and expenses" in 2013 for €216 million, along with a deferred tax expense of €82 million.

The final allocation of the total value of this business (part of the "Aerospace Propulsion" operating segment) is summarized below:

(in € millions)	Provisional allocation	Final allocation
Acquisition price of 50% share (A)	**293**	**293**
Fair value of previously held interest (B)	**281**	**281**
Net assets at acquisition date	70	72
Fair value of aerospace programs	117	433
Remeasurement of inventories	41	41
Deferred tax liabilities	-	(41)
Fair value of identifiable assets and liabilities (C)	**228**	**505**
GOODWILL (A)+(B)-(C)	**346**	**69**

The finalization of the purchase price accounting resulted in the allocation of €277 million in goodwill mainly to aircraft programs (see section 3.1, Note 1.j and Note 11) along with their related tax impacts.

The aircraft programs will be depreciated over a period of 20 years.

The contribution of the 50% stake acquired in RTM322 to the Group's performance in 2013 based on its activity in the four months following the acquisition was as follows:

(in € millions)	**2013**
Revenue	39
Recurring operating income(1)	5

(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 (€28 million at December 31, 2013).

Disposal of Ingenico shares

Pursuant to the authorizations granted by the Boards of Directors of Safran on March 13, 2013 and of Morpho on March 14, 2013, Safran, through its subsidiary Morpho, divested part of its stake in payment solutions provider Ingenico on March 15, 2013. The divestment was carried out by way of a private placement through an accelerated book building process.

A total of 6.6 million shares, representing 12.57% of the share capital of Ingenico, were sold at a per-share price of €43.45, for a total amount of €287 million. The transaction generated €131 million in profit after tax for Safran in 2013. Safran remains a significant shareholder of Ingenico with 10.25% of its share capital and approximately 17% of its voting rights at December 31, 2013.

Sale of Globe Motors Inc.

On October 18, 2013, Safran completed the sale of Globe Motors Inc., a US-based subsidiary specialized in the design and distribution of precision motors and motorized devices. Globe Motors was sold to Allied Motion Inc. for USD 90 million (€68 million), generating a disposal gain of €23 million which was recognized in “Other non-recurring operating income and expenses” in second-half 2013. GEPS was part of Safran's “Aircraft Equipment” operating segment.

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), and defense equipment and systems.

Security

Safran's global Security businesses include a suite of solutions designed to increase safety and simplify the life of individuals in their roles as citizens, consumers or employers. They also protect critical infrastructure and ensure travel safety. The Security businesses offer digital technologies for fingerprint, iris and face recognition (biometric identification technologies), from smartcards that authenticate identity for a host of different applications to service platforms (business solutions), and systems for detecting dangerous or illicit substances (detection).

Holding company and other

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

Business segment performance indicators

The segment information presented in the tables below is identical to that presented to Executive Management, which – in accordance with the Group's governance structure – has been identified 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 Executive Management is based on adjusted contribution figures as explained in the Foreword of section 2.1 of the 2014 Registration Document.

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), except for the restatements made in respect of adjusted data (see Foreword of section 2.1 of the 2014 Registration Document).

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.

Segment information

The operating segments and key indicators shown are defined above.

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	**(201)**	**1,137**	**398**	**151**	**1,485**	**(147)**	**1,338**	**-**	**-**	**1,338**
Segment assets	**12,102**	**5,585**	**1,815**	**2,697**	**22,199**	**1,021**	**23,220**	**-**	**-**	**23,220**
(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)*

AT DECEMBER 31, 2013*

(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	**7,589**	**4,091**	**1,197**	**1,482**	**14,359**	**4**	**14,363**	**(205)**	**-**	**14,158**
Recurring operating income (loss)[1]	**1,358**	**376**	**84**	**120**	**1,938**	**(158)**	**1,780**	**(216)**	**(277)**	**1,287**
Other non-recurring operating income and expenses	(16)	(3)	7	(3)	(15)	(19)	(34)	-	216	182
Profit (loss) from operations	**1,342**	**373**	**91**	**117**	**1,923**	**(177)**	**1,746**	**(216)**	**(61)**	**1,469**
Free cash flow	**493**	**73**	**126**	**(49)**	**643**	**56**	**699**	**-**	**-**	**699**
Gross operating working capital	**(443)**	**1,060**	**368**	**141**	**1,126**	**(41)**	**1,085**	**-**	**-**	**1,085**
Segment assets	**10,474**	**5,032**	**1,679**	**2,508**	**19,693**	**1,372**	**21,065**	**-**	**-**	**21,065**
(1) of which depreciation, amortization and increase in provisions, net of use	*(217)*	*(173)*	*(46)*	*(36)*	*(472)*	*(28)*	*(500)*	*(9)*	*(250)*	*(759)*
of which impairment	*(69)*	*4*	*(19)*	*1*	*(83)*	*1*	*(82)*	*(4)*	-	*(86)*

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Revenue (adjusted data)

(in € millions)	2013*	2014
Aerospace Propulsion		
Original equipment and related products and services	3,585	3,723
Services	3,666	4,080
Sales of studies	264	281
Other	74	69
Sub-total	**7,589**	**8,153**
Aircraft Equipment		
Original equipment and related products and services	2,669	2,912
Services	1,190	1,280
Sales of studies	149	192
Other	83	62
Sub-total	**4,091**	**4,446**
Defense		
Sales of equipment	806	790
Services	282	300
Sales of studies	106	127
Other	3	4
Sub-total	**1,197**	**1,221**
Security		
Sales of equipment	1,167	1,209
Services	292	307
Sales of studies	17	6
Other	6	8
Sub-total	**1,482**	**1,530**
Holding company and other		
Other	4	5
Sub-total	**4**	**5**
TOTAL	**14,363**	**15,355**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

Information by geographic area

AT DECEMBER 31, 2014

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	3,227	3,325	5,029	2,686	1,088	15,355	(311)	15,044
%	21%	22%	33%	17%	7%			
Non-current assets by location	8,361	1,598	2,316	221	159			12,655
%	66%	13%	18%	2%	1%			

AT DECEMBER 31, 2013*

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	3,141	3,172	4,625	2,389	1,036	14,363	(205)	14,158
%	22%	22%	32%	17%	7%			
Non-current assets by location	7,423	1,459	1,945	174	161			11,162
%	67%	13%	17%	2%	1%			

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

In 2014, the General Electric group accounted for 12% of consolidated revenue. 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 "North America" region and in the "Aerospace Propulsion" operating segment. No other individual customer alone accounted for more than 10% of Group revenue in 2014.

No individual customer accounted for more than 10% of Group revenue in 2013.

Note 6 · Breakdown of the main components of profit from operations

Revenue

(in € millions)	2013*	2014
Original equipment and related products and services	6,156	6,473
Sales of defense and security equipment	1,953	1,993
Services	5,351	5,840
Sales of studies	530	594
Other	168	144
TOTAL	**14,158**	**15,044**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Other income

(in € millions)	2013*	2014
Research tax credit[(1)]	136	151
Competitiveness and employment tax credit (CICE)	26	39
Other operating subsidies	85	86
Other operating income	11	15
TOTAL	**258**	**291**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which €11 million in connection with additional research tax credits in respect of 2013, included in 2014 income (€8 million in respect of 2012 included in 2013 income).

The CICE tax credit was introduced in France in January 2013 to boost competitiveness and employment. It is calculated for each calendar year and in 2013 represented 4% of remuneration paid that is equal to or less than 2.5 times the minimum wage (SMIC). This rate was increased to 6% in January 2014. The Group recognizes accrued income to match the corresponding payroll charge.

Given the characteristics of this tax credit and based on the treatment applied to the research tax credit, the Group considers the CICE as an operating subsidy.

Raw materials and consumables used

This caption breaks down as follows for the period:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Raw materials, supplies and other	(2,591)	(2,681)
Bought-in goods	(186)	(200)
Changes in inventories	(8)	(70)
Sub-contracting	(3,058)	(3,391)
Purchases not held in inventory	(437)	(422)
External service expenses	(2,172)	(2,284)
TOTAL	**(8,452)**	**(9,048)**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Personnel costs

(in € millions)	2013*	2014
Wages and salaries	(2,848)	(2,980)
Social security contributions	(1,145)	(1,214)
Statutory employee profit-sharing	(90)	(136)
Optional employee profit-sharing	(140)	(152)
Additional contributions	(48)	(62)
Profit-sharing bonus for employees	(4)	(5)
Corporate social contribution	(60)	(75)
Other employee costs	(107)	(120)
TOTAL	**(4,442)**	**(4,744)**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The increase in wages and salaries reflects compensation policies and the rise in headcount resulting from new hires recruited by Group companies in response to the growth in business.

The increase in statutory and optional employee profit-sharing reflects the Group's improved profit.

To give employees a vested interest in the Group's good performance, Executive Management also approved an additional profit-sharing bonus for 2014.

In both 2014 and 2013, since 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, calculated within the scope of the amendment to the profit-sharing agreement signed in 2012.

Further to the French government's sale of some of its Safran shares in March and again in November 2013, an employee share ownership scheme was set up in the second half of 2014. Safran's contribution to this scheme represents €6.7 million. The IFRS 2 expense relating to the discount granted to employees amounts to €3.5 million (see Note 19.b).

The corporate social contribution comprises employer taxes on certain ancillary components of salaries. It is levied at 20% and covers optional and statutory employee-profit sharing, additional employer contributions to the employee savings plan (PEE)[1] and employee retirement savings plan (PERCO)[2], pension top-up payments and the profit-sharing bonus.

Depreciation, amortization and increase in provisions, net of use

(in € millions)	2013*	2014
Net depreciation and amortization expense		
• intangible assets	(396)	(452)
• property, plant and equipment	(334)	(366)
Total net depreciation and amortization expense[1]	**(730)**	**(818)**
Net increase in provisions	**(29)**	**(76)**
DEPRECIATION, AMORTIZATION, AND INCREASE IN PROVISIONS, NET OF USE	**(759)**	**(894)**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €147 million in 2014 and €150 million in 2013; and during recent acquisitions: €134 million in 2014 and €100 million in 2013.

(1) *PEE:* Plan d'épargne entreprise.
(2) *PERCO:* Plan d'épargne retraite collectif.

Asset impairment

	Impairment expense		Reversals	
(in € millions)	**2013***	**2014**	**2013***	**2014**
Property, plant and equipment and intangible assets	(15)	(13)	3	5
Financial assets	(24)	(9)	7	4
Inventories and work-in-progress	(181)	(254)	182	235
Receivables	(94)	(76)	36	49
TOTAL	**(314)**	**(352)**	**228**	**293**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Other recurring operating income and expenses

(in € millions)	**2013***	**2014**
Capital gains and losses on asset disposals	(8)	1
Royalties, patents and licenses	(15)	(22)
Losses on irrecoverable receivables	(4)	(9)
Other operating income and expenses	(5)	(83)
TOTAL	**(32)**	**(113)**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Other non-recurring operating income and expenses

(in € millions)	**2013***	**2014**
Gains on remeasuring previously held equity interests	216	8
Capital gains on asset disposals	39	-
Impairment net of reversals on intangible assets	(17)	(53)
Other non-recurring items	(56)	(62)
TOTAL	**182**	**(107)**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

In 2014, gains on remeasuring the Group's previously held interest in Hydrep (see Note 4) 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).

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) 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.

Besides impairment, other non-recurring items chiefly include €36 million in non-recurring costs to adapt the industrial tool in Security and Aerospace Propulsion activities, and €17 million in transaction and integration costs arising on recent business combinations.

In 2013, gains on remeasuring the Group's previously held interest in the RTM322 program (see Note 4) were recognized in non-recurring operating items.

Capital gains for €39 million were recognized on the disposal of Globe Motors (see Note 4) and on the sale of property assets.

Impairment losses of €17 million were recognized against intangible assets relating to various programs (see Note 11).

Other non-recurring items corresponded mainly to past service costs of €40 million arising on a defined benefit supplementary pension plan with a current eligible population of around 400 Group executive managers (see Note 21), and to transaction and integration costs of €10 million relating to recent business combinations.

Note 7 · Financial income (loss)

(in € millions)	2013	2014
Financial expense on interest-bearing financial liabilities	(85)	(80)
Financial income on cash and cash equivalents	43	38
Cost of net debt	**(42)**	**(42)**
Gain (loss) on foreign currency hedging instruments	374	(1,922)
Foreign exchange gains and losses	155	343
Net foreign exchange gains (losses) on provisions	22	(75)
Foreign exchange gains (losses)	**551**	**(1,654)**
Gain or loss on interest rate and commodity hedging instruments	(6)	(11)
Net expenses on disposals of financial assets	(1)	3
Impairment of available-for-sale financial assets	(8)	(1)
Write-downs of loans and other financial receivables	2	(5)
Dividends received	3	3
Other financial provisions	2	(3)
Interest component of IAS 19 expense	(24)	(25)
Impact of discounting	(50)	(55)
Other	12	19
Other financial income and expense	**(70)**	**(75)**
FINANCIAL INCOME (LOSS)	**439**	**(1,771)**
of which financial expense	**(174)**	**(2,177)**
of which financial income	**613**	**406**

In 2014, the 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 (1.21 at end-2014 versus 1.38 at end-2013) and from the increase in the volume of foreign currency derivatives linked to the rise in future cash flows to be hedged.

Note 8 · Income tax

Income tax expense

Income tax expense breaks down as follows:

(in € millions)	2013*	2014
Current income tax benefit (expense)	(294)	(275)
Deferred tax benefit (expense)	(345)	567
TOTAL TAX BENEFIT (EXPENSE)	**(639)**	**292**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Effective tax rate

The effective tax rate breaks down as follows:

(in € millions)	2013*	2014
Profit (loss) before tax	1,908	(378)
Standard tax rate applicable to the parent company	38.00%	38.00%
Tax expense at standard rate	**(725)**	**144**
Impact of permanent differences	19	41
Impact of research and CICE tax credits	61	72
Impact of different tax rates	34	19
Impact of unrecognized tax	2	(3)
Impact of tax on dividends paid by Safran	(14)	(15)
Impact of other items	(16)	34
Current income tax benefit (expense) recognized in profit or loss	**(639)**	**292**
EFFECTIVE TAX RATE	**33.49%**	**N/A**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The amending French Finance Law for 2013 increased the surtax to 10.7% for the 2013 and 2014 financial years. This exceptional and temporary surtax is payable by French companies with revenues over €250 million.

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 dividends are 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, 2013*	**203**	**1,264**	**(1,061)**
Deferred taxes recognized in profit or loss	2	(565)	567
Deferred taxes recognized directly in equity	13	(21)	34
Reclassifications(1)	(16)	26	(42)
Foreign exchange differences	13	9	4
Changes in scope of consolidation	13	15	(2)
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2014	**228**	**728**	**(500)**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Including a deferred tax liability for €41 million recorded for Turbomeca in connection with the finalization of the purchase price accounting for the RTM322 program.

Deferred tax asset bases

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(4,232)	(4,891)
Inventories	139	115
Current assets/liabilities	400	444
Financial assets/liabilities	(795)	1,075
Provisions	1,851	2,043
Tax adjustments	(397)	(426)
Losses carried forward and tax credits	518	376
TOTAL DEFERRED TAX ASSET BASES	**(2,516)**	**(1,264)**
Total gross deferred tax balance (A)	**(1,006)**	**(437)**
Total unrecognized deferred tax assets (B)	**55**	**63**
TOTAL NET DEFERRED TAXES RECOGNIZED (A)-(B)	**(1,061)**	**(500)**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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, 2013*	**380**	**199**	**181**
Movements during the period[1]	55	39	16
Current taxes recognized directly in equity	-	(30)	30
Changes in scope of consolidation	(2)	(4)	2
Foreign exchange differences	19	21	(2)
Other movements	-	(5)	5
NET TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2014	**452**	**220**	**232**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).
(1) Of which a negative €275 million impact in the income statement.

Note 9 · Earnings per share

The Group's potentially dilutive ordinary shares at December 31, 2013 correspond to the free share plan. Earnings per share break down as follows:

	Index	Dec. 31, 2013	Dec. 31, 2014
Numerator *(in € millions)*			
Profit (loss) for the period attributable to owners of the parent	(A)	1,386	(126)
Denominator *(in shares)*			
Total number of shares	(B)	417,029,585	417,029,585
Number of treasury shares held	(C)	581,104	603,327
Number of shares excluding treasury shares	(D)=(B-C)	416,448,481	416,426,258
Weighted average number of shares (excluding treasury shares)	(D)	416,292,736	416,413,368
Potentially dilutive ordinary shares:			
• Dilutive impact of share grants	(E)	132,493	-
Weighted average number of shares after dilution	(F)=(D'+E)	416,425,229	416,413,368
Ratio: earnings per share *(in €)*			
Basic earnings (loss) per share	(G)=(A*1 million)/(D')	3.33	(0.30)
Diluted earnings (loss) per share	(H)=(A*1 million)/(F)	3.33	(0.30)

Note 10 · Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2013* net	Changes in scope of consolidation	Creation of Labinal Power Systems	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	Dec. 31, 2014 net
Snecma – Aircraft engines	405	-	-	-	-	-	405
Turbomeca (incl. Microturbo) – Helicopter engines	583	-	-	-	(277)	-	306
Techspace Aero – Aircraft engine components	47	-	-	-	-	-	47
Herakles – Aerospace and strategic propulsion	202	-	-	-	-	-	202
Other	1	-	-	-	-	-	1
Total Aerospace Propulsion	**1,238**	**-**	**-**	**-**	**(277)**	**-**	**961**
Aircelle – Nacelles and aerostructures	213	-	-	-	-	-	213
Labinal – Electrical wiring	226	-	(226)	-	-	-	-
Safran Engineering Services – Engineering	78	-	-	-	-	-	78
Messier-Bugatti-Dowty (incl. Sofrance) – Landing and braking systems	168	20	-	-	-	-	188
Technofan – Ventilation systems	10	-	-	-	-	-	10
Labinal Power Systems – Electrical systems	-	73	359	-	7	25	464
Safran Power – Power generation	133	-	(133)	-	-	-	-
Total Aircraft Equipment	**828**	**93**	**-**	**-**	**7**	**25**	**953**
Sagem – Defense	98	21	-	-	-	4	123
Total Defense	**98**	**21**	**-**	**-**	**-**	**4**	**123**
Morpho – Identification	886	-	-	-	-	100	986
Morpho – Business Solutions	57	8	-	-	-	-	65
Morpho – Detection	292	-	-	-	-	40	332
Total Security	**1,235**	**8**	**-**	**-**	**-**	**140**	**1,383**
TOTAL	**3,399**	**122**	**-**	**-**	**(270)**	**169**	**3,420**

(*) *The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).*

Goodwill relating to joint ventures is now included within investments in equity-accounted companies (see Notes 3 and 14).

Movements in the period

The main movements in this caption during the period under review concern:

- the finalization of the purchase price accounting for the RTM322 business, resulting in a decrease of €277 million in the Turbomeca CGU goodwill (see Note 4);
- the reorganization of the Group's electrical systems business within a single division (Labinal Power Systems), leading to the aggregation of the Labinal and Safran Power CGUs into a single "Labinal Power Systems" CGU;
- the final allocation of the purchase price of Goodrich Electrical Power Systems (GEPS), adding €7 million to the Labinal Power Systems CGU goodwill (see Note 4);
- the provisional allocation of the purchase price of Eaton Aerospace's power distribution solutions and integrated cockpit solutions businesses, adding €73 million to the Labinal Power Systems CGU goodwill and €13 million to the Sagem CGU goodwill (see Note 4);
- the controlling interest taken by the Group in Hydrep as a result of acquiring Sabena's 50% stake in this previous 50/50 joint venture, adding €20 million to the Messier-Bugatti-Dowty CGU goodwill (see Note 4);
- the first-time consolidation of Swiss company Colibrys SA specialized in the design and manufacture of high-performance MEMS-based (Micro Electro Mechanical Systems) sensors, adding €8 million to the Sagem CGU goodwill;
- acquisition of the French company Dictao, a leading software editor for security and trust solutions, and the provisional allocation of the purchase price for this business, adding €8 million to the Morpho – Business Solutions CGU goodwill.

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 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 ten years but may be longer for businesses with a longer development and production cycle;
- 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 1.24 for years 2015 to 2017 and 1.35 thereafter (2013: 1.26 for years 2014 to 2016 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);
- the growth rate used to calculate terminal value was set at 1.5% for the Defense CGU (unchanged from 2013) and at 2.0% for the Aerospace Propulsion, Security and Equipment CGUs (2013: 2.0% for the Aerospace Propulsion and Security CGUs and 1.5% for the Equipment CGUs);
- the benchmark post-tax discount rate used is 7.5% (2013: 8.0%) and is applied to post-tax cash flows. However, a post-tax discount rate of 8.5% is used for the Security CGUs (2013: 9.0%).

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 2013.

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 2014 as in 2013, 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:

	Dec. 31, 2013*			Dec. 31, 2014		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs[1]	2,670	(1,630)	1,040	3,103	(1,841)	1,262
Development expenditures	2,535	(481)	2,054	3,241	(574)	2,667
Commercial agreements and concessions	520	(165)	355	587	(200)	387
Software	469	(363)	106	520	(406)	114
Brands	147	(13)	134	147	(14)	133
Commercial relationships[1]	742	(228)	514	752	(329)	423
Technology	327	(98)	229	406	(153)	253
Other	258	(70)	188	384	(87)	297
TOTAL	**7,668**	**(3,048)**	**4,620**	**9,140**	**(3,604)**	**5,536**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Including €2,670 million remeasured to fair value in the context of the Sagem-Snecma merger in 2005, plus €433 million remeasured to fair value in connection with the acquisition of the RTM322 business as detailed in Note 4 (of which €117 million recorded in commercial relationships at December 31, 2013 was reclassified in aircraft programs at December 31, 2014).

Brands with indefinite useful lives are valued at €119 million and comprise the Snecma (€85 million) and Turbomeca (€34 million) brands.

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2013	**7,668**	**(3,048)**	**4,620**
Capitalization of R&D expenditure[1]	676	-	676
Capitalization of other intangible assets	132	-	132
Acquisitions of other intangible assets	133	-	133
Disposals and retirements	(15)	12	(3)
Amortization	-	(452)	(452)
Impairment losses recognized in profit or loss[2]	-	(63)	(63)
Allocation adjustments regarding identifiable assets and liabilities[3]	319	-	319
Reclassifications	(8)	2	(6)
Changes in scope of consolidation	112	-	112
Foreign exchange differences	123	(55)	68
At December 31, 2014	**9,140**	**(3,604)**	**5,536**

(1) Including €32 million in capitalized interest in 2014 (€26 million in 2013).

(2) Including (€63) million recognized in recurring operating items (see Note 6).

(3) Including €316 million relating to the final purchase price allocation for RTM322 (see Note 4).

Research and development expenditure recognized in recurring operating income for the year totaled €898 million including amortization (€672 million in 2013).

Amortization was recognized in respect of revalued assets for €289 million (allocation of the cost of the Snecma group business combination for €147 million and other recent acquisitions for €142 million).

2014 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 1.24 for years 2015 to 2017 and 1.35 thereafter (2013: 1.26 for years 2014 to 2016 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% (2013: 8%). 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 range from 7.5% to 9.5%.

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 year (see Note 6).

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 2014 as in 2013, 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 programs, projects and product families.

2013 impairment tests

As a result of the impairment tests carried out in 2013, intangible assets relating to Aerospace Propulsion projects were written down for a cumulative amount of €15 million, while intangible assets relating to Security projects were written down in an amount of €2 million. These write-downs were shown in non-recurring operating expenses for the year (see Note 6).

Note 12 · Property, plant and equipment

Property, plant and equipment break down as follows:

	Dec. 31, 2013*			Dec. 31, 2014		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	225	-	225	237	-	237
Buildings	1,343	(685)	658	1,564	(756)	808
Technical facilities, equipment and tooling	3,977	(2,911)	1,066	4,379	(3,131)	1,248
Assets in progress, advances	438	(3)	435	539	(2)	537
Site development and preparation costs	53	(31)	22	58	(34)	24
Buildings on land owned by third parties	73	(38)	35	73	(42)	31
Computer hardware and other equipment	401	(379)	22	449	(406)	43
TOTAL	**6,510**	**(4,047)**	**2,463**	**7,299**	**(4,371)**	**2,928**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Movements in property, plant and equipment can be analyzed as follows:

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2013	**6,510**	**(4,047)**	**2,463**
Internally produced assets	190	-	190
Additions	603	-	603
Disposals and retirements	(152)	126	(26)
Depreciation	-	(366)	(366)
Impairment losses recognized in profit or loss	-	(8)	(8)
Reclassifications	(30)	23	(7)
Allocation adjustments regarding identifiable assets and liabilities	8	-	8
Changes in scope of consolidation	42	(31)	11
Foreign exchange differences	128	(68)	60
At December 31, 2014	**7,299**	**(4,371)**	**2,928**

Assets held under finance leases and recognized in property, plant and equipment break down as follows:

	Dec. 31, 2013			Dec. 31, 2014		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	5	-	5	14	-	14
Buildings	139	(30)	109	191	(36)	155
Technical facilities, equipment and tooling	13	(4)	9	13	(5)	8
Computer hardware and other equipment	20	(19)	1	20	(20)	1
TOTAL	**177**	**(53)**	**124**	**239**	**(61)**	**178**

Note 13 · Current and non-current financial assets

Financial assets include:

	Dec. 31, 2013*			Dec. 31, 2014		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments[(1)]	504	(208)	296	546	(213)	333
Other financial assets	376	(107)	269	438	(104)	334
TOTAL	**880**	**(315)**	**565**	**984**	**(317)**	**667**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which listed securities for €70 million at December 31, 2014 and €52 million at end-December 2013 (Embraer and Myriad), classified in Level 1 of the IFRS 13 fair value hierarchy (as at December 31, 2013).

Non-consolidated investments are classified as available-for-sale and measured at fair value or at cost if fair value cannot be reliably measured.

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 2014.

Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Loans to non-consolidated companies	165	224
Loans to employees	29	30
Deposits and guarantees	7	8
Other[(1)]	68	72
TOTAL	**269**	**334**
Non-current	**74**	**113**
Current	**195**	**221**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which a net receivable of €33 million at December 31, 2014 in respect of warranties received in connection with the SME acquisition (€35 million at December 31, 2013).

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2013	**269**
Increase	94
Decrease	(20)
Reclassifications	2
Changes in scope of consolidation	(11)
At December 31, 2014	**334**

The increase in other financial assets at December 31, 2014 results mainly from a rise in credit account advances granted to non-consolidated companies.

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, 2013*	Dec. 31, 2014
Associates (Ingenico)	133	153
Joint ventures	547	618
TOTAL	**680**	**771**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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

(in € millions)	
At December 31, 2013	**680**
Share in profit from joint ventures	45
Share in profit from associates	18
Dividends received from joint ventures and associates	(27)
Changes in scope of consolidation	(2)
Foreign exchange differences	57
At December 31, 2014	**771**

There were no off-balance sheet commitments relating to the Group's joint ventures and associates at either December 31, 2014 or December 31, 2013.

a) Associates (Ingenico)

The Group holds a 9.6% ownership interest in Ingenico and around 17% of its voting rights. This gives it the right to appoint two Directors on Ingenico's Board of Directors. Ingenico, a payment solutions provider, has been accounted for using the equity method since March 31, 2008.

Due to the lack of published data for Ingenico at the date of publication of this report, the share in profit for 2014 was determined based on consensus forecasts provided by analysts.

Ingenico's contribution to the Group's comprehensive income in 2014 was as follows:

(in € millions)	2013	2014
Profit from continuing operations	15	18
Other comprehensive income (expense)	(3)	-
TOTAL COMPREHENSIVE INCOME	**12**	**18**

The stock market value of the Group's interest in Ingenico was €482 million at December 31, 2014 (5,518,664 shares with a market value of €87.28) versus €317 million at December 31, 2013 (5,442,257 shares with a market value of €58.28).

On March 15, 2013, Safran sold a 12.57% stake in Ingenico, representing 6.6 million shares with a market value of €43.45 (see Note 4).

An assessment of impairment indicators was performed for this investment and did not result in the recognition of any impairment.

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;
- Europropulsion: research, development, testing and manufacture of solid propellant propulsion systems;
- 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.

The contribution of these joint ventures to the Group's comprehensive income in 2014 was as follows:

(in € millions)	2013*	2014
Profit from continuing operations	52	45
Other comprehensive income (expense)	(13)	37
TOTAL COMPREHENSIVE INCOME	**39**	**82**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Note 15 · Inventories and work-in-progress

Inventories and work-in-progress break down as follows:

	Dec. 31, 2013*	Dec. 31, 2014
(in € millions)	Net	Net
Raw materials and supplies	563	541
Finished goods	1,679	1,883
Work-in-progress	1,737	1,825
Bought-in goods	19	16
TOTAL	**3,998**	**4,265**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Movements in inventories and work-in-progress can be analyzed as follows:

(in € millions)	Gross	Impairment	Net
At December 31, 2013*	**4,539**	**(541)**	**3,998**
Movements during the period	185	-	185
Net impairment expense	-	(19)	(19)
Reclassifications	13	2	15
Changes in scope of consolidation	35	(7)	28
Foreign exchange differences	69	(11)	58
At December 31, 2014	**4,841**	**(576)**	**4,265**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Note 16 · Trade and other receivables

(in € millions)	Dec. 31, 2013* Net	Movements during the period	Impairment/ reversal	Changes in scope of consolidation	Reclassifications	Translation adjustments	Dec. 31, 2014 Net
Operating receivables	**4,455**	**748**	**(43)**	**121**	**(8)**	**43**	**5,316**
Debit balances on trade payables/ advance payments to suppliers	236	(90)	-	53	19	1	219
Trade receivables	4,195	852	(42)	55	(30)	42	5,072
Current operating accounts	13	(22)	(1)	12	3	-	5
Employee-related receivables	11	8	-	1	-	-	20
Other receivables	**512**	**(19)**	**(1)**	**10**	**2**	**7**	**511**
Prepayments	71	(6)	-	1	-	3	69
VAT receivables	381	1	-	(1)	-	2	383
Other State receivables	15	-	-	-	-	-	15
Other receivables	45	(14)	(1)	10	2	2	44
TOTAL	**4,967**	**729**	**(44)**	**131**	**(6)**	**50**	**5,827**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

In both 2014 and 2013, the Group sold trade receivables under three agreements requiring derecognition under IFRS. The terms and conditions of these agreements are presented in Note 23, “Interest-bearing financial liabilities”.

Under the agreement with General Electric Capital Corp. regarding CFM Inc., the Group retains a continuing involvement in the form of a guarantee deposit pledged to protect the purchaser against the risks associated with the receivables sold. The carrying amount of this guarantee deposit at December 31, 2014 was USD 8.9 million compared to USD 6.9 million at December 31, 2013 (amounts based on a 50% interest).

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, 2013									
Trade receivables	4,195	3,785	122	95	67	54	49	387	23
At December 31, 2014									
Trade receivables	5,072	4,609	160	108	75	50	69	462	1

Note 17 · Cash and cash equivalents

Cash and cash equivalents break down as follows at December 31, 2014:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Money-market funds	10	22
Short-term investments	1,089	795
Sight deposits	448	816
TOTAL	**1,547**	**1,633**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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, 2013	**1,547**
Movements during the period	46
Changes in scope of consolidation	17
Foreign exchange differences	24
At December 31, 2014	**1,633**

Note 18 · Summary of financial assets

The table below presents the carrying amount of the Group's financial assets at December 31, 2013 and December 31, 2014:

	Carrying amount				
	At amortized cost		At fair value		Total
At December 31, 2013* *(in € millions)*	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				296	296
Non-current derivatives (positive fair value)			-		-
Other non-current financial assets	74				74
Sub-total non-current financial assets	**74**	**-**	**-**	**296**	**370**
Other current financial assets	195				195
Current derivatives (positive fair value)			864		864
Trade receivables	4,195				4,195
Current operating accounts and other receivables	58				58
Cash and cash equivalents	1,537		10		1,547
Sub-total current financial assets	**5,985**	**-**	**874**	**-**	**6,859**
TOTAL FINANCIAL ASSETS	**6,059**	**-**	**874**	**296**	**7,229**

(*) *The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).*

	Carrying amount				
	At amortized cost		At fair value		Total
At December 31, 2014 *(in € millions)*	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**

The Group did not reclassify any financial assets between the amortized cost and fair value categories in 2013 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, 2013 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments*	52	-	-	52
Derivatives (positive fair value)	-	864	-	864
Cash and cash equivalents	10	-	-	10
TOTAL	**62**	**864**	**-**	**926**

(*) Excluding investments at cost.

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.

In 2013 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, 2013 *(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)	864	-	864	179	685

(1) See Note 27.

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.

The tables above show the financial assets for which an offsetting agreement exists with respect to financial liabilities.

At both December 31, 2014 and December 31, 2013, 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, 2014, 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, 2013

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights*
Private investors	261,687,728	62.75%	267,697,671	51.90%
French State	93,440,227	22.41%	132,440,227	25.68%
Current and former employee shareholders	61,320,526	14.70%	115,672,870	22.42%
Treasury shares	581,104	0.14%	-	-
TOTAL	**417,029,585**	**100.00%**	**515,810,768**	**100.00%**

(*) Exercisable voting rights.

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.

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights.

The 603,327 treasury shares have no voting rights.

On March 27, 2013, the French State finalized the sale of a 3.12% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. On November 15, 2013, the French State carried out a similar operation on 4.7% of Safran's share capital. At December 31, 2013, the French State held 22.41% of Safran's share capital.

Following these two transactions, the Group's current and former employees (in 13 countries) subscribed to 1.7 million Safran shares offered for sale by the French State in the second half of 2014 (pursuant to Article 11 of the 1986 Privatization Act (No. 86-912) of August 6, 1986, at a price of €41.58. The French State's interest in Safran following these two transactions stood at 21.99%.

The IFRS 2 share-based payment expense for the discount granted to employees amounts to €3.5 million (recognized in personnel costs).

To coincide with the French State's share offer, the Group set up two share purchase schemes, one of which included a matching employer contribution. An expense of €6.7 million was booked in respect of this contribution.

Treasury shares

Since December 31, 2013, the number of treasury shares has increased following the Group's net purchase of 22,223 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 May 27, 2014.

Pursuant to these authorizations and the liquidity agreement, in 2014 the Company purchased 1,690,322 shares for €83 million, and sold 1,668,099 shares for €82 million.

At December 31, 2014, 84,723 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, 2013*	**5,249**
Appropriation of 2013 profit	1,386
Payment of the outstanding dividend for 2013	(267)
Payment of the 2014 interim dividend	(233)
Change in translation adjustment and net investment hedges	267
Current taxes on net investment hedges recognized in equity	30
Change in actuarial gains and losses on post-employment benefits	(113)
Deferred taxes on changes in actuarial gains and losses recognized in equity	34
Delivery and sale of treasury shares	(1)
Available-for-sale financial assets	21
Other	6
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT PRIOR TO PROFIT (LOSS) AT DECEMBER 31, 2014	**6,379**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

d) Dividend distribution

A dividend payout of €1.12 per share was approved in respect of 2013 and partially paid in that year in the form of an interim dividend of €0.48 per share, representing a total of €200 million. The remaining €0.64 dividend per share was paid in first-half 2014, representing a total of €267 million.

The Board of Directors' meeting of December 17, 2014 approved payment of an interim dividend of €0.56 per share in respect of 2014, representing a payout of €233 million.

At the Shareholders' Meeting to be called on April 23, 2015 in order to approve the financial statements for the year ended December 31, 2014, the Board of Directors will recommend payment of a dividend of €1.20 per share in respect of 2014, representing a total payout of €500 million (before deducting the interim dividend paid). Taking account of the interim dividend already paid, the amount still to be distributed totals €267 million.

Note 20 · Provisions

Provisions break down as follows:

(in € millions)	Dec. 31, 2013*	Additions	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus	Changes in scope of consolidation	Other	Dec. 31, 2014
Performance warranties	700	268	(154)	-	(72)	10	13	765
Financial guarantees	26	10	-	-	(16)	-	4	24
Services to be rendered	523	468	(257)	-	(10)	-	10	734
Post-employment benefits	790	80	(75)	(1)	-	5	119	918
Sales agreements and long-term receivables	156	58	(31)	-	(22)	1	11	173
Provisions for losses on completion and losses arising on delivery commitments	474	172	(88)	(77)	(66)	-	(11)	404
Disputes and litigation	34	10	(7)	-	(6)	-	-	31
Other[1]	255	106	(71)	-	(14)	2	2	280
TOTAL	**2,958**	**1,172**	**(683)**	**(78)**	**(206)**	**18**	**148**	**3,329**
Non-current	**1,738**							**1,870**
Current	**1,220**							**1,459**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which a provision of €79 million (December 31, 2013: €85 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).

(in € millions)	2014
Net amount recognized in profit from operations[1]	94
Net amount recognized in financial income (loss)	111
TOTAL NET AMOUNT RECOGNIZED	**205**

(1) Including €76 million recognized in recurring operating items (see Note 6).

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.

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, 2014, around 175 claimants were still in active service and the last retirement is planned for 2015.

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 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 87% and 13%, 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, 2013*	Dec. 31, 2014	France	United Kingdom	Rest of the world
Gross obligation	1,232	1,460	701	578	181
Fair value of plan assets	442	542	11	428	103
Provision recognized in the accounts*	**790**	**918**	**690**	**150**	**78**
• *Defined benefit pension plans*	*220*	*275*	*63*	*150*	*62*
• *Retirement termination benefits*	*531*	*601*	*587*	*-*	*14*
• *Long-service bonuses and other employee benefits*	*39*	*42*	*40*	*-*	*2*
Recognized net plan assets	**-**	**-**	**-**	**-**	**-**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,232	1,460	817	601	42
Fair value of plan assets	442	542	542	-	-
Provision recognized in the accounts	**790**	**918**	**275**	**601**	**42**
Recognized net plan assets	**-**	**-**	**-**	**-**	**-**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The €228 million increase in the Group's gross obligation chiefly results from a change in the actuarial assumptions used to measure post-employment benefits (decrease of 1.25 points in the discount rate for the eurozone, and decrease of 1.00 points for the UK).

The cost of the Group's pension obligations in 2013 and 2014 can be analyzed as follows:

(in € millions)	2013*	2014
Current service cost	(40)	(47)
Actuarial gains and losses (on other long-term benefits)	-	(3)
Change in retirement plans (implementation, curtailment and settlement)	(39)	2
Plan administration costs	(1)	(1)
Total operating component of the pension expense	**(80)**	**(49)**
Interest cost on the net benefit obligation	(24)	(25)
Total financing component of the pension expense	**(24)**	**(25)**
TOTAL	**(104)**	**(74)**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The Group expects to pay a total of €37 million into its defined benefit pension plans in 2015.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	Dec. 31, 2013	3.00%	4.50%
	Dec. 31, 2014	**1.75%**	**3.50%**
Inflation rate	Dec. 31, 2013	2.00%	3.35%
	Dec. 31, 2014	**1.75%**	**3.20%**
Rate of annuity increases	Dec. 31, 2013	2.00%	3.20%
	Dec. 31, 2014	**1.75%**	**3.20%**
Rate of future salary increases	Dec. 31, 2013	1.50%-5.00%	N/A
	Dec. 31, 2014	**1.12%-5.00%**	**N/A**
Retirement age	Dec. 31, 2013	Managerial: 64/65 years	
		Non-managerial: 62/65 years	65 years
	Dec. 31, 2014	**Managerial: 64/65 years**	
		Non-managerial: 62/65 years	**65 years**

The discount rates are determined by reference to the yield on investment-grade bonds (AA), using the Iboxx index for the Group's two main regions (eurozone and UK).

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, 2014:

(in € millions)

Sensitivity (basis points)	-0.50%	+0.50%
Discount rate	112	(97)
Inflation rate	(43)	50
Rate of future salary increases	(46)	54

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)	2013	2014	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
GROSS BENEFIT OBLIGATION AT BEGINNING OF YEAR	**1,135**	**1,232**	**663**	**531**	**38**
A. Pension expense					
Current service cost	40	47	16	27	4
Actuarial gains and losses (on other long-term benefits)	-	3	-	-	3
Change in retirement plans (implementation, curtailment and settlement)	39	(2)	-	(1)	(1)
Interest cost	41	45	28	16	1
Total expense recognized in the income statement	**120**	**93**	**44**	**42**	**7**
B. Actuarial gains and losses arising in the year on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	3	7	(1)	8	-
Actuarial gains and losses resulting from changes in financial assumptions	36	143	92	51	-
Experience adjustments	1	(2)	(19)	17	-
Total remeasurement recognized in other comprehensive income for the year	**40**	**148**	**72**	**76**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Benefits paid	(63)	(72)	(21)	(48)	(3)
Changes in scope of consolidation	-	18	18	-	-
Other movements	9	-	-	-	-
Foreign exchange differences	(12)	38	38	-	-
Reclassification to liabilities held for sale	-	-	-	-	-
Total other items	**(63)**	**(13)**	**38**	**(48)**	**(3)**
GROSS BENEFIT OBLIGATION AT END OF YEAR	**1,232**	**1,460**	**817**	**601**	**42**
Average weighted term of pension plans	14	14	17	11	8

Change in fair value of plan assets

(in € millions)	Dec. 31, 2013	Dec. 31, 2014	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF YEAR	**404**	**442**	**442**	**-**	**-**
A. Income					
Interest income on plan assets	17	20	20	-	-
Plan administration costs	(1)	(1)	(1)	-	-
Total income recognized in the income statement	**16**	**19**	**19**	**-**	**-**
B. Actuarial gains and losses arising in the year on post-employment plans					
Return on plan assets (excluding interest income component)	19	35	35	-	-
Total remeasurement recognized in other comprehensive income for the year	**19**	**35**	**35**	**-**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Employer contributions	28	20	20	-	-
Benefits paid	(18)	(21)	(21)	-	-
Changes in scope of consolidation	-	13	13	-	-
Other movements	-	2	2	-	-
Foreign exchange differences	(10)	29	29	-	-
Reclassification to assets held for sale	-	-	-	-	-
Total other items	**3**	**46**	**46**	**-**	**-**
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**442**	**542**	**542**	**-**	**-**

d) Asset allocation

	United Kingdom % allocation at		Other European countries % allocation at	
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014
Shares	36.13%	35.17%	15.41%	16.57%
Bonds and debt instruments	26.59%	28.27%	66.04%	64.89%
Property	6.68%	6.77%	8.39%	10.09%
Mutual funds (OPCVM) and diversified funds	25.59%	20.62%	0.00%	0.00%
Cash and cash equivalents	0.96%	0.65%	1.68%	2.02%
Other	4.05%	8.52%	8.48%	6.43%

An active market price exists for all plan assets except property.

In the UK, 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 UK 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 2014 in respect of defined contribution plans amounts to €352 million (€331 million in 2013, amount restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements).

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.

f) Individual training entitlement

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and with the industry-wide agreement of July 20, 2004, the Group's French companies grant their employees the right to individual training. Employees are entitled to at least 20 training hours per calendar year, which can be carried forward and accumulated up to a maximum total of 120 hours.

Pursuant to Act No. 2014-288 of March 5, 2014, this scheme will be replaced as of January 1, 2015 by an individual training account; the hours vested under the individual training entitlement but not used at December 31, 2014 will be carried over to the new account.

Note 22 · Borrowings subject to specific conditions

This caption mainly includes repayable advances granted by the French State.

Movements in this caption break down as follows:

(in € millions)

At December 31, 2013	**670**
New advances received	46
Advances repaid	(43)
Cost of borrowings and discounting	32
Foreign exchange differences	-
Adjustments to the probability of repayment of advances	8
At December 31, 2014	**713**

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, 2013*	Dec. 31, 2014
Bond issue	-	214
Senior unsecured notes in USD	832	999
Finance lease liabilities	104	143
Other long-term borrowings	355	302
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**1,291**	**1,658**
Bonds	753	-
Finance lease liabilities	15	19
Other long-term borrowings	343	347
Accrued interest not yet due	11	12
Current interest-bearing financial liabilities, long-term at inception	**1,122**	**378**
Commercial paper	250	946
Short-term bank facilities and equivalent	73	183
Current interest-bearing financial liabilities, short-term at inception	**323**	**1,129**
Total current interest-bearing financial liabilities (less than 1 year)	**1,445**	**1,507**
TOTAL INTEREST-BEARING FINANCIAL LIABILITIES	**2,736**	**3,165**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2013	**2,736**
Increase in borrowings(1)	271
Accrued interest	1
Decrease in borrowings	(850)
Change in short-term borrowings	809
Changes in scope of consolidation	5
Foreign exchange differences	126
Reclassifications and other	67
At December 31, 2014	**3,165**

(1) Including €61 million in finance lease liabilities.

Analysis by maturity:

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Maturing in:		
1 year or less	1,445	1,507
More than 1 year and less than 5 years	338	469
Beyond 5 years	953	1,189
TOTAL	**2,736**	**3,165**

Analysis by currency:

	Dec. 31, 2013		Dec. 31, 2014	
(in millions of currency units)	Currency	EUR	Currency	EUR
EUR	1,873	1,873	2,001	2,001
USD	1,184	860	1,386	1,142
Other	N/A	3	N/A	22
TOTAL		**2,736**		**3,165**

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

	Total		Non-current				Current			
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013		Dec. 31, 2014		Dec. 31, 2013		Dec. 31, 2014	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,680	1,320	893	4.28%	1,264	4.06%	787	3.93%	56	1.35%
Floating rate	1,056	1,845	398	1.21%	394	1.25%	658	0.91%	1,451	0.64%
TOTAL	**2,736**	**3,165**	**1,291**	**3.33%**	**1,658**	**3.39%**	**1,445**	**2.56%**	**1,507**	**0.67%**

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

	Total		Non-current				Current			
	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013		Dec. 31, 2014		Dec. 31, 2013		Dec. 31, 2014	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	959	235	172	3.99%	179	3.92%	787	3.27%	56	1.35%
Floating rate	1,777	2,930	1,119	1.90%	1,479	1.88%	658	0.91%	1,451	0.64%
TOTAL	**2,736**	**3,165**	**1,291**	**2.18%**	**1,658**	**2.10%**	**1,445**	**2.19%**	**1,507**	**0.67%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Cash and cash equivalents (A)	1,547	1,633
Interest-bearing financial liabilities (B)	2,736	3,165
Fair value of interest rate derivatives hedging borrowings (C)	(31)	29
TOTAL (A)-(B)+(C)	**(1,220)**	**(1,503)**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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 €118 million on the Group's net debt at December 31, 2014.

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Net debt	(1,220)	(1,503)
Total equity	6,813	6,478
GEARING RATIO	**17.91%**	**23.20%**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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).

  The entire issue has been maintained in US dollars.

  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 2.42% in 2014 after taking account of interest rate derivatives.
- Safran's €750 million five-year bonds issued to French investors on November 26, 2009 were redeemed in full at maturity (November 26, 2014).
- 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 1.60% in 2014 after taking account of interest rate derivatives.
- European Investment Bank (EIB) borrowings: €225 million (€263 million at December 31, 2013). 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: €417 million (€418 million at December 31, 2013).

  The maximum maturity is five years and the amount falling due within one year is €306 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 1.87% for 2014 and 1.62% for 2013.

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

Main short-term borrowings

- Commercial paper: €946 million (€250 million at December 31, 2013).

  This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.
- Financial current accounts with subsidiaries: €126 million (€31 million at December 31, 2013). 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, 2014 and December 31, 2013 does not include the following three assigned trade receivables without recourse:

- CFM Inc.:
  - confirmed 24-month facility for USD 200 million (automatically renewable for further 12-month periods at the end of the first 24 months), granted in October 2009 by General Electric Capital Corp. and renewed under the same terms in October 2013 for a maximum period of four years. A total of USD 160 million (USD 80 million at 50%) had been drawn on this facility at December 31, 2014, versus USD 124 million (USD 62 million at 50%) at December 31, 2013,
  - confirmed 364-day facility for USD 1,650 million, renewed in December 2014 by a syndicate of ten banks led by Royal Bank of Scotland (USD 1,000 million at December 31, 2013), on which USD 1,126 million (USD 563 million at 50%) had been drawn at December 31, 2014, versus USD 998 million (USD 499 million at 50%) at December 31, 2013;
- CFM SA:
  - confirmed USD facility for an equivalent amount of €110 million initially granted in July 2010 by Medio Credito (Intesa San Paolo group). A total of USD 70 million (USD 35 million at 50%) had been drawn on this facility at December 31, 2014, versus USD 55 million (USD 27.5 million at 50%) at December 31, 2013.

Note 24 · Trade and other payables

(in € millions)	Dec. 31, 2013*	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2014
Operating payables	**7,713**	**682**	**126**	**60**	**(25)**	**8,556**
Credit balances on trade receivables	1,124	382	1	-	(5)	1,502
Advance payments from customers	3,316	(158)	57	4	-	3,219
Trade payables	2,112	363	40	49	(18)	2,546
Current operating account	8	(27)	24	-	(1)	4
Employee-related liabilities	1,153	122	4	7	(1)	1,285
Other liabilities	**955**	**99**	**8**	**14**	**6**	**1,082**
State, other taxes and duties	180	23	1	1	-	205
Deferred income	610	76	4	9	-	699
Other	165	-	3	4	6	178
TOTAL	**8,668**	**781**	**134**	**74**	**(19)**	**9,638**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Trade payables carry no interest and fall due in less than one year.

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	8,556	8,092	464
Other liabilities	1,082	843	239
TOTAL	**9,638**	**8,935**	**703**

Note 25 · Other current and non-current financial liabilities

(in € millions)	Dec. 31, 2013*	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2014
Payables on purchases of property, plant and equipment and intangible assets	162	12	-	1	13	188
Payables on purchases of investments	42	(4)	-	-	-	38
TOTAL	**204**	**8**	**-**	**1**	**13**	**226**
Non-current	**140**					**101**
Current	**64**					**125**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Note 26 · Summary of financial liabilities

The table below presents the carrying amount of the Group's financial liabilities at December 31, 2013 and December 31, 2014:

AT DECEMBER 31, 2013*

	Carrying amount		
(in € millions)	Financial liabilities at amortized cost(1)	Financial liabilities at fair value	Total
Borrowings subject to specific conditions	670		670
Non-current interest-bearing financial liabilities	1,291		1,291
Current interest-bearing financial liabilities	1,445		1,445
Trade payables	2,112		2,112
Payables on purchases of investments	42	-	42
Payables on purchases of property, plant and equipment and intangible assets	162		162
Current operating accounts	8		8
Non-current derivatives (negative fair value)		36	36
Current derivatives (negative fair value)		150	150
TOTAL FINANCIAL LIABILITIES	**5,730**	**186**	**5,916**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Including financial liabilities hedged by fair value hedge instruments.

AT DECEMBER 31, 2014

	Carrying amount		
(in € millions)	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 hedge 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, 2014 and December 31, 2013, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

	2013		2014	
(in € millions)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Borrowings subject to specific conditions	670	N/A	713	N/A
Interest-bearing financial liabilities(1)	2,736	2,772	3,165	3,184

(1) This fair value measurement relates to Level 2 in the fair value hierarchy (see Note 18).

Safran uses the fair value hierarchy described in Note 18 to determine the classification of financial liabilities at fair value.

The Group's financial liabilities carried at fair value at December 31, 2013 are shown below:

(in € millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives (negative fair value)	-	186	-	186
TOTAL	**-**	**186**	**-**	**186**

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**

In 2014 and 2013, 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, 2013

(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)	186	-	186	179	7

(1) See Note 27.

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.

The tables above show the financial liabilities for which an offsetting agreement exists with respect to financial assets.

At both December 31, 2014 and December 31, 2013, 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, equity risk, counterparty risk and liquidity risk.

The carrying amount of derivatives used to manage market risks is shown below:

	Dec. 31, 2013		Dec. 31, 2014	
(in € millions)	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	**10**	**(41)**	**29**	**-**
Floating-for-fixed interest rate swaps	-	(5)	-	-
Fixed-for-floating interest rate swaps	10	(36)	29	-
Foreign currency risk management	**852**	**(134)**	**375**	**(1,616)**
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	652	(56)	163	(364)
Currency option contracts	200	(78)	212	(1,252)
Commodity risk management	**2**	**(11)**	**2**	**(20)**
Forward purchases of commodities	2	(11)	2	(20)
TOTAL	**864**	**(186)**	**406**	**(1,636)**

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 7.0 billion for 2014.

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, 2013				Dec. 31, 2014			
(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	**596**				**(201)**			
Short USD position	620	12,348	8,317	4,031	(307)	9,036	7,054	1,982
Of which against EUR	*593*	*11,855*	*8,091*	*3,764*	*(306)*	*8,457*	*6,675*	*1,782*
Long USD position	(31)	(2,808)	(2,631)	(177)	70	(917)	(667)	(250)
Of which against EUR	*(31)*	*(2,808)*	*(2,631)*	*(177)*	*48*	*(497)*	*(297)*	*(200)*
Short CAD position against CHF	4	6	6	-	3	36	36	-
Short GBP position against EUR	1	75	75	-	48	550	200	350
Long CAD position against EUR	-	-	-	-	27	240	-	240
Long EUR position against CHF	(3)	(56)	(32)	(24)	1	(11)	(11)	-
Long EUR position against SGD	-	-	-	-	(18)	(280)	(280)	-
Long PLN position against EUR	1	(210)	(70)	(140)	1	(255)	(85)	(170)
Long MXN position against USD	4	(5,040)	(1,540)	(3,500)	(26)	(6,900)	(2,300)	(4,600)
Currency option contracts	**122**				**(1,040)**			
USD put purchased	82	8,000	7,900	100	179	12,400	5,900	6,500
USD put sold	(3)	(400)	(400)	-	15	(1,800)	(1,800)	-
USD call sold	(75)	18,083	15,583	2,500	(1,001)	28,350	12,350	16,000
USD call purchased	2	(1,983)	(1,983)	-	6	(3,600)	(3,600)	-
EUR put purchased	1	45	45	-	3	280	280	-
EUR call sold	-	90	90	-	(3)	560	560	-
Accumulators – sell USD[(2)]	110	5,299	4,181	1,118	(198)	6,434	6,434	-
Accumulators – buy USD[(2)]	-	(751)	(751)	-	(41)	(503)	(503)	-
Accumulators – sell CAD[(2)]	5	73	73	-	-	-	-	-
TOTAL	**718**				**(1,241)**			

(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 €1,959 million decrease in the fair value of foreign currency derivatives between December 31, 2013 and December 31, 2014 reflects a decrease of €1,923 million in the fair value of currency hedging instruments not yet settled at December 31, 2014 and premiums received (negative impact of €36 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 €1,923 million decrease in the fair value of derivatives not yet settled at the end of the reporting period has been recognized in "Financial income (loss)": a loss of €1,922 million was recognized in "Gain or loss on foreign currency hedging instruments" for derivatives hedging revenue net of future purchases; a loss of €31 million was recognized in "Foreign exchange gains and losses" for derivatives hedging balance sheet positions; and a gain of €30 million was recognized in the same caption for premiums matured during the year.

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 of section 2.1 of the 2014 Registration Document).

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, 2013	Dec. 31, 2014
Total assets excluding derivatives	1,527	1,655
Total liabilities excluding derivatives	(2,215)	(2,582)
Derivatives hedging balance sheet positions[1]	(369)	(334)
NET EXPOSURE AFTER THE IMPACT OF DERIVATIVES HEDGING BALANCE SHEET POSITIONS	**(1,057)**	**(1,261)**

(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 exposure, Safran has EUR/USD currency derivatives hedging revenue net of future purchases. These had a negative fair value of USD 1,571 million, compared to a total negative fair value of USD 1,576 million for EUR/USD currency derivatives at December 31, 2014 (positive fair value of USD 890 million and USD 916 million, respectively, at December 31, 2013).

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, 2013 USD		Dec. 31, 2014 USD	
Closing rate	1.38		1.21	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.31	1.45	1.15	1.27
Impact recognized through profit or loss (before tax)	(377)	274	(1,232)	1,058
Impact recognized through equity (before tax)	(44)	40	(53)	48

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

The €750 million bond issue, which was not hedged at fair value, was redeemed in full in November 2014.

In 2014, an interest rate swap was taken out to convert the fixed rate payable on the new €200 million bond issue maturing in April 2024 to a floating rate.

	Dec. 31, 2013					Dec. 31, 2014				
(in € millions)	Fair value	Notional amount *(€)*	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount *(€)*	Less than 1 year	1 to 5 years	More than 5 years
Interest rate swaps										
Fixed-for-floating	10	500	500	-	-	14	200	-	-	200
Floating-for-fixed	(5)	500	500	-	-	-	-	-	-	-
TOTAL	**5**					**14**				

For the new €200 million bond issue, 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, 2013	Dec. 31, 2014
Change in fair value of hedging instrument	-	14
Change in fair value of hedged item	-	(14)
IMPACT OF FAIR VALUE INTEREST RATE HEDGES ON PROFIT	**-**	**-**

Exposure to euro interest rate risk before and after hedging:

Dec. 31, 2013* *(in € millions)*	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	775	642	60	396	835	1,038
Other financial assets	-	99	1	73	1	172
Cash and cash equivalents	124	1,123			124	1,123
Net exposure before hedging	**651**	**(580)**	**59**	**323**	**710**	**(257)**
Derivatives[(1)]	-	-	-	-	-	-
Net exposure after hedging	**651**	**(580)**	**59**	**323**	**710**	**(257)**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).
(1) Notional amount.

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.

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 been maintained in US dollars and 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, 2013					Dec. 31, 2014				
(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 – fair value hedge	(36)	1,045	-	-	1,045	15	1,045	-	-	1,045
Floating-for-fixed – fair value hedge	-	-	-	-	-	-	-	-	-	-
TOTAL	**(36)**					**15**				

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, 2013	Dec. 31, 2014
Change in fair value of hedging instrument	(76)	51
Change in fair value of hedged item	75	(51)
IMPACT OF FAIR VALUE INTEREST RATE HEDGES ON PROFIT	**(1)**	**-**

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2013*	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	13	24	1,147	-	1,160	24
Other financial assets	39	75	-	2	39	77
Cash and cash equivalents	55	261	-	-	55	261
Net exposure before hedging	**(81)**	**(312)**	**1,147**	**(2)**	**1,066**	**(314)**
Derivatives[(1)]	-	-	(1,045)	1,045	(1,045)	1,045
Net exposure after hedging	**(81)**	**(312)**	**102**	**1,043**	**21**	**731**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Notional amount.

Dec. 31, 2014	Current		Non-current		Total	
(in USD millions)	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.

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, 2013**	**Dec. 31, 2014**
Interest rate assumptions used	+1%	+1%
Impact on profit or loss (before tax)	(2)	(13)
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, 2014 represented 3,038 tons of nickel (3,671 tons at December 31, 2013), including contracts for 1,059 tons maturing in less than one year (975 tons at end-2013) and 1,979 tons in one to five years (2,696 tons at end-2013).

The notional amount of platinum forward purchase contracts at December 31, 2014 represented 4,257 ounces (5,808 ounces at December 31, 2013), including contracts for 2,073 ounces maturing in less than one year (1,692 ounces at end-2013) and 2,184 ounces in one to five years (4,116 ounces at end-2013).

The notional amount of oil forward purchase contracts at December 31, 2014 represented 1,085,000 barrels (718,000 at December 31, 2013), including contracts for 186,000 barrels maturing in less than one year (67,000 barrels at end-2013) and 899,000 barrels in one to five years (651,000 barrels at end-2013).

These instruments had a negative fair value of €18 million at December 31, 2014. 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 Embraer and Myriad shares, which are the only listed securities that it holds.

A 5% decrease in the price of these shares would have a net negative pre-tax impact of €3 million on equity at end-2014 and end-2013.

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 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 some of the Group's liquidity lines have not been drawn, Safran is relatively insensitive to liquidity risk.

A number of financial covenants apply to the EIB borrowings set up in 2010 (see Note 23).

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

Undrawn confirmed liquidity facilities at December 31, 2014 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million maturing in December 2015 and October 2016, respectively. These two lines have to maintain a net debt to EBITDA ratio of less than 2.5, in accordance with the stipulated covenant.

This covenant also applies to the senior unsecured notes issued on the US private placement market (see Note 23).

The terms "net debt", "EBITDA" and "total equity" used in connection with the EIB borrowings, senior unsecured notes issued on the US private placement market and syndicated credit lines 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;
- Regulus: aerospace propulsion;
- Propulsion Technologies International: engine repair and maintenance.

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, 2013*	Dec. 31, 2014
Current assets	132	142
Non-current assets	140	155
Current liabilities	199	199
Non-current liabilities	4	5
Operating income	75	92
Operating expenses	(61)	(68)
Financial income (loss)	(1)	(2)
Income tax expense	(14)	(2)
Profit (loss) for the period	(1)	21
Cash flows from operating activities(1)	16	40
Cash flows used in investing activities	(1)	(3)
Cash flows used in financing activities(1)	(11)	(8)

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) See Note 23 discussing trade receivable assignment 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 2013 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, 2013***	**Dec. 31, 2014**
Sales to related parties other than joint ventures	3,406	3,665
Purchases from related parties other than joint ventures	(135)	(139)

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Amounts receivable from related parties other than joint ventures	1,614	1,865
Amounts payable to related parties other than joint ventures	1,626	1,470

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Guarantees granted to related parties other than joint ventures (off-balance sheet commitments)(1)	1,456	1,815

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) See Note 30.a.

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, 2013***	**Dec. 31, 2014**
Sales to joint ventures	84	175
Purchases from joint ventures	(35)	(76)

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Amounts receivable from joint ventures	15	51
Amounts payable to joint ventures	66	247

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Guarantees granted to joint ventures (off-balance sheet commitments)(1)	-	-

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) See Note 14.

Management compensation

(in € millions)	**Dec. 31, 2013**	**Dec. 31, 2014**
Short-term benefits(1)	9.7	9.3
Post-employment benefits	10.0	1.6
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-

(1) Compensation, social security contributions, attendance fees and benefit payments.

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.

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.

The Group's total post-employment commitments in respect of management executives amounted to €13.7 million at December 31, 2014 and €11.4 million at December 31, 2013.

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, 2013*	Dec. 31, 2014
Purchase commitments on intangible assets	333	367
Purchase commitments on property, plant and equipment	312	289
Guarantees given in connection with the performance of operating agreements	2,735	3,275
Operating lease commitments	306	385
Financial guarantees granted on the sale of Group products	52	43
Other commitments given	250	247
TOTAL	**3,988**	**4,606**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

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, 2013*	Dec. 31, 2014	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	306	385	68	210	107
TOTAL	**306**	**385**	**68**	**210**	**107**

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

Financial guarantees granted on the sale of Group products

The Group's gross exposure in respect of these financial guarantees in their transaction currency, shown within commitments given, represents USD 52 million at December 31, 2014 and USD 72 million at December 31, 2013. 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 risk represents USD 35 million at December 31, 2014 (USD 47 million at December 31, 2013), for which a provision is booked in the financial statements (see Note 20).

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 Notes 2.b and 20). 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, certain of these claims may give rise to litigation, the most significant of which is indicated in Note 31.

Commitments received

The Group was granted the following commitments in connection with its operating activities:

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Commitments received from banks on behalf of suppliers	11	16
Completion warranties	33	32
Endorsements and guarantees received	47	52
Other commitments received	3	7
TOTAL	**94**	**107**

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, 2013*	Dec. 31, 2014
Vendor warranties given(1)	11	5

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) Vendor warranties, the amount of which may be fixed or determinable.

Vendor warranties received

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Vendor warranties received(1)	10	38

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) Vendor warranties received at December 31, 2014 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, 2014, 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 assigned trade receivables (see Note 23, "Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit lines (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.
- Following a failure of SME (now Herakles) to comply with a prefectoral order dated June 18, 2009 that resulted in an offense report dated May 4, 2010, the public prosecutor has initiated proceedings against Herakles. The prefectoral order relates to the Toulouse site and required certain documents relating to legislation governing facilities classified for environmental protection (ICPE) to be disclosed and updated within a timeframe that SME was unable to respect. At hearings before the Toulouse Correctional Court on January 28, 2015, the public prosecutor requested that Herakles be ordered to pay a fine of €100,000. Two associations for the protection of the environment filed a civil action claiming a total €8,000 in damages. The court's decision will be handed down on March 25, 2015.

  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 *ordonnance* (order) handed down on May 3, 2012, a legal expert was appointed in order to determine the original cause and impact of the perchlorate-contaminated drinking water supply. The proceedings are ongoing. At this point in time, the urban community of Bordeaux, which owns the water supply source, has not disclosed the amount of its claim. Lyonnaise des Eaux, holder of the concession, has filed for damages of around €1.5 million. A preliminary expert report is planned in the first quarter of 2015.

  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).
- 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 and 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.
- Proceedings were brought against three employees of Sagem SA and Safran, alleging that they had made payments in an attempt to corrupt employees of the Nigerian government. The case against one of the employees was dismissed. In a ruling on September 5, 2012, the Paris Correctional Court acquitted the two other employees but found Sagem SA guilty of corrupting foreign government officials. As a result, Safran

was ordered to pay a fine of €500,000. The Company appealed this decision. In an order dated January 7, 2015, the Paris Court of Appeal acquitted Safran and upheld the acquittal of the two employees. In September 2009, a tax collection notice was issued for €11.7 million further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment was contested in a claim filed by Safran with the tax authorities in 2011. This claim 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. Following the favorable developments in the criminal proceedings discussed above, Safran has decided to file an appeal against this decision with the Versailles Administrative Court of Appeal.

- Safran was investigated by the European Commission's Directorate General for Competition as part of an inquiry into 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 is also being investigated, has filed a claim with Safran under the sale agreement in order to protect its rights in the event that an unfavorable decision against the entity sold is fully or partially covered by the vendor's warranty. On April 2, 2014, the Commission adopted a decision condemning the various parties concerned. Safran was fined €8.5 million and Safran and Silec Cable were ordered to pay a joint and several fine of €0.1 million. Safran decided not to appeal this decision. In view of the provisions previously set aside by Safran, this decision had no impact on its earnings for 2014.

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 against this decision before the Versailles Administrative Court as regards the surplus. In an order dated December 30, 2014, the Court granted Safran's requests.
- 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. The amounts concerned came to BRL 194 million (around €60 million) based on the December 2014 exchange rate, including BRL 166 million in penalties and interest. Although certain decisions of the lower courts have gone against the Company, it is challenging the grounds for the reassessments, based primarily on a legal opinion and on Brazilian Supreme Court case law. No provision has therefore been set aside in this respect.

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

On December 3, 2014, following the decisions from ESA concerning development and production orientations for a new launcher Ariane 6, Safran and Airbus announced the creation of a 50/50 joint arrangement (Airbus Safran Launchers) intended to pool the expertise of both groups in order to boost the competitiveness and secure the long term profitability of the European space launcher business.

The partners decided to structure the operation in two successive phases:

- during the initial phase, the coordination and the management of all the existing civil launchers programs and of some relevant participations have to be contributed quickly to the joint arrangement;
- during the second phase, Safran and Airbus Group intend to integrate within the joint arrangement all the remaining contracts, assets and industrial resources, relating to space launchers and associated propulsion systems.

The MOU signed in December and amended on January 14, 2015 finalized all the phase 1 aspects enabling the joint arrangement to enter its operational phase since January 2015.

This agreement also laid down some key principles enabling both partners to make good progress on phase two. This phase will be initiated and implemented once Ariane 6 development contract has been awarded to the joint arrangement and all legal and financial terms and conditions have been finalized between both partners. The joint venture will be then ready to ensure all design, development, production and commercial activities for civil and military launchers and associated propulsion systems.

Due to the signing of the MOU on December 3, 2014 and progress made on phase 1 aspects on December 31, 2014 assets and liabilities that having to be contributed to the joint arrangement for this phase would fulfill the IFRS 5 criteria to be reclassified as "held for sale" as of December 31, 2014. However, for simplification purposes and lack of materiality of the related assets with regard to the Safran balance sheet, they have not been reclassified on a single line in the December 31, 2014 balance sheet.

Note 33 · List of consolidated companies

		2013		2014	
	Country	Consolidation method	% interest	Consolidation method	% interest
Safran	**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
Shannon Engine Support Ltd	Ireland	EQ*	50.00	EQ	50.00
Snecma Americas 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 Cie 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
Turbomeca Mexico	Mexico	FC	100.00	FC	100.00
Herakles (formerly SME)	France	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) First-time consolidation in 2014.

(2) Merged into Morpho Trak Inc. at December 31, 2014.

(3) Left the Group in 2014.

(4) Acquired in 2014.

(5) Merged into Établissements Vallaroche SA at January 1, 2014.

		2013		2014	
	Country	Consolidation method	% interest	Consolidation method	% interest
Europropulsion SA	France	EQ*	50.00	EQ	50.00
Pyroalliance	France	FC	85.00	FC	85.00
Regulus	France	JO*	40.00	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
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	EQ*	50.00	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 Inc.	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
Labinal de Chihuahua, SA de CV	Mexico	FC	100.00	FC	100.00
Labinal GmbH	Germany	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
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

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) First-time consolidation in 2014.

(2) Merged into Morpho Trak Inc. at December 31, 2014.

(3) Left the Group in 2014.

(4) Acquired in 2014.

(5) Merged into Établissements Vallaroche SA at January 1, 2014.

		2013		2014	
	Country	Consolidation method	% interest	Consolidation method	% interest
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(1)	China	-	-	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	51.00
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*	42.51	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(1)	France	-	-	FC	100.00
Colibrys Schweiz AG(1)	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.	Canada	FC	100.00	FC	100.00
EIMASS, LLC	United Arab Emirates	EQ*	40.00	EQ	40.00
Dictao(4)	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
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

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) First-time consolidation in 2014.

(2) Merged into Morpho Trak Inc. at December 31, 2014.

(3) Left the Group in 2014.

(4) Acquired in 2014.

(5) Merged into Établissements Vallaroche SA at January 1, 2014.

		2013		2014	
	Country	Consolidation method	% interest	Consolidation method	% interest
SecuriMetrics Inc.[(2)]	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 Americas Inc.[(3)]	United States	FC	100.00	-	-
Cassis International Europe[(3)]	France	FC	100.00	-	-
Cassis International Pte Ltd	Singapore	FC	100.00	FC	100.00
Morpho Cards Sdn Bhd	Malaysia	FC	100.00	FC	100.00
Morpho do Brasil S.A.	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 Ltda	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 Cards USA, Inc.	United States	FC	100.00	FC	100.00
Morpho Cards 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 Ltd	India	FC	100.00	FC	100.00
Syscom Corporation Ltd	India	FC	100.00	FC	100.00
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 (HK) Ltd	China	FC	100.00	FC	100.00
Morpho Detection International LLC.	United States	FC	100.00	FC	100.00
Morpho Detection GmbH	Germany	FC	100.00	FC	100.00
Morpho Detection UK Ltd	United Kingdom	FC	100.00	FC	100.00
Quantum Magnetics LLC.	United States	FC	100.00	FC	100.00
Syagen Technology LLC.	United States	FC	100.00	FC	100.00
Ingenico	France	EQ	10.25	EQ	9.60
Holding co. and other					
Établissements Vallaroche	France	FC	100.00	FC	100.00
Labinal Investments LLC.	United States	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
Sagem Mobiles[(5)]	France	FC	100.00	-	-
Soreval	Luxembourg	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(*) The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) First-time consolidation in 2014.

(2) Merged into Morpho Trak Inc. at December 31, 2014.

(3) Left the Group in 2014.

(4) Acquired in 2014.

(5) Merged into Établissements Vallaroche SA at January 1, 2014.

3.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

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, 2014 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, 2014 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.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1 to the consolidated financial statements regarding new IFRS standards, interpretations and amendments that Safran applies as from January 1, 2014, and in particular regarding the change in accounting policies resulting from the application of the new standard IFRS 11 "Joint arrangements", whose impacts on 2013 consolidated financial statements are described in Note 3 to the consolidated financial statements.

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 Note 1.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 18, 2015

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, 2014

PARENT COMPANY INCOME STATEMENT

(in € millions)	Note	2013	2014
Operating income			
Revenue	4.1	388.1	460.6
Operating expense transfers	4.2	6.8	6.0
Reversal of depreciation, amortization and provisions		10.3	6.5
Other income		1.0	1.6
Operating income (1)		**406.2**	**474.7**
Operating expenses			
Cost of goods sold in the period:			
• Raw materials		(1.4)	(1.4)
• Sub-contracting purchases		(1.4)	(2.0)
• Purchases not held in inventory and supplies		(7.6)	(5.2)
• External services		(318.3)	(377.7)
• Taxes and duties other than income tax		(10.7)	(11.2)
Payroll costs:			
• Wages and salaries		(109.9)	(124.9)
• Social security contributions		(71.4)	(75.6)
Charges to depreciation, amortization, provisions and impairment:			
• Charges to depreciation, amortization and impairment of non-current assets		(22.5)	(37.1)
• Charges to provisions for contingencies and losses		(20.4)	(22.2)
Other expenses		(1.2)	(1.6)
Operating expenses (2)		**(564.8)**	**(658.9)**
Loss from operations (1)+(2)		**(158.6)**	**(184.2)**
Financial income		591.2	866.3
Financial expenses		(118.1)	(113.6)
Financial income	**4.3**	**473.1**	**752.7**
Profit from ordinary activities before tax		**314.5**	**568.5**
Non-recurring income		20.3	438.0
Non-recurring expenses		(46.6)	(454.2)
Non-recurring expense	**4.4**	**(26.3)**	**(16.2)**
Statutory employee profit-sharing		-	-
Income tax expense	4.6	49.9	135.6
Movements in provisions set aside to cover income taxes of loss-making subsidiaries		(10.3)	(33.6)
PROFIT FOR THE YEAR		**327.8**	**654.3**

PARENT COMPANY BALANCE SHEET AT DECEMBER 31, 2014

Assets

		Dec. 31, 2013	Dec. 31, 2014		
(in € millions)	Note		Gross carrying amount	Depreciation, amortization and impairment	Net
Intangible assets	**3.1**	**3,330.6**	**3,384.9**	**70.2**	**3,314.7**
• Purchased goodwill		3,268.2	3,268.2	-	3,268.2
• Other intangible assets		62.4	116.7	70.2	46.5
Property, plant and equipment	**3.1**	**75.6**	**176.8**	**76.7**	**100.1**
Financial assets	**3.1**	**6,436.3**	**6,660.4**	**163.4**	**6,497.0**
• Equity investments		5,971.9	6,317.5	86.2	6,231.3
• Other financial assets		464.4	342.9	77.2	265.7
TOTAL NON-CURRENT ASSETS		**9,842.5**	**10,222.1**	**310.3**	**9,911.8**
Payments on account	3.2	5.5	5.2	-	5.2
Trade receivables	3.2	106.8	63.9	0.1	63.8
Other receivables	3.2	326.4	316.7	0.9	315.8
Group current accounts	3.2	1,664.3	2,325.9	-	2,325.9
Marketable securities	3.3	1,107.5	810.2	-	810.2
Cash at bank and in hand	3.3	251.7	553.0	-	553.0
Prepayments	3.5	6.4	9.8	-	9.8
TOTAL CURRENT ASSETS		**3,468.6**	**4,084.7**	**1.0**	**4,083.7**
Redemption premiums	3.6	0.1	0.9	-	0.9
Unrealized foreign exchange losses	3.6	47.6	144.9	-	144.9
TOTAL ASSETS		**13,358.8**	**14,452.6**	**311.3**	**14,141.3**

Equity and liabilities

(in € millions)	Note	Dec. 31, 2013	Dec. 31, 2014
Share capital	3.7	83.4	83.4
Other equity	3.7	5,189.5	5,017.6
Tax-driven provisions	3.7	35.6	50.9
Profit for the year	**3.7**	**327.8**	**654.3**
Total equity		**5,636.3**	**5,806.2**
Provisions for contingencies and losses	3.8	707.2	728.0
Bond issue	3.9	750.0	200.0
USD senior unsecured notes issue	3.9	870.1	988.4
Other loans and borrowings	3.9	945.2	1,626.7
Group current accounts	3.9	3,422.8	3,626.6
Trade payables	3.9	185.4	229.5
Other liabilities	3.9	776.3	837.5
Deferred income	3.11	0.2	9.6
Financial liabilities, operating payables and miscellaneous liabilities		**7,657.2**	**8,246.3**
Unrealized foreign exchange gains	3.12	65.3	88.8
TOTAL EQUITY AND LIABILITIES		**13,358.8**	**14,141.3**

PARENT COMPANY STATEMENT OF CASH FLOWS

(in € millions)		2013	2014
I. Cash flows from operating activities			
Profit for the year		327.8	654.3
Non-cash income and expenses			
Depreciation, amortization, impairment and provisions		73.5	(300.6)
Capital gains and losses on asset disposals		(1.3)	393.1
Net cash from operations before changes in working capital		**400.0**	**746.8**
Net change in current accounts(*)		(49.1)	(457.8)
Net change in other receivables and payables		253.0	90.4
Change in working capital		**203.9**	**(367.4)**
	Total I	**603.9**	**379.4**
II. Cash flow used in investing activities			
Payments for purchases of intangible assets and property, plant and equipment, net of proceeds		(69.3)	(46.1)
Payments for purchases of equity investments and other financial assets, net of proceeds		(320.2)	(79.4)
	Total II	**(389.5)**	**(125.5)**
III. Cash flow used in financing activities			
Dividends paid to shareholders		(270.7)	(266.5)
Interim dividend		(199.9)	(233.2)
Increase in borrowings		-	3.6
Decrease in borrowings		(37.5)	(37.5)
New bond issue		-	200.0
Bond redemption		-	(750.0)
Change in long-term borrowings(**)		(39.4)	118.3
Change in short-term borrowings		(171.3)	715.4
	Total III	**(718.8)**	**(249.9)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III**	**(504.4)**	**4.0**
Opening cash and cash equivalents		1,863.6	1,359.2
Closing cash and cash equivalents		1,359.2	1,363.2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(504.4)**	**4.0**

(*) 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 2014 financial year spans 12 months.

Safran may also be referred to as "the Company" in these notes.

The total balance sheet at December 31, 2014 prior to the appropriation of profit represents €14,141,365,726.37.

Accounting profit for 2014 represents €654,303,872.14.

Note 1 · Activity of the Company and 2014 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 such as France 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 French tax-consolidated subsidiaries, and
  - services within the scope of Shared Services Centres in the following areas: payroll administration and management, recruitment, non-production purchases, IT, and some accounting services.

1.2 2014 highlights

The Company sold its interest in Sagem Mobiles to Établissements Vallaroche, one of its direct subsidiaries.

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, 2014 have been prepared in accordance with the rules and regulations applicable in France pursuant to ANC Regulation 2014-03 issued by the French accounting standards setter on June 5, 2014 and subsequent opinions and recommendations issued by the ANC.

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 the Snecma brand name and on the equity investments 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 (equity investments, brands) 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 (Regulation 2004-06 issued by the Accounting Standards Committee), 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 04-06, 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.

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.

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.

2.7 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 2014, 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;
- REOSC;
- Lexvall 22;
- Lexvall 23;
- Lexvall 24;
- Lexvall 25;
- Messier-Bugatti-Dowty;
- Microturbo;
- Morpho;
- Safran Aéro Composite;
- 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 French 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 French 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, 2013	Acquisitions, contributions, creations, increases	Reclassifications	Sales, spin-offs, decreases	Dec. 31, 2014
Concessions, patents, licenses, software and similar rights	111.4	6.5	0.7	(2.9)	115.7
Purchased goodwill and leasehold rights(1)	3,268.2				3,268.2
Intangible assets in progress	0.6	0.8	(0.6)		0.8
Payments on account		0.2			0.2
Intangible assets	**3,380.2**	**7.5**	**0.1**	**(2.9)**	**3,384.9**
Land	5.5		0.1		5.6
Buildings(2)	46.1	11.7	25.9	(1.5)	82.2
Installations, equipment and tools	4.6	3.1	2.2		9.9
Other property, plant and equipment	50.3	6.5	5.0	(3.2)	58.6
Property, plant and equipment in progress	34.6	17.1	(32.5)		19.2
Payments on account	2.1		(0.8)		1.3
Property, plant and equipment	**143.2**	**38.4**	**(0.1)**	**(4.7)**	**176.8**
Financial investments(3)	6,432.1	291.7		(406.3)	6,317.5
Loans to equity investments(4)	434.7	38.9		(248.0)	225.6
Other long-term investments	71.5	4.9	0.5		76.9
Loans	17.6	6.8			24.4
Other financial assets	17.8	(1.3)	(0.5)		16.0
Financial assets	**6,973.7**	**341.0**	**-**	**(654.3)**	**6,660.4**
TOTAL NON-CURRENT ASSETS	**10,497.1**	**386.9**	**-**	**(661.9)**	**10,222.1**

(1) The merger deficit was allocated "off-the-books" – i.e., without adjusting the carrying amounts of the related assets – to unrealized capital gains on the Snecma brand name in the amount of €56 million and 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).

(2) The increase in this caption reflects buildings that were brought into operation for the Safran Composites business.

(3) The increase in this caption chiefly results from the Safran USA capital increase for €290 million. Decreases reflect the derecognition of shares in Sagem Mobiles for €401 million (see Note 4.4) and in Myriad for €5 million, following their sale.

(4) Decreases result solely from repayments of intragroup loans.

Depreciation and amortization

(in € millions)	Dec. 31, 2013	Additions	Reversals	Dec. 31, 2014
Concessions, licenses, software, rights and equivalent assets	49.6	23.3	(2.7)	70.2
Total intangible assets	**49.6**	**23.3**	**(2.7)**	**70.2**
Land	0.6	0.3	-	0.9
Buildings	32.3	4.5	(1.5)	35.3
Installations, equipment and tools	1.0	1.4	-	2.4
Other property, plant and equipment	33.7	7.5	(3.1)	38.1
Total property, plant and equipment	**67.6**	**13.7**	**(4.6)**	**76.7**

Asset impairment

(in € millions)	Dec. 31, 1013	Additions	Reversals	Dec. 31, 2014
Impairment of financial assets	537.4	27.6	(401.6)	163.4
Impairment of current assets	1.0	-	-	1.0
TOTAL	**538.4**	**27.6**	**(401.6)**	**164.4**

Reversals of impairment recognized against equity investments chiefly concern the Group's investments in Sagem Mobiles (reversal of €391.8 million, see Note 4.4) and in Myriad (reversal of €7.7 million) following their sale.

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					
• Aircelle	Aircraft Equipment	56.7	38.6	88.5	88.5
• Établissements Vallaroche	Holding company	15.6	2.2	100.0	100.0
• Herakles	Propulsion	34.7	100.3	100.0	100.0
• Hispano-Suiza	Aircraft Equipment	36.8	45.2	100.0	100.0
• Labinal Power Systems	Aircraft Equipment	12.5	21.7	96.8	96.8
• Messier-Bugatti-Dowty	Aircraft Equipment	83.7	371.9	100.0	100.0
• Sagem Défense Sécurité	Defense	372.9	82.6	95.5	95.5
• Snecma	Propulsion	154.1	186.8	97.4	97.4
• SnecmaSat	Holding company	0.2	0.0	100.0	100.0
• Turbomeca	Propulsion	38.8	156.3	100.0	100.0
• Technofan	Aircraft Equipment	1.3	11.7	95.2[(4)]	95.2
b) Foreign companies					
• Morpho USA Inc.	Security	0.0[(2)]	1,589.7	97.6	97.6
• Safran Beijing Enterprise Management Co.	Holding company	2.5	1.0	100.0	100.0
• Safran Power UK Ltd	Aircraft Equipment	294.9	6.2	100.0	100.0
• Safran Serviços de Suporte de Programas Aeronauticos[(3)]	Aircraft Equipment	1.2	(0.1)	100.0	100.0
• Safran UK Ltd	Holding company	20.8	1.4	100.0	100.0
• Safran USA Inc.	Holding company	0.0[(2)]	1,862.2	100.0	100.0
• Techspace Aero	Propulsion	54.9	201.6	67.2	67.2
2. Investments (10%- to 50%-owned)					
a) French companies					
• Arianespace Participation[(3)]	Holding company	3.9	12.0	10.6	10.6
• Corse Composites Aéronautiques[(3)]	Aircraft Equipment	1.7	4.1	24.8	24.8
• Eurotradia International[(3)]	Aircraft Equipment	3.0	29.5	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
• Régulus	Propulsion	0.6	12.1	40.0	40.0
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, 2014.
(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, 2013.
(4) Theoretical voting rights.

Carrying amount of investments								
gross	net	Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2014 revenue	2014 profit (loss)	Dividends received by Safran in 2014	Receivables	Liabilities
924.2	924.2		783.6	1025.8	16.4		244.0	35.5
62.8	44.5			-	2.1	62.7	-	13.9
361.4	361.4			480.7	36.7	38.1	7.2	66.2
163.8	163.8		51.3	286.7	31.8	17.3	6.2	50.3
185.6	185.6		399.9	498.7	(17.6)	0.4	86.8	7.5
560.5	560.5		2.1	1,508.7	90.6	93.3	325.4	20.6
595.0	595.0		7.0	1,251.9	271.2	71.2	7.9	244.9
199.4	199.4		59.2	6,509.3	275.5	247.1	15.0	2,444.6
9.3	0.2			-	-		-	0.2
539.0	539.0		1.7	1266.4	36.0	53.8	184.1	15.3
33.7	33.7			83.5	8.3	5.6	0.3	14.1
315.5	315.5			-	20.5	20.4	17.0	0.1
2.5	2.5			14.4	(0.3)		-	-
275.1	275.1			177.4	2.2		-	16.8
1.5	0.9	1.1		3.2	(0.3)		-	-
40.0	22.7			1.9	(0.1)		-	7.0
1,774.3	1,774.3		329.5	7.8	3.6	123.9	9.7	1.9
115.6	115.6			599.1	141.4	17.9	2.4	333.8
40.1	1.4			-	(9.9)			
1.0	1.0			38.3	0.9			
2.1	2.1			41.3	1.7	0.2		
15.0	15.0							
30.0	29.6							
1.0	-							
20.6	20.6			32.3	2.4	1.1		
0.5	0.5					4.1	9.1	7.9
2.7	1.8	7.0					0.1	
0.4	0.4					0.2		

3.2 Receivables

Receivables break down as follows at December 31, 2014:

(in € millions)	Gross carrying amount at Dec. 31, 2014	Less than 1 year	1 to 5 years	More than 5 years
Payments on account made on outstanding orders	5.2	5.2	-	-
Trade receivables	63.9	63.9	-	-
Operating receivables	**69.1**	**69.1**	**-**	**-**
Miscellaneous receivables	316.7	83.6	233.1	-
Group current accounts	2,325.9	2,325.9	-	-
Prepayments	9.8	9.8	-	-
Unrealized foreign exchange losses	144.9	144.9	-	-
Other receivables	**2,797.3**	**2,564.2**	**233.1**	**-**

3.3 Marketable securities, cash at bank and in hand

This caption breaks down as follows:

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Marketable securities	1,107.5	810.2
Cash at bank and in hand	251.7	553.0
TOTAL	**1,359.2**	**1,363.2**

Marketable securities comprise:

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Treasury shares	16.8	18.2
Other securities	1,090.7	792.0
TOTAL	**1,107.5**	**810.2**

Treasury shares

	Dec. 31, 2013	Purchase	Sale	Dec. 31, 2014
Number of shares	581,104	1,690,322	(1,668,099)	603,327*
(in € millions)				
Gross value	16.8	83.0	(81.6)	18.2
Impairment	-			-
Net	16.8			18.2
(*) Including				
• *shares earmarked for employees*				*518,604*
• *shares held under a liquidity agreement*				*84,723*

All sales and purchases of treasury shares in 2014 took place under the liquidity agreement managed by Oddo Corporate Finance.

Other securities

Other securities include short-term (less than three months) 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, 2013	Dec. 31, 2014
Loans to equity investments	7.2	3.3
Trade receivables	11.3	17.8
Other receivables	0.1	0.6
TOTAL	**18.6**	**21.7**

3.5 Prepayments

Prepayments amounted to €9.8 million at December 31, 2014 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 €144.9 million at December 31, 2014.

They primarily result from the translation into euros of foreign currency borrowings, loans and current accounts at the 2014 year-end exchange rate.

Redemption premiums on bonds amounted to €0.9 million at December 31, 2014.

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, 2014, 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, 2013

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights*
Private investors	261,687,728	62.75%	267,697,671	51.90%
French State	93,440,227	22.41%	132,440,227	25.68%
Current and former employee shareholders	61,320,526	14.70%	115,672,870	22.42%
Treasury shares	581,104	0.14%	-	-
TOTAL	**417,029,585**	**100.00%**	**515,810,768**	**100.00%**

(*) *Exercisable voting rights.*

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.*

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights.

The 603,327 treasury shares have no voting rights.

3.7.2 Changes in shareholders' equity

(in € millions)	Dec. 31, 2013	Appropriation of 2013 profit	Increase	Decrease	Dec. 31, 2014
Share capital	83.4	-	-	-	83.4
Additional paid-in capital	3,289.7	-	-	-	3,289.7
Legal reserve	8.3	-	-	-	8.3
Tax-driven reserves	302.0	-	-	-	302.0
Other reserves(1)	1,421.1	-	-	-	1,421.1
Retained earnings	368.3	(138.6)	-	-	229.7
2013 profit	327.8	(327.8)	-	-	-
2014 profit	-	-	654.3	-	654.3
2013 interim dividend	(199.9)	199.9	-	-	-
2014 interim dividend	-	-	-	(233.2)(3)	(233.2)
Investment subsidies	-	-	-	-	-
Tax-driven provisions	35.6	-	25.0	(9.7)	50.9
TOTAL	**5,636.3**	**(266.5)(2)**	**679.3**	**(242.9)**	**5,806.2**

(1) Including €18.2 million in reserves hedging treasury shares held at December 31, 2014.
(2) Outstanding 2013 dividend paid in 2014.
(3) An interim dividend of €0.56 per share was paid on December 23, 2014.

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, 2013	Additions	Reversals		Dec. 31, 2014
			Surplus	Utilized	
Accelerated tax depreciation/amortization	30.7	22.5	-	(9.7)	43.5
Accelerated tax depreciation/amortization (share acquisition fees)	4.9	2.5	-	-	7.4
TOTAL TAX-DRIVEN PROVISIONS	**35.6**	**25.0**	**-**	**(9.7)**	**50.9**

Provisions for contingencies and losses can be analyzed as follows:

(in € millions)	Dec. 31, 2013	Additions	Reversals		Dec. 31, 2014
			Surplus	Utilized	
Foreign exchange losses	24.5	13.3	-	(24.5)	13.3
Litigation	5.1	2.3	-	(1.3)	6.1
Other	0.1	-	-	-	0.1
Contingency provisions	**29.7**	**15.6**	**-**	**(25.8)**	**19.5**
Retirement benefits and similar obligations	27.0	13.8	-	(5.8)	35.0
Income tax - loss-making subsidiaries, under-capitalization	615.6	39.4	-	(5.8)	649.2
Other	34.9	7.8	(2.8)	(15.6)	24.3
Loss provisions	**677.5**	**61.0**	**(2.8)**	**(27.2)**	**708.5**
TOTAL	**707.2**	**76.6**	**(2.8)**	**(53.0)**	**728.0**
Profit (loss) from operations		22.2	-	6.5	
Financial income (expense)		13.3	-	24.5	
Non-recurring income (expense)		41.1	2.8	22.0	
TOTAL		**76.6**	**2.8**	**53.0**	

Employee benefit obligations

The main assumptions used to calculate the Company's employee benefit obligations were as follows:

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Discount rate	3.00%	1.75%
Inflation rate	2.00%	1.75%
Expected return on plan assets	3.00%	1.75%
Rate of future salary increases	1.50%-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, 2013	Dec. 31, 2014	Defined benefit pension plans	Retirement termination benefits
Present value of obligation	87.2	89.9	54.4	35.5
Fair value of plan assets	(2.6)	(5.9)	(5.9)	-
Funding shortfall	**84.6**	**84.0**	**48.5**	**35.5**
Unrecognized actuarial gains and losses and past service costs	(58.2)	(49.8)	(33.6)	(16.2)
Benefit obligations covered by a provision in the balance sheet	**26.4**	**34.2**	**14.9**	**19.3**
Current service cost	3.7	5.4	3.3	2.1
Interest cost	1.2	2.3	1.4	0.9
Amortization of actuarial gains and losses	9.6	5.9	4.5	1.4
Expense	**14.5**	**13.6**	**9.2**	**4.4**
Benefits paid	(4.3)	(5.8)	(4.0)	(1.8)
PROVISION CHARGE/(REVERSAL)	**10.2**	**7.8**	**5.2**	**2.6**

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, 2014, around 15 claimants were still in active service at Safran and the last retirement is planned for 2015.

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 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	200.0	-	-	200.0
USD senior unsecured notes issue	988.4	-	127.7	860.7
Deposits and guarantees received	0.1	-	-	0.1
Other loans and borrowings	1,615.1	1,427.6	150.0	37.5
Accrued interest	11.5	11.5	-	-
Financial liabilities	**2,815.1**	**1,439.1**	**277.7**	**1,098.3**
Group current accounts	3,626.6	3,626.6	-	-
Trade payables	159.3	159.3	-	-
Amounts payable on non-current assets	70.2	26.7	43.5	-
Other liabilities	837.5	596.3	131.0	110.2
Deferred income	9.6	1.5	5.7	2.4
Unrealized foreign exchange gains	88.8	88.8	-	-
Operating payables and miscellaneous liabilities	**4,792.0**	**4,499.2**	**180.2**	**112.6**

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 1.60% in 2014 after taking account of interest rate derivatives.

Safran's €750 million five-year bonds issued to French and international investors on November 26, 2009 were redeemed in full at maturity (November 26, 2014).

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., €988.4 million at the December 31, 2014 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 six-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 2.42% in 2014 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, 2013	Dec. 31, 2014
Other bond issues	11.0	10.0
Miscellaneous loans and borrowings	0.4	0.8
Trade payables	76.3	115.2
Taxes and payroll costs	56.1	65.0
Amounts payable on non-current assets	23.3	27.2
Other liabilities	1.0	6.3
TOTAL	**168.2**	**224.5**

3.11 Deferred income

Deferred income amounted to €9.6 million at December 31, 2014 and chiefly comprised a rent-free period.

3.12 Unrealized foreign exchange gains

Unrealized foreign exchange gains amounted to €88.8 million at December 31, 2014 and primarily resulted from the translation into euros of foreign currency loans and current accounts at the 2014 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	6,167.0	150.3
Loans to equity investments	203.8	21.8
Current assets		
Trade receivables	61.3	0.9
Other receivables	2,103.0	244.1
Liabilities		
Trade payables	20.8	5.9
Amounts payable on non-current assets	-	22.3
Other liabilities	4,022.9	17.3
Income statement items		
Financial expenses	5.4	-
Financial income	791.5	6.3

Note 4 · Notes to the income statement

4.1 Revenue

(in € millions)	2013	2014
General assistance	136.0	151.2
Administrative and financial services	56.4	63.0
R&T services	96.9	116.8
Group projects	2.8	3.9
IT services	79.6	103.2
Seconded employees	13.2	13.6
Real estate income	0.3	2.9
Other	2.9	6.0
TOTAL	**388.1**	**460.6**

4.2 Expense transfers

Expense transfers amounted to €6 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)	2013	2014
Dividends received and other investment income	502.1	758.0
Interest and similar income	64.3	64.5
Impairment of equity investments	1.7	9.7
Other reversals of provisions for financial items	23.1	24.5
Foreign exchange gains	-	9.6
Financial income	**591.2**	**866.3**
Impairment of equity investments	(5.1)	(27.5)
Other charges to provisions for financial items	(24.6)	(13.4)
Interest and similar expenses	(67.9)	(72.7)
Foreign exchange losses	(20.6)	-
Financial expenses	**(118.1)**	**(113.6)**
FINANCIAL INCOME	**473.1**	**752.7**

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)	2013	2014
Change in tax-driven provisions	(20.4)	(15.4)
Income from non-capital transactions	-	2.2
Income from capital transactions	13.1	13.7
Expenses on non-capital transactions	(0.9)	(20.6)
Expenses on capital transactions	(16.9)	(406.8)
Net charges to provisions and expense transfers	(1.2)	410.8
NON-RECURRING EXPENSE	**(26.3)**	**(16.1)**

Non-recurring items for 2014 mainly relate to the sale of shares in Sagem Mobiles to Établissements Vallaroche, representing disposal gains of €9.3 million, a negative gross carrying amount of €401.1 million, and the reversal of impairment for €391.8 million.

4.5 Statutory employee profit-sharing

No employee profit-sharing expenses were recognized in either 2014 or 2013.

4.6 Income tax expense

2014 Group relief

The application of tax consolidation in France led to the recognition of a net tax benefit totaling €151.1 million in the 2014 parent company financial statements (2013: net tax benefit of €62.9 million).

This breaks down as:

- tax income of €113.3 million arising on the payment of tax by consolidated subsidiaries as though they had been taxed on a stand-alone basis;
- tax income of €37.8 million relating to the consolidated tax expense of €152.2 million, offset by €190.0 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 €36.9 million was accrued to this provision in 2014.

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 2013 dividend paid in 2014 amounted to €8.0 million, while the tax payable on the 2014 interim dividend amounted to €7.0 million, representing a total expense of €15.0 million in 2014 (€14.1 million in 2013).

The CICE tax credit amounted to €0.7 million in respect of 2014 and €0.4 million in respect of 2013.

Non-deductible expenses (article 223 *quater* and article 39.4 of the French Tax Code) amounted to €0.1 million in both 2014 and 2013 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, 2013	Dec. 31, 2014
Guarantees given by Safran securing commitments made by its subsidiaries	940.1	1,263.3
Commitments given by Safran to customs authorities on behalf of its subsidiaries	65.7	39.3
Actuarial gains and losses	58.2	49.8
Other commitments	381.2	497.2
TOTAL[(1)]	**1,445.2**	**1,849.6**
(1) Of which related parties	*1,333.0*	*1,635.0*

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, 2013	Dec. 31, 2014
Other commitments received	394.7	424.6
TOTAL	**394.7**	**424.6**

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, 2014 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 and €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 Individual training entitlement

In accordance with French Law 2004-391 of May 4, 2004 governing professional training and pursuant to the industry-wide agreement of July 20, 2004, the Group's French companies grant their employees the right to individual training. Employees are entitled to at least 20 training hours per calendar year, which can be carried forward and accumulated up to a maximum total of 120 hours.

In application of Opinion 2004F of the Urgent Issues Taskforce *(Comité d'urgence)* on the recognition of the individual training entitlement, the Company recognized no obligation in respect of this training entitlement in its 2014 financial statements.

Pursuant to Act No 2014-288 of March 5, 2014, this scheme will be replaced as of January 1, 2015 by an individual training account; the hours vested under the individual training entitlement but not used at December 31, 2014 will be carried over to the new account.

5.1.2 Finance lease liabilities

The Company entered into two real estate finance leases for the Safran University campus and for the Safran Tech site.

		Theoretical charges to depreciation		
(in € millions)	**Value at inception**	**Current period**	**Cumulative**	**Net**
Land	9.0	-	-	9.0
Buildings	82.7	0.9	0.9	81.8
TOTAL	**91.8**	**0.9**	**0.9**	**90.9**

	Lease payments made		Lease payments outstanding			Residual purchase price (as per the lease)
(in € millions)	**Current period**	**Cumulative**	**Less than 1 year**	**1 to 5 years**	**Beyond 5 years**	
Land	-	-	-	-	-	N/M
Buildings	2.7	2.7	7.4	33.9	55.7	-
TOTAL	**2.7**	**2.7**	**7.4**	**33.9**	**55.7**	**-**

5.1.3 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 instruments breaks down as follows:

	Dec. 31, 2013				Dec. 31, 2014			
(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	**596**				**(201)**			
Short USD position	620	12,348	8,317	4,031	(307)	9,036	7,054	1,982
Of which against EUR	*593*	*11,855*	*8,091*	*3,764*	*(306)*	*8,457*	*6,675*	*1,782*
Long USD position	(31)	(2,808)	(2,631)	(177)	70	(917)	(667)	(250)
Of which against EUR	*(31)*	*(2,808)*	*(2,631)*	*(177)*	*48*	*(497)*	*(297)*	*(200)*
Short CAD position against CHF	4	6	6	-	3	36	36	-
Short GBP position against EUR	1	75	75	-	48	550	200	350
Long CAD position against EUR	-	-	-	-	27	240	-	240
Long EUR position against CHF	(3)	(56)	(32)	(24)	1	(11)	(11)	-
Long EUR position against SGD	-	-	-	-	(18)	(280)	(280)	-
Long PLN position against EUR	1	(210)	(70)	(140)	1	(255)	(85)	(170)
Long MXN position against USD	4	(5,040)	(1,540)	(3,500)	(26)	(6,900)	(2,300)	(4,600)
Currency option contracts	**122**				**(1,040)**			
USD put purchased	82	8,000	7,900	100	179	12,400	5,900	6,500
USD put sold	(3)	(400)	(400)	-	15	(1,800)	(1,800)	-
USD call sold	(75)	18,083	15,583	2,500	(1,001)	28,350	12,350	16,000
USD call purchased	2	(1,983)	(1,983)	-	6	(3,600)	(3,600)	-
EUR put purchased	1	45	45	-	3	280	280	-
EUR call sold	-	90	90	-	(3)	560	560	-
Accumulators – sell USD(2)	110	5,299	4,181	1,118	(198)	6,434	6,434	-
Accumulators – buy USD(2)	-	(751)	(751)	-	(41)	(503)	(503)	-
Accumulators – sell CAD(2)	5	73	73	-	-	-	-	-
TOTAL	**718**				**(1,241)**			

(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

The €750 million bond issue, on which the interest rate had been converted to a floating rate and then back to a fixed rate, was redeemed in full in November 2014.

In 2014, an interest rate swap was taken out to convert the fixed rate payable on the new €200 million bond issue maturing in April 2024 to a floating rate.

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.

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, 2014 represented 3,038 tons of nickel (3,671 tons at December 31, 2013), including contracts for 1,059 tons maturing in less than one year (975 tons at end-2013) and 1,979 tons in one to five years (2,696 tons at end-2013).

The notional amount of platinum forward purchase contracts at December 31, 2014 represented 4,257 ounces (5,808 ounces at December 31, 2013), including contracts for 2,073 ounces maturing in less than one year (1,692 ounces at end-2013) and 2,184 ounces in one to five years (4,116 ounces at end-2013).

The notional amount of oil forward purchase contracts at December 31, 2014 represented 1,085,000 barrels (718,000 at December 31, 2013), including contracts for 186,000 barrels maturing in less than one year (67,000 barrels at end-2013) and 899,000 barrels in one to five years (651,000 barrels at end-2013).

These instruments had a negative fair value of €18 million at the year-end.

All gains and losses arising when these instruments are unwound are transferred to the subsidiaries concerned by the exposure.

Liquidity risk management

Since some of the liquidity lines have not been drawn, Safran is relatively insensitive to liquidity risk.

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.

Undrawn confirmed liquidity lines at December 31, 2014 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million maturing in December 2015 and October 2016, respectively. These two lines have to maintain a net debt to EBITDA ratio of less than 2.5, in accordance with the stipulated covenant.

This 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, senior unsecured notes issued on the US private placement market and syndicated credit lines 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.

- Proceedings were brought against three employees of Sagem SA and Safran, alleging that they had made payments in an attempt to corrupt employees of the Nigerian government. The case against one of the employees was dismissed. In a ruling on September 5, 2012, the Paris Correctional Court acquitted the two other employees but found Sagem SA guilty of corrupting foreign government officials. As a result, Safran was ordered to pay a fine of €500,000. The Company appealed this decision. In an order dated January 7, 2015, the Paris Court of Appeal acquitted Safran and upheld the acquittal of the two employees. In September 2009, a tax collection notice was issued for €11.7 million further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment was contested in a claim filed by Safran with the tax authorities in 2011. This claim 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. Following the favorable developments in the criminal proceedings discussed above, Safran has decided to file an appeal against this decision with the Versailles Administrative Court of Appeal.

- Safran is currently being investigated by the European Commission's Directorate General for Competition as part of an inquiry into 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 is also being investigated, has filed a claim with Safran under the sale agreement in order to protect its rights in the event that an unfavorable decision against the entity sold is fully or partially covered by the vendor's warranty. On April 2, 2014, the Commission adopted a decision condemning the various parties concerned. Safran was fined €8.5 million and Safran and Silec Cable were ordered to pay a joint and several fine of €0.1 million. Safran decided not to appeal this decision. In view of the provisions previously set aside by Safran, this decision had no impact on its earnings for 2014.
- 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 surplus. In an order dated December 30, 2014, the Court granted Safran's requests.

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, 2013	Dec. 31, 2014
Engineers and managerial-grade staff	932	1,078
Technicians, administrative personnel and supervisors	279	292
Blue-collar employees	-	-
TOTAL	**1,211**	**1,370**

The rise in headcount reflects the integration of employees in pooled services, along with the growth in R&T activities.

5.4 Management compensation

After the change in corporate governance on April 21, 2011, management executives comprised 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 Company's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Company.

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Short-term benefits(1)	9.7	9.3
Post-employment benefits(2)	0.2	2.4
TOTAL	**9.9**	**11.7**

(1) Compensation, social security contributions, attendance fees and benefit payments, where applicable.

(2) 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).

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.

The Company's total post-employment commitments in respect of management executives amounted to €13.7 million at December 31, 2014 and €11.4 million at December 31, 2013.

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 2014 financial statements totaled €1,661,000, while fees billed for audit-related work came to €358,000.

5.6 Subsequent events

Following the decisions of the European Space Agency (ESA) on the strategy for the development and production of the new Ariane 6 launcher, on December 3, 2014 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. The arrangement would combine the expertise of both Safran and Airbus in a bid to increase competitiveness and guarantee profitability for Europe's space launcher industry.

The operation has been organized in two successive phases:

- in the first phase, the joint arrangement would promptly take over the management of all existing space launcher programs along with certain investments;
- in the second stage, all contracts, assets and industrial resources of the Airbus group and Safran relating to the space launcher business and associated propulsion activities would be transferred to the joint arrangement.

The agreement, signed in December 2014 and amended on January 14, 2015, finalized the conditions for the initial phase of the transaction, aimed at making the joint arrangement operational as of January 2015.

This agreement also set down certain key principles allowing both partners to move towards the second phase. This second stage will be launched and implemented once the Ariane 6 development agreement has been transferred to the joint arrangement and all of the legal and financial conditions have been defined by the partners. Once this objective has been met, the joint arrangement will be ready to launch the design, development, production and marketing of space launchers and the associated propulsion systems for civil and military applications.

3.4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS — Year ended December 31, 2014

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, 2014 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, 2014 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:

- on the basis of the average market price of the last month before the closing, for listed companies;
- depending on the proportionate share of net equity, adjusted where applicable for significant unrealized capital gains net of taxes; or
- depending on the intrinsic value of equity, corresponding to the present value of expected future cash flows (enterprise value), less debt, if any, for other 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 *(Code de commerce)* 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 18, 2015

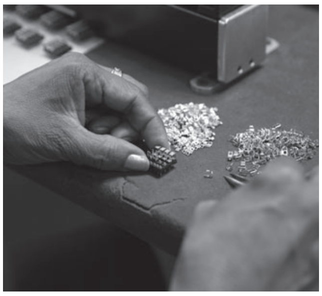
The Statutory Auditors

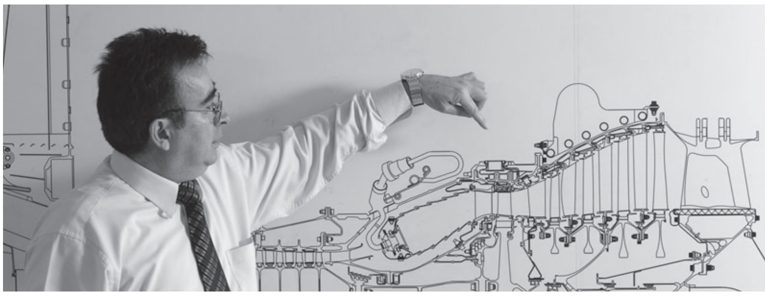
French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

NOTES

4 RISK FACTORS





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

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 Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers. It is headed up by the Group Risk Management 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 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.

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.

Actions plans are derived from the scenarios built around these assumptions 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 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 sharp temporary drop in air traffic and hence impact the civil aircraft engine and equipment market.

In 2014, over 60% of adjusted consolidated revenue was generated by civil aviation activities. Safran has a large fleet of engines in service, including more than 27,200 CFM56 engines which have equipped most of the single-aisle aircraft with over 100 seats delivered to airline companies for more than 30 years. The increase in the age of the installed base of engines and associated equipment enables the Group to generate service revenue amounting to almost 43% of Aerospace revenue.

The Safran+ plan and Group strategy (see sections 1.10 and 1.2, respectively) 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, 2014 totaled approximately €2.7 billion, and property, plant and equipment (mainly industrial investments) amounted to approximately €2.9 billion. These amounts are net of accumulated depreciation, amortization and impairment loss provisions. Following Bombardier's decision to suspend the Learjet85 program, impairment losses were recognized against capitalized development expenditures in the 2014 consolidated financial statements.

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.

As regards pursuing external growth and unlocking synergies, following the acquisitions of Goodrich Electrical Power Systems and Eaton's electrical activities in 2013 and 2014, respectively, Labinal Power Systems (Safran) now brings together all of the Group's Aerospace electrical systems business, including electrical systems themselves (generation, distribution, conversion, wiring, load control, ventilation, systems integration, support and services) and engineering solutions for the aerospace, automobile and rail industries.

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 earnings.

In 2014, approximately 27% 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 – 3D woven composite parts JV), NPO Saturn (PowerJet JV), Honeywell (EGTS™ electric taxiing system), Rolls Royce (power transmission systems for all future Rolls-Royce civil aircraft engines) and Airbus Group for space propulsion systems. The JVs involving Rolls-Royce and Airbus were launched in 2014.

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 Aerospace revenue. In certain cases, this may cause Safran to incur penalties, 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. Safran supplies Airbus with equipment for the A320neo and A330neo aircraft, and it supplies Boeing with equipment for the 737 MAX. It is also supplier to Comac for the C919 aircraft and to Cessna and Dassault Aviation respectively, for the Citation Longitude and Falcon 5X jets.

Safran continued to deploy the PROMPT programs (see section 1.9) 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. These may limit access to certain markets. If these restrictions continue to prevail in the future, Safran may not be able to penetrate some of these markets, which would reduce the Group's revenue and profit growth potential.

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 comprising dedicated progress plans that include the application and increasing maturity of Safran's project management practices. 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-centric 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 this risk 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 announced that it is opening two new R&D facilities at Safran Composites in Itteville (comprising around a hundred specialists in composite materials and organic chemistry), and at Safran Tech, which was set up in 2014 and will eventually be home to 300 scientists and technologists. Dedicated research labs – focusing on increasing the proportion of electrical aircraft systems *inter alia* – will also be created at the Safran Toulouse building scheduled for delivery in late 2015.

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 could impact the worldwide supply chain, resulting in additional costs or production delays that would affect the Safran Group.

In order to contain such risks, Safran has designed a purchasing strategy (see section 1.8) and pooled facilities at a Shared Services Centre responsible for all purchasing processes (excluding production) in line with the Group's objectives of excellence, competitiveness and sustainable development.

Production will have to increase over the next few years based on the structure of the current backlog and 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. The LEAP programs have been the target of major investment: in 2014, Safran and Albany (US) opened two plants, one each in Rochester (New Hampshire, US) and Commercy (Meuse, France), that will manufacture composite parts for new-generation aircraft engines.

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 the US company 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. 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 a number of partnerships (including Powerjet, 50/50 owned by Snecma [Safran] and NPO Saturn [Russia]; AVIC [China]; Honeywell [US]; MTU [Germany]; Thales [Sofradir and Optrolead]; and Albany). 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 2014.

4.1.4 COMMODITY RISKS

The Group is exposed to commodity 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 hedging 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".

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 operations and the Integration Department is tasked with ensuring that synergies and earnings are in line with those forecasts. However, even though a stringent procedure exists for monitoring such transactions, 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 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 and 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, which opened its doors in 2014, will be 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 5.3 of this Registration Document.

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 7.0 billion for 2014.

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 US dollar-denominated assets and liabilities which are disclosed in section 3.1 of this Registration Document (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 of this Registration Document (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 of this Registration Document (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 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).

HEDGING PORTFOLIO

The Group's hedging strategy is described in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

The Group has hedged its entire USD exposure for 2015 at 1.25.

The Group has almost finalized hedging its exposure for 2016. At February 20, 2015, the hedging portfolio for 2016 amounted to USD 6.6 billion, of which USD 4.6 billion in forward sales and USD 2.0 billion in optional hedges. USD 0.7 billion in accumulators supplement day-to-day hedging as long as the EUR/USD exchange rate remains below 1.38 in 2015. Based on the performance of all these products, the Group aims to achieve a hedged rate of 1.25 in 2016.

The Group has continued its exposure hedging strategy for 2017. At February 20, 2015, the hedging portfolio for 2017 amounted to USD 5.9 billion, of which USD 1.3 billion in forward sales and USD 4.6 billion in optional hedges. Two-thirds of the optional hedges have knock out barriers set at various levels above 1.38. USD 0.5 billion in accumulators supplement day-to-day hedging as long as the EUR/USD exchange rate remains below 1.38 in 2015. Based on the performance of all these products, the Group aims to achieve a hedged rate of 1.25 in 2017.

In late 2014, the Group began hedging its projected 2018 exposure by setting up USD 3.0 billion in optional hedges at an average rate of 1.18 (including option premiums). Knock-out options barriers are set between 1.32 and 1.45 with maturities ranging between one and two years. The portfolio is likely to increase to a maximum of USD 5.0 billion due to accumulators in place which supplement day-to-day hedging as long as the EUR/USD exchange rate remains below 1.28 in 2015. Based on the performance of all these products, the Group aims to achieve a hedged rate of 1.21 in 2018.

The knock-out barrier 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 hedge book is reduced by the notional value of the disabled option.

For the record, the estimated annual exposure of approximately USD 7.3 billion for 2015 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 of this Registration Document (Note 27, "Management of market risks and derivatives").

Adjusted data *(in € millions)*	**2013**		**2014**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.33		1.33	
Average exchange rate used for sensitivity analysis	1.26	1.39	1.26	1.40
Closing rate	1.38		1.21	
Closing exchange rate used for sensitivity analysis	1.31	1.45	1.15	1.27
Revenue	284	(257)	306	(277)
Profit (loss) from operations	11	(10)	12	(11)
Financial income (loss)	19	(17)	17	(15)
Profit (loss) before tax	30	(27)	29	(26)

Non-adjusted consolidated data *(in € millions)*	**2013**		**2014**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.33		1.33	
Average exchange rate used for sensitivity analysis	1.26	1.39	1.26	1.40
Closing rate	1.38		1.21	
Closing exchange rate used for sensitivity analysis	1.31	1.45	1.15	1.27
Revenue	506	(458)	544	(492)
Profit (loss) from operations	229	(208)	245	(222)
Financial income (loss)	(599)	475	(1,470)	1,273
Profit (loss) before tax	(370)	267	(1,224)	1,051

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

The €750 million bond issue, on which the interest rate had been entirely converted to a floating rate using fixed-for-floating interest rate swaps and converted back to a fixed rate in 2011, was redeemed at maturity in November 2014.

A new €200 million ten-year bond was issued in April 2014. An interest rate swap was taken out to convert the fixed rate payable on this issue maturing in April 2024 to a floating rate.

Exposure to euro interest rate risk is presented in section 3.1 of this Registration Document (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 of this Registration Document (Note 27, "Management of market risks and derivatives").

SENSITIVITY

A 1% rise in interest rates would increase the cost of debt by €13 million (versus an increase of €2 million in 2013).

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 of this Registration Document (Note 27, "Management of market risks and derivatives").

Equity risk management

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, which are the only listed securities classified as available-for-sale financial assets that it holds.

A 5% decrease in the price of these shares would have had a net negative impact of €3 million on equity at end-2014 (same as end-2013).

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 of this Registration Document – 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 its free cash flow targets.

The maturity schedule for trade and other receivables is set out in section 3.1 of this Registration Document (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 some of the Group's liquidity lines have not been drawn, Safran is relatively insensitive to liquidity risk.

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.

Undrawn confirmed liquidity facilities at December 31, 2014 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million maturing in December 2015 and October 2016, respectively. These two lines have to maintain a net debt to EBITDA ratio of less than 2.5.

This 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, US private placement and syndicated credit lines 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 of this Registration Document (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, Safran is particularly exposed to the risk of non-compliance with anti-trust law and commercial regulations. The risks are primarily related to export control for which Safran ensures that its companies account for any cases of non-compliance, inform the relevant authorities of each case that arises and take all necessary precautions to prevent similar cases recurring in the future. To date, none of the cases brought to the attention of the authorities, where the investigation has been closed, have been subject to penalties.

To address ethical risks, Safran has deployed an action plan entitled “Perpetuating the integrity culture” outlined in section 5.2 of this Registration Document and focusing in particular on containing the impact of non-compliance risks.

Aside from the main risks identified in this respect and disclosed in section 3.1 of this Registration Document 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 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 of this Registration Document 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 Chairman and Chief Executive Officer and the three Deputy Chief Executive 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 Department.

The Risk Committee met twice in 2014.

4.2.2 RISK AND INSURANCE DEPARTMENT

The Group Risk and Insurance Department reports to the Deputy Chief Executive Officer, Finance. This department is responsible for implementing the Group’s risk management policy. Its duties include:

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 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 the entity Risk Committee meetings. In all instances, risk management draws on a common methodology 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 Department (major risk map and the corresponding degree 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 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.

The Risk and Insurance Department requires first-tier entities to roll out risk management processes in newly-acquired entities and to organize Risk Committee meetings at least twice a year.

The Group 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 Department prepares a mapping of major risks by Group functional and central department based on interviews. These maps are then approved by 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. Detailed guidance is also prepared for the analysis of 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 1,100 managers within the Group, including 133 in 2014. New recently-introduced modules related to 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 Preventive Safran document 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 apace in 2014.

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 €800 million 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)

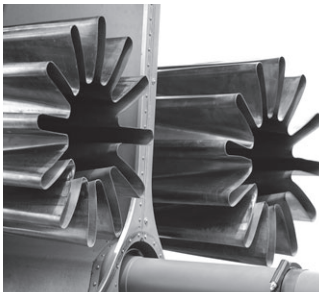
    The policies provide coverage of €350 million per annum that can be used during the year.

Total premiums paid by the Group under all policies in 2014 represented 0.11% 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.

5 CORPORATE SOCIAL RESPONSIBILITY



68,945 ☑
employees worldwide at December 31, 2014

15%
rise in headcount, uninterrupted growth since 2011

More than 8,200
new hires worldwide in 2014

2,215 ☑
net jobs created worldwide in 2014

25%
lower frequency rate of occupational accidents resulting in lost worktime in 2014 compared to 2013

20%
fewer occupational accidents resulting in lost worktime per 1,000 employees in 2014 compared to 2013

More than 12,000
employees received on-site training worldwide on export control since 2010

60%
of employees are Safran shareholders

Corporate social responsibility (CSR)

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 Deputy Chief Executive Officer, Corporate Office, 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 (human resources, European and international relations, sustainable development, purchasing, foundations, legal, communication and sponsorship, etc.).

Ethical and social engagement

Safran has a set of values and ethical standards that are espoused 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 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 four strategic areas:

- grooming the best talent to serve innovation;
- promoting social responsibility;
- driving international expansion;
- taking a proactive approach to the Group's 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 monitoring methodology and Statutory Auditors' report

Safran has elected to have all its labor, environmental and social indicators and the entirety of its report reviewed by the Statutory Auditors Ernst & Young et Associés, in accordance with the CSR reporting requirements set out in Article 225 of the Grenelle 2 Act and its implementing legislation. The Statutory Auditors obtained reasonable assurance for ten of the social indicators (identified by the symbol ☑ in this section) and limited assurance for a selection of six HSE indicators and five social indicators, as well as reviewing eleven themes. 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.

5.1 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. As such, the Group meets its customers' economic requirements while addressing labor, environmental and social 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, partners, customers, shareholders, suppliers 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 Chairman and 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) posted on the Global Compact website. The Registration Document including its CSR section, as read and approved by the Board of Directors, is submitted as the Group's COP. The information was reviewed by a panel of peers from the Global Compact Local Network France in January 2015. Even in its first year, Safran's reporting 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 highlight 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 Group worldwide. 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.

Each focus has its own action plan along with objectives and monitoring indicators. An internal steering committee composed of representatives from the main divisions involved in CSR monitors these objectives.

(1) See the Methodology note on the reporting of social and health, safety and environmental (HSE) indicators in section 5.7.1.

5.1.2 CSR GOVERNANCE

Within Executive Management, the CSR policy is overseen by the Deputy Chief Executive Officer, Corporate Office, 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 (human resources, European and international relations, sustainable development, purchasing, foundations, legal, communication and sponsorship, etc.).

The representative is also backed by CSR delegates, regional and subsidiary Human Resources Directors in the companies and regions in which Safran operates. They were brought together for the first time at a seminar held to discuss Safran's CSR strategy and how it is implemented.

5.1.3 GUARANTEEING BETTER RELATIONS WITH STAKEHOLDERS

As a major economic player, Safran must act responsibly towards its stakeholders: 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 (shareholders' guide), customers and business partners (annual report and CSR report).

Taking its CSR policy a step further in 2014, Safran mapped out all of its CSR issues based on interviews with its main stakeholders. The main current and emerging challenges facing the Group are: the fight against corruption, particularly in relation to business ethics, responsible supplier relations, the quality and safety of its products and services, business and supply continuity, customer relations and intellectual property and access to technology.

The Group provides a wealth of CSR information on its website, including a map of all of its CSR issues, its methodology and analysis.

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 espoused by all of its employees. It is corporate policy to ensure 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 seven core values to enhance its image in the eyes of its stakeholders.

These values, promoted at each Group site, are:

- focus on customers;
- meeting the commitments set out in the Ethical Guidelines;
- innovation;
- responsiveness;
- teamwork;
- people development and recognition;
- civic responsibility.

Group ethics

ETHICAL GUIDELINES

Safran introduced Ethical Guidelines 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 annually, 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.

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 each 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. 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 his or her 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.

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.

Jean-Paul Herteman, Safran's Chairman and Chief Executive Officer, has set out this unequivocal and continuous commitment to rejecting corruption:

"Applying our integrity policy means holding to our steadfast beliefs and commitments, which play a key role in progress and performance. Over the past few years, Safran has constantly reinforced its rules of ethics and compliance procedures. This is our strategic imperative to guarantee sustainable growth and successful innovation. All Safran employees and Executive Management must unfailingly lead by example to bring us that long-term competitive edge."

A Group-wide program to prevent the risk of corruption

Safran has introduced a strict corruption risk prevention program based on its "zero tolerance" corruption policy set out in its Ethical Guidelines. Its standards are applicable to all companies controlled by the Group and covers the entire set of requirements from all international conventions and national regulations that apply to Safran's activities:

- 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);
- all these conventions have been transposed into French criminal law: Law 2013-117 of December 6, 2013 on the fight against tax fraud and large-scale economic and financial crimes;
- the US Foreign Corrupt Practices Act (FCPA-1977), which became the International Anti-Bribery and Fair Competition Act in 1998 when the United States signed the OECD convention on bribery;
- 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;
- the World Economic Forum's Partnering Against Corruption Initiative (PACI), etc.

Safran is a member of the Steering Committee of the International Forum of Business Ethical Conduct (IFBEC). 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 Jean-Paul Herteman, Safran's Chairman and Chief Executive Officer. Safran chairs the International Ethics Committee of the MEDEF (the French employers' association), is Vice-Chair of the Anti-Bribery and Corruption policy group of the Business and Industry Advisory Committee (BIAC) to the OECD and sits on the board of the Ethics Circle of the European

Business Ethics Network (EBEN). Safran's program is broken down into a series of specific operational procedures for 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 until December 2015, is based on standards approved by Mazars and France's Central Service for the Prevention of Corruption (*Service central de prévention de la corruption*), an interministerial body under the Minister of Justice.

Anti-corruption certification recognizes 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 certification will apply to all the Group's tier-one companies by the end of 2017: Sagem and Morpho were certified in 2014; Snecma, Turbomeca, Messier-Bugatti-Dowty and Herakles will follow in 2015; Labinal Power Systems and Techspace Aero in 2016, Aircelle and Hispano-Suiza in 2017.

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 falls under the responsibility of the Executive Vice-President, European and International Relations, as part of the Group's general corporate social responsibility policy. Its risks are assessed by a separate risk management department. The program is run by a dedicated centralized structure, the Business Compliance and Export Control Department, which is directly in charge of reviewing the compliance of all Group companies.

As a member of the Group's anti-fraud committee (made up of the Chief Legal Adviser, Director of Human Resources, the Head of Audit and Internal Control and the Head of Security), the Safran Group Compliance Officer coordinates the anti-corruption program at Group level and promotes the best practices and dialogue with companies, national and international authorities and civil society.

Commitment from Safran's Executive Management

The Board of Directors, the Chairman and 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. All executives at each Group company reflect this commitment in signing a representation letter every year.

Raising employee awareness

All Group employees and Executive Management and Board members, both directly and indirectly concerned, receive regular, adapted information: monthly anti-corruption reports, a quarterly information bulletin on ethical trade, country regulation guides, dedicated intranet service, etc.

An on-site instructional training course was developed for Group companies worldwide. Preventing corruption was a topic incorporated into several Safran University training programs, aimed specifically at the purchasing, programs and sales departments. A majority of Safran employees, around 9,000 are directly or indirectly concerned, have been trained on the subject in special training classes, which are continually updated. An e-learning course has been rolled out specifically to train new Group hires. These courses are designed to give every employee adequate knowledge of regulations applicable to their businesses and full understanding of Group procedures and how they are applied at their company.

Supporting the program: organization, procedures and control

A NETWORK OF 121 COMPLIANCE OFFICERS

The program to prevent the risk of corruption is centralized at Group level. The Chief Compliance Officer is assisted by the 38 Trade Compliance Officers (TCOs) appointed at all the Group's independent companies. The TCOs, delegated by their company's Chairman and 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 83 Trade Compliance Managers or Correspondents (TCMs or TCCs) who ensure that measures are applied at each subsidiary or division of their company. TCOs must be accredited as "instructors" by the Chief Compliance Officer to 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 Chief 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 business compliance program and related procedures.

PROCEDURES ON SELECTING AND VALIDATING BUSINESS PARTNERS – GIFTS, HOSPITALITY, DONATIONS AND TRAVEL

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 business 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 spinoffs of Group companies, including all parties involved in offset agreements and acquisitions: consultants, service providers, distributors or investment or venture capital partners. The procedure is updated each year following a review in order to improve and take account of any changes to anti-corruption regulations and disseminate best practices identified.

  It describes rigorous standards applied by the Group worldwide with respect to the selection, qualification, ethical evaluation, tracking and compensation 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.
- A clause on ethics is included in Safran's general purchasing terms and conditions signed by all Group suppliers.
- A compliance process is set out in shareholders' agreements for joint ventures.

APPROPRIATE CONTROLS

Monitoring Group companies' implementation of and compliance with current procedures is carried out by means of regular reviews by the European and International Relations Department relating to the compliance of the files of business partners, offsets or those engaged in acquisitions or spinoffs. Audits are also carried out by the Group's Audit and Internal Control Department to ensure that accounting procedures are being complied with (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 rates.

5.2.3 COMPLYING WITH EXPORT LAWS

Group companies purchase goods and services from different suppliers. They also provide goods and services to customers all over the world. It is therefore critical that Safran complies, without exception, with all applicable regulations that govern its activities in the export and import of military or dual-use technology.

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 was the second French company certified by the DGA. Microturbo and Snecma are also certified. Certification is planned for Sagem in early 2015, followed by Turbomeca and Herakles later in 2015.

Organization

Commitment by the Group's Executive Management to complying with the laws in force has enabled Safran to implement a dedicated compliance structure. This structure includes:

- the Business Compliance and Export Control Department, under the responsibility of the Executive Vice-President, European and International Relations, is assisted 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. It also ensures 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. GIFAS continued its collaboration with the DGA on the transposition of the European Directive on intra-Community transfers and the French reform to switch to a single licensing system. The ASD export control committee also advanced in its own work on these projects. At the December 2014 seminar organized by the DGA, Safran's Deputy Chief Executive Officer, Corporate Office, acting as representative for the French defense procurement industry, indicated where efforts and improvement would be needed for the French reform to work;
- The Export Control network includes over 530 people who focus on one of the following three areas:
  - Empowered Officials (members of the Management Committee) appointed at all of the Group's legal entities that import or export products. These officials are appointed by the Chairman and Chief Executive Officer of Group companies and are personally liable for the compliance of their company's exports with the Company's commitments in this respect,
  - Export Control Officers (ECO) appointed at each company by that company's Chairman and Chief Executive Officer to assist the Empowered Official. This person is assisted by a network of Export Control Managers (ECM) 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 European and International Relations Department notifies all Group employees exposed to and concerned by exports of any regulatory developments and any breaches of these regulations.

Safran organizes targeted training sessions for project managers and buyers, offered by Safran University, and provides its companies with training materials that they can adapt to the regulations applicable to their company structure, products and market. More than 12,000 employees in France and the US have received this training since 2010.

Safran has developed a unique export control intranet and an e-learning tool for new Group 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 Audit and Internal Control Department performs frequent audits of Group companies to obtain evidence that the compliance standard is being applied. In certain crucial cases, Safran calls on independent firms to carry out additional audits. All of the Group's main companies have been audited since 2010, and improvement plans are systematically defined and put in place. To monitor their progress, Safran has provided companies with an export control self-assessment.

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.

Safran ensures that its companies account for any cases of non-compliance, inform the relevant authorities of each case that arises and take all necessary precautions to prevent similar cases recurring in the future. To date, none of the cases brought to the attention of the authorities have been subject to penalties.

5.3 DEVELOPING HUMAN POTENTIAL

5.3.1 PRESENTATION OF STRATEGIC FOCUSES

To keep in line with its growth and ambitions, the Group must attract the best talent and guide its employees in meeting the challenges they face.

Safran's HR policy focuses on four strategic areas:

- grooming the best talent to serve innovation;
- promoting corporate social responsibility;
- driving international expansion;
- taking a proactive approach to the Group's transformation.

The human resources (HR) function has implemented major reforms to meet these goals and boost the collective performance of the HR function, offering managers and employees greater support, more solutions and a better understanding of the organization.

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, launching its employer branding campaign to highlight its appeal as a choice employer in the eyes of its top recruitment targets.

The Group tagline, "Key missions, Key technologies, Key talents", to include the women and men of Safran, is one of the fundamental pillars in the Group's communication.

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 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 for today and tomorrow to anticipate and prepare for major business developments;
- resources to encourage each employee to be proactive in shaping their professional career;
- 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 stake 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, namely:

- 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 and the signing of European agreements. Preventing physical and mental health risks due to the workplace is one of Safran's ethical 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 remained unchanged in 2014 at 3.8% ☑;
- similarly, the promotion and management of diversity and equal opportunity are considered factors that bolster Group cohesion and performance. For example, the Group has signed agreements to promote the employment of disabled workers and to help young people find jobs that keep them in the professional world.

Driving international expansion

The international nature of the Group requires the implementation of an appropriate HR policy.

By appointing regional HR Directors (Europe/Africa, North America, India and Asia), the Group's HR policies and processes can be applied more consistently.

With operations in nearly 60 countries, the Group gives some of its employees the option of gaining professional experience abroad. It will continue enriching the international dimension of its teams by employing a growing number of international employees at its French companies, developing career opportunities at its subsidiaries worldwide and promoting intercultural exchange in implementing strategic projects at its many sites located around the world.

Taking a proactive approach to the Group's transformation

After embarking on a series of large-scale projects to upgrade its management systems, Safran set up a special department of Shared Services Centres to consolidate its gains made from this modernization (in payroll, recruitment, non-production purchasing, accounting, IT, finance, etc.). This new department has since been brought together at a single site and continued its international rollout in 2014.

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 also fully involved in this move to create a unified group and has adapted its own organizational structure through the creation of three new departments focused on (i) recruitment, careers and mobility, (ii) talent and (iii) employee relations.

A worldwide human resources information system is being implemented. It is designed to support the rollout of HR policies and processes on a global scale. In a group that is constantly evolving, accompanying change represents a major challenge for HR teams, which need to:

- provide the necessary legal support to strengthen the required procedures;
- define and negotiate the status of employees affected by these changes;
- organize, coordinate and monitor staff mobility related to these changes.

The HR Department committed to managers and employees

The new Safran Campus was inaugurated in Massy, France, in September 2014. The new site is designed to be Safran's cultural melting pot, reflecting its values and sense of purpose. The Campus represents everything that Safran stands for. It is a place for all Group employees, where they can receive training in a unique place and dialogue with people from other Group companies. The Safran Campus already plays a role in better integrating all Group employees across the globe.

Since 2006, Safran has conducted a satisfaction survey focusing on five areas every two years (day-to-day work, management, HR commitment, communication and Group perception). The survey took place in October in the form of an online questionnaire sent to Safran's managerial-grade staff at all eleven first-tier companies. In 2014, 12,863 employees answered the survey – 1,000 more than in 2012 – grouped into four regions (Europe, Africa/Middle East, Asia-Oceania and North and Latin America). This study once again provided managers with the opportunity to express their opinions, offering Safran a better understanding of what they expect, and what motivates or discourages them in order to better account for their needs.

The 2014 Managers Survey showed significant progress for the Group. Employee pride in belonging to the Group, at 95%, and occupational safety, at 96%, remain very high. Significant progress was made in the following areas: Group internationalization (+14 points), mobility (+13 points), motivating total compensation (+13 points), HR policy communication (+11 points), motivation (+10 points) and well-being, equality, integration of new hires and employee benefits (+7 points).

These findings will serve as a basis for defining and deploying future action plans to address issues related to career development, individual interviews and innovation.

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. These six HR commitments were announced in 2013 and represent the backbone of the 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.

These six commitments stand as the reference for the human resources teams, symbolizing their contribution to the development of the Group and its employees. In 2014, HR maturity standards were defined and applied to these six commitments in France and abroad to measure their operational implementation in a given operating environment. In this way, our HR policy is embodied in benchmark practices that are shared throughout the Safran HR Community and with managers. The standards will serve as guidelines for our operational progress programs for and with managers. As part of this approach, the first "HR Day" was held in November 2014, bringing together all local HR staff in France, Belgium, Switzerland and Morocco. This type of event will be organized in each international region once a year.

5.3.2 HEADCOUNT

Breakdown by business

The Group had 68,945 employees (excluding special contracts) at December 31, 2014.

The following table presents a breakdown of employees by business at that date:

	France	International	Total
Aerospace Propulsion	20,729	4,769	25,498
Aircraft Equipment	10,754	14,693	25,447
Security	1,479	7,099	8,578
Defense	6,329	1,082	7,411
Holding company and other	1,483	528	2,011
2014 GROUP	**40,774**	**28,171**	**68,945 ☑**

Regional breakdown

The Group's expansion continued apace both in France and abroad. Safran acquired Eaton Aerospace's Power Distribution and Integrated Cockpit Solutions business in the first half of 2014. Eaton Aerospace has operations at two sites in Costa Mesa, California, and Sarasota, Florida in the United States. In the third quarter of 2014, Safran acquired the stake held by Sabena Technics in Hydrep, a company offering repair and maintenance services for aircraft landing gear and braking systems. Hydrep is now a wholly-owned subsidiary of Messier-Bugatti-Dowty.

At end-2014, the Group's workforce had grown 4% since the previous year. Outside France, the headcount totals over 28,000 people across nearly 60 countries.

The following table presents a breakdown of employees by geographic area at December 31, 2014:

		2014 Group	% of total
Europe	France	40,774 ☑	59.1%
	Other	7,535 ☑	10.9%
Africa and the Middle East		2,898 ☑	4.2%
Americas		13,997 ☑	20.4%
Asia and Oceania		3,741 ☑	5.4%
TOTAL		**68,945 ☑**	**100%**

OTHER INFORMATION ON HEADCOUNT

At December 31, 2014, 39% ☑ of Group employees were engineers or managers.

Nearly 26% ☑ of Group employees and 21% of engineers and managers worldwide are women (22% in France). Almost 31% ☑ of permanent new hires were women in 2014.

Close to 21% of employees are involved in research and development activities.

Excluding acquisitions, the Group boasts net job creation of 2,215 ☑ for 2014, thanks to brisk external recruitment. Over 12 months, the Group hired more than 8,200 people, including 6,491 ☑ on permanent employment or equivalent contracts across the Group. In 2014, 634 fixed-term contracts were converted to permanent employment contracts. Safran hired nearly 1.4 ☑ employees for each departure, and 27% of new hires were for newly created positions. This comes to 11,000 job creations over the past four years.

The Group recorded 5,060 departures from permanent employment or equivalent contracts in 2014. Dismissals represented 0.22% (91 ☑ out of 40,774 employees) and 2.5% (710 ☑ out of 28,171 employees) of the workforce in France and other countries, respectively.

More specifically in France, most of the 2,502 new hires on permanent contracts were in R&D and Production. Temporary employment of staff excluding special contracts remained very limited, concerning:

- 0.54% of fixed-term employment contracts on average over the year;
- 6% of work-study contracts on average over the year; the majority were in Aircraft Equipment (nearly 10% of average annual staff), Defense (over 8%) and to a lesser extent in Security (nearly 5%) and Aerospace Propulsion (nearly 3%).

5.3.3 HR POLICIES

Recruitment and integration

Safran continued to recruit in 2014 in order to bring in the fresh skills needed to maintain its leading position in the innovation of new generations of aircraft and new technologies related to the Group's businesses. In pursuing its innovation policy, the Group is seeking to hire the best professionals and diversify its recruitment channels. In France, the Shared Services Centre, 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 to doctors. In 2014, slightly over 70% of engineering and managerial-level new hires in France had a scientific or technical background, mainly in R&D, production and customer relations.

Moving forward with its recruitment policy following its communication campaign launched in 2012 to hire engineers and managers, in 2014 Safran kicked off a new communication campaign focused on raising interest in technician and operator positions, especially among young people. The campaign is based on pictures of Group employees and the slogan, "We hire virtuosos". These communication campaigns feature on the Group's recruitment portal, www.safran-talents.com, which boosts the visibility and appeal of its areas of expertise, conveys a powerful image of Safran's corporate culture and advertises its job offers.

The Group orientation day for new hires, Safran Discovery Day, was introduced outside France, as was the case in Morocco in June 2014. These events also presented the opportunity to focus on the women and men of Safran throughout the world.

At the same time, Safran continued to step up its presence at target schools and universities worldwide, organizing a number of events designed to offer students guidance in building their career path (conferences, career round tables, visits to industrial sites, forums, the setting up of Chairs, etc.). Today, a network of over 300 Safran ambassadors is proactively working with students to share with them about the Group's business lines and opportunities. Safran also strengthened its partnerships with these target schools and universities, mainly those outside France, furthering its involvement in educational programs and participating in the schools' management bodies.

An opportunity feasibility study of the international rollout of the jobs and application management tool, e.Talent, was conducted in 2013. The study led to the definition of a Group-wide reference model and implementation of the tool in five countries in 2014: United States, Canada, United Kingdom, Morocco and Germany. Other countries in Latin America and Asia will follow in 2015.

Developing career prospects

Safran organizes and encourages professional development through its Group-wide career management plan, by promoting mobility and offering training and retraining opportunities. Safran University is also involved, through courses preparing managers to take over new responsibilities.

The Group-wide career management plan was defined to ensure streamlined and harmonized career management processes, interviews and bodies at every level of the organization, from individual interviews to career committees and team reviews according to a timetable applicable to all Group companies. This program was launched in 2013, and its deployment continued in 2014. 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 will bring even greater consistency to the entire career management process. Rollout will begin with France, United Kingdom, United States and Canada in 2015, then extended to other countries. Some employee categories receive guidance at the central Group level (Experts, Black Belts and Master Black Belts, Expatriates). Equivalent specific processes are integrated into the Group's global career management plan. The Group has also adopted a centralized system to optimize the management of its executive managers and high-potential managers. The aim is to identify, train and retain internal talent for succession planning purposes.

Mobility

In 2014, nearly 1,000 employees in France changed companies or establishments within the Group. The e.Talent job offer and application management system allows employees to submit applications online or send a mobility request specifying the sector and employment pool. A Mobility Charter and practical guidelines designed for employees and managers sets out all the operating procedures and processes. Special mobility meetings are organized at Group level for each business line and employment pool to increase the visibility of employees being relocated internally. Occasional "Time to connect" networking initiatives, which bring relocated employees in contact with managers, were organized again in 2014.

Safran is currently developing initiatives and measures to create an even more ambitious mobility policy. In 2015, priority will systematically be given to in-house applicants. Guided mobility and predefined career plans will steer career management initiatives. This will help bring the available human resources in line with the Group's changing businesses and needs.

The work of the career and skills management program has been adapted to each business line (Technical, Production, Purchasing, Quality, Finance, etc.) to offer insight into the future direction of Group businesses and 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, 2014, the Group had 427 expatriates in 50 countries.

Over the year, more than 100 employees were expatriated and even more returned from abroad.

Safran's expatriates provide commercial and technical services primarily in Europe Middle East & Africa (43%), North America (32%) and Asia-Pacific (25%). To guarantee their consistency and transparency, standard contractual arrangements and expatriation packages are defined at Group level and implemented by the Shared Services Centres, which set up and monitor postings abroad for all Group companies. This structure also improves the Group's capacity to deploy employees overseas and meet its challenges, particularly those encountered as it moves into new international markets.

At December 31, 2014, the Group had 95 international volunteers under the French VIE *(volontariat international en entreprise)* program. Safran promotes this program for the international experience gained for young potential future Group employees.

Career and skills management program

The analysis of the quantitative and qualitative developments needed in the business lines helps define the actions to be put in place to accompany strategic developments within the Group related to new markets, new technologies and customer requirements.

In 2014, this analysis was used to define initiatives in certain priority areas and more general actions which primarily involved mobility and the definition of career paths:

- in R&D: encouraging internal mobility to support the shift to production and after-sales service for our new products and the continued design of the systems architecture;
- in production: methods, testing, supply chain and systems operations in line with the planned changes to their work environment;
- in programs/customer relations: after-sales and customer service to develop new services based on new technologies;
- in support functions: quality and purchasing in their role of assisting suppliers and human resources.

These initiatives cover all the main aspects of human resources management, namely:

- training by creating and developing programs, allowing employees to build their skills, manage professional change (particularly for R&D engineers) and improve their employability;
- mobility and career management with greater visibility and support through developments and transitions between businesses and improved employee information;
- more targeted recruitment of Group employees and relations with schools to better attract talent.

This information was shared with the trade unions at a career and skills management program committee meeting. It demonstrates the efforts of employee representatives to integrate the program as a key part of the Group's HR policy, providing all employees with a clear view of the development of the Group's business lines and the possibility of planning their career in line with the future needs of the Group.

Training – Safran University

By developing Safran University, the Group has given itself the means to achieve its cultural, technological and organizational transformation. Designed as a cultural melting pot, the university is at the heart of international development and exercises a fundamental influence on all Group members, 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. The establishment is open to all Group employees. Its role is to promote shared corporate culture and values, and thereby steer training investment to respond to the Group's strategic requirements and priorities in terms of employee expertise.

Safran invests an average 4.4% of payroll costs in training (in France).

Nearly 78% of French employees receive training at least once a year.

A total of approximately 1.6 million training hours(1) were given worldwide in 2014, including 1 million hours in France. Safran University covers all of the business lines, offering training in 17 different areas.

Most efforts focus on Safran's strategic areas:

- developing technological skills;
- developing managerial skills in an international context;
- the quest for customer satisfaction and enhanced economic and industrial performance.

In line with the Group's international expansion, Safran University is active on the three continents where Safran has the strongest foothold (Europe, North America and Asia) and in Morocco. Training programs are available in about ten countries, in French, English or the local language. As such, Safran University improves employee integration, helping each of them gain a better understanding of the Group and its markets.

With the local university teams, training is adapted to the region's cultural aspects and relevant needs at the Group sites. This diversity also provides an opportunity to integrate local experience into the programs taught worldwide.

(1) See "Training" in section 5.7.1.3.

The purpose is also to provide a better local response to the training needs of Safran's companies and partners.

At the Dallas campus opened to cover North America (United States, Mexico and Canada), nearly 159 sessions were organized in 2014, representing about 25,950 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, France, will feature a maximum capacity of 600 participants for employee training programs or seminars all year long. Safran's major events (orientation days, seminars, conferences, etc.) and meetings with customers and Group partners are held there, with access to an amphitheater seating more than 400.

Since its inauguration in 2014, the Safran Campus has welcomed nearly 11,500 people, including 3,500 for training and 8,000 for other events, such as orientation days, employee conventions, customer seminars or projects, etc. In 2015, the Campus is expected to host training for at least 9,000 people and events for 12,000 to 15,000 people.

Safran University addresses three major challenges that apply to the Group:

- **Improving employee skills and professionalism in all of the Group's business lines**

  Business programs allow employees to develop their skills in relation to a particular business throughout their professional career, based on retraining or new skills development. In this way, Safran University contributes to building the Group's human capital and adapting it to tomorrow's businesses. Such programs are available and being rolled out at all business lines.

  Some of the courses offered by Safran University will 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.

- **Aiming for excellence in management and leadership**

  The 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:

  - embarking on a shared vision;
  - leading by example;
  - being entrepreneurial, daring, innovating;
  - scoring as a team;
  - empowering people.

Nearly 4,000 Green Belts and Black Belts have been trained since 2010, reflecting the university's campaign to implement the Lean Sigma approach.

- **Enhancing the employability of workers**

  Transitional programs aim to assist employees whose jobs are likely to change considerably in order to help them develop new skills or change career paths (in France).

  Additional specially adapted training programs and specific procedures, involving the assessment of skills, the validation of professional experience, etc., will be put in place to accompany these career changes and developments and prepare employees for tomorrow's jobs.

  These programs are a key component of the employee policy and the career and skills management program.

5.3.4 COMPENSATION AND BENEFITS

Compensation trends

All French companies have signed salary agreements every year since 2011. These agreements provided for an average annual increase in compensation of between 2.50% and 2.95% of payroll, depending on the Company, and comprised general and individual increases for line workers, employees and technicians, and specific 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). 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
2013*	90
2014	**136**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3.b).

The amount for 2014 includes an additional profit-sharing bonus of €28.5 million for the same year, linking Safran employees to the Group's excellent performance.

PROFIT-SHARING BONUS FOR EMPLOYEES

In both 2014 and 2013, since 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. In 2014, 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 Law 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.

The total profit sharing bonus recorded in the consolidated financial statements (Note 6 of section 3.1) for the last two years is as follows:

(in € millions)	Employee profit-sharing bonus
2013*	4
2014	**5**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3.b).

OPTIONAL EMPLOYEE PROFIT-SHARING

All French entities have optional 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 not exceed 5% of payroll, although this percentage may be increased to 7% or even 8% in the event of exceptional company 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
2013*	140
2014	**152**

(*) The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see section 3.1, Note 3.b).

EMPLOYEE SAVINGS PLANS

Group employees in France benefit from a comprehensive employee savings plan that allows them to contribute to a Company savings plan:

- the Safran collective retirement savings plan (PERCO), set up under a Group agreement signed in 2012, allows employees to contribute to a retirement savings plan via six corporate mutual funds (FCPE) with different management strategies. An additional Company contribution of up to €600 per employee per year was included in this plan for 2014. A bonus contribution is planned for employees in their final two years of service at the Company prior to retirement;
- the Group employee savings plan, implemented by a Group agreement in 2006, features medium-term savings via a range of five FCPEs with different management strategies. The Group employee savings plan endorses 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.

Rapidly after the Group was created, employee share ownership broadened to an international dimension with the international Group employee savings plan 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 (Company contribution of up to €2,000 per year per employee).

In 2014, over 17,000 employees in some 50 Group companies in Belgium, Canada, Germany, Mexico, the UK and the US had access to this international plan, which will be progressively rolled out to other countries.

For its employee savings, collective retirement savings and international Group employee savings plans, the Group recorded a total Company contribution of €55 million in 2014.

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 14.4%. Worldwide, 60% of Safran employees are shareholders (of which 87% in France). This is achieved through:

- one-off operations, such as the employee shareholding offers led in 2009, 2012 and 2014;
- long-term schemes such as the Group employee savings plan and the international Group employee savings plan.

The French government sold a portion of Safran capital on two occasions in 2013 (see section 7.3.7.2). In accordance with the Privatization Law of August 6, 1986, 3.6 million shares were offered to current and former employees of Safran and its subsidiaries. To involve current and former employees more in the Group's growth, Safran decided to use the government sale of shares to create a special share offer, Safran Sharing 2014.

Safran Sharing was implemented in the second half of 2014 in 13 countries: Australia, Belgium, Canada, France, Germany, Mexico, Morocco, Netherlands, Poland, Singapore, Switzerland, the UK and the US. In application of the ministerial decree dated May 26, 2014, the State sold its stake to Safran's current and former employees for €41.58 per share. Safran offered its employees two share acquisition plans, one of which included an employer contribution of up to €650. Over 1.7 million shares were subscribed in the Safran Sharing 2014 offer, i.e., nearly 50% of the total allocated to the deal.

Employee insurance and retirement plans

PERSONAL RISK INSURANCE PLAN

A single mandatory personal risk insurance plan was set up for Group employees in France in 2009 (covering short- and long-term disability, death and healthcare) 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 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 available to all Safran Group employees in France, is in addition to that provided for under the Group Personal Risk Insurance Plan. This plan 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.

Safran expatriates around the world benefit from special healthcare plans that guarantee and maintain high-quality healthcare for the duration of their foreign posting.

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.

At the end of 2013, the Board of Directors of Safran authorized a supplementary defined benefit pension plan in France for which executive managers within the Group are eligible.

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.

Another highlight in 2014 was the growing success of the collective retirement savings plan set up in France in 2012 through collective bargaining agreements, which has enabled over 34,000 employees to save through an additional retirement plan backed by Company contributions. Plan assets totaled €104 million at the end of 2014.

5.3.5 EMPLOYEE POLICY

Working hours

Safran complies with all legal 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 legal requirements on work time, conventionally benefit from additional days off.

Different Group sites have introduced special systems to organize employee work time, such as shift work, including night shifts, and flexible time.

The Group believes that working hours should respect the balance between employees' professional and personal lives. In France, approximately 5% of Group employees worked part-time as at December 31, 2014.

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.

- In Europe, the Group's employer-employee relations were particularly active:
  - dialogue intensified within the European Works Council, given the many European labor issues currently pending. In 2014, the European Works Council met for four plenary and extraordinary sessions. The Council board also met with the Group's Executive Management on two occasions;
  - following the European framework agreement for the professional integration of young people signed in March 2013, the monitoring review board formed under this agreement held its first meeting on April 29, 2014 to assess the progress made in applying the agreement in its first year.

    The priorities identified for 2014 mainly involved bringing in around 6,400 young people on work-study programs, transforming more work-study contracts into fixed-term or permanent employment contracts, further developing relations with learning centers, schools and universities in all European countries and strengthening relations between local management and trade unions and/or employee representative bodies concerning these issues;
  - lastly, negotiations over a European framework agreement on skills and career development are in their final stages. The parties plan to define strategies applicable to Safran's European subsidiaries to develop the professional adaptability of employees and to guide them through change, while leaving implementation methods open, insofar as they remain compliant with national laws.

    Employee-employer relations will continue in 2015, with the main objectives of signing and rolling out this framework agreement on skills development and continuing discussions within the European Works Council.
- In France, the Group's employer-employee relations focused on:
  - the signature of Group-wide agreements:
    - on the collective retirement savings plan signed in February,
    - on professional training signed in March,
    - on portability of coverage for personal risk insurance signed in May,
    - on the Group employee savings plan signed in June,
    - on accidental death and disability coverage signed in October,
    - on the employment of disabled workers signed in November;
  - continued Group-level negotiations over an amendment to the agreement on developing employer-employee relations;
  - meetings with the Group's union representatives to discuss various issues: statutory bargaining rounds, economic and labor database, appointments to the Board of Directors/corporate mutual funds, etc.;
  - meetings of the Group's Works Council in ordinary and extraordinary sessions.

Each Group company also pursues a dynamic negotiation policy based on its economic and social profile.

Employer-employee relations were also highly active within the Group. Employee support was offered through several large-scale restructuring projects. These included two joint ventures, one of which between Safran and Airbus DS for aerospace projects and the other between Hispano-Suiza and Rolls-Royce to develop power transmissions.

Safran engaged in extensive and constructive dialogue with the trade unions concerning these projects at the many extraordinary meetings held with the various employee and company representative bodies, i.e., the Group, European, Central and Local Works Councils.

Relations with the local community

The Group's entities maintain close relations with their local and regional communities and help to raise the Group's profile through active participation in social and economic initiatives at the local level. A case in point is the "twin" production facilities set up with the US company Albany International, including one in Commercy, France, and the other in Rochester, United States, which will each hire 400 people. These facilities will contribute to developing employment locally. Safran is working with local employment organizations in both cities to recruit and train its future employees.

The new research and technology (R&T) and innovation center, Safran Tech, was set up in January 2014. Located in Saclay outside Paris, the facility benefits from the interaction with the other public and private companies and organizations in the region. Safran Tech is another example of Safran's drive to develop partnerships with engineering and business schools, French and foreign scientific universities and joint projects with French public research institutes (CEA, CNRS) in scientific and technology sectors. At end-2014, the Group had 185 industrial agreements for training through research (*conventions industrielles de formation par la recherche* – CIFRE) and Diplomas of Technology Research (*diplôme de recherche technologique* – DRT). This number is constantly rising.

The Group devotes considerable resources to training young people under work-study programs and internships at various levels of qualification. Thanks to Safran's efforts since 2013, led by GIFAS, to offer SMEs incentives to hire people on work-study contracts, over 60 shared apprenticeship schemes have been established, involving more than 30 Group SME subcontractors. In France, Safran pools the payment of apprenticeship tax for qualification levels of "Bac+5" (five years' higher education) and above across all companies in order to ensure overall consistency with the Group's strategic focus. The payment of this tax for other qualification levels is entrusted to each company, 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 pool.

5.3.6 DIVERSITY AND EQUAL OPPORTUNITIES

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 born out of the Group's commitment to supporting equal opportunity and preventing any form of discrimination. This led Safran to draft a Diversity Charter, which it signed in November 2010 and applies to all Group companies.

A special diversity department, acting with the support of HR processes and local HR teams, coordinates and officially lays down 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, which varies considerably. In France at December 31, 2014, the Group had 1,494 ☑ workers with disabilities (excluding special employment contracts), i.e., nearly 3.7% ☑ of the national workforce. Including indirect employment, the 2014 employment rate came to almost 4.5%. As a result of the measures implemented since 2012 in application of the agreement to promote the employment of disabled workers, 118 disabled workers have been hired, of which 84% on permanent contracts, 108 on work-study contracts and 68 interns. This integration rate comes out higher than the objectives set out in the 2012-2014 agreement. The development of the Group's collaboration with companies that employ only people with disabilities and provide them with special facilities and support has generated more than €4 million in business volume at December 31, 2014. Buyers and opinion leaders were given special training in socially responsible purchasing that dealt specifically with this area. Similarly, an awareness and training campaign on disabled employment, aimed at Group stakeholders, was also rolled out. Every year over 90% of Safran's French companies lead similar actions during Disabled Employment Week *(Semaine pour l'emploi des personnes handicapées)*.

These results encouraged Safran France to sign a new agreement on November 28, 2014 for 2015-2017, focusing on maintaining these employees in the workforce.

Promoting professional equality between women and men

In France, the Group has signed equal pay and career opportunity 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.

Worldwide in 2014, nearly 26% ☑ of Group employees were women, with 21% among managers. As a result of the Group's high proportion of production- or technical-based jobs, women continue to be underrepresented. The Group is engaged in a proactive policy to attract women into its businesses, develop gender balance in teams and provide women with access to high-level positions.

The Group works upstream to attract female employees. For example, in France Safran supports and is a member of the organization Women on the move *(Elles bougent)*, which promotes professions in industry and encourages young female high school and university students to take up professions in engineering and technical fields. Over 150 of Safran's female employees are mentors with the organization. This is a way of meeting the Group's target of recruiting over 25% women in the years to come. The Safran Vice-President for Human Resources was appointed Honorary President in February 2014.

In France, Safran participated in the women in industry awards *(Trophée des Femmes dans l'Industrie)* organized by the French magazine *Usine Nouvelle*, boasting two prizewinners from Safran. One took home the "R&D woman" and the other "Woman most likely to succeed". These awards show how Safran can offer women exciting careers and recognition for their achievements.

In Morocco for International Women's Day, 700 female employees from six Safran companies based in Casablanca met to highlight women's role as a driving force in the success of the Group's Moroccan sites.

Safran has been a sponsor of the International Aviation Women's Association (IAWA) since 2012. This organization is made up of women of achievement in the aviation industry and promotes their international advancement through a worldwide network of aviation professionals. In 2014, Safran sponsored the annual conference held in the United States that brought together 250 women from eight countries who work in the aviation industry. Some of these women hold top positions within the Group, such as subsidiary CEO.

Integrating young people

Safran's diversity program focuses on an active and cohesive employment policy, which is geared to provide underprivileged groups with opportunities to learn about working at a company and offer them career guidance, professional training and recruitment.

On December 12, 2013, the Group signed the commitment agreement of the "Business and Neighborhoods Charter" *(Charte Entreprises & Quartiers)* with the Ministry of Urban Affairs. This agreement embodies Safran's commitment to provide 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 regions where the Group has a strong presence (three near Paris and two outside the Paris region, including the Meuse region in north-east France, 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 in 2014 to 70 in all.

Safran also partnered the “Aerospace of the heart” *(Aéronautique du cœur)* project. The project was initiated by Boeing France, which works to integrate individuals from the “Integration projects” *(Chantiers de l’insertion)* program launched by the “Restaurants of the heart” *(Restos du Cœur)* organization through internships. Since the project launch, the Group has hired 31 interns out of approximately 100 program participants.

Safran continued its work with the “Filming the pros in action” *(Ma caméra chez les pros)* program. The purpose of this program is to help students from disadvantaged backgrounds produce a documentary on the future growth businesses of companies in their region. Four Group subsidiaries – Messier-Bugatti-Dowty in Alsace and Aquitaine, Microturbo in Toulouse and Sagem near Paris – have been involved in this initiative since September 2014, working with middle schools near their facilities.

Policy to develop employment opportunities for young people and seniors

In 2014, young people under 30 represented 19% of the Group’s worldwide workforce and employees aged 50 or more represented 29%. Sustainably integrating young people into the professional world, maintaining older employees in the workforce and transferring knowledge and skills within the Group are essential priorities at Safran.

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. This three-year agreement applies to all companies in countries included in the European Works Council and Switzerland and has been adapted into local action plans for each country.

In both 2013 and 2014, Safran’s European companies hired nearly 6,400 interns, apprentices and student researchers. At Safran, one out of six European employees has taken in a young worker in training each year. Not only does this reflect its employees’ dedication, it also shows that the expertise required by Safran and its suppliers will be passed on and developed.

The agreement is also a way of sharing best practices within the Group, by:

- implementing 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);
- promoting technical and scientific fields of study and business lines among employees’ sons and daughters at special company events in Germany;
- developing “Shared Apprenticeship Schemes” in France, enabling an apprentice to receive hands-on training at both Safran and one of its suppliers.

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 2014, out of all the employees hired on permanent contracts, over 1,200 were under 30 and 5% were aged 50 or more. Under the agreement, senior employees have been given the option of shifting to part-time work as a way of preparing for their retirement (over 970 employees in 2014).

The agreement offers a practical response to the issue of age structure, which Safran needed to address, and the intergenerational transfer of knowledge and skills necessary for the Group’s businesses.

5.3.7 KEY FIGURES

	2014 Group
Headcount	
Total headcount	**68,945 ☑**
Europe	48,309
of which France	40,774
Africa and the Middle East	2,898
Americas	13,997
Asia and Oceania	3,741
% of male employees	74%
% of female employees	26%
% of female engineers and managers	21%
Recruitment and departures	
Total new hires on permanent contracts — world	**6,491 ☑**
Total male new hires on permanent contracts — world	69%
Total female new hires on permanent contracts — world	31%
Training	
Total number of training hours	1,604,953
Total number of training hours (in France)	1,016,032
Integration of young people on work-study programs (in Europe)	
Number of interns in Europe	2,932
Number of work-study participants in Europe	3,236
Number of student researchers in Europe	273
Diversity and equal opportunities (in France)	
Number of disabled workers in France	1,494 ☑
Percentage of disabled workers in France	3.7% ☑
Absenteeism (in France)	
Absenteeism rate in France	3.8% ☑

5.4 AIMING FOR EXCELLENCE IN HEALTH, SAFETY AND ENVIRONMENT –

5.4.1 OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL POLICY (HSE)

Safran 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.

In line with one of its seven values – civic responsibility – 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, put forward by the Sustainable Development Department and validated by the Chairman and Chief Executive Officer, 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 occupational health and safety and environmental policy and the implementation of policy fundamentals in line with the strategic CSR focuses presented in section 5.1.1:

- 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.

5.4.1.1 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.

The Department's health advisor covers the entire Group and coordinates occupational health services and prevention and ergonomics programs.

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 guiding and assisting its management executives. Over 380 prevention officers contribute to rolling out and improving HSE policy with all Group employees and stakeholders.

5.4.1.2 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 adapts the Group's HSE policy and is involved in its implementation. Each manager initiates prevention programs adapted to his or her business in order to achieve the progress objectives.

The Group's HSE objectives are rolled out across Group entities by the operating divisions, advised and assisted by the relevant HSE prevention officers. The HSE objectives for 2014 covered the following areas:

OCCUPATIONAL HEALTH

- Psychosocial risks: in application of the agreement on preventing stress in the workplace signed in 2011 by all employee representatives, targeted action plans have been developed and are monitored as part of the reviews conducted by company management teams. Additionally, a Group-level follow-up meeting is organized every year with a view to checking on the progress made with each action plan and exchanging best practice. At the last meeting held in October 2014, discussions focused notably on revising the methodology used to assess psychosocial risks. This new methodology is to be adopted at a number of pilot companies in 2015;

- Ergonomics: the Ergonomics program has been implemented throughout the Group. The internal ergonomics network has been strengthened and the required tools rolled out so that ergonomics is systematically and formally factored into any study to set up or transform industrial or tertiary operations worldwide;
- The Evrest (Assessment of Occupational Health) health observatory program: data sets on the work and health of employees are collected and monitored over several years. Indicators are monitored annually, and specific areas are subject to quantitative analysis. This helps to better understand the relationship between employee health and work.

OCCUPATIONAL SAFETY

- The frequency rate of occupational accidents resulting in lost worktime: the Group sets a target to improve its performance every year. The occupational safety target is adapted to each company in line with its businesses and past performance and is one factor 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 (production, testing, laboratory, customer support at remote sites, travel, etc.);
- 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 has been carried out. In application of French regulations, the system for measuring and defining emissions reduction plans was implemented by the sites concerned. An overview of these plans was 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 at the company level and once a year with the Sustainable Development Department.

5.4.1.3 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 27 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, demonstrating their equivalence to the ISO 14001 and OHSAS 18001 standards.

CERTIFICATION AUDITS

Internal HSE auditors, whose qualifications are verified by the Sustainable Development Department, conduct reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year.

Audit reports are reviewed by a 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.

5.4.1.4 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 66,429[(1)] employees, or 96% 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.

(1) Number of employees used as a basis at December 2014 (see section 5.7.1.1, "HSE Indicators") which represents 96% of the Group's workforce.

5.4.2 AIMING FOR EXCELLENCE IN SAFETY AND THE PROTECTION OF GOODS AND PEOPLE

5.4.2.1 Preserving the health of the women and men who contribute to the Group's activities

Based on a scope covering 66,429[1] Group employees, the total number of occupational illnesses reported in 2014 came to 105. The ratio was 1.6 illnesses per thousand employees in 2014 (2 in 2013). 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.

Wherever possible, occupational health services roll out the Evrest health observatory program. Widely used in French-speaking European countries (78% of employees in France and Belgium), 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.

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 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 assessed regularly with employee representatives.

A Group agreement was also signed in 2013 on preventing bullying and violence in the workplace.

5.4.2.2 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 its frequency rate to below 3 for 2014 and below 2 by 2017.

Based on a safety reporting scope covering 66,429 Group employees, the number of occupational accidents resulting in lost worktime stood at 329 in 2014. The frequency rate of occupational accidents resulting in lost worktime came out at 2.8 (down nearly 25% since 2013), while the severity rate was 0.09 (almost 25% lower than in 2013).

A detailed weekly report on accidents resulting in lost worktime was added to the regular report submitted to Executive Management. An in-depth analysis of the most significant accidents is also submitted to Executive Management on a regular basis.

	2012	2013	2014
Frequency rate	3.5	3.7	2.8
Severity rate	0.14	0.12	0.09

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 2014, the new progress initiative "ExcellenSSE" was deployed throughout the Group and included 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 Group's international development continues. The methodology used to assess safety, chemical and environmental risks was updated to reflect changes in regulations and as part of an ongoing effort to standardize assessments across all Safran sites.

ERGONOMICS

Safran's Ergonomics program focuses on occupational health and safety in the human-system interface, in order to:

- reduce occupational accidents: half of the Group's occupational accidents in 2014 were related to problems operating machines or devices;
- reduce occupational illnesses: over two out of three of the Group's occupational illnesses involved musculoskeletal disorders in 2014.

(1) Number of employees used as a basis at December 2014 (see section 5.7.1.1, "HSE Indicators") which represents 96% of the Group's workforce.

Ergonomics is integrated into the work system to improve its 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 from scratch.

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), the Group continued in 2014 with the training certified by the National Institute for Research and Safety (*Institut national de recherche et sécurité* – INRS) and provides training courses at its French sites, to increase the focus on ergonomics in the analysis of workstation risk and reduce any arduousness or danger at workstations.

In 2014, two 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 worldwide: partnerships with local universities are to be strengthened. Ergonomics is one of the Group's top priorities in HSE objectives and areas for development. The number of employees that have received ergonomics training reached 600 at the end of 2014.

FIRE PROTECTION AND PREVENTION

Since 2007, 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 2014, 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 2014.

Several initiatives were also initiated or continued in 2014:

- training for Directors and their team managers on the ongoing HSE improvement drive;
- a two-day forum brought over 150 HSE prevention officers together to share their experience;
- the first HSE conference for high-level management was held, bringing together nearly 400 executives to discuss two important themes: ergonomics and managerial leadership. Further HSE conferences are to be organized in the future. The conference was complemented by our partnership with the organization "Pur Projet" (Pure Project), involved in the conservation of old-growth forests. Through "Pur Projet", Safran contributes to the San Martin project to protect the Peruvian Amazon.

5.4.3 DEVELOPING INNOVATIVE PRODUCTS AND PROCESSES WITH A LOWER ENVIRONMENTAL IMPACT

5.4.3.1 Research and development: innovation at the heart of all Group products

In response to environmental challenges such as climate change, resource shortages or the use of chemicals, Safran is mobilized to promote sustainable development in the Aerospace, Defense and Security sectors. Seventy percent 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 2014. In addition to the examples mentioned above, other measures undertaken by sites include intercompany travel plans, recycling carbon fiber scraps, biodegradation of propellants, an electricity-saving project, replacing equipment and optimizing energy use at sites and recycling end-of-life aircraft with other partners.

Safran continues to be involved outside the Group through its participation in:

- Safran is a founding member of 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), at the ASD (Aerospace and Defense Industries 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;
- various strategic organizations such as the Civil Aviation Research Council (CORAC) and the Advisory Council for Aviation Research and Innovation in Europe (ACARE), or programs like Silencer and Open Air.

5.4.3.2 Products and processes

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.

5.4.3.3 Eco-design

Integrating health, safety and environmental factors into design to reduce negative impacts is crucial in leading this Group campaign. 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:

- toxicology and ecotoxicology;
- use of non-renewable natural resources;
- energy consumption;
- noise;
- air emissions.

The Turbomeca TM800 is a concrete example of this approach. The TM800, a new generation helicopter demonstration engine, is the culmination of extensive R&D efforts to develop a new, more efficient architecture, choose new, more health- and environmentally friendly materials and substantially reduce fuel consumption and noise pollution (through a 75% reduction in the noise footprint).

Fuel consumption is also constantly reduced for CFM engines (70% reduction over 40 years).

Other products derived through eco-design include:

- LEAP, a replacement for the CFM56 and the future engine for single-aisle aircraft, which will reduce fuel consumption and CO_2 emissions by 15% compared to the best CFM engines currently available;
- noise reduction is also factored into product design such as the "honeycomb" structured lining in the nacelles developed by Aircelle;
- the Silencer project, supported by Turbomeca, which aims to design materials that reduce engine noise;
- SIMply Green, Morpho's paper SIM card entirely composed of biodegradable and recyclable wood-based fibers.

In application of the eco-design guidelines, the end-of-life phase of Safran products must be managed sustainably: recovery of alloys in the dismantling phase and the closed-loop recycling of machining chips reused as raw materials. Life cycle analyses were run on products at a number of Group companies, in particular Turbomeca, Sagem and Herakles. Recycling end-of-life products is one of the processes included in eco-design. The EGTS™ electric taxiing system will significantly reduce the amount of kerosene consumed during taxiing, as well as ground noise and emissions.

Environmental factors are integrated not only into product design, but also upstream in the construction of new buildings and in improvements to existing processes.

5.4.3.4 Hazardous substances

For several years, the reduction and elimination of hazardous substances in the products and processes implemented in Group companies has been a key area for progress in the Group's HSE policy. A specific structure and resources have been deployed to ensure compliance with new regulations relating to dangerous substances.

In addition to work on compliance with REACh regulations, the measures taken included:

- 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 standard relating to the most critical substances from a Group perspective, using 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.

Since 2012, Safran has focused on consolidating all the measures initiated and updating them to incorporate the changes introduced by the REACh regulations.

The "REACh Group" (Registration, Evaluation, Authorization and restriction of Chemical substances) operating project team draws on the network of Product Environment Correspondents (CEPs) appointed within each company to coordinate all the Group's initiatives in this area.

5.4.3.5 Reducing greenhouse gas emissions

5.4.3.5.1 GREENHOUSE GAS EMISSIONS ALLOWANCES

Four Group companies, classified as combustion facilities (boilers for industrial use and heating installations, cracking furnaces) with a rated thermal input exceeding 20MW, were concerned by the allocation of greenhouse gas emissions allowances for the 2013 to 2020 period.

Company	Location	Activity	2008-2012 annual allowance *(metric tons)*	CO_2 emissions reported in 2013 *(metric tons)*	2013-2020 annual allowance *(metric tons)*
Snecma	Villaroche (France)	Manufacture of engines	27,918	9,717	9,785
	Gennevilliers (France)	Forging, casting and machining of aircraft parts		11,784	13,226
Messier-Bugatti-Dowty	Villeurbanne (France)	Manufacture of carbon brakes	22,722	13,515	15,658
Herakles	Saint-Médard-en-Jalles (France)	Manufacture of propellants	17,370	15,958	8,339
TOTAL			**68,010**	**50,974**	**47,008**

5.4.3.5.2 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 (Eq. t CO_2/employee)	Scope 2 (Eq. t CO_2/employee)
Safran 2013 (World)[(1)]	5.3	3.4
Safran 2014 (World)[(2)]	2.5	3.4

(1) Headcount covered: 64,139 employees.
(2) Headcount covered: 65,123 employees.

5.4.3.6 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 5.4.3.13.

5.4.3.7 Asbestos

The Group is concerned by asbestos legislation, in terms of both the protection of users of its products and the protection of employees and service providers.

This issue is tracked in the Safran HSE guidelines applicable to all Group sites.

5.4.3.8 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.

In connection with the acquisition of SME, Safran entered into an environmental guarantee agreement with SNPE for the treatment of pollution resulting from past operations at the Bouchet Research Center, Saint-Médard-en-Jalles and Toulouse facilities (all France). The French Directorate General for Health (*Direction générale de la santé* – DGS) and the French Agency for Food, Environmental and Occupational Health and Safety (*Agence nationale de sécurité sanitaire de l'alimentation, de l'environnement et du travail* – ANSES) issued a recommendation setting the threshold for ammonium perchlorate in water at 4 ppb/liter. To remain below the threshold, some water supply sources around the Saint-Médard-en-Jalles site were shut down. In application of additional local legislation in 2012, the Saint-Médard-en-Jalles and Toulouse entities drafted water management plans in line with France's national methodology for polluted sites and soil.

Major work to increase biological treatment and confine wastewater has been carried out at the Saint-Médard site. The Toulouse site operates a perchlorate production unit that recycles process wastewater.

(1) Scope 1 and 2 refer to direct emissions (Scope 1) and indirect emissions from energy consumption (Scope 2).

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. These reviews also encompass the HSE risk appraisal procedure.

5.4.3.9 Waste

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary or non-hazardous industrial waste and hazardous industrial waste. Waste may be recycled and transformed into energy, incinerated or disposed of at an industrial landfill.

Waste *(metric tons/employee)*	**2012**	**2013**	**2014**
Ordinary waste[1]	0.34	0.37	0.38
Hazardous industrial waste[1]	0.45	0.31	0.44
Total waste generated (ordinary + hazardous industrial)	**0.79**	**0.68**	**0.82**
Transformed ordinary waste	0.15	0.19	0.28
Transformed hazardous industrial waste	0.08	0.07	0.14
Total transformed waste (ordinary + hazardous industrial)	**0.23**	**0.26**	**0.42**

(1) Headcount covered: 62,492 employees.

5.4.3.10 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. This change explains the significant drop in the indicator.

Water [1] *(cu.m/employee)*	**2012**	**2013**	**2014**
Water supply network	26	25	24
Surface water	82	83	42[2]
Groundwater	28	20	18
TOTAL SAFRAN GROUP	**136**	**128**	**84**

(1) Headcount covered 65,428 employees.
(2) Excluding coolant water.

5.4.3.11 Energy consumption, measures for improvement and energy efficiency

Electricity is the prime energy source, representing more than half of total energy consumption, followed by natural gas. Hydrocarbons are used less and less for heating and are now reserved for engine testing and backup equipment.

The following table does not include the energy impact of transporting goods.

Energy *(metric tons of oil equivalent/employee)*	**2012**	**2013**	**2014**
Electricity[1]	1.30	1.34	1.3
Gas[1] excluding use as a raw material and in industrial processes	0.92	0.85	0.64
Gas[1] used in industrial processes	0.24	0.13	0.16
Fuel[1][2] (kerosene)	0.25	0.23	0.21

(1) Headcount covered: 65,123 employees.
(2) Not including transport.

5.4.3.12 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 2014: Snecma (Vernon), Messier-Bugatti-Dowty (Molsheim, Bidos), Herakles (Saint-Médard-en-Jalles, Toulouse, 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 entities 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 2014 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.

5.4.3.13 Natural risks

The Safran HSE guidelines cover these natural risks in the environment/permit/neighborhood standard. Maturity Level 2 requires entities to assess the impact of these risks (see section 5.4.1.3).

5.4.3.14 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.

5.4.3.15 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 involvement 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;
- targeting 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) RoHS: Restriction of the use of certain Hazardous Substances.

5.5 INVOLVING OUR SUPPLIERS AND PARTNERS

5.5.1 SOCIALLY RESPONSIBLE PURCHASING

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 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.

This is rolled out:

- in compliance 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), Safran was awarded the Responsible Supplier Relations label in 2014 for Snecma's aircraft engines business. Safran plans to extend the scope of this label as of 2015 to cover Messier-Bugatti-Dowty and Aircelle, by including non-production purchasing. In 2016, the scope will be broadened to Sagem and Turbomeca;
- in compliance with Safran's commitments with public authorities, professional organizations and other partners:
  - Safran is a member of the SME Pact (*Pacte PME*) association, as part of its commitment to strengthen links between SMEs and large corporations, and to support the development of French SMEs, and especially innovative companies. The Group is also a member of its Board of Directors. French SMEs notably account for 50% of the Group's main suppliers,
  - 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,
  - as part of the Group's agreement to support and help people with disabilities remain in employment, it has committed to developing its collaboration with companies that employ only people with disabilities and provide them with special facilities and support. This agreement targets business volumes representing €8 million to be generated through these companies by 2017;
- by drawing on 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.

To optimize the process, Safran relies on:

- the implementation of tools to assess the maturity of its purchasing structure and enable the creation and deployment of continuous improvement plans with a view to mastering best practice;
- an internal control system for procurement, incorporating 35 check points that are verified annually;
- career paths designed for buyers (both recent starters and experienced employees) that seek to guarantee the application of responsible purchasing practices within the Group; training programs (e-learning and classroom-based) devoted to incorporating the CSR theme in procurement form part of this development. Since 2013 around 200 buyers, out of a total of 850 in the Europe region, have taken part in these programs;
- a supplier requirements guide that incorporates CSR principles. This guide also contains the Responsible Purchasing Charter (available from the Group's website) 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 targeted CSR self-evaluation questionnaire for suppliers and the obligation for them to communicate these requirements to their own suppliers;
- an initiative designed to promote collaborative innovation with suppliers. Safran is thus reinforcing its role as a responsible participant in the field of innovation by:
  - 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.

Safran and its subsidiaries have adopted a process that enables them to identify in their products any conflict minerals (tin, tantalum, tungsten, gold) coming 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.

5.5.2 SUB-CONTRACTING

Like other industrial groups, Safran uses sub-contractors. Sub-contracting generally comes in one of three forms:

- cooperation sub-contracting, consisting of activities entrusted to major partners at the request of the customer;
- specialty sub-contracting of activities for which the Group does not possess the necessary expertise, for technical or economic reasons;
- capacity sub-contracting, corresponding to maximum sizing of Group production and development and based around cyclical activities.

5.6 INVESTING THROUGH FOUNDATIONS AND CORPORATE SPONSORSHIP

Safran boasts an active corporate sponsorship policy that is implemented:

- either through one of its two corporate foundations: the Safran Corporate Foundation for Integration and the Safran Corporate Foundation for Music;
- or directly by the Group, through initiatives led with prestigious public and private partners.

5.6.1 SAFRAN'S FOUNDATIONS

5.6.1.1 Safran Corporate Foundation for Integration

This Foundation, set up in 2005, is dedicated to the social and professional integration of young people with a physical, mental or social disability. A total of 147 projects have been supported since 2005.

The Foundation's Board of Directors places the long-term results for those who benefit from initiatives as the prime focus in its choice of programs.

The Foundation carries out most of its initiatives in France, although some high-leverage partnerships have been set up in other countries and are increasingly being conducted and supported by Group subsidiaries operating in these regions.

Firstly in Brazil, where the Foundation's commitment to promoting employment among the vulnerable favela populations of Rio de Janeiro has been maintained for the past several years through the continuation of the multi-year partnership with the International Youth Foundation.

This investment is rounded out by an educational program developed by the Terr' Ativa association, in the Morro do Fuba favela, which is also funded by the Foundation.

Meanwhile, in Bangladesh the Foundation helped the Watever association to set up a "composite materials" skills training project for very disadvantaged but highly motivated young adults.

Finally, in Colombia, with the highly innovative economic project, "Centre COMParte", in the Santa Rosa district in the south of Bogotá.

Safran employees are increasingly encouraged to further their involvement in the Foundation through projects implemented in collaboration with Group and company Human Resource Departments. Two significant examples include:

- the program led with the Frateli Association (see section 5.3.6) to offer increasingly operational and diversified guidance to high-potential students from underprivileged backgrounds through program mentors, who are highly experienced Safran employees;
- the multi-year project to design innovative wheelchairs, launched in the summer of 2011 in partnership with the Fondation Garches and the engineering and design schools, with the involvement of Safran staff, essentially engineers. The short-term goal is to design one or more prototypes. The project's various partners are now researching the best way to produce and market the wheelchairs. In 2014, Safran worked on finalizing two different prototypes in partnership with the engineering and design schools.

Safran employees are increasingly getting involved in these programs, both in France and around the world.

5.6.1.2 Safran Corporate Foundation for Music

This Foundation was created in 2004 and supports young, particularly promising musicians in their training and professional development through scholarships in France or abroad, assistance in buying an instrument, financing music recording projects, etc. Support has been provided to 167 projects since 2004.

The Foundation also participates in organizing music events and contests with a view to presenting the "Safran Corporate Foundation for Music Award". In 2014, the prize was awarded to Selim Mazari, a very young pianist, who was part of a group six young virtuosos, all trained by the *Conservatoire National Supérieur de Musique et de Danse de Paris* (National Superior Conservatory for Music and Dance of Paris).

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 with primary school students from a school classed as a priority education facility in Rouen;
  - with the Festival de Froville for a *Coup de foudre* concert, an educational concert for some 250 children with limited access to culture and classical music;
  - with the association *Planète Sciences* to develop the Rocketry Challenge, which is aimed at young people who want to learn more about space technology by building micro-rockets, and to develop an aerospace module by focusing on three areas: engines, flight controls and the analysis of inertial navigation units. The goal is to run participatory workshops for children aged between 7 and 16 (in schools, as extra-curricular activities, or outside events);
  - with the *Alliance des Mécènes pour l'Éducation*, to combat long-term school absenteeism: pupils are given support to assist them with their school work until they obtain their middle school certificate. Safran's employees support this initiative on a voluntary basis.
- And abroad:
  - in the United States, with the Duke Ellington School for the Arts, a public high school in Washington, D.C.: support for the establishment's dual objective to foster excellence (exceptional talent) and solidarity (by helping students from disadvantaged backgrounds);
  - in India, in the regions of Delhi and Bangalore where the educational initiatives that were initiated in 2014 are to be consolidated in 2015;
  - in Russia, where Safran is partner to the Alliance Française of Rybinsk, a town situated 380 km north of Moscow, which is home to a joint venture created by Snecma and NPO Saturn for the production of aircraft engine parts, in particular for the SaM146 engine.

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 (in French and English), which is updated each year, is inserted into Group magazines and 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 STATUTORY AUDITORS' REPORT

5.7.1 METHODOLOGY NOTE ON LABOR 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 2014 calendar year, from January 1 to December 31, unless otherwise indicated.

Safran has elected to have the entirety of its report reviewed by the Statutory Auditors, Ernst & Young & Associés, 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

LABOR INDICATORS

The labor 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 labor indicators at December 31, 2014 cover all subsidiaries from all business lines included in the reporting scope.

Indicators on training, work-study programs, internships, disabled workers and absenteeism only pertain to France.

The Group is working to expand the reporting scope of these indicators.

HSE INDICATORS

The HSE reporting scope encompasses Safran and some of its subsidiaries in which it has direct or indirect control. For health and safety issues, the scope covers 66,429 employees, representing 96% 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.

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 labor 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 by the Group;
- disposals/liquidations/changes in subsidiary investments: data on the entity that is sold or liquidated, or on entities that are less than 50% 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 by the Group.

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

Labor and HSE indicators are based on several data collection systems used by the Group. Each system falls under the responsibility of a specific department.

LABOR 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 in the scope of 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. The Group's Human Resources Department consolidates employee data for French and international companies based on the information reported by tier-one entities, following consistency checks.

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 2014 correspond to the data available at the end of the year.

Environmental data are published on a rolling year basis from October 1, 2013 to September 30, 2014.

Data are entered by representatives appointed at each entity in the Group's special 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 on certain indicators

The definitions of the labor 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, 2014. 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 over 99% of Safran's workforce, as some subsidiaries qualify this information as confidential.

MANAGERIAL-GRADE STAFF (MANAGERS AND ENGINEERS)/EMPLOYEES

Employees identified as managerial-grade staff, i.e., managers and engineers who:

- 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). The Group estimates that 1,700 new recruitments were on fixed-term employment contracts. This could be an underestimate due to different methods for recording fixed-term contract renewals in different countries.

REPLACEMENT INDEX FOR PERMANENT DEPARTURES

The replacement index for permanent departures is determined by dividing external new hires by permanent departures.

JOB CREATIONS

The number of net job creations is calculated by subtracting the 2013 headcount and new employees from acquisitions in 2014 from the 2014 headcount.

ABSENTEEISM

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.

Data pertain to France for the 2014 calendar year.

WORKERS WITH DISABILITIES

This indicator includes, for France, 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 other 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), as well as internship agreements for a minimum of one month, CIFRE and DRT established in 2014 in France.

TRAINING

The indicator on training hours covers all types of training worldwide and includes all training hours granted, but excludes individual training entitlements (*droit individuel à la formation* – DIF) in France unless they take place during work hours. In contrast to 2013, training courses of less than four hours and enrolled training was also included.

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 refer to Scope 1 and 2. In 2014, the scope covered 65,123 employees. Reporting covers the emissions from refrigerants for the calendar year, while other emissions are calculated based on a rolling 12-month basis from October 1, 2013 to September 30, 2014.

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 no longer included in the reporting this year, 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 per 0.0859 metric tons of oil equivalent.

5.7.2 INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

This is a free translation into English of the original report issued in the French language 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.

Year ended December 31, 2014

To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number n° 3-1050, and as a member of the network of one of the Statutory Auditors of the company Safran, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31, 2014, presented in chapter 3 of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the Article L.225-102-1 of the French Commercial code *(Code de commerce)*.

Responsibility of the Company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the Article R.225-105-1 of the French Commercial code *(Code de commerce)*, in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), and of which a summary is included in the chapter 5.7 of the reference report (the "Methodological Note").

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the Article L.822-11 of the French Commercial code *(Code de commerce)*. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R.225-105 of the French Commercial code *(Code de commerce)* (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;
- to express, at the request of the Company, a reasonable assurance conclusion that the information selected by the company and identified by the symbol ☑ in chapter 5 of the reference report, has been established, in all material aspects, in accordance with the Criteria.

Our verification work was undertaken by a team of 8 people between November 2014 and February 2015 for an estimated duration of approximatively 20 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000[2].

1. ATTESTATION OF PRESENCE OF CSR INFORMATION

We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the Company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R.225-105-1 of the French Commercial code *(Code de commerce)*.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R.225-105, paragraph 3, of the French Commercial code *(Code de commerce)*.

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code *(Code de commerce)* with the limitations specified in the Methodological Note in chapter 5.7 of the management report.

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR Information.

2. LIMITED ASSURANCE ON CSR INFORMATION

Nature and scope of the work

We undertook 15 interviews with the people responsible for the preparation of the CSR Information in the different departments in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;

(1) Scope available at www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[(1)]:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of sites that we selected[(2)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 55% of the total workforce and 29% of the quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observation

Without qualifying our conclusion above, we draw your attention to the fact that we have observed the usage of diverse calculation methods for determining the quantities of waste generated and recovered, due to different interpretations of indicators' definitions.

3. REASONABLE ASSURANCE ON A SELECTION OF CSR INFORMATION

Nature and scope of work

Regarding the information selected by the Company and identified by the sign ☑ in the chapter 5 of the reference report, we undertook work of the same nature as those described in paragraph 2 above for the CSR Information considered the most important, but in a more in-depth manner, in particular in relation to the number of tests.

We consider that this work allows us to express a reasonable assurance opinion on this information.

Conclusion

In our opinion, the information selected by the company and identified by the ☑ sign in the chapter 5 of the reference report has been established, in all material aspects, in compliance with the Criteria.

Paris-La Défense, the March 18, 2015

French original signed by

Independent Verifier

ERNST & YOUNG et Associés

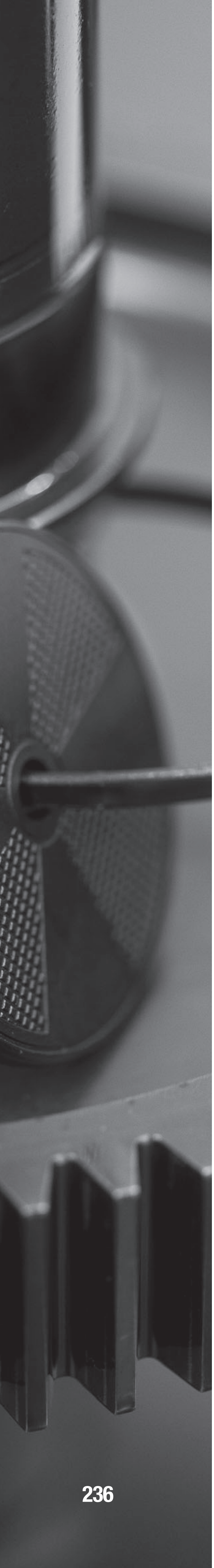
Christophe Schmeitzky	Bruno Perrin
Partner, Sustainable Development Department	*Partner*

(1) ***Environmental and societal information:*** *waste management (generated and recovered non-hazardous and hazardous waste), sustainable use of resources and climate change (energy consumption, Natural Gas consumption, LPG consumption, total water consumption and breakdown (network water, surface water, underground water),* CO_2 *emissions (Scope 1 and 2), raw material consumption and measures undertaken to enhance resource efficiency (Ecodesign initiatives undertaken by the group), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, business ethics (actions undertaken to prevent bribery and corruption), partnership and sponsorship initiatives.*

Social information: *Headcounts (Registered headcounts, split by gender, split by category (manager/worker), split by country), External hires and dismissals, Compensation and its evolution, Absenteeism rate, Workplace accidents and in particular the frequency and severity rates, Organization of employer-employee dialogue including the procedures for providing information and counselling to staff and handling negotiations with them, Overview of collective agreements, Learning and development policies, Number of training hours, Policies and measures taken to promote gender equality, to promote employment and integration of employees with disability, and to fight against discrimination.*

(2) ***Social information:*** *Aircelle (France), Labinal Power Systems (France), Labinal Power Systems Temara (Morocco), Messier-Bugatti-Dowty (France), Messier-Bugatti-Dowty Suzhou (China), Morpho (France), Sagem Défense Sécurité (France), Snecma (France), Snecma Suzhou (China), Turbomeca (France). Health, safety and environmental information: Sagem Défense Sécurité Argenteuil (France), Hispano-Suiza Colombes (France), Snecma Evry-Corbeil (France), Turbomeca Fareham (United Kingdom), Snecma Gennevilliers (France), Messier-Bugatti-Dowty Suzhou (China), Snecma Suzhou (China), Labinal Power Systems Temara (Morocco), Herakles Toulouse (France), Snecma Vernon (France).*

NOTES



6 CORPORATE GOVERNANCE



Corporate Governance Code

Safran follows the AFEP-MEDEF Corporate Governance Code.

Membership structure of the Board of Directors

In accordance with the recommendations of the AFEP-MEDEF Code, one-third of the Board members are women and 53.8% are independent.

Pursuant to Article 14.8 of the Company's bylaws, since shares held by employees represent more than 3% of the share capital of the Company, the Board of Directors comprises two Directors representing employee shareholders. In accordance with Article 14.9 of the Company's bylaws, introduced by France's Employment Security Act of June 14, 2013, the Board of Directors also comprises two Directors representing employees, elected on November 20, 2014.

Procedures of the Board of Directors

The Board of Directors has a set of Internal Rules determining its procedures in addition to the law, regulations and bylaws.

The Board of Directors relies on the work of three specialized committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee; and
- the Strategy and Major Projects Committee.

Executive Management

At its meeting on April 21, 2011, the Board of Directors opted to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and appointed Jean-Paul Herteman as Chairman and Chief Executive Officer. The Board of Directors also appointed three Deputy Chief Executive Officers, Stéphane Abrial, Ross McInnes and Marc Ventre, to assist the Chairman and Chief Executive Officer.

At its meeting of December 5, 2014, the Board of Directors approved in principle the appointment of Philippe Petitcolin to succeed Jean-Paul Herteman as Chief Executive Officer at the close of the Annual General Meeting of April 23, 2015, and the appointment of Ross McInnes as Chairman of the Board of Directors during the meeting that will follow the same Annual General Meeting.

REFERENCE CORPORATE GOVERNANCE CODE

Safran follows the "Corporate Governance Code of Listed Corporations", drawn up jointly by the French employers' associations, AFEP(1) and MEDEF(2), with reference to the version revised and made public on June 16, 2013 and the guidelines for enforcement revised in December 2014. These documents can be consulted at www.afep.com (in French and English for the Code, and in French for the guidelines for enforcement).

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).

6.1 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

On April 21, 2011, the Shareholders' Meeting approved a governance structure with a Board of Directors, replacing the former structure composed of a Supervisory Board and an Executive Board.

6.1.1 BOARD OF DIRECTORS

Members of the Board of Directors

Pursuant to Article 14.9 of the Company's bylaws adopted in accordance with France's Employment Security Act of June 14, 2013 by the Annual General Meeting of May 27, 2014, two Directors representing employees were appointed on November 20, 2014.

Since November 20, 2014, the Board of Directors of Safran has consisted of seventeen members – including four representatives of the French State, two employee shareholder representatives, and two employee representatives.

Jean-Paul Herteman was appointed as Chairman at the Board of Directors' meeting of April 21, 2011 for a term that expires at the close of the Annual General Meeting of April 23, 2015.

Board membership is as follows:

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Jean-Paul Herteman 64 years (French national)	**Chairman of the Board of Directors and CEO**	April 21, 2011 2015 AGM	21,096(3)	Chairman and CEO of Safran 2, bd du Général Martial-Valin 75015 Paris, France
Christian Streiff 60 years (French national)	**Vice-Chairman of the Board of Directors** *(independent)* Chairman of the Strategy and Major Projects Committee and member of the Appointments and Compensation Committee	May 28, 2013 2018 AGM	500	Vice-Chairman of the Board of Directors of Safran 2, bd du Général Martial-Valin 75015 Paris, France
Marc Aubry 52 years (French national)	**Director representing employee shareholders** Member of the Audit and Risk Committee	April 21, 2011 2016 AGM	1,962(4)	Design engineer for space engine turbopumps at Snecma's Vernon site Forêt de Vernon BP 802 27208 Vernon Cedex, France
Giovanni Bisignani 68 years (Italian national)	**Director** *(independent)* Member of the Appointments and Compensation Committee and member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	850	De Vere Gardens 12 14 London W8 5AE UK

(1) *AFEP:* Association française des entreprises privées.
(2) *MEDEF:* Mouvement des entreprises de France.
(3) *Indirectly via units in the Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2015).*
(4) *Including 1,922 shares via units in the Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2015).*

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Frédéric Bourges 56 years (French national)	**Director representing employees**	November 20, 2014 November 19, 2019	51(5)	Technician and HSE representative at Snecma's Évry-Corbeil site Rue Henri-Auguste Desbruères B.P. 81, 91003 Évry Cedex, France
Jean-Lou Chameau 62 years (French and American national)	**Director** *(independent)*	April 21, 2011 2015 AGM	1,000	President of King Abdullah University of Science & Technology Administration Building #16 Room #4002 4700, Thuwal 23955-6900 Saudi Arabia
Monique Cohen 59 years (French national)	**Director** *(independent)* Member of the Audit and Risk Committee	May 28, 2013 2018 AGM	500	Executive Partner of Apax Partners Midmarket SAS 45, avenue Kléber 75784 Paris Cedex 16, France
Odile Desforges 65 years (French national)	**Director** *(independent)* Chair of the Audit and Risk Committee and member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	500	3, rue Henri Heine 75016 Paris, France
Jean-Marc Forneri 55 years (French national)	**Director** *(independent)* Chairman of the Appointments and Compensation Committee	April 21, 2011 2018 AGM	1,062	Chairman of Bucéphale Finance 17, avenue George V 75008 Paris, France
Patrick Gandil 59 years (French national)	**Director representing the French State** Member of the Strategy and Major Projects Committee	May 28, 2013 2018 AGM	None	Director General of Civil Aviation Directorate General for Civil Aviation (DGAC) 50, rue Henry Farman 75015 Paris, France
Christian Halary 61 years (French national)	**Director representing employee shareholders**	April 21, 2011 2016 AGM	15,006(6)	Head of the renovation calculator business in the Safran Electronics division of Sagem(7) 21, avenue du Gros-Chêne 95610 Éragny-sur-Oise, France
Vincent Imbert 59 years (French national)	**Director representing the French State** Member of the Appointments and Compensation Committee Member of the Strategy and Major Projects Committee		None	Executive Vice-President Directorate General of Weapons Procurement 7-9, rue des Mathurins 92220 Bagneux, France
Xavier Lagarde 67 years (French national)	**Director** Member of the Strategy and Major Projects Committee	April 21, 2011 2017 AGM	150,468(8)	Chairman of Club Sagem 77, rue Leblanc 75015 Paris, France
Elisabeth Lulin 48 years (French national)	**Director** *(independent)* Member of the Audit and Risk Committee	April 21, 2011 2017 AGM	501	Chief Executive Officer of Paradigmes et cætera 23, rue Lecourbe 75015 Paris, France
Daniel Mazaltarim 55 years (French national)	**Director representing employees**	November 20, 2014 November 19, 2019	1,824(9)	Member of the progress initiative department of Snecma's Military Engines division as a Black Belt Évry-Corbeil site Rue Henri-Auguste Desbruères B.P. 81, 91003 Évry Cedex, France

(5) Indirectly via units in the Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2015).

(6) Including 2,956 shares via units in the Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2015).

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

(8) Including 31,464 shares via Club Sagem and 13,416 shares via units in the Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2015).

(9) Indirectly via units in the Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2015).

Members of the Board of Directors	Duties on the Board of Directors	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Astrid Milsan 43 years (French national)	**Director representing the French State** Member of the Audit and Risk Committee, the Appointments and Compensation Committee, and the Strategy and Major Projects Committee	July 8, 2011 2018 AGM	None	Deputy Director General of the State Investments Agency (APE) French Ministry of Economic Affairs, Finance and Employment 139, rue de Bercy 75012 Paris, France
Laure Reinhart 59 years (French national)	**Director representing the French State** Member of the Strategy and Major Projects Committee	April 21, 2011 2018 AGM	500	Head of Partnerships Bpifrance's Innovation Department 6/8, boulevard Haussmann 75009 Paris, France

Under the twentieth resolution of the Extraordinary Shareholders' Meeting of April 21, 2011, the shareholders appointed **Caroline Grégoire-Sainte Marie** as a Board Advisor *(censeur)* for a four-year term.

Francis Mer, whose term as 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.

Information on members of the Board of Directors

Jean-Paul Herteman
Chairman and Chief Executive Officer

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 chief weapons engineer (reserve corps) and a former pilot with the technical corp.*

*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 as Chairman and CEO of Snecma Moteurs (now Snecma) in 2002.*

In 2004, Jean-Paul Herteman was appointed 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 of 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 Defense 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 the 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.

Current offices

Safran Group:

- Chairman and Chief Executive Officer: Safran

Non-Group:

- Vice-Chairman: *Conseil général de l'armement*
- President: ASD (Belgium)
- Chairman of the Board of Directors: CNAM since December 2014
- Director: CNAM since November 2014; RAISE fund (promoting entrepreneurship for SMEs and micro-businesses) since September 2014; CNRS since November 2009

Offices that expired in the last five years

Safran Group:

- Chairman of the Executive Board: Safran, up to April 2011
- Director: Snecma up to December 2014
- Permanent representative of Safran on the Board of Directors: Sagem, up to February 2010

Non-Group:

- President/Chairman: GIFAS, up to July 2013; CIDEF, up to December 2011

Christian Streiff
Director – independent
Vice-Chairman of the Board of Directors
Member and Chairman of the Strategy and Major Projects Committee
Member of the Appointments and Compensation Committee

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 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 (German Federal Republic) between 1985 and 1988, General Manager of Vetrotex Deutschland (formerly Gevetex) (Germany) between 1989 and 1991, General Manager of Vetri SpA (Italy) from 1992 to 1994, General Manager of Saint-Gobain Emballage 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 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 the author of a novel, Kriegspiel *(Éditions La Nuée Bleue, 2000) and of* J'étais un homme pressé *(Éditions du Cherche Midi 2014).*

Current offices

Safran Group:

- Vice-Chairman of the Board of Directors: Safran

Non-Group:

- Chairman: CS Conseil
- Director: TI-Automotive (UK); Crédit Agricole SA(1) (also a member of the Compensation Committee)
- Member of the European Advisory Board: Bridgepoint (UK)

Offices that expired in the last five years

Safran Group:

None

Non-Group:

- Director: Finmeccanica SpA(1) (Italy), up to July 2013
- Member of the Supervisory Board: Thyssen Krupp AG(1) (Germany), up to January 2015

(1) Listed company.

Marc Aubry
Director – representing employee shareholders
Member of the Audit and Risk Committee

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 of Snecma and CFDT trade union coordinator of the Group.

Current offices

Safran Group:

- Director representing employee shareholders: Safran

Non-Group:

None

Offices that expired in the last five years

Safran Group:

- Vice-Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund, up to December 2013

Non-Group:

None

Giovanni Bisignani
Director – independent
Member of the Appointments and Compensation Committee
Member of the Strategy and Major Projects Committee

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 the 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 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.

Current offices

Safran Group:

- Director: Safran

Non-Group:

- Director: Aircastle Limited[1] (US) (also a member of the Nominating and Governance Committee)
- Director: Alitalia – Italian Airline Company (Italy) since November 2014 (also Chairman of the Appointments and Compensation Committee, and a member of the Related Party Committee and the Audit Committee, since January 2015)

Offices that expired in the last five years

Safran Group:

None

Non-Group:

- Director General and CEO of IATA (International Air Transport Association – Montreal), up to June 2011
- Director of NATS Holdings Limited (UK)

(1) Listed company.

Frédéric Bourges
Director – representing employees

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 as 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.

Current offices

Safran Group:

- Director representing employees: Safran since November 2014

Non-Group:

None

Offices that expired in the last five years

- CGT central trade union delegate at Snecma up to December 2014

Jean-Lou Chameau
Director – independent

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 up to 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.

Current offices

Safran Group:

- Director: Safran

Non-Group:

- President: King Abdullah University of Science & Technology (KAUST) (Saudi Arabia)
- President Emeritus: California Institute of Technology (Caltech) (US)
- Director: MTS Systems Corporation(1) (US) (also a member of the Governance and Nominating Committee)
- Other office: Academic Research Council of Singapore (Singapore)

Offices that expired in the last five years

Safran Group:

None

Non-Group:

- President and Director: Caltech (US), up to June 2013
- Director: John Wiley & Sons(1) (US), up to September 2013 (also a member of the Audit Committee)
- Member of the Council on Competitiveness (US), up to June 2013
- Member of the Advisory Committee: Interwest (US), up to March 2013
- *École Polytechnique*, Internet2

(1) Listed company.

Monique Cohen
Director – independent
Member of the Audit and Risk Committee

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, she has been an Executive Partner of Apax Partners in Paris, which focuses on 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).*

Current offices

Safran Group:

- Director: Safran

Non-Group:

- Chair of the Board of Directors: Proxima Investissement (Luxembourg)
- Chair: Trocadéro Participations II SAS
- Vice-Chair and member of the Supervisory Board: Hermès International[1] (also Chair of the Audit Committee) since June 2014
- Director: BNP Paribas[1] since February 2014; Financière MidMarket SAS; Apax Partners MidMarket SAS; SEP Altitude
- Member of the Supervisory Board: JC Decaux[1] (also a member of the Audit Committee); Global Project SAS; Trocadero Participations SAS
- Deputy Chief Executive Officer: Altamir Amboise Gérance SA
- Managing Partner: Société Civile Fabadari

Offices that expired in the last five years

Safran Group:

None

Non-Group:

- Chair: Trocadéro Participations SAS, up to 2012
- Chair and member of the Supervisory Board: Texavenir II SAS
- Director: Société de financement local (SFIL) up to June 2014; BuyWay Personal Finance Belgium SA (Belgium) up to April 2014; BuyWay Tech SA (Belgium) up to April 2014; Altran Technologies SA[1] (also a member of the Investments and Acquisitions Committee) up to March 2014; B*Capital SA up to 2013; Equalliance SA up to 2011; Finalliance SAS up to 2011
- Chair of the Board of Directors: Wallet SA (Belgium) up to April 2014; Wallet Investissement 1 SA (Belgium) up to April 2014; Wallet Investissement 2 SA (Belgium) up to April 2014
- Manager: Société Civile Equa, up to 2011
- Member of the Supervisory Board: Financière Famax SAS, up to 2010
- Manager (class C): Santemedia Group Holding Sarl (Luxembourg), up to 2012

(1) Listed company.

Odile Desforges
Director – independent
Member and Chair of the Audit and Risk Committee
Member of the Strategy and Major Projects Committee

Expertise and experience

Born in 1950, Odile Desforges graduated with an engineering diploma from École Centrale de 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 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 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 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.

Current offices

Safran Group:

- Director: Safran

Non-Group:

- Director: Sequana[(1)] (also a member of the Appointments and Compensation Committee); Dassault Systèmes[(1)] (also a member of the Audit Committee); Johnson Matthey plc[(1)] (UK) (also a member of the Audit Committee, the Nomination Committee and the Management Development and Remuneration Committee)

Offices that expired in the last five years

Safran Group:

None

Non-Group:

- Director: GIE REGIENOV, up to January 2013; Renault España SA (Spain), up to December 2012; RNTBCI, up to June 2012; Renault Nissan BV (Netherlands), up to June 2012

(1) Listed company.

Jean-Marc Forneri
Director – independent
Member and Chairman of the Appointments and Compensation Committee

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 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, where he became Chairman.

Current offices

Safran Group:

- Director: Safran

Non-Group:

- Chairman: Bucéphale Finance SAS
- Chairman of the Supervisory Board: Grand Port Maritime de Marseille (GPMM)
- Member of the Supervisory Board: Société Casino Municipal d'Aix Thermal
- Director: Balmain; Intercontinental Exchange, Inc.(1) (US)
- Manager: Perseus Participations

Offices that expired in the last five years

Safran Group:

- Member of the Supervisory Board: Safran, up to April 2011

Non-Group:

- Member of the Supervisory Board: Euronext NV (Netherlands), up to July 2014

(1) Listed company.

Patrick Gandil
Director – representing the French State
Member of the Strategy and Major Projects Committee

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 Service.

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.

Current offices

Safran Group:

- Director representing the French State: Safran

Non-Group:

- Director representing the French State: Société de Gestion de Participations Aéronautiques (Sogepa); Paris Air and Space Museum (*Musée de l'Air et de l'Espace*)
- Government commissioner: Aéroports de Paris(1)

Offices that expired in the last five years

Safran Group:

- Member of the Supervisory Board representing the French State: Safran, up to April 2011

Non-Group:

- Director representing the French State: ONERA (French National Aerospace Research Office), up to October 2013
- Temporary Chairman of the Board: Eurocontrol (Belgium), up to December 2013

(1) Listed company.

Christian Halary
Director – representing employee shareholders

Expertise and experience

Born in 1953, Christian Halary holds a post-graduate degree (DEA) in microwave frequency technology. He has been a Group employee for 35 years. He began his career in 1979, first as a Research Engineer, then as Engineer responsible for product development, at Sagem SA.

In 2005 he was appointed Engineer responsible for product development at Sagem.

Since 2009 he has been Head of the Renovation Calculator business in the Safran Electronics division of Sagem.

Current offices

Safran Group:

- Director representing employee shareholders: Safran
- Chairman of the Supervisory Board of the corporate mutual funds: Partifond; Interfond; Avenir Sagem
- Member of the Group's CFE-CGC Coordination Committee

Non-Group:

- Member of the Management Committee: Club Sagem

Offices that expired in the last five years

Safran Group:

- Member of the Supervisory Board representing employee shareholders: Safran, up to April 2011
- Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund, up to December 2013

Non-Group:

None

Vincent Imbert
Director – representing the French State
Member of the Appointments and Compensation Committee
Member of the Strategy and Major Projects Committee

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 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 direction of the DGA, which he would subsequently manage.

He was appointed Executive Vice-President of the DGA in May 2013.

Current offices

Safran Group:

- Director representing the French State: Safran since March 2014

Non-Group:

- Director representing the French State: Giat Industries

Offices that expired in the last five years

None

Xavier Lagarde
Director
Member of the Strategy and Major Projects Committee

Expertise and experience

Born in 1948, Xavier Lagarde is 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 Sagem. In 2005, he held the position of Quality Director at Safran. The following year, he became Executive Vice-President of the Communications branch 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 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.

Current offices

Safran Group:

- Director: Safran

Non-Group:

- Chairman: Club Sagem

Offices that expired in the last five years

Safran Group:

- Member of the Executive Board: Safran, up to April 2011
- Chairman: Sagem Mobiles, up to December 2014
- Chairman of the Board of Directors: Soreval (Luxembourg), up to May 2012
- Chairman and CEO: Sagem Mobiles, up to June 2013; Sagem Télécommunications, up to August 2012
- Director: Safran Consulting, up to June 2012; Aircelle, up to April 2011
- Permanent representative of Safran Télécommunications on the Board of Directors: Sagem Industries, up to December 2011

Non-Group:

- Member of the Supervisory Board: Gores Broadband SA, up to January 2010

Elisabeth Lulin
Director – independent
Member of the Audit and Risk Committee

Expertise and experience

Born in 1966, Elisabeth 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.*

Elisabeth Lulin began her career at the 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, Elisabeth 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 of Monitor group, a strategy consulting firm.

Elisabeth Lulin is currently Chief Executive Officer of Paradigmes et caetera, a research and consulting firm dedicated to benchmarking and innovation, which she founded in 1998.

Current offices

Safran Group:
- Director: Safran

Non-Group:
- Chief Executive Officer: Paradigmes et cætera
- Director: Bongrain SA[1] (also chair of the Strategy Committee)
- Chair of the Board of Directors of *École Nationale Supérieure de Création Industrielle* (ENSCI)

Offices that expired in the last five years

Safran Group:

None

Non-Group:
- Director: Société Générale[1], up to May 2013 (also a member of the Audit, Internal Control and Risk Committee); Ciments Français[1], up to November 2014
- Chair of the Executive Board: *Institut Aspen France*, up to May 2010
- Member of the Board of Directors of the *Institut Français des Administrateurs*, up to May 2012

(1) Listed company.

Daniel Mazaltarim
Director – representing employees

Expertise and experience

Born in 1960, Daniel Mazaltarim holds a PhD in geology from Strasbourg University, a post-graduate diploma (DESS) in 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 15 years.

Daniel Mazaltarim started his career as quality assurance manager at Hispano-Suiza before joining Safran Consulting in 2004, first as a consultant then 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.

Current offices

Safran Group:

- Director representing employees: Safran since November 2014

Non-Group:

None

Offices that expired in the last five years

None

Astrid Milsan
Director – representing the French State
Member of the Audit and Risk Committee
Member of the Appointments and Compensation Committee
Member of the Strategy and Major Projects Committee

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 of Appeal 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.

She was appointed Deputy Director General of APE in 2013.

Current offices

Safran Group:

- Director representing the French State: Safran

Non-Group:

- Director representing the French State: GDF Suez[1] (also a member of the Audit Committee, the Strategy and Investments Committee, and the Appointments and Compensation Committee); DCNS (also a member of the Audit, Accounts and Risk Committee, the Bids Committee, the Appointments and Compensation Committee, and the Strategy Committee); *Établissement Public de Financement et de Restructuration* (EPFR)

Offices that expired in the last five years

Safran Group:

None

Non-Group:

- Member of the Supervisory Board representing the French State: RTE, up to 2011
- Director representing the French State: Imprimerie Nationale, up to 2013; SNPE, up to 2013; Société de Gestion de Participations Aéronautiques (Sogepa), up to 2013; Sogéade Gérance SAS, up to 2013; Sogéade, up to 2013; Areva NC, up to 2011; la Française des Jeux, up to 2011; Eramet[1], up to 2011; Laboratoire Français de Fractionnement et de Biotechnologies, up to 2011

(1) Listed company.

Laure Reinhart
Director – representing the French State
Member of the Strategy and Major Projects Committee

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 Company'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 implemented the new strategy.

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. In July 2013, she became the Head of Partnerships within Bpifrance Financement's Innovation Department.

Current offices

Safran Group:

- Director representing the French State: Safran

Non-Group:

- Director: INPI (*Institut National de la Propriété Industrielle*); INRIA (*Institut National de Recherche en Informatique et en Automatique*)
- President of three associations: Île de Science, the Scientipole Initiative and Scientipole Growth

Offices that expired in the last five years

Safran Group:

None

Non-Group:

- Deputy CEO in charge of innovation: OSEO, up to July 2013

Information relating to the Board Advisor

The role of the Board Advisor is to monitor the strict application of the bylaws, attend Board meetings and take part in decision making in a consultative capacity. The Board Advisor is also invited to all Audit and Risk Committee meetings.

Caroline Grégoire-Sainte Marie
Advisor to the Board of Directors

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 Management Controller.

In 1987, she joined pharmaceutical company Hoechst where she occupied various financial/management positions, before being made Financial Director and 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 became 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.

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 Fédération de l'Industrie du Béton *(FIB).*

Between 2009 and 2011, Caroline Grégoire-Sainte Marie was Chair of FransBonhomme, the French leading 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.

Current offices

Safran Group:
None

Non-Group:
- Director: Calyos (Belgium) since July 2014; FLSmidth & Co[1] (Denmark) (also a member of the Technology Committee); Eramet[1] (also a member of the Audit Committee); Groupama (also a member of the Audit and Risk Committee, Chair of the Compensation and Appointments Committee)

Offices that expired in the last five years

Safran Group:
None

Non-Group:
- Chair and CEO: FransBonhomme, up to 2011

(1) Listed company.

Director whose term of office ended in 2014

Thierry Pérard
Director – representing the French State

Expertise and experience

Born in 1965, a graduate of École Nationale Supérieure de Techniques Avancées, *Thierry Pérard started his career in 1990 at the French Directorate General of Weapons Procurement (DGA), working in the area of military telecommunications. For some 12 years he held various positions handling operations for all armed forces in France and served as Director of the Innovation Program for the integrated network of automatic transmission (RITA). He also helped put in place the interoperability standard at the DGA's Center for the Control of Information (DGA/MI) in Bruz, France.*

In September 2002, he joined the Ballistics and Aerodynamics Research Laboratory (LRBA) that specializes in missile and guidance/navigation systems. He took on management responsibilities at the Laboratory and was responsible for strategy first as Division Head and then as Deputy Technical Director of the Center.

*In September 2006, he was appointed Director of the Barracuda Nuclear Attack Submarine Program. He was responsible for launching construction for this program, handling the notification for the construction agreement and overseeing the development work up to the preliminary definition review. He managed the entire project, the delegated project management to the Atomic Energy and Alternative Energies Commission (CEA), as well as the responsibility as synthesis authority (*autorité de synthèse*) in charge of issues related to nuclear safety.*

In March 2009, Thierry Pérard took over the Scorpion Program for the French Army, launching project development in April 2010.

In July 2012, he was appointed Head of the Industrial Affairs and Business Intelligence Department (S2IE) of the DGA with effect from September 1, 2012.

In March 2014, he left this position upon his appointment as Director of the management unit of the DGA's helicopter weapons operations.

Offices held at May 27, 2014

Safran Group:

None

Non-Group:

None

Offices that expired in the last five years, at May 27, 2014

Safran Group:

- Director representing the French State: Safran, up to March 2014

Non-Group:

- Director representing the French State: Défense conseil international (DCI) up to March 2014; DCNS (also a member of the Bids Committee, the Appointments and Compensation Committee, and the Strategy Committee) up to March 2014; Giat Industries up to March 2014
- Director: SNPE, from June to December 2013

Other persons participating in Board of Directors' meetings

THE GOVERNMENT COMMISSIONER

Éric Meresse, Controller-General of the French Armed Forces,

succeeded Louis-Alain Roche as Government Commissioner to Safran and its subsidiaries by decision of the Ministry of Defense of 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

Isabelle Besson: executive in the Communications Department of Safran,

Nabil Grine: account manager of Safran's establishment located at 2, boulevard du Général Martial-Valin, 75015 Paris, France,

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 *(Code du travail)*.

Roles and responsibilities of the Board of Directors

The roles and responsibilities of the Board of Directors are described in section 6.5.1 and section 7.1.2.1.

Board of Directors' Internal Rules

The Board of Directors' meeting of April 21, 2011 approved the Internal Rules that govern the operating procedures and organization of the Board of Directors. On March 20, 2014, the Board of Directors adopted amended Internal Rules, in order to take into account changes made to the AFEP-MEDEF Corporate Governance Code with reference to the 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 transactions 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 transactions requiring the Board of Director's prior approval (see section 6.5.1).

The Internal Rules are available on the Company's website (http://www.safran-group.com, in the Finance section).

Other information

INFORMATION ON SERVICE CONTRACTS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS OR EXECUTIVE MANAGEMENT AND THE COMPANY OR ONE 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 officially charged and/or received sanctions from a legal or regulatory authority, or
  - has been prohibited by a court of law from being a member of an administrative, management or supervisory body, or from participating in the management or performance of a company's business.

CONFLICTS OF INTEREST AT BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT LEVEL

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 the principal shareholders, customers, suppliers or other parties for the appointment of members of the Board of Directors or Executive Management.

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 invests, or any of the companies with which Safran is planning to conclude 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 whose responsibility it is to decide whether or not to inform the Board of Directors and thus to instigate the conflicts of interest management process;
- in the event that the member of the Board of Directors discussed in the previous paragraph is the Chairman of the Board of Directors him/herself, then he/she should inform the Vice-Chairman of the Board of Directors or, failing that, the Board of Directors;

- the member of the Board of Directors concerned must abstain from voting on decisions relating to the conclusion of the agreement in question 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 CEO and, where appropriate, the Deputy CEO(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, 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.

6.1.2 COMMITTEES OF THE BOARD OF DIRECTORS

At its meeting of April 21, 2011, the Board of Directors set up three permanent Committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The Board of Directors may, in its sole discretion, set up further Board Committees.

The role, organization, operating procedures and work of each Committee are set out in section 6.5.1.

6.1.3 EXECUTIVE MANAGEMENT

Current structure of Executive Management

At its meeting on April 21, 2011, when the Board of Directors adopted a management structure with a Board of Directors, it opted to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and appointed Jean-Paul Herteman to take on these functions and the title of Chairman and Chief Executive Officer. The Board considered that this structure would enable Jean-Paul Herteman to implement flexible, efficient and responsive operating procedures as regards oversight and management of the Group.

Composition of Executive Management up to the Annual General Meeting of April 23, 2015

Jean-Paul Herteman was appointed Chairman and Chief Executive Officer for the duration of his term as Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2014.

The three members of staff appointed by the Board of Directors as non-Director Deputy Chief Executive Officers for a duration also expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2014, are:

- Stéphane Abrial, since July 1, 2013;
- Ross McInnes, since April 21, 2011;
- Marc Ventre, since April 21, 2011.

Stéphane Abrial, Deputy Chief Executive Officer, Corporate Office, is 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 is also responsible for audit and internal control.

Ross McInnes, Deputy Chief Executive Officer, Finance, is in charge of the Finance Department (Management Control, Accounting, Financial Communication, Cash Management, Financing, Tax Issues), and the Risk and Insurance Department.

Marc Ventre, Deputy Chief Executive Officer, Operations is responsible for managing the Group's operations, i.e., its industrial, commercial and after-sales support activities and its programs.

Members of Executive Management	Functions	Date of first appointment Expiration of term of office	Number of Safran shares held	Main position Address
Jean-Paul Herteman 64 years	**Chief Executive Officer**	April 21, 2011 2015 AGM	21,096*	Chairman and Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris, France.
Ross McInnes 61 years	**Deputy Chief Executive Officer, Finance**	April 21, 2011 2015 AGM	7,251*	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris, France
Stéphane Abrial 60 years	**Deputy Chief Executive Officer, Corporate Office**	July 1, 2013 2015 AGM	915*	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris, France
Marc Ventre 64 years	**Deputy Chief Executive Officer, Operations**	April 21, 2011 2015 AGM	9,936*	Deputy Chief Executive Officer of Safran 2, bd du Général Martial-Valin, 75015 Paris, France

(*) *Indirectly via units in the Group Corporate Mutual Fund (FCPE) (conversion based on the Safran share price as of January 31, 2015).*

Information on the Deputy Chief Executive Officers

Stéphane Abrial

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 the transformation of 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 assigned 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.*

Current offices

Safran Group:

- Deputy Chief Executive Officer: Safran
- Chairman: Établissements Vallaroche
- Director: Safran Human Resources Support, Inc.; Safran Mexico S.A. DE C.V.

Non-Group:

- Chairman of the Board of Directors: Paris Air and Space Museum (*Musée de l'Air et de l'Espace*)
- Member of the Advisory Board: *Institut Aspen France*
- Director: Atlantic Council (US)

Offices that expired in the last five years

Safran Group:

- Director: Messier-Bugatti-Dowty, up to December 2014; Sagem, up to December 2014
- Permanent representative of Sagem on the Board of Directors: Morpho, up to December 2014

Non-Group:

None

Ross McInnes

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. This group owned, 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, Ross McInnes joined Thomson-CSF (now Thales) as Executive Vice-President and Chief Financial Officer and assisted in the group's transformation, up to 2005. He then moved to PPR (Pinault-Printemps-La Redoute) 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 then held the position of Vice-Chairman of Macquarie Capital Europe, specialized in particular 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.

On April 21, 2011, he was appointed Deputy Chief Executive Officer, Finance.

Current offices

Safran Group:

- Deputy Chief Executive Officer: Safran
- Director: Safran USA, Inc. (US)
- Permanent representative of Établissements Vallaroche on the Board of Directors: Soreval (Luxembourg)

Non-Group:

- Director: Faurecia[1] (also Chairman of the Audit Committee); Financière du Planier; Eutelsat Communications[1] (also Chairman of the Audit Committee)
- Non-executive Director: IMI plc[1] since October 2014 (also Chairman of the Audit Committee since January 2015)

Offices that expired in the last five years

Safran Group:

- Member of the Executive Board: Safran, up to April 2011
- Permanent representative of Safran on the Board of Directors: Établissements Vallaroche, up to April 2013; Messier-Dowty SA, from January 2011 to April 2011
- Director: Aircelle, up to December 2014; Turbomeca, up to December 2014; Messier-Bugatti-Dowty, up to December 2014; Morpho, up to December 2014; Snecma, up to December 2014; Globe Motors, Inc. (US), from October 9, 2013 to October 18, 2013; Sagem, up to July 2013; Vallaroche Conseil up to April 2013; SME from April to September 2011; Messier-Dowty SA, up to January 2011

Non-Group:

- Director: Limoni SpA (Italy), up to February 2013; Santé SA (Luxembourg), up to May 2010
- Member of the Supervisory Board: Générale de Santé[1], up to May 2010
- Permanent representative of Établissements Vallaroche on the Board of Directors: La Financière de Brienne, up to January 2010
- Permanent representative of Santé Europe Investissements Sarl on the Board of Directors: Santé SA (Luxembourg), up to October 2014; Générale de Santé SA[1] (also a member of the Audit Committee), up to March 2014
- Board Advisor: Générale de Santé[1], up to June 2011

(1) Listed company.

Marc Ventre

Expertise and experience

Born in 1950, Marc Ventre is a graduate of École Centrale de Paris *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 thus covering all the industrial sites and procurement of all supplies by Snecma 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, before being appointed Chairman and Chief Executive Officer of Snecma. At the end of 2006, he joined Safran as Executive Vice-President of the Aerospace Propulsion business including 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 and remains a Director of École Centrale de Paris.

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.

Current offices

Safran Group:

- Deputy Chief Executive Officer: Safran
- Director: Techspace Aero (Belgium)
- Permanent representative of Safran on the Board of Directors: Herakles
- Chairman of the Board of Directors: Airbus Safran Launchers Holding SAS since January 2015

Non-Group:

- Chairman: GIM
- Vice-Chairman: GIFAS
- Director: Ortec Expansion; École Centrale de Paris
- Member of the Supervisory Board: Radiall[1]

Offices that expired in the last five years

Safran Group:

- Member of the Executive Board: Safran, up to April 2011
- Director: Nexcelle, LLC (US), up to June 2013
- Permanent representative of Safran on the Board of Directors: Snecma, up to December 2014; Turbomeca, up to December 2014; Aircelle, up to December 2014; Labinal Power Systems, up to December 2014; Hispano-Suiza, up to December 2014; Messier-Bugatti-Dowty, up to December 2014; Snecma Propulsion Solide, up to April 2012; Europropulsion, up to July 2011

Non-Group:

- Chairman: Civil Aviation Research Council (CORAC), up to June 2013
- Permanent representative of Safran on the Board of Directors: Arianespace Participation and Arianespace SA, up to September 2011

(1) Listed company.

6.1.4 PROPOSED CHANGES

Directors' terms of office

Pursuant to the Company's bylaws, Directors are currently appointed for a five-year term.

At the Annual General Meeting of April 23, 2015, shareholders will be asked to reduce the term of office of Directors from five years to four years in order to comply with the recommendations of the AFEP-MEDEF Code, despite the Group's long business cycles.

To this end, shareholder approval will be sought to amend:

- paragraph 12 of Article 14.8 of the bylaws to provide that Directors representing employee shareholders shall be appointed for a four-year term. However, this amendment will not affect the duration of the current terms of Directors representing employee shareholders, which will continue to run until their original expiration date;
- paragraph 2 of Article 14.9.6 of the bylaws to provide that Directors representing employees shall be appointed for a four-year term. However, this amendment will not affect the duration of the current terms of Directors representing employees, which will continue to run until their original expiration date; and
- Article 16.1 of the bylaws to provide that Directors shall be appointed for a four-year term. However, this amendment will not affect the duration of Directors' current terms, which will continue to run until their original expiration date.

Changes in executive management structure

In light of the fact that Jean-Paul Herteman's term of office as Chairman and Chief Executive Officer is 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-purpose committee, comprising the Chairman and Chief Executive Officer and the members of the Appointments and Compensation Committee, with the exception of one member of this committee, who was a candidate for the succession. They were assisted by a leading international recruitment firm.

This process included determining Safran's key priorities and the most suitable governance structure to implement these priorities, which involved a review by the Board of Directors regarding whether the roles of Chief Executive Officer and Chairman should remain combined or be separated, the skill requirements of the candidates and the corresponding selection criteria. The Board of Directors reviewed all the possible appointees.

Following this review, it was decided to separate the roles of the Chairman and Chief Executive Officer in view of Safran's specific challenges and the profiles of the candidates. At its meeting of December 5, 2014, the Board of Directors approved in principle the appointment of Philippe Petitcolin to succeed Jean-Paul Herteman as Chief Executive Officer of Safran at the close of the Annual General Meeting of April 23, 2015. The Board also approved in principle the appointment of Ross McInnes as Chairman of the Board during the Board meeting that will follow the same Annual General Meeting.

It was considered that the new CEO'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 also seemed that the complementarity of the two profiles would ensure a smooth transition at the top.

Consequently, at the Annual General Meeting of April 23, 2015, shareholders will be invited to appoint Philippe Petitcolin and Ross McInnes as Directors for a four-year term expiring at the close of the Annual General Meeting to be held in 2019 (see section 8.2.1).

Change in the composition of the Board of Directors proposed at the Annual General Meeting of April 23, 2015

In addition to being invited to appoint Philippe Petitcolin and Ross McInnes as Directors, as outlined above, shareholders will be invited to re-appoint Jean-Lou Chameau, whose term of office is due to expire, as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held in 2019. After verification, and upon the recommendation of the Appointments and Compensation Committee, the Board confirmed that Jean-Lou Chameau meets the criteria set to be considered as an independent Director.

On August 20, 2014, a French government *ordonnance* (order) 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 is the Board of Directors' responsibility to set the date on which the *ordonnance*'s provisions will take effect within the Company. It is also necessary to amend Article 14.1 of the Company's bylaws so that it complies with the new provisions.

The main provisions of Section II of the *ordonnance* which are applicable to Safran, are as follows:

- when the French State, acting alone, directly holds between 10% and 50% of a company's capital, it may put forward one or more Directors, in proportion to the size of its shareholding;
- when the French State, acting alone, directly holds at least 10% of a company's capital, and the Board of Directors has more than ten members, the State is entitled to hold at least two seats on that company's Board;
- one Board representative can be appointed directly by the State whereas the nomination of other Board members representing the State is put forward to an Ordinary General Meeting;
- the State representatives on the Board of Directors have the same powers as the other Board members.

On February 24, 2015, having taken note of the provisions of the *ordonnance*, the Board of Directors resolved:

- to implement the relevant provisions of Section II of the *ordonnance*, subject to shareholders approving the required amendments to Articles 14.1 and 14.5 of the bylaws at the next Annual General Meeting; and consequently;

- to submit to the Annual General Meeting of April 23, 2015 a resolution to amend Articles 14.1 and 14.5 of the bylaws as follows:
  - *"14.1. The Company shall be administered by a Board of Directors with at least three and no more than thirteen members, including, where applicable, the 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 *2014-948 dated August 20, 2014",*
  - *"14.5. Each Director – other than the representative of the French State and/or the Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government* ordonnance *2014-948 dated August 20, 2014, the Directors representing employee shareholders and Directors representing employees – shall be required to own a certain number of shares in the Company as provided for in the Board of Directors' Internal Rules. If a Director no longer holds the required number of shares, he will have a specific period of time (as set out in the Board of Directors' Internal Rules) to remedy the situation, after which he will automatically be deemed to have resigned unless such remedial action is taken".*

If these amendments to the bylaws are adopted, the provisions of the *ordonnance* will immediately take effect within Safran and the terms of office of the French State's current representatives who were appointed by Ministerial Decree – i.e., Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart – will be terminated.

The French State informed Safran that once the provisions of the *ordonnance* take effect within the Company it intends to appoint a representative (in accordance with Article 4 of the *ordonnance*), and at the next Annual General Meeting would put forward Patrick Gandil and Vincent Imbert for appointment as Directors (in accordance with Article 6 of the *ordonnance*).

At the Annual General Meeting of April 23, 2015, shareholders will therefore be asked to approve resolutions concerning the appointment of two Directors put forward by the French State (eleventh and twelfth resolutions presented in section 8.2.1 of this Registration Document), 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 expires at the close of the Annual General Meeting of April 23, 2015. The Board Advisor informed the Board that she did not wish to be re-appointed and the vacancy will not be filled.

6.2 CORPORATE OFFICER COMPENSATION

6.2.1 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF EXECUTIVE MANAGEMENT

This section was prepared with the assistance of the Appointments and Compensation Committee.

Fixed and variable compensation, benefits-in-kind

Since May 2011, the compensation of the Chief Executive Officer and Deputy Chief Executive Officers, set by the Board of Directors, upon the recommendation of the Appointments and Compensation Committee has comprised a fixed and a variable component. Two thirds of the variable component is determined on the basis of financial objectives and one third on individual objectives for each year. Management executives receive a company car as a benefit-in-kind.

FIXED COMPENSATION

The executive corporate officers' fixed annual compensation for 2013 was as follows:

- Jean-Paul Herteman (Chairman and Chief Executive Officer): fixed annual compensation of €730,000 (up to January 1, 2014), set by the Board of Directors at its meeting of May 26, 2011. At its meeting of December 11, 2013, on the recommendation of Jean-Paul Herteman, the Board of Directors decided to maintain an unchanged fixed compensation of €730,000 until the end of his term of office, i.e., until the close of the Annual General Meeting of April 23, 2015;
- Ross McInnes (Deputy Chief Executive Officer, Finance): fixed annual compensation of €500,000 (up to January 1, 2016), set by the Board of Directors at its meeting of December 12, 2012;
- Marc Ventre (Deputy Chief Executive Officer, Operations): fixed annual compensation of €500,000 (up to January 1, 2016), set by the Board of Directors at its meeting of December 12, 2012;
- Stéphane Abrial (Deputy Chief Executive Officer, Corporate Office): fixed annual compensation of €400,000 set by the Board of Directors at its meeting of July 25, 2013.

VARIABLE COMPENSATION

The Board of Directors decided to define financial objectives with reference to EBIT[(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 threshold and maximum levels for each metric, as well as an aggregate maximum level.

(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.

Individual objectives (four to five maximum) are determined by the Board of Directors for each year. These objectives are not based on the responsibilities related to the executive corporate officers' position but on specific objectives relative to key performance criteria.

Variable compensation for 2014

At its meeting of December 11, 2013, the Board of Directors determined the financial performance criteria for 2014 based on the following components, which are the same as those used for 2013:

- weighting:
  - EBIT: 60%,
  - working capital: 10%, and
  - free cash flow: 30%;
- threshold levels (based on annual budgets):
  - 80% of EBIT 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 free cash flow target.

The calculation methods, based on the threshold and maximum levels applied, were as follows:

- the threshold level of each performance metric resulted in the allocation of variable compensation (from 0 to 100% when the budget was met);
- if an objective was exceeded, the variable compensation allocated in respect of this objective increased beyond 100% in proportion to the extent to which the objective was exceeded, capped at a maximum of 130%, which applied irrespective of the extent to which the objective was exceeded, as follows:
  - if 130% (or more) of the EBIT target was achieved, the maximum 130% of variable compensation was payable for this metric,
  - if 65% (or less) of the working capital target was achieved, the maximum 130% of variable compensation was payable for this metric, and
  - if 130% (or more) of the free cash flow target was achieved, the maximum 130% of variable compensation was payable for this metric.

The total variable compensation could reach 100% of fixed compensation if all of the objectives were achieved and up to 130% if the performance, assessed based on both individual objectives (see below) and in proportion to the Group's results for the financial objectives, was exceeded and substantiated.

At this meeting, the Board of Directors also determined the executive corporate officers' individual objectives that were different for each of them. These objectives were measurable, they were not solely financial, and mainly related to the Group's main strategic challenges 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, 2015, the Board of Directors reviewed the achievement of financial and individual objectives set for the variable compensation payable to the management executives for 2014, after consultation with the Appointments and Compensation Committee.

The achievement rate for the Group's financial performance was set by the Board of Directors' meeting of February 24, 2015 at 109%, based on the following achievement rates: 105% of the EBIT target, 71% of the working capital target (working capital exceeded budgeted working capital by 10%), and 130% of the free cash flow target. For the purpose of calculating the last two components, the impact of late payments by a customer State as well as changes in Group scope of consolidation which were not included in the budget were neutralized.

The achievement rate of the individual qualitative objectives was specifically determined by the Board at its meeting of February 24, 2015 and set as follows:

- Jean-Paul Herteman: 130%;
- Stéphane Abrial: 100%;
- Ross McInnes: 110%;
- Marc Ventre: 110%.

The achievement rate for the Group's financial performance added to the achievement rate of the individual qualitative objectives of each executive corporate officer therefore resulted in the following variable compensation payments:

- Jean-Paul Herteman: €846,800, representing 116% of his fixed compensation;
- Stéphane Abrial: €424,000, representing 106% of his fixed compensation;
- Ross McInnes: €546,667, representing 109% of his fixed compensation;
- Marc Ventre: €546,667, representing 109% of his fixed compensation.

Variable compensation for 2015

At its meeting of February 24, 2015 the Board of Directors determined the financial performance criteria for 2015 based on the following components, which are the same as those used for 2014:

- weighting:
  - EBIT: 60%,
  - working capital: 10%, and
  - free cash flow: 30%;
- threshold levels (based on annual budgets):
  - 80% of EBIT 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 free cash flow target.

The calculation methods, based on the threshold and maximum levels applied, are as follows:

- the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met);
- if an objective is exceeded, the variable compensation allocated in respect of this 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 EBIT target is achieved, the maximum 130% of variable compensation will be payable for this metric,

– if 65% (or less) of the working capital target is achieved, the maximum 130% of variable compensation will be payable for this metric, and
– if 130% (or more) of the free cash flow target is achieved, the maximum 130% of variable compensation will be payable for this metric.

Total variable compensation can reach 100% of fixed compensation if all of the objectives are achieved and up to 130% if the performance, assessed based on both individual objectives and in proportion to the Group's performance for the financial objectives, is exceeded and substantiated.

At its meeting of February 24, 2015, the Board of Directors also determined individual objectives for the executive corporate officers, that were specific to each of them, not solely financial and whose achievement is objectively measurable. These objectives mainly relate to the Group's main strategic challenges in terms of programs, key transactions, human resources management (training, management, organization and leadership), as well as the implementation of the management transition process as a whole. They cannot be disclosed for reasons of strategic and competitive sensitivity.

The terms and conditions of this variable compensation structure are adapted and applied with respect to the Group's executive managers.

SPECIFIC PENSION PLAN – SUPPLEMENTARY DEFINED BENEFIT PENSION PLAN

No specific supplementary pension plan has been set up for Executive Management.

As part of the Group's human resources management, on October 31, 2013, the Board of Directors of Safran decided to set up a supplementary defined benefit pension plan in France, effective from January 1, 2014, for which executive managers within the Group who meet the conditions set out in section 5.3.4 are eligible.

On December 11, 2013, the Board of Directors decided to extend this plan to the four executive corporate officers, namely the Chairman and Chief Executive Officer (Jean-Paul Herteman) and the Deputy Chief Executive Officers (Stéphane Abrial, Ross McInnes and Marc Ventre).

The methods used to calculate the benefits that would be paid to these corporate officers are exactly the same as those used for the other executive managers who benefit from the plan, namely:

- the amount of the benefits will be calculated based on the average compensation over the previous three years 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 service, capped at 18%;
- the total replacement rate (all basic, additional and supplementary retirement benefits) shall not exceed 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 (in 2015 the ceiling was €38,040);
- 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 benefits to which each executive corporate officer would be entitled, subject to their fulfilling the aforementioned conditions, will be capped at three times the annual social security ceiling, i.e., €114,120 per year, based on the ceiling in 2015.

These commitments were approved by the Annual General Meeting of May 27, 2014, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

OTHER: PERSONAL RISK INSURANCE PLAN – SUPPLEMENTARY DEFINED CONTRIBUTION PENSION PLAN

As Company employees, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously covered by supplementary personal risk insurance and defined contribution pension plans for managerial-grade staff of Safran.

At its meeting of July 27, 2011, the Board of Directors decided to authorize Jean-Paul Herteman, Chairman and Chief Executive Officer, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers, to continue to be covered by these supplementary personal risk insurance and defined contribution pension plans in accordance with the provisions of Article L.225-42-1 of the French Commercial Code, in the same conditions as the other Safran personnel concerned. The contributions are based on the compensation (fixed and variable) that they receive for their role as Chief Executive Officer and Deputy Chief Executive Officer.

Shareholders voted against the resolution dealing with this related-party commitment at the May 31, 2012 Ordinary and Extraordinary Shareholders' Meeting.

Safran continued to meet these commitments which were validly authorized by the Board of Directors in accordance with Article L.225-41 of the French Commercial Code.

At its meeting of July 25, 2013, the Board of Directors decided to authorize Stéphane Abrial, Deputy Chief Executive Officer, to continue to be covered by supplementary personal risk insurance and defined contribution pension plans in accordance with the provisions of Article L.225-42-1 of the French Commercial Code, as he previously did as an employee and in the same conditions as the other Safran personnel concerned. The contributions are based on the compensation (fixed and variable) that he receives for his role as Deputy Chief Executive Officer. This commitment was approved by the Annual General Meeting of May 27, 2014, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

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 (see section 5.3.4). This coverage, which is available to all Safran Group employees in France, is in addition to that provided for under the Group Personal Risk Insurance Plan and has been effective since January 1, 2015.

On December 17, 2014, the Board of Directors decided to extend the amendment to this coverage to the Group's executive corporate officers, Jean-Paul Herteman, Chairman and Chief Executive Officer, Stéphane Abrial, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers.

This decision will be submitted for shareholder approval at the Annual General Meeting of April 23, 2015 (see section 8.2.1).

Compensation or benefits paid in respect of the termination of office or a change in duties – non-competition agreements

The executive corporate officers are not eligible for compensation or benefits due or liable to be due for termination of office or change in duties, or any commitment corresponding to benefit payments in consideration for a non-competition agreement.

Summary tables showing the individual compensation of Executive Management

JEAN-PAUL HERTEMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Summary of compensation, stock options and shares granted	2013	2014
Compensation due for the year	€1,577,399	€1,580,209
(broken down in the table below)	incl. a fixed component of €730,000	incl. a fixed component of €730,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation *(gross)*	2013 Amounts due for the year	2013 Amounts paid during the year	2014 Amounts due for the year	2014 Amounts paid during the year
Fixed compensation	€730,000	€730,000	€730,000	€730,000
Variable compensation	€803,000	€706,000	€846,800	€803,000
Extraordinary compensation	None	None	None	None
Attendance fees	€40,657	€40,657	€0[2]	€40,657
Benefits-in-kind[1]	€3,742	€3,742	€3,409	€3,409
TOTAL	**€1,577,399 incl. a fixed component of €730,000**	**€1,480,399 incl. a fixed component of €730,000**	**€1,580,209 incl. a fixed component of €730,000**	**€1,577,066 incl. a fixed component of €730,000**

(1) Company car.

(2) Compliant with his wishes, no attendance fees were allocated to Jean-Paul Herteman for 2014 (see section 6.2.2).

STÉPHANE ABRIAL, DEPUTY CHIEF EXECUTIVE OFFICER, CORPORATE OFFICE

Summary of compensation, stock options and shares granted	2013[1] In respect of his employment contract, for the period from January 1 to June 30	2013[1] In respect of his corporate office, for the period from July 1 to December 31	2014
Compensation due for the year (broken down in the table below)	€378,284 incl. a fixed component of €200,000	€401,709 incl. a fixed component of €200,000	€827,333 incl. a fixed component of €400,000
Value of options granted during the year	No options granted	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted	No performance shares granted

(1) As an employee of Safran until June 30, 2013 and as Deputy Chief Executive Officer from July 1, 2013 (employment contract suspended since this date).

Summary of compensation *(gross)*	**2013**				**2014**	
	Amounts due for the year		**Amounts paid during the year**		**Amounts due for the year**	**Amounts paid during the year**
	In respect of his employment contract, for the period from January 1 to June 30	In respect of his corporate office, for the period from July 1 to December 31	In respect of his employment contract, for the period from January 1 to June 30	In respect of his corporate office, for the period from July 1 to December 31		
Fixed compensation	€200,000	€200,000	€200,000	€200,000	€400,000	€400,000
Variable compensation	€160,000	€200,000	None	None	€424,000	€360,000
Extraordinary compensation	€16,575(1)	None	None	None	None	€16,575(1)
Attendance fees	None	None	None	None	None	None
Benefits-in-kind(2)	€1,709	€1,709	€1,709	€1,709	€3,333	€3,333
Sub-total	**€378,284 incl. a fixed component of €200,000**	**€401,709 incl. a fixed component of €200,000**	**€201,709 incl. a fixed component of €200,000**	**€201,709 incl. a fixed component of €200,000**		
TOTAL	**€779,993 Incl. a fixed component of €400,000**		**€403,418 Incl. a fixed component of €400,000**		**€827,333 incl. a fixed component of €400,000**	**€777,908 incl. a fixed component of €400,000**

(1) Optional and statutory employee-profit sharing for 2013 (period from January 1 to June 30); 2014 company contribution.
(2) Company car.

ROSS MCINNES, DEPUTY CHIEF EXECUTIVE OFFICER, FINANCE

Summary of compensation, stock options and shares granted	**2013**	**2014**
Compensation due for the year	€1,054,091	€1,051,450
(broken down in the table below)	incl. a fixed component of €500,000	incl. a fixed component of €500,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

Summary of compensation *(gross)*	**2013**		**2014**	
	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	€500,000	€500,000
Variable compensation	€550,000	€441,000	€546,667	€550,000
Extraordinary compensation	None	None	€650(1)	€650(1)
Attendance fees	None	None	None	None
Benefits-in-kind(2)	€4,091	€4,091	€4,133	€4,133
TOTAL	**€1,054,091 incl. a fixed component of €500,000**	**€945,091 incl. a fixed component of €500,000**	**€1,051,450 incl. a fixed component of €500,000**	**€1,054,783 incl. a fixed component of €500,000**

(1) Safran Sharing 2014 company contribution.
(2) Company car.

MARC VENTRE, DEPUTY CHIEF EXECUTIVE OFFICER, OPERATIONS

Summary of compensation, stock options and shares granted	2013	2014
Compensation due for the year	€1,054,003	€1,050,678
(broken down in the table below)	incl. a fixed component of €500,000	incl. a fixed component of €500,000
Value of options granted during the year	No options granted	No options granted
Value of performance shares granted during the year	No performance shares granted	No performance shares granted

	2013		2014	
Summary of compensation *(gross)*	**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	€500,000	€500,000
Variable compensation	€550,000	€420,000	€546,667	€550,000
Extraordinary compensation	None	None	None	None
Attendance fees	None	None	None	None
Benefits-in-kind(1)	€4,003	€4,003	€4,011	€4,011
TOTAL	**€1,054,003 incl. a fixed component of €500,000**	**€924,003 incl. a fixed component of €500,000**	**€1,050,678 incl. a fixed component of €500,000**	**€1,054,011 incl. a fixed component of €500,000**

(1) Company car.

SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS AND TERMINATION BENEFITS OF THE EXECUTIVE MANAGEMENT TEAM

Name	Position	Employment contract	Supplementary pension plan	Compensation or benefits liable to be due for termination of office, change in duties, or non-competition agreements
Jean-Paul Herteman	Chairman and Chief Executive Officer	No(1)	Yes(4)	No
Stéphane Abrial	Deputy Chief Executive Officer	Suspended(2)	Yes(4)	No
Ross McInnes	Deputy Chief Executive Officer	Suspended(3)	Yes(4)	No
Marc Ventre	Deputy Chief Executive Officer	Suspended(3)	Yes(4)	No

(1) His employment contract terminated on April 21, 2011.
(2) Employment contract suspended since July 1, 2013.
(3) Employment contract suspended since April 21, 2011.
(4) No pension plan has been set up specifically for executive management members. They are covered by supplementary defined contribution pension plans, in the same conditions as the rest of Group's managerial-grade staff (see section 5.3.4). Following the Board of Directors' decision of December 11, 2013, they are eligible for the supplementary defined benefit pension plan implemented as of January 1, 2014 for Group executive managers (see section 5.3.4).

6.2.2 PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

Compensation, attendance fees

Only the Directors representing employee shareholders and Directors representing employees have an employment contract with subsidiaries of Safran.

The other members of the Board of Directors, except for the Chairman and Chief Executive Officer, Jean-Paul Herteman (see section 6.2.1), only receive attendance fees as compensation.

Attendance fees are provided for in Article 17 of Safran's bylaws. The total amount of attendance fees was set by the Shareholders' Meeting of May 27, 2014 at €868,000 for 2014.

The methods of allocation of the total amount of attendance fees are set by the Board of Directors' Internal Rules.

In accordance with legal provisions, attendance fees allocated to representatives of the French State are paid to the French Treasury.

The Internal Rules, as amended on March 20, 2014, provide for the following allocation methods, applied as from the allocation of attendance fees for 2014:

- a fixed portion is allocated amongst the Directors as follows:
  - two shares each for the Chairman and the Vice-Chairman of the Board of Directors,
  - one share for each of the other Directors and the Board Advisor(s);
- a variable portion, according to the Directors' attendance at meetings of the Board and its committees, is allocated amongst the members of the Board, with the exception of the Chairman, as follows:
  - all Directors and Board Advisors have a share corresponding to full attendance at all meetings at the beginning of the year and receive variable fees in proportion to their overall attendance, it being specified that this variable portion:
    - › is increased to two shares for Directors residing outside of mainland France, and
    - › is increased by:
      - two shares for the Chairman of the Audit and Risks Committee,
      - one and a half shares each for the Chairman of the Appointments and Compensation Committee and the Strategy and Major Projects Committee,
      - one share for each membership of a committee (other than the committee Chairman).

The value of one share corresponds each year to the amount of the total fees set for the year by the Shareholders' Meeting divided by the theoretical maximum number of shares, as determined above.

Every year, the Board of Directors records the number of shares of each Director giving the right to attendance fees and decides whether or not to allocate any fees that have not been allocated due to less than full attendance at meetings.

Following the adoption of the amended Internal Rules by the Board of Directors at its meeting of March 20, 2014, the Board of Directors placed on record Jean-Paul Herteman's decision to no longer receive attendance fees.

Stock options

None.

Performance shares

None.

Free share grants

None.

Summary table of attendance fees paid to non-executive Directors

Non-executive Directors (excluding representatives of the French State)	Amount of attendance fees			
	2013		2014	
	Gross amount	Net amount paid in 2014	Gross amount	Net amount paid in 2015
Christian Streiff	€36,531.51[(1)]	€23,197.51[(2)]	€83,705.02	€53,152.69[(2)]
Marc Aubry	€35,558.93	€22,579.92[(2)]	€46,424.64	€29,479.64[(2)]
Giovanni Bisignani	€47,821.03	€33,474.72[(3)]	€74,426.80	€52,098.76[(3)]
Frédéric Bourges (Director as of November 20, 2014)	-	-	€8,440.84	€8,440.84[(7)]
Jean-Lou Chameau	€30,659.48	€21,461.64[(3)]	€40,797.41	€28,558.18[(3)]
Monique Cohen	€23,211.14[(1)]	€14,739.07[(2)]	€43,083.47	€27,358.00[(2)]
Odile Desforges	€46,589.43	€29,584.29[(2)]	€75,163.70	€47,728.95[(2)]
Jean-Marc Forneri	€43,530.65	€27,641.96[(2)]	€48,534.85	€30,819.63[(2)]
Christian Halary	€30,659.48	€19,468.77[(2)]	€30,949.76	€19,653.10[(2)]
Xavier Lagarde	€39,240.23	€24,917.54[(2)]	€46,424.64	€29,479.64[(2)]
Michel Lucas	€17,869.78[(6)]	11,347.31[(2)]	-	-
Elisabeth Lulin	€39,240.26	€24,917.56[(2)]	€43,083.47	€27,358.00[(2)]
Daniel Mazaltarim (Director as of November 20, 2014)	-	-	€8,440.84	€8,440.84[(7)]
Francis Mer	€25,577.57[(6)]	16,241.75[(2)]	-	-
TOTAL ATTENDANCE FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS EXCLUDING REPRESENTATIVES OF THE FRENCH STATE	**€416,489.49**	**€269,572.04**	**€549,475.44**	**€362,568.27**
Payment to the French Treasury or State representatives	€182,703.37	€182,703.37	€188,382.37	€188,382.37
Total attendance fees paid to non-executive Directors	**€599,192.86[(4)]**	**€452,275.41**	**€737,857.81[(5)]**	**€550,950.64**

(1) *Calculated on a proportionate basis as from his appointment on May 28, 2013.*

(2) *After 21% withholding tax for natural persons tax-domiciled in France (in accordance with Article 117 quater of the French Tax Code (*Code général des impôts*) and social security contributions of 15.5%.*

(3) *After 30% withholding tax for natural persons tax-domiciled outside of France.*

(4) *Jean-Paul Herteman was paid attendance fees in a gross amount of €40,657.14, as executive Director, and Caroline Grégoire-Sainte Marie was paid attendance fees in a gross amount of €30,150 (€19,145.25[(1)] net), as Board Advisor, bringing the total amount of attendance fees to €670,000 for 2013.*

(5) *Caroline Grégoire-Sainte Marie was paid attendance fees in a gross amount of €29,542.95 (€18,759.77[(1)] net), as Board Advisor, bringing the total amount of attendance fees to €767,400.76 for 2014. At the Board meeting of February 24, 2015, which allocated attendance fees for 2014, no attendance fees were allocated to Jean-Paul Herteman for 2014 compliant with his wishes.*

(6) *Prorata temporis basis until May 28, 2013.*

(7) *Directors representing employees having requested that their attendance fees be paid over to their trade union: exemption from tax and social security contributions.*

Compensation of Directors representing employee shareholders and Directors representing employees

Marc Aubry received €77,122 in gross compensation in 2014 in respect of his employment contract with Snecma. He also received statutory and optional profit sharing as well as a Company contribution on the same basis and under the same terms as the other employees from the Group's companies.

Frédéric Bourges received €40,382 in gross compensation in 2014 in respect of his employment contract with Snecma. He also received statutory and optional profit sharing as well as a Company contribution on the same basis and under the same terms as the other employees from the Group's companies.

Christian Halary received €124,097 in gross compensation in 2014 in respect of his employment contract with Sagem. He also received statutory and optional profit sharing as well as a Company contribution on the same basis and under the same terms as the other employees from the Group's companies.

Daniel Mazaltarim received €96,026 in gross compensation in 2014 under his employment contract with Safran Consulting up to May 31, then under his employment contract with Snecma from June 1. He also received statutory and optional profit sharing as well as a Company contribution on the same basis and under the same terms as the other employees from the Group's companies.

6.3 SHARE TRANSACTIONS PERFORMED BY CORPORATE OFFICERS AND OTHER MANAGERS

The transactions performed in 2014 in Safran shares and related financial instruments by Safran's corporate officers, management executives, other managers and persons having close personal links with them, referred to in 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	Nature of the transaction	Value date	Number of shares[(2)]	Price per share
Stéphane Abrial	Acquisition[(1)]	February 24, 2014	97	€50.85
Jean-Pierre Cojan	Acquisition[(1)]	February 24, 2014	167	€50.85
Marc Aubry	Acquisition[(1)]	February 28, 2014	44	€50.93
Stéphane Abrial	Acquisition[(3)]	March 31, 2014	66	€50.22
Jean-Pierre Cojan	Acquisition[(3)]	March 31, 2014	114	€50.22
Person having close personal links with Christian Halary	Sale	April 4, 2014	50	€51.50
Christian Halary	Acquisition[(1)]	April 25, 2014	104	€47.86
Christian Halary	Acquisition[(7)]	May 29, 2014	24	€49.71
Stéphane Abrial	Acquisition[(7)]	May 30, 2014	2	€49.71
Marc Aubry	Sale	May 30, 2014	75	€49.71
Marc Aubry	Acquisition[(7)]	May 30, 2014	22	€49.71
Jean-Pierre Cojan	Acquisition[(7)]	May 30, 2014	79	€49.71
Bruno Cotté	Sale	May 30, 2014	106	€49.71
Bruno Cotté	Sale	May 30, 2014	700	€49.71
Bruno Cotté	Acquisition[(7)]	May 30, 2014	14	€49.71
Jean-Paul Herteman	Acquisition[(7)]	May 30, 2014	196	€49.71
Jean-Paul Herteman	Acquisition[(7)]	May 30, 2014	44	€49.71
Ross McInnes	Acquisition[(7)]	May 30, 2014	34	€49.71
Marc Ventre	Acquisition[(7)]	May 30, 2014	124	€49.71
Christian Halary	Sale	June 5, 2014	198	€50.51
Christian Halary	Sale	June 10, 2014	138	€50.61
Stéphane Abrial	Acquisition[(1)]	June 18, 2014	100	€49.28
Jean-Pierre Cojan	Acquisition[(1)]	June 18, 2014	172	€49.28
Marc Aubry	Acquisition[(1)]	June 25, 2014	26	€47.35
Stéphane Abrial	Acquisition[(4)]	June 30, 2014	38	€47.75
Marc Aubry	Acquisition[(4)]	June 30, 2014	38	€47.75
Jean-Pierre Cojan	Acquisition[(4)]	June 30, 2014	38	€47.75
Christian Halary	Acquisition[(4)]	June 30, 2014	38	€47.75
Marc Aubry	Sale	September 23, 2014	209	€49.93
Xavier Lagarde	Sale	October 2, 2014	2,367	€50.69
Christian Halary	Acquisition[(3)]	October 3, 2014	2	€49.91

(1) Optional employee profit-sharing.
(2) Or number of shares corresponding to units subscribed in the Group corporate mutual fund.
(3) Statutory employee profit-sharing.
(4) Company contribution on statutory employee profit-sharing.
(5) Safran Sharing 2014.
(6) Company contribution to Safran Sharing 2014.
(7) Investment of dividend and interim dividend in the Group employee savings plan.

Person making the disclosure	Nature of the transaction	Value date	Number of shares[(2)]	Price per share
Stéphane Abrial	Acquisition[(3)]	October 3, 2014	2	€49.91
Christian Halary	Sale	October 20, 2014	133	€45.00
Christian Halary	Acquisition[(5)]	October 29, 2014	158	€41.58
Stéphane Abrial	Acquisition[(5)]	October 29, 2014	601	€41.58
Marc Aubry	Acquisition[(5)]	October 29, 2014	360	€41.58
Marc Aubry	Acquisition[(6)]	October 29, 2014	14	€41.58
Jean-Pierre Cojan	Acquisition[(5)]	October 29, 2014	3,736	€41.58
Jean-Pierre Cojan	Acquisition[(6)]	October 29, 2014	14	€41.58
Bruno Cotté	Acquisition[(5)]	October 29, 2014	120	€41.58
Bruno Cotté	Acquisition[(6)]	October 29, 2014	14	€41.58
Ross McInnes	Acquisition[(5)]	October 29, 2014	225	€41.58
Ross McInnes	Acquisition[(5)]	October 29, 2014	4,271	€41.58
Ross McInnes	Acquisition[(6)]	October 29, 2014	14	€41.58
Christian Halary	Acquisition[(7)]	December 19, 2014	18	€49.91
Stéphane Abrial	Acquisition[(7)]	December 19, 2014	3	€49.91
Marc Aubry	Acquisition[(7)]	December 19, 2014	16	€49.91
Marc Aubry	Acquisition[(7)]	December 19, 2014	4	€49.91
Jean-Pierre Cojan	Acquisition[(7)]	December 19, 2014	34	€49.91
Jean-Pierre Cojan	Acquisition[(7)]	December 19, 2014	42	€49.91
Bruno Cotté	Acquisition[(7)]	December 19, 2014	5	€49.91
Bruno Cotté	Acquisition[(7)]	December 19, 2014	1	€49.91
Jean-Paul Herteman	Acquisition[(7)]	December 19, 2014	173	€49.91
Ross McInnes	Acquisition[(7)]	December 19, 2014	30	€49.91
Ross McInnes	Acquisition[(7)]	December 19, 2014	2	€49.91
Marc Ventre	Acquisition[(7)]	December 19, 2014	110	€49.91

(1) Optional employee profit-sharing.
(2) Or number of shares corresponding to units subscribed in the Group corporate mutual fund.
(3) Statutory employee profit-sharing.
(4) Company contribution on statutory employee profit-sharing.
(5) Safran Sharing 2014.
(6) Company contribution to Safran Sharing 2014.
(7) Investment of dividend and interim dividend in the Group employee savings plan.

6.4 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)	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Audit												
1) Statutory audit, certification, review of parent company and consolidated financial statements												
1.a) Safran (issuer)	0.85	0.82	20%	18%	0.84	0.84	19%	19%	1.69	1.66	19%	18%
1.b) Subsidiaries	3.18	3.34	73%	73%	3.39	3.26	77%	74%	6.57	6.60	75%	74%
2) Other engagements and services directly related to the statutory audit engagement												
2.a) Safran (issuer)	0.14	0.19	3%	4%	0.08	0.17	2%	4%	0.22	0.36	3%	4%
2.b) Subsidiaries	0.16	0.21	4%	5%	0.09	0.15	2%	3%	0.24	0.36	3%	4%
Sub-total	**4.33**	**4.56**	**100%**	**100%**	**4.40**	**4.42**	**100%**	**100%**	**8.72**	**8.98**	**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	**4.33**	**4.56**	**100%**	**100%**	**4.40**	**4.42**	**100%**	**100%**	**8.72**	**8.98**	**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.

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 APRIL 23, 2015, PURSUANT TO THE PROVISIONS OF ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE

To prepare 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 16, 2015 before being submitted to the Board of Directors, which approved it at its meeting on March 17, 2015.

6.5.1 COMPOSITION, ORGANIZATION AND WORK OF THE BOARD OF DIRECTORS

Safran's corporate governance structure

Shareholders at the Ordinary and Extraordinary Shareholders' Meeting on April 21, 2011 approved the adoption of a governance structure with a Board of Directors and appointed its members.

REFERENCE CORPORATE GOVERNANCE CODE

Safran refers to the "Corporate Governance Code of Listed Corporations" drawn up jointly by two French employers' associations, AFEP[1] and MEDEF[2], the last update of which was published on June 16, 2013.

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

Jean-Paul Herteman was appointed as Chairman at the Board of Directors' meeting of April 21, 2011 for the duration of his directorship. The Board of Directors' meeting of May 28, 2013 appointed Christian Streiff as Vice-Chairman for the duration of his directorship.

The composition of the Safran Board of Directors is subject to the provisions of French ordinary law applicable to *sociétés anonymes* (joint stock corporations). However, since the French State owns more than 10% of the share capital, Article 14.1 of Safran's bylaws stipulates that seats are reserved on the Board for the French State pursuant to Article 12 of French Law 49-985 of July 25, 1949.

On August 20, 2014, a French government *ordonnance* (order) 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 is the Board of Directors' responsibility to set the date on which the *ordonnance*'s provisions will take effect within the Company. It is also necessary to amend the Company's bylaws so that they comply with the new provisions. At the Annual General Meeting to be held on April 23, 2015, the Board of Directors will recommend an amendment to Article 14 of the Company's bylaws in order to comply with the abovementioned *ordonnance* (see section 6.1.4 and section 8.2.1 of this Registration Document).

There are 17 members on the Board of Directors. They include four representatives of the French State appointed by Ministerial Decree, two representatives of employee shareholders, and two employee representatives.

One Board Advisor (*censeur*) appointed by shareholders in a General Shareholders' Meeting also attends Board of Directors' meetings in an advisory capacity, along with 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 the Board meetings during which the annual and interim financial statements and the documents prepared for General Shareholders' Meetings 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 of Directors' meetings that he deems may be able to provide Board members with information on an agenda item.

As of December 31, 2014, the Board of Directors was composed of the following members:

- Jean-Paul Herteman (Chairman), 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;

(1) *AFEP:* Association française des entreprises privées.
(2) *MEDEF:* Mouvement des entreprises de France.

- Odile Desforges (independent Director), a French national;
- Jean-Marc Forneri (independent Director), a French national;
- Patrick Gandil (French State representative), a French national;
- Christian Halary (representative of employee shareholders), a French national;
- Vincent Imbert (French State representative), a French national;
- Xavier Lagarde, a French national;
- Elisabeth Lulin (independent Director), a French national;
- Daniel Mazaltarim (employee representative), a French national;
- Astrid Milsan (French State representative), a French national;
- Laure Reinhart (French State representative), a French national.

An advisor to the Board of Directors was appointed by the Ordinary and Extraordinary Shareholders' Meeting of April 21, 2011.

Vincent Imbert was named Director representing the French State by Ministerial Decree of March 28, 2014, replacing Thierry Pérard.

Frédéric Bourges and Daniel Mazaltarim were elected as employee representatives on November 20, 2014 compliant with the election procedure specified in Article 14.9 of the Safran bylaws, pursuant to the France's Employment Security Act (*Loi de sécurisation de l'emploi*) of June 14, 2013.

They were elected from lists of candidates put forward by the four trade union organizations representing Safran Group employees: CFDT, CFE-CGC, CGT and CGT-FO. The electorate comprised all employees of Safran and its direct and indirect subsidiaries headquartered in France holding an employment contract beginning three months or more before the election date. In accordance with Article L.225-28 of the French Commercial Code *(Code de commerce)*, the election was held in one round, with the electors selecting from a list of candidates using the largest-remainder proportional representation system, without vote-splitting. Each list of candidates contained twice as many candidate names as there were Board seats to be filled, and contained the same number of men and women candidates, with men's and women's names appearing alternately on the list. No deputy Directors representing employees were elected. Employees voted electronically, simultaneously across all Safran Group sites in France. Employees absent on the election day were able to vote by post.

DIVERSITY, EXPERTISE AND FEMALE REPRESENTATION ON THE BOARD OF DIRECTORS

Safran strives to achieve a balanced composition for its Board and Committees, particularly with regard to nationality and scope of expertise.

The non-executive Directors contribute a diverse range of expertise, covering: air transport (Giovanni Bisignani, Patrick Gandil); civil and aerospace engineering (Marc Aubry, Frédéric Bourges, Christian Halary, Vincent Imbert, Xavier Lagarde, Christian Streiff); management, administration, finance and consulting (Monique Cohen, Odile Desforges, Jean-Marc Forneri, Elisabeth Lulin, Daniel Mazaltarim, Astrid Milsan); and research, information technology, innovation and environment (Jean-Lou Chameau, Laure Reinhart). Giovanni Bisignani and Jean-Lou Chameau also contribute international experience.

The Board of Directors has five female members. The proportion of women on the Board of Directors is one-third of the members (i.e., five out of 15 members. The AFEP-MEDEF Code states that Directors representing employees are not taken into account in calculating this percentage). This is higher than the proportion recommended by the AFEP-MEDEF Code, which set a target of at least 20% for female board members in 2013.

Safran also intends to follow the AFEP-MEDEF Code recommendation that this percentage be raised to 40% in 2016.

DURATION OF THE TERMS OF OFFICE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Except for French State representatives and employee representatives, members of the Board of Directors are appointed by the Ordinary General Meeting for a fixed term currently set at five years.

By way of exception to the five-year term, the terms of office of the first Directors, appointed by the Annual General Meeting at the time of the change in corporate governance on April 21, 2011 (other than Directors representing employee shareholders, whose term of office is five years) are set for different periods in order to make the staggered re-appointment of Directors possible.

A proposal will be put before the Annual General Meeting of April 23, 2015 on reducing the term of office from five to four years applicable to all appointments as of this Meeting (see section 6.1.4 and section 8.2.1 of this Registration Document).

COMPULSORY SHAREHOLDINGS

In accordance with Article 14.5 of Safran's bylaws, each Director – other than the representatives of the French State, the representatives of employee shareholders and the employee representatives – are required to own a certain number of shares in Safran in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. Article 11.1 of the Board of Directors' Internal Rules established a shareholding obligation of at least 500 shares.

Article 14.8 of the bylaws specifies that 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.

CONFIDENTIALITY OF TRANSACTIONS IN SAFRAN SHARES

Members of the Board of Directors and all individuals who attend meetings of the Board and its committees are under obligations of confidentiality and discretion with respect to information provided to them in this context.

CODE OF ETHICS

Safran has a Code of Ethics on share transactions and the prevention of insider trading offenses and misconduct, drawn up compliant with the recommendations published by the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) and taken up by the Board of Directors on July 27, 2011.

The Code, in question-and-answer form, sets out the obligations binding Safran Group employees (and managers of Safran Group entities), the specific measures taken by Safran to counter insider trading offenses and misconduct, and the penalties for failing to fulfill the stated obligations.

As well as meeting these obligations, Safran managers and other persons appearing in the list of permanent insiders must also comply with the additional rules set out in an appendix to the Code of Ethics.

The Code also specifies the no-trade periods preceding publication of annual and half-year results and of quarterly revenue figures during which corporate officers and insiders must refrain from carrying out transactions in Safran shares.

Corporate officers and insiders of Safran and the Safran Group receive notification of the Code of Ethics and its appendix, and of the no-trade periods determined consistent 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 Safran Group operates. The no-trade periods are appended to this procedure as they are set.

INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

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 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); thus a Director cannot:

- have been during the five years preceding his/her first appointment as a Director of Safran, an employee or executive corporate officer of Safran or one of the Group's companies, or be, at the time of his/her appointment, an employee of Safran or an employee or executive corporate officer of any of the Group's companies;
- be an executive corporate officer of a company in which Safran holds, directly or indirectly, a directorship or serves as a member of the Supervisory Board;
- be an executive corporate officer of a company in which an employee appointed as such or an executive corporate officer of Safran (currently or within the last five years) holds a directorship or serves as a member of the Supervisory Board;
- be a significant client, supplier, investment bank, or financing bank of Safran or the Group, or for which Safran or the Group represents a significant portion of the activity;
- 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 one of the Group's companies, (ii) the work of one of these banks in event of the performance of a mandate entrusted to this bank by Safran or one of the Group's companies or (iii) voting on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity;
- have any close family tie with a corporate officer of Safran or one of the Group's companies;
- 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 twelve years. However, members only lose their status as independent Directors at the end of the term of office during which they have exceeded the twelve-year term;
- be the reference shareholder of Safran.

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. In light of the above criteria, therefore, seven Directors (53.8% of the Board) were deemed to be independent, namely Christian Streiff, Giovanni Bisignani, Jean-Lou Chameau, Monique Cohen, Odile Desforges, Jean-Marc Forneri and Elisabeth Lulin.

None of the Directors considered as independent enter directly or indirectly into business relations with Safran or any Group companies.

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 examination thereafter.

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 functioning, the Board of Directors has a set of Internal Rules that clarify certain conditions relating to its meetings, list the operations that require its prior approval, define the duties and the operating rules of its special committees and set out the rules for the allocation of attendance fees to Board members, based on the budget previously set by the Annual General Meeting.

These Internal Rules are available on the Safran website (http://www.safran-group.com, in the Group section).

POWERS OF THE BOARD OF DIRECTORS LIMITS IMPOSED ON THE POWERS OF EXECUTIVE MANAGEMENT

The Board of Directors exercises the rights granted by law and regulations, summarized in particular in section 7.1.2.1.

In addition, in accordance with Article 19.3 of the bylaws and Article 4 of the Board of Directors' Internal Rules, the following transactions 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 Safran and the Group:

- 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 of Directors is always called upon to approve, in advance, each of the following transactions or decisions, if such transaction or decision leads to an investment, divestment or commitment for an amount equal to or more than €50 million, for Safran or one of the Group's companies:

- acquisition or disposal of property;
- 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, partnership 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 litigation, signature of any agreement and transaction, acceptance of any settlement;
- creation of collateral on company assets.

The Board of Directors is always called upon to approve, in advance, each of the following transactions or decisions for an amount equal to or more than €150 million, for Safran or one of the Group's companies:

- granting or contracting of any loan, credit or advance;
- acquiring or disposing of any receivable by any means.

The Board of Directors is called upon to approve in advance any industrial or commercial project deemed significant by the Chief Executive Officer and presented as such by the Strategy and Major Projects Committee.

Furthermore, the following transactions will require prior authorization from the Board of Directors with at least one Director representing the French State voting in favor, provided that the French State owns more than 10% of Safran's share capital:

- any disposal by the Group of strategic military and 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 special management rights or rights to information over 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.

Furthermore, in accordance with legal provisions, 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 Chairman and Chief Executive Officer; any commitment exceeding this ceiling must be specifically authorized by the Board.

For 2014, the blanket ceiling initially set at €500 million was raised to €830 million during the year (with no ceiling for the guarantees, endorsements and sureties for tax and customs authorities).

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 for the guarantees, endorsements and sureties for tax and customs authorities).

INFORMATION ON 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's special 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. Its members receive a copy of Safran's press releases and a press review, as well as a monthly stock market performance report on the Safran share.

BOARD OF DIRECTORS' MEETINGS

A provisional timetable of meetings is approved at the end of each year for the following year.

The Board of Directors meets at least once every quarter.

Meetings may be convened by any means. The Board of Directors' Internal Rules state that Directors may participate in meetings by videoconference or other means of telecommunications.

The presence of at least half of the members is necessary in order to validate majority decisions. Decisions are voted by the majority of members present or their representatives; in the event of a split decision, the Chairman shall have the casting vote.

Under their responsibility, the members of the Board of Directors may be represented by another Board member, by means of a proxy, each member having only one such proxy.

Minutes are drawn up for each Board of Directors' meeting and forwarded to all members of the Board of Directors with a view to their adoption at the next meeting.

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2014

The Board of Directors met eleven times in 2014, on January 13, February 19, March 20, April 28, May 27, June 13, July 30, October 22, December 1, December 5 and December 17, with an average attendance rate of 91%.

In accordance with the provisions of the Internal Rules, certain deliberations of the Board of Directors were prepared based on recommendations and proposals of special 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 activities of the Board of Directors in 2014 were as follows:

In terms of corporate governance

On February 19, 2014, the Board reviewed variable compensation for executive corporate officers for 2013 and issued attendance fees to Directors for the same period.

When the Board discusses the Chairman and Chief Executive Officer's performance assessment or compensation, he naturally steps out of discussions and voting. At such times, he hands over chairmanship of the meeting to the Vice-Chairman and leaves the room before discussions begin; this is specifically recorded in the minutes of the meeting.

At its meeting on March 20, 2014, the Board concluded its management report (and the Group management report), along with the text of resolutions to be put before the Annual General Meeting on May 27, 2014. At this meeting, it also amended its Internal Rules in line with the AFEP-MEDEF Code, amended in June 2013, and with France's Employment Security Act.

On April 28, 2014, the Board changed the composition of its committees.

On July 30, 2014, it was decided to evaluate the Board's work with the help of an outside consultant; the conclusions of this evaluation were examined at the meeting of October 22, 2014.

On December 5, 2014, on the recommendation of the Appointments and Compensation Committee, the Board of Directors reviewed changes in the Executive Management structure.

At the meeting of December 17, 2014, the Board decided to take up the recommendations of the Appointments and Compensation Committee and extend accidental death and disability insurance coverage, currently available to Group employees in France, to executive corporate officers. This coverage, set out in section 5.3.4 and section 8.2.1 of this Registration Document, is in addition to that provided for under the Group Personal Risk Insurance Plan and has been effective since January 1, 2015.

In terms of industrial and commercial matters

At each Board meeting, an update is provided on the Group's industrial and commercial situation as well as the progress on programs under development.

In terms of strategy

At every Board of Directors' meeting, the Chairman provides an update on significant projects and programs being launched, progress made with regard to external growth plans, ongoing negotiations and the difficulties encountered.

Detailed presentations were given by the members of management involved in the specific acquisition projects at their various stages of development. These were then followed by discussions among the Board members, and where applicable, decisions, after the Chairman of the Strategy and Major Projects Committee reported on the work of this Committee and its recommendations.

In terms of economic and financial matters

Throughout the year, the Board was briefed by the Chairman and senior management, notably at the quarterly business report presentations, on the business highlights, business conditions in the aviation industry, business trends, the Group's financial position, the financial guarantees granted to clients, and disputes and outstanding cases.

Currency hedging was reported on regularly.

The Board approved the annual financial statements and the annual financial report, the half-year financial statements and the half-year financial report, the provisional budget documents and authorized the Chief Executive Officer and the Deputy Chief Executive Officer, Finance to implement the new share buyback program authorized by the Annual General Meeting of May 27, 2014.

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 relating to the 2014 budget, the assumptions retained for the 2015 budget and the detailed review of this budget, as well as the medium-term plan and the audit plans.

On Safran Group finance, at the meeting of March 20, 2014, the Board also authorized the issuance of bonds totaling a maximum nominal amount of €200 million. Bonds were accordingly issued for the maximum amount authorized by the Board, and fully subscribed (section 3.1, note 23).

The Statutory Auditors attended the Board of Directors' meeting of February 19, 2014, when they reported on their audit work on the parent company and consolidated financial statements for 2013 and presented their conclusions. They brought the Board's particular attention to IFRS applicable to changes in the Group's scope of consolidation, impairment tests of the main aerospace programs, accounting for complex contracts, and developments in major risk and litigation issues. They certified the parent company and consolidated financial statements without qualification.

They also attended the Board meeting of July 30, 2014 to present their work on the consolidated financial statements for the first half of 2014. During the Board meeting of December 17, 2014, the Statutory Auditors presented their report on the 2014 interim dividend submitted to the Board.

In terms of employee policy

Upon the successive sales of Safran shares by the French State, shares were reserved for offering to current and former employees of Safran and its subsidiaries, in accordance with the Privatization Law of August 6, 1986.

On July 30, 2014, Safran offered these shares to employees under the Safran Sharing 2014 program, as set out in section 5.3.4 and section 7.3.7.2 of this Registration Document. At the same date, the Board of Directors made a decision concerning the payment of an additional amount under the Group's profit-sharing agreement, as set out in section 7.3.7.2 of this Registration Document.

On December 17, 2014, the Board examined the results of the consultation with the Central Works Council on strategic orientations for the Company and the Group.

The Deputy Chief Executive Officer, Corporate Office, also regularly kept the Board of Directors up to date on progress made with various projects to modernize the running of the Group and the Group's employee policy.

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 special committees that review matters within their remit and submit their opinions and proposals to the Board.

The Board of Directors set up three permanent committees:

- an Audit and Risk Committee;
- an Appointments and Compensation Committee; and
- a Strategy and Major Projects Committee.

The role, organization and operating procedures of each committee 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.

Each committee may also call on one or more members of Safran's Executive Management.

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 its work, proposals and recommendations.

The Audit and Risk Committee

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.

The majority of members on this Committee, including its Chairman, must be independent Directors.

In addition, at least one of the Committee's independent members has 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, 2014, the Audit and Risk Committee had five members, of which three-quarters were independent, over and above the Director representing employee shareholders in accordance with Article 16.1 of the AFEP-MEDEF Code: Odile Desforges (Chairman, independent Director), Marc Aubry (Director representing employee shareholders), Monique Cohen (independent Director), Elisabeth Lulin (independent Director) and Astrid Milsan (Director representing the French State). The Board Advisor and Government Commissioner are invited to all of the Audit and Risk Committee's meetings in an advisory capacity.

Duties and main activities in 2014

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.

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 continuously, 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 special transactions, such as contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain transactions proposed by Executive Management and submitted to the Board of Directors (certain of which for prior authorization), such as:
  - capital increases,
  - 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 full-year and consolidated financial statements, by the Statutory Auditors;
- reviewing the methods and procedures used for reporting purposes and for the restatement of accounting information from the Group's foreign companies.

The Audit and Risk Committee is also tasked with verifying the effectiveness of Safran's Internal Audit 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 initiatives 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 Safran's 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 brought about by 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 the 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 Safran's 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.

In 2014, the Audit and Risk Committee met eight times: on January 9 (joint meeting with the Strategy and Major Projects Committee), February 17, March 17, July 28, October 2, October 20, November 27 (joint meeting with the Strategy and Major Projects Committee) and December 15, with an average attendance rate of 87%, to address all the topics mentioned above. The Statutory Auditors, the Board Advisor, the Government Commissioner and the Head of Audit and Internal Control attended each of these meetings (except for the joint meetings with the Strategy and Major Projects Committee of January 9 and November 27, which were not attended by the Statutory Auditors or the Head of Audit and Internal Control).

At the February and July meetings held to examine the annual and half-year financial statements, the Deputy Chief Executive Officer, Finance presented off-balance-sheet commitments.

At the March and October meetings, the Head of Risk Management and Insurance presented the Group's risk mapping and the cross-sector action plan put forward by the Group Risk Committee.

During the Audit and Risk Committee meetings of February 17 and July 28, 2014, the Statutory Auditors presented their work on the annual and interim financial statements, respectively. On December 15, 2014 they presented the committee with their work on internal control and audit, as well as on the draft interim dividend submitted to the Board of Directors on December 17, 2014.

A period of 48 hours is set between examination of annual and half-year financial statements by the Committee and approval of the accounts by the Board of Directors.

In general, the Committee focused on monitoring key topics for Safran:

- preparing the annual and half-year accounts, and proposing the appropriation of profit; preparing the medium-term plan;
- preparing forecast financial statements for the parent company;
- preparing the budget;
- preparing the Group's financing plans;
- preparing, monitoring and carrying out strategic projects, particularly acquisitions. However, joint meetings with the Audit and Risk Committee and the Strategy and Major Projects Committee can be held to discuss key strategic projects for the Group;
- foreign currency hedging;
- guarantees, endorsements and sureties;
- risk management;
- monitoring Internal Control and Internal Audit work, and directing their future work;
- monitoring the Statutory Auditors' work;
- preparing financial communications, in particular draft press releases.

The Appointments and Compensation Committee

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, 2014, the Appointments and Compensation Committee had five members, including three independent Directors: Jean-Marc Forneri (Chairman, independent Director), Giovanni Bisignani (independent Director), Astrid Milsan (Director representing the French State), Vincenty Imbert (Director representing the French State) and Christian Streiff (independent Director).

Duties and main activities in 2014

With respect to appointments

The Appointments and Compensation Committee has the following role:

- 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, as well as the Deputy Chief Executive Officer(s), where applicable;
- selecting potential members of the Board of Directors who meet the independence criteria and submitting the list of potential members to the Board of Directors;
- preparing succession plans for:
  - members of the Company's Executive Management, and
  - the Chairman and Vice-Chairman of the Board, the Chief Executive Officer, as well as the Deputy Chief Executive Officer(s), where applicable.

With respect to compensation

The Appointments and Compensation Committee is also responsible for making recommendations and proposals to the Board of Directors, for Board members concerned, as regards:

- the allocation of attendance fees;
- all other components of compensation, including the conditions applying at the end of their terms of office;
- possible compensation for the Board Advisor(s);
- any modifications or changes to pension and welfare plans;
- benefits-in-kind and various financial benefits; and
- where appropriate:
  - granting of stock options, and
  - free share grants.

More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors as regards:

- the compensation policy for senior executives; and
- profit-sharing provisions, by any means, for Safran's employees and more generally the Group's companies, including:
  - employee savings plans,
  - supplementary pension systems,
  - the issue of securities carrying rights to shares reserved for employees,
  - granting of stock options, and free share grants and any other employee share ownership arrangements.

The Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors on the performance criteria to be used, where appropriate, when granting any stock options, as well as for any free share grants.

In 2014, the Appointments and Compensation Committee met five times, on February 17, March 19, July 21, July 30 and October 17, with an average attendance rate of 96%, to address all the topics mentioned above. In accordance with the recommendations of the AFEP-MEDEF Code, Jean-Paul Herteman, Chairman and Chief Executive Officer, is not a member of this Committee. He is however involved in all issues associated with appointments.

In 2014, the Chairman and Chief Executive Officer asked the Chairman of the Appointments and Compensation Committee to conduct a process for selecting a successor and making recommendations to the Board of Directors accordingly.

A selection committee was duly formed, comprising the Chairman and Chief Executive Officer and the members of the Appointments and Compensation Committee, with the exception of one member of this committee, who was a candidate for the succession. The committee's first task was to draw up selection criteria, which would then be issued to the Directors for amendment, enabling the Board to approve the Group's priorities and the underlying selection criteria.

To improve the quality of its analysis, the committee sought the advice of a consulting firm (selected through a request-for-proposals procedure) specializing in the recruitment of international senior executives. This firm was commissioned to help the committee assess candidates using the best available recruitment practices, to approach potential candidates as applicable, and to invite applications not identified by the committee members.

The Board was kept informed at each stage of the procedure: review of all applications expressed, suggested or considered, and examination, in the light of applications, of whether the roles of Chairman and Chief Executive Officer should remain combined or be separated. Following this review, the committee decided to separate the roles of Chairman and Chief Executive Officer in view of Safran's specific challenges and the profiles of the selected candidates (see section 6.1.4 of this Registration Document).

With assistance from the consulting firm, the committee agreed unanimously on a shortlist of applicants to the position of Chief Executive Officer and to the position of Chairman of the Board. The committee interviewed these applicants and the consulting firm conducted due diligence, and on completion of these processes a recommendation was issued to the Board.

The Chairman and Chief Executive Officer and the Chairman of the selection committee met each of the Directors to present the committee's recommendation.

On completion of this selection process, at its meeting of December 5, 2014 the Board of Directors approved in principle the appointment of Philippe Petitcolin to succeed Jean-Paul Herteman as Chief Executive Officer of Safran at the close of the Annual General Meeting of April 23, 2015. The Board also approved in principle the appointment of Ross McInnes as Chairman of the Board during the Board meeting that will follow the same Annual General Meeting.

The Strategy and Major Projects Committee

Composition

The Strategy and Major Projects Committee has at least three members, including its Chairman.

At December 31, 2014, the Strategy and Major Projects Committee had eight members: Christian Streiff (Chairman, independent Director), Giovanni Bisignani (independent Director), Odile Desforges (independent Director), Patrick Gandil (Director representing the French State), Xavier Lagarde, Astrid Milsan (Director representing the French State), Vincent Imbert (Director representing the French State) and Laure Reinhart (Director representing the French State).

The Government Commissioner is invited to all the meetings of this Committee.

Duties and main activities in 2014

The Strategy and Major Projects Committee analyzes and expresses its opinion on:

- Safran's and the Group's major strategic orientations (including the medium-term business plan);
- the Group's development policy; and
- the major industrial product development projects or programs that are planned to be carried out by Safran or the Group's companies;

presented by Executive Management to the Board of Directors.

The Strategy and Major Projects Committee examines and reviews:

- the proposed strategic and partnership agreements;
- the external growth transactions and transactions that impact Group structure; and more generally;
- any significant project of any kind whatsoever.

In addition, the Strategy and Major Projects Committee gives its opinion on any strategic issue that it is asked to address by the Board of Directors.

In 2014, the Strategy and Major Projects Committee met seven times: on January 9 (joint meeting with the Audit and Risk Committee), January 30, March 19, March 28, April 14, May 14 and November 27 (joint meeting with the Audit and Risk Committee), with an average attendance rate of 77%, to address all the topics mentioned above.

TRAINING

In March 2014, the members of the Audit and Risk Committee attended a presentation of the information systems master plan, during which special attention was given to infrastructure, application and security issues.

In June 2014, the Directors visited the Group's Moroccan sites at Casablanca and Rabat, the site of the SMES (a joint venture between Snecma and Royal Air Maroc), and the site of Group supplier Piston Français. The visit also took in the *Institut des Métiers de l'Aéronautique* (Aerospace Careers Institute), a Safran-supported organization that helps Moroccan industrial companies recruit and train technicians, operators and middle managers. During the trip, the Directors took part in a strategy seminar focusing on the major strategic challenges facing the Group.

In line with the wishes expressed by some Directors, the following sites were also visited in July 2014:

- Snecma's Gennevilliers site, which holds unique know-how in forging, casting and machining aircraft parts;
- Morpho's showroom at Issy-les-Moulineaux, which exhibits all of this company's products and solutions.

In September 2014, Directors were also invited to the opening ceremony of the Safran Campus at Vilgénis, an enterprise university specializing in training, apprenticeship and transmission and sharing of the Safran model.

In November 2014, they were invited to the opening ceremony, attended by the French President, of the production facility shared by Safran and the US company Albany in Commercy, specializing in the production of 3D woven composite material parts using the resin transfer molding process, for new-generation aircraft engines including LEAP.

In December 2014, the action plan implemented following an internal audit of preparations for the ramp-up of the LEAP engine was presented to Audit and Risk Committee members. The committee members observed that the action plan had been devised in order to resolve the issues identified during the audit and subsequently taken on board by management.

INDUCTION OF NEW DIRECTORS REPRESENTING EMPLOYEES

The two Directors representing employees appointed on November 20, 2014 were issued with the tools and documentation provided to all new Directors, namely a secure tablet for receiving and storing Board files, plus substantial documentation on Safran and the Group. This documentation includes the schedule of meetings for 2014 and 2015, the Code of Ethics with its appendix and list of no-trade periods, the bylaws, the Internal Rules, the Ethical Guidelines, the minutes of 2014 Board meetings, the Board's 2014 assessment report, and a summary of the corporate officers' civil liability policy. It also includes operational data (presentations to Directors and institutions, foreign currency hedging, 2014-2018 medium-term plan, etc.), and information on shareholders and the market. The Directors were also issued with Group presentation documents including the 2013 Registration Document, press kits and a file from the *Institut Français des Administrateurs*.

In December 2014 they attended a training course run by the *Institut Français des Administrateurs*, which included a module on governance, to help them understand the work of the Board of Directors and their duties as Directors, plus a module on finance, to improve their understanding in this field.

In January 2015 they attended a training event on foreign currency hedging organized by the Group treasurer.

ASSESSMENT OF THE WORK OF THE BOARD OF DIRECTORS

At its meeting of July 30, 2014 the Board of Directors decided to conduct an assessment of the work of the Board and its committees, with assistance from an outside consultant.

The Board of Directors examined the resulting assessment report at its meeting of October 22, 2014. The report's conclusions on Directors' contributions and information sharing are highly positive, confirming the strength of the Board members' commitment to and pride in their work. The report also noted the Directors' wish to see more formalized reporting on actions undertaken, more in-depth debate, observing the principles of trust and transparency, and regular seminars along the lines of the strategy seminars held in 2013 and 2014.

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 6.2.1 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, 2015, the Board of Directors met on February 24, 2015 to conduct a detailed review of the individual performances of the executive corporate officers in 2014.

On this basis, and bearing in mind the Group's economic performance, the Board then proceeded to allocate variable compensation, and thus set the total amount of variable compensation to be awarded to each of the executive corporate officers in respect of 2014, as indicated in section 6.2.1.

Also at its meeting of February 24, 2015, the Board of Directors determined individual targets for the members of Executive Management for 2015, upon consultation with the Appointments and Compensation Committee.

Members of the Board of Directors

With the exception of the Directors representing employee shareholders and the Directors representing employees, who were linked to Safran's subsidiaries by way of an employment contract in 2014, and of Jean-Paul Herteman, executive Director, the members of the Board of Directors received only attendance fees as compensation, as described in greater detail in section 6.2.2 of this Registration Document.

At the Board meeting of February 24, 2015, which allocated attendance fees for 2014, no attendance fees were allocated to Jean-Paul Herteman for 2014 compliant with his wishes as notified to the Board of Directors on March 20, 2014 (see section 6.2.2 of this Registration Document).

6.5.3 APPLICATION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

Safran refers to the “Corporate Governance Code of Listed Corporations” drawn up jointly by two French employers’ associations, AFEP(1) and MEDEF(2), the revised version of which was published on June 16, 2013. This document can be viewed at www.afep.com.

Where Code recommendations, 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
Duration of the terms of office of the members of the Board of Directors The duration of the Board members’ terms of office, set by the bylaws, should not exceed a maximum of four years.	Safran’s current bylaws specify a term of office of five years. A proposal to change the bylaws in order to reduce this term to four years will be put before the Annual General Meeting on April 23, 2015.
Number of directorships of executive corporate officers An executive corporate officer should not hold more than two other directorships in listed corporations, including foreign corporations, not affiliated with his or her group.	Ross McInnes, Deputy Chief Executive Officer of Safran, holds three directorships in listed companies outside the Group; the Directors have approved this given the expiration of his executive appointment on April 23, 2015.
Directors’ compensation The methods for allocating Directors’ attendance fees must specify a significant variable portion.	The attendance fee allocation methods set out in the Board of Directors’ Internal Rules specify a significant variable portion. An exception to this is that the rules on allocating attendance fees adopted by the Board upon the update to the Internal Rules on March 20, 2014 do not specify a variable portion for the Chairman of the Board for his attendance at Board meetings. This is because attendance is considered inherent to the Chairman’s duties, and not therefore open to compensation. At the Board meeting of March 20, 2014 the Board of Directors took note of Jean-Paul Herteman’s wish not to receive attendance fees under the new rules on the allocation of attendance fees.
Requirement to retain shares Executive corporate officers are required to hold as registered shares until the end of their term of office a significant number of shares periodically determined by the Board of Directors.	Since Safran does not grant stock options, performance-linked shares or any kind of pluri-annual compensation for executive corporate officers, it was decided not to follow this recommendation. The Chairman and Chief Executive Officer and the Deputy Chief Executive Officers were previously employees of the Group, and acquired shares in corporate mutual funds and/or invested under profit-sharing schemes in corporate mutual funds invested in Safran shares. Some of them supplemented these investments by subscribing to the Safran Sharing 2014 offer (see section 5.3.4 and section 7.3.7.2 of this Registration Document).
Evaluation of the Board of 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 must 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’s respective performance shall be carried out, and the participants shall reflect on the future of the company’s executive management.	It is considered inadvisable to exclude the Chairman and Chief Executive Officer from the evaluation of the Deputy Chief Executive Officers who report to him. Article 17 of the Code also recommends that the Chairman and Chief Executive Officer be associated with the proceedings of the selections or appointments committee, and thereby in the analysis of the future of Safran’s management. Moreover, the Code’s recommendation applies not only to the Chairman and Chief Executive Officer, but to all “executive or in-house” Directors, which means that a meeting of the kind suggested would involve having the recommended work conducted by 12 Directors out of the 17 currently on Safran’s Board of Directors. It is considered that observance of this recommendation would jeopardize the collegiate nature of the Board of Directors and the strong company-wide cohesion that stems from a high degree of participation by Safran employees in the Company’s share capital, and thereby in the work, of whatever nature, of its governance bodies. When the Board discusses the Chairman and Chief Executive Officer’s performance assessment or remuneration, he naturally steps out of discussions and voting. At such times, he hands over chairmanship of the meeting to the Vice-Chairman and leaves the room before discussions begin; this is specifically recorded in the minutes of the meeting.

(1) AFEP: Association française des entreprises privées.
(2) MEDEF: Mouvement des entreprises de France.

AFEP-MEDEF Code recommendations	Safran practices – Reasons
Composition of the Appointments and Compensation Committee It is advised that a Director representing employees be a member of this committee.	This recommendation applies to compensation committees but not appointments committees. Given that Safran has a combined Appointments and Compensation Committee, the Board of Directors decided not to appoint a Director representing employees for this Committee.

6.5.4 PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS – INFORMATION REFERRED TO 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, on 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 securities 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 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 the provisions concerning double voting rights stipulated in Article 31.8 of the bylaws. Fully-paid up shares that have been registered in the name of the same holders for at least two years as of the date of the General Meeting shall carry 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 Safran'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. The conditions for applying this limit in the number of voting rights to which each shareholder is entitled are described in section 7.1.2.2.

The bylaws permit shareholders to use the e-voting system to vote at any Shareholders' Meeting (Article 30.2), by decision of the Board of Directors published in the notice of meeting.

Information referred to under Article L.225-100-03 of the French Commercial Code

Information referred to under Article L.225-100-3 of the French Commercial Code concerns material that could have an effect in the event of a public offering, which should be stated in the management report.

The 2014 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 (section 7.1.4.2);
- breakdown of share capital and details of buyback program (section 7.2.6 and section 7.2.7);
- capping of voting rights (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 Safran framework 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, quality approach, implemented information systems, it is also based on a general compliance framework (section 6.5.5.1), a specific structure for managing major risks (section 6.5.5.2), and an internal control system (section 6.5.5.3). Key players are involved in the internal control system (section 6.5.5.4).

6.5.5.1 General compliance framework

ETHICAL GUIDELINES

The Group's Ethical Guidelines have been distributed to employees worldwide. They are part of the Group's procedure manual, and each company is responsible for their implementation in day-to-day operations.

Safran is built around 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 goods;
- 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.

PREVENTION AND DETECTION OF INTERNAL FRAUD

A sponsor of the anti-fraud system was appointed and an anti-fraud Committee was established. The Group has an anti-fraud policy validated by the Chairman and Chief Executive Officer, and a prevention, detection and assessment program for cases of potential internal 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 Group's Audit and Internal Control Department and Safety Department and necessary actions are taken. A fraud officer was appointed in 2013 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 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 counterparts in the various Group companies.

ISO 9000-compliant quality management systems in the industrial companies provide valuable support to 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 round out the Group's own arrangements in this area.

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, 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 Safran. Safran Executive Management ensures that the strategic orientations 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 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 Group companies with:
  - 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 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 in the following areas: payroll administration and management, recruitment, non-production purchases, IT and some transaction accounting (customers, suppliers and fixed assets).

PROCEDURES RELATING TO GROUP OPERATIONS

The main procedures governing Group operations are collated in a documentation system, accessible via the Group intranet. This manual is primarily organized by major process. It includes:

- corporate governance rules on management, ethics, protection of persons, data, property, operations, reputation, compliance with laws, regulations, procedures, contracts, integrity and reliability of operational and financial information, anti-fraud measures;
- operational rules (industry, purchasing, finance, programs, quality, security, IT, communications, etc.).

Every month, a list of updates to the manual is published. Entities have a duty to keep their own manual up to date so that it complies with Group rules.

FINANCIAL AND ACCOUNTING PROCEDURES

Financial and accounting principles are grouped together in four different manuals:

- the Group IFRS accounting manual;
- rules for the preparation of consolidated financial statements and rules concerning inter-company transactions and quarterly consolidation instructions issued to all companies concerned;
- the consolidation package user guide. This package contains the controls necessary for ensuring consistency between the items used to draw up consolidated financial statements;
- other financial principles (available in a documentation system) related to tax, banking, cash and financing transactions.

In terms of accounting standards, the Group applies IFRS as adopted in the European Union.

REPORTING AND MANAGEMENT CONTROL ARRANGEMENTS

Each week, Safran's Executive Management receives a report from each entity summarizing the main events concerning its activity.

The entities prepare monthly budget and financial reports on their activities (overview and comments). The Group's Economic and Financial Affairs Department provides Executive Management with an economic and financial overview.

Budget and planning meetings are organized regularly by the Economic and Financial Affairs Department and the management team of the company concerned:

- final quarter review and validation of the budget;
- current-year budget forecast updates three times per year;
- second half review and validation of the medium-term business development plan.

In addition, performance-level meetings are held regularly with representatives from the Group's principal first-tier entities.

6.5.5.2 Organization and coordination of risk management

DEFINITION AND OBJECTIVES

The purpose of risk management, embedded in organizational processes, is to identify the Group's major risk exposures, quantify their impact on the achievement of objectives, 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, project management and change processes.

POSITION IN THE ORGANIZATION

The Risk and Insurance Department, which reports to the Deputy Chief Executive Officer, Finance, oversees the risk management process.

FRAMEWORK, APPRAISAL PRINCIPLE

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 control is also essential in characterizing risk. Risk appraisals 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 that is subsequently reviewed during the entity's Risk Committee meetings. In all instances, risk management draws on a common 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.

Arrangements for crisis prevention and management are built on coordinated procedures implemented for managing warnings and crises, not only at Group but also at Company and facility level.

MANAGEMENT

The Group Risk Committee – made up of the Chairman and Chief Executive Officer and the three Deputy Chief Executive Officers, led by the Head of Risk Management and Insurance – approves the risk management policy, the Group's risk mapping and risk mitigation, and the cross-sector action plans of the Risk and Insurance Department, and makes sure that the risk management process works effectively and that there is an adequate level of risk awareness. This Committee met twice in 2014.

The Risk Management 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 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 degree 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 AND TRAINING

Risk management leverages training and communication. 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 close to 1,100 managers within the Group. The recent "business continuity plan (BCP)" and "crisis and management" training events fully contribute to developing a risk management culture.

The Risk and Insurance Department has also implemented the PSIP Program (Preventive Safran document Integrity Program). This program seeks to help mitigate documentary risk and legal accusations attributable to Group products/services while protecting employees from the consequences of an accident in which a product/service may be the target of an accusation.

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 its Board of Directors, management and personnel, to provide reasonable assurance as to the realization of the following objectives:

- 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 protection of its 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 Deputy Chief Executive Officer, Corporate Office.

INTERNAL CONTROL FRAMEWORK

The Audit and Internal Control Department defined an internal control framework built around:

- one process relating to the control environment;
- ten operating processes;
- two IT processes (general IT and IT system security checks);
- 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 check 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.

Around 200 check points have been listed. They serve to ensure the integrity of the financial and accounting information and the security of this information. Every year, internal control tests, based on objectives related to scope, content, and time limit for carrying out action plans are performed.

APPRAISAL PRINCIPLE

The Group has upheld the principle whereby each entity appraises its own internal control arrangements in relation to the framework (conformity and effectiveness). A test program (effectiveness) is devised annually; it investigates all of the processes over two years in first-tier entities and over three years in second-tier entities. A questionnaire with fifty or so check points is rolled out for small entities, including a series of check points that must be formally tested annually, regardless of the entity's size.

The Group can order Internal Audits 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 within the reporting system described below.

The internal control system was up and running in 115 companies, representing 94% of the Group's consolidated revenue in 2014.

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.

MANAGEMENT

The central team that manages the internal control system is assisted by a network of internal control managers in each first-tier entity, with each manager supported by counterparts situated in 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 exchanging best practices in terms of the organization of internal control.

For 2015, the main areas for development identified by Safran are the relevance of the internal control frameworks, in particular in the Shared Services Centers, and the integration of such frameworks into the best practices of the operational managers.

THE MONITORING TOOL

Group companies use the same reporting system for the results and conclusions of their internal control evaluations. It is documented by nearly 400 stakeholders and allows:

- direct access to the Group framework, methodology and the procedures to follow;
- monitoring of rectifications resulting from recognized disparities in relation to the framework.

AWARENESS AND TRAINING

A training course on internal control has been set up within the framework of the Safran University, with a view to raising awareness of internal control issues among the financial and operating personnel.

INTERNAL CONTROL QUALITY ASSURANCE

Every year, executives of first-tier entities send a representation letter to Safran's Chairman and Chief Executive Officer on the internal control system put in place in their company and their subsidiaries in which they make reference to the work carried out during the year in the internal control domain and in which they commit to a development plan for the year to come.

Every year, the Statutory Auditors examine the adequacy of the internal control system on a selection of processes contributing to the preparation of financial and accounting information (see section 6.5.5.4 below).

The central team conducts quality controls of the first-tier entities' self-assessments to ensure compliance with the methodology when a new process has been implemented in the internal control system or if a process has changed significantly.

The internal auditors strive to assess the adequacy of the internal control system on matters audited, the proper application of the relevant frameworks and the veracity of the related tests' results.

INTERNAL AUDIT

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, entities, programs, projects and processes.

The Internal Audit plan is prepared within the scope of an annual plan that is reviewed where appropriate and that is largely based on the mapping of Group risks.

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 system for internal control and risk management, upon consultation and recommendation of the Audit and Risk Committee. The Chairman and Chief Executive Officer delegates his authority to the Deputy Chief Executive Officer, Operations to direct and monitor the activities of the entities with regard to:

- setting objectives and monitoring results with the Economic and Financial Affairs Department;
- implementing decisions regarding strategic issues concerning Group companies;
- operational supervision.

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 set out 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, consolidation of accounts 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 Office

The Audit and Internal Control Department reports to the Deputy Chief Executive Officer, Corporate Office.

DEPARTMENTS RESPONSIBLE FOR 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 as follows:

- 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 protection 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 (Preventive Safran document Integrity Program);
- identifying and setting up insurance policies for the Group, with the exception of personal insurance and loan insurance.

INSPECTION BODIES

The Board of Directors' Audit and Risk Committee

This Committee reviews:

- the financial statements and accounting procedures presented by Executive Management;
- the results of audits and internal control procedures presented by the Audit and Internal Control Department;
- findings on the primary 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 must also verify.

The report on internal control and risk management procedures is reviewed annually by the Audit and Risk Committee, then submitted to 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 Safran's individual and consolidated financial statements, the Statutory Auditors examine the procedures of a certain number of company cycles contributing 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 conclusions to the Board of Directors' Audit and Risk Committee.

The Statutory Auditors adopt the following approach:

- review of documentation on controls carried out by companies;
- tests to verify the operational effectiveness of the procedures implemented;
- review of completed action plans;
- review of results of tests performed by 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 (YEAR ENDED DECEMBER 31, 2014)

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 *(Code de commerce)* for the year ended December 31, 2014.

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 *(Code de commerce)* 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 *(Code de commerce)*, 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, and 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 *(Code de commerce)*.

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 *(Code de commerce)*.

Paris-La Défense and Courbevoie, March 18, 2015

The Statutory Auditors

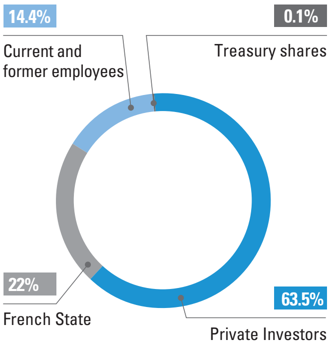
French original signed by

ERNST & YOUNG et Autres		**MAZARS**	
Vincent de La Bachelerie	Nicolas Macé	Thierry Colin	Christophe Berrard

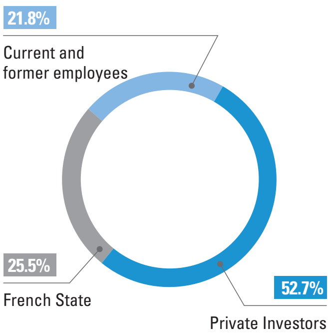
7 INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

Breakdown of share capital and voting rights (as of December 31, 2014)

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, 2014)

As of December 31, 2014, 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.

Safran share price

Main stock market data over three years	2012	2013	2014
Number of shares as of December 31	**417,029,585**	**417,029,585**	**417,029,585**
Safran share price *(in €)*			
High	32.850	50.690	54.590
Low	22.755	32.760	43.240
Closing	32.595	50.510	51.250
Market capitalization as of December 31 *(in € millions)*	13,593	21,064	21,372

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 Board of Directors has at least three and no more than 13 members, either individuals or legal entities, including any representatives of the French State appointed in application of Article 12 of Act 49-985 dated July 25, 1949. The maximum number of 13 Board members may be increased to allow for the inclusion of Directors representing employee shareholders and Directors representing employees.

On August 20, 2014, a French government *ordonnance* (order) 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 is the Board of Directors' responsibility to set the date on which the *ordonnance*'s provisions will take effect within the Company. It is also necessary to amend the Company's bylaws so that they comply with the new provisions.

At the Annual General Meeting to be held on April 23, 2015, the Board of Directors will recommend an amendment to Article 14 of the Company's bylaws in order to comply with the abovementioned *ordonnance* (see section 6.1.4 and section 8.2.1 of this Registration Document).

The Board of Directors appoints a Chairman and, if applicable, a Vice-Chairman from among its members, who must be individuals.

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 in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. As a legal exception, this shareholding obligation shall not apply to representatives of the French State, employee shareholder representatives or employee representatives. 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 five 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.

By way of an exception to the five-year term set out above, pursuant to the provisions contained in Article 16.1 of the bylaws, the following terms of office were set at the Annual General Meeting held on April 21, 2011 for the sole purpose of implementing a staggered appointment system for Board members:

- the terms of Directors who were members of the Company's Supervisory Board during the 12 months preceding the April 21, 2011 Annual General Meeting were set at two years. This term shall apply for individuals as well as permanent representatives of legal entities and State representatives, even in the event of a change in these representatives during the term of office concerned;
- the terms of Directors who were not members of the Company's Supervisory Board during the 12 months preceding the April 21, 2011 Annual General Meeting were set at four years for one third of these Directors and at six years for the remaining two thirds, with lots drawn to decide which term would apply for each Director.

An amendment to the Company's bylaws to reduce the term of office of Directors from five to four years will be submitted for approval at the Annual General Meeting of April 23, 2015. This amendment will not affect the duration of Directors' current terms, which will continue until their original expiration date (see section 6.1.4 and section 8.2.1 of this Registration Document).

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:
  - by setting an overall ceiling for each fiscal year 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 duties and may request any documents he 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 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 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, under Article 31.8 of the bylaws, for at least two years.

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 adopted by the General Shareholders' Meeting of April 21, 2011, 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 and, in the capacity as proxy for another shareholder, that are attached to shares (i) that he holds directly or indirectly and (ii) that are owned by another shareholder for which he 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 in accordance with 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 (*Autorité des marchés financier* – AMF), 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, 2014

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 2014 Safran acquired the following material investments within the meaning of said Articles:

- acquisition of Sabena technics' 50% stake in Hydrep, via Messier-Bugatti-Dowty, bringing the Group's stake from 50% to 100%;
- indirect acquisition of the control of Dictao through Morpho.

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 2013 or 2014.

Information on management compensation is presented in Note 29 of section 3.1 and in section 6.2.1.

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 2014, Safran generated adjusted revenue of €1.3 billion 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 (see section 8.2.1), 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%, as a result of which the provisions of Article 12 of the Law of July 25, 1949 authorizing the appointment of voting representatives to this Board would no longer apply;
- 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, by entities of the Safran 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

Related-party agreements and commitments authorized in 2014 are presented in section 8.2.1 as well as in the Statutory Auditors' special report provided in section 8.5.1.

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 8.5.1.

Safran did not authorize any new related-party agreements and commitments between January 1, 2015 and the filing date of this Registration Document.

7.2 INFORMATION ON SHARE CAPITAL

7.2.1 SHARE CAPITAL

As of December 31, 2014, 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 2014 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

A summary table of the applicable authorizations granted by the AGM to the Board of Directors with respect to share capital increases is provided in section 8.2.5 of this Registration Document.

These authorizations to increase share capital granted by the Annual General Meeting to the Board of Directors were not used in 2014 or up until the filing date of this Registration Document.

7.2.2.2 Authorizations submitted for approval at the Annual General Meeting of April 23, 2015

The authorizations submitted for approval at the Annual General Meeting of April 23, 2015 are described in section 8.2.4 of this Registration Document.

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 and section 3.3, Note 3.9.

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.

7.2.3.2 Securities carrying rights to shares of the Company

As of December 31, 2014, there were no securities carrying immediate or deferred rights to shares of Safran.

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, 2014		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, 1,118,378 shares representing 0.27% of the share capital were pledged as of December 31, 2014, compared with 1,111,378 shares representing 0.27% of the share capital as of December 31, 2013.

7.2.6 TREASURY SHARES

Situation as of December 31, 2014

	Number of shares	% share capital	Carrying amount as of Dec. 31, 2014 *(in €)*	Total nominal value *(in €)*
Treasury shares, held directly	603,327	0.14	18,224,192	120,665.40
Treasury shares, held indirectly	-	-	-	-
TOTAL	**603,327**	**0.14**	**18,224,192**	**120,665.40**

7

7.2.7 SHARE BUYBACK PROGRAMS

The Annual General Meeting of May 27, 2014 by its ninth 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 Safran 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 twelfth 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:

- €65.

Total maximum amount that may be invested in the share buyback program:

- €2.7 billion.

As of May 27, 2014, this program superseded the previous program authorized by the Annual General Meeting of May 28, 2013 (tenth resolution), with the same objectives, a maximum purchase price of €45 per share and a total maximum amount of €1.87 billion to be invested in the buyback program.

7.2.7.1 Treasury share transactions in 2014

LIQUIDITY AGREEMENT

The liquidity agreement has been managed by Oddo Corporate Finance since February 1, 2012.

SHARE BUYBACKS

In 2014, Safran purchased 1,690,322 treasury shares under a liquidity agreement (that complies with the AMAFI Code of Ethics) entered into with Oddo Corporate Finance:

- no shares were purchased between January 1 and May 27, 2014;
- 1,690,322 shares were purchased between May 28 and December 31, 2014, at an average price of €49.11.

SALES OF SHARES

In 2014, Safran sold 1,668,099 treasury shares under the abovementioned liquidity agreement:

- 2,500 shares were sold between January 1 and May 27, 2014, at an average price of €51.85;
- 1,665,599 shares were sold between May 28 and December 31, 2014, at an average price of €48.98.

CANCELATION OF SHARES

None.

DELIVERY OF FREE SHARES

None.

SITUATION AS OF DECEMBER 31, 2014

As of December 31, 2014, Safran directly held 603,327 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: 84,723 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 April 23, 2015

Under the fifteenth resolution, the Annual General Meeting of April 23, 2015, 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 28, 2015

As of February 28, 2015, the Company directly held 575,604 Safran shares, representing 0.14% of the share 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: 57,000 shares, or 0.02% 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 and the AMF's General Regulations, the objectives of the share buyback program to be approved by the Annual General Meeting of April 23, 2015 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 Safran 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 cancellation in accordance with the authorization granted in the twelfth resolution of the Annual General Meeting of May 27, 2014.

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, 2014, the Company's capital was composed of 417,029,585 shares. Given the 603,327 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 41,099,631 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, including during a tender offer launched by the Company, subject to strict compliance with Article 231-41 of the AMF's General Regulations and Article L.225-209 of the French Commercial Code.

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 April 23, 2015, i.e., until October 22, 2016 at the latest.

7.3 SHARE OWNERSHIP

7.3.1 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

7.3.1.1 Situation as of December 31, 2014

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2014:

	Shares		Exercisable voting rights		Theoretical voting rights(3)	
Shareholders	**Number**	**% capital**	**Number**	**%**	**Number**	**%**
Private investors	264,821,713	63.50	270,605,602	52.73	270,605,602	52.66
French State	91,693,131	21.99	130,693,131	25.47	130,693,131	25.44
Employees' corporate mutual fund (FCPE)(1)	34,262,121	8.22	60,647,931	11.82	60,647,931	11.81
Club Sagem(2)	14,754,407	3.54	29,508,814	5.75	29,508,814	5.74
Current or former employees	10,894,886	2.61	21,769,985	4.23	21,769,985	4.23
Treasury shares, held directly	603,327	0.14	-	-	603,327	0.12
Treasury shares, held indirectly	-	-	-	-	-	-
TOTAL	**417,029,585**	**100.00**	**513,225,463**	**100.00**	**513,828,790**	**100.00**

(1) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.

*(2) 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. Club Sagem is held at 65.6% by current and former employees of the Group (current and former employees of Sagem), notably via a corporate mutual fund and at 34.4% by the Crédit Mutuel-CIC group.*

(3) 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, 2014, 96,799,205 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).

REPRESENTATIVES OF EMPLOYEE SHAREHOLDERS

The Safran Board of Directors comprises two employee shareholder representatives, who were appointed with effect from April 21, 2011 by the Annual General Meeting.

REPRESENTATIVES OF EMPLOYEES

In accordance with the law on securing employment of June 14, 2013, the Safran Board of Directors comprises two Directors representing employees, who were appointed on November 20, 2014, under Article 14.9 of the Company's bylaws.

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, 2014, Safran's free-float shareholders break down as approximately 82% institutional investors, 7% index funds and other institutional holdings, 9% individual investors and 2% unidentified.

The breakdown of the institutional investors identified by geographic area is as follows: 39% were from North America, 25% were from the UK and Ireland, 23% were from France and 13% were from other countries.

Individual shareholders represent 6% 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

	December 31, 2012			December 31, 2013			December 31, 2014		
Shareholders	**Number of shares**	**% capital**	**% voting rights(2)**	**Number of shares**	**% capital**	**% voting rights(2)**	**Number of shares**	**% capital**	**% voting rights(2)**
Private investors	225,492,451	54.07	47.00	261,687,728	62.75	51.90	264,821,713	63.50	52.73
French State	125,940,227	30.20	29.07	93,440,227	22.41	25.68	91,693,131	21.99	25.47
Employees' corporate mutual fund (FCPE)(1)	33,661,683	8.07	11.51	32,570,174	7.81	11.30	34,262,121	8.22	11.82
Club Sagem	18,054,407	4.33	7.30	16,804,407	4.03	6.51	14,754,407	3.54	5.75
Current or former employees	12,759,398	3.06	5.12	11,945,945	2.86	4.61	10,894,886	2.61	4.23
Treasury shares, held directly	1,121,419	0.27	-	581,104	0.14	-	603,327	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) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.

(2) Exercisable voting rights.

7.3.4 DISCLOSURE THRESHOLDS

7.3.4.1 Significant movements during 2014

1. State Street Corporation, by letter of January 8, 2014, reported that following the acquisition of shares, it had exceeded the 1% statutory threshold and that, as of January 1, 2014 it held, on behalf of the funds and accounts that it manages, 5,569,816 shares representing 1.34% of the capital and 4,269,564 voting rights representing 0.83% of the voting rights of the Company.
2. Wellington Management Company LLP reported on behalf of the funds and accounts that it manages:
   - by letter of March 6, 2014, that following the acquisition of shares, it had exceeded the 1% statutory thresholds of share capital and voting rights and that, as of March 5, 2014, it held 5,622,336 shares representing 1.35% of the capital and 1.35% of the voting rights of the Company;
   - by letter of November 4, 2014, that following the sale of shares, it had fallen below the 1% statutory thresholds of share capital and voting rights and that, as of November 3, 2014, it held 4,155,713 shares representing 0.99% of the capital and 0.99% of the voting rights of the Company.
3. The Children's Investment Fund Management (UK) LLP, by letter of March 31, 2014, reported that following the sale of shares on March 26, 2014, it had fallen below the 3% statutory threshold of share capital and that, at that date, it held, on behalf of the funds that it manages, 12,456,600 Safran shares representing 2.99% of the capital.
4. Club Sagem reported:
   - by letter of April 2, 2014, that following the sale of 450,000 shares carrying double voting rights, it had fallen below the 4% statutory threshold of share capital and that, at that date, it held 16,354,407 shares representing 3.92% of the capital and 6.34% of the voting rights of the Company;
   - by letter of October 5, 2014, that following the sale of 700,000 shares carrying double voting rights, it had fallen below the 6% statutory threshold of voting rights and that, at that date, it held 15,354,407 shares representing 3.68% of the capital and 5.96% of the voting rights of the Company.
5. Harris Associates L.P. reported on behalf of the funds and accounts that it manages:
   - by letter of May 8, 2014, that following the acquisition of shares, it had exceeded the 1% statutory threshold of share capital and that, as of May 5, 2014, it held 4,359,800 shares representing 1.05% of the capital of the Company;
   - by letter of June 30, 2014, that following the acquisition of shares, it had exceeded the 1% statutory threshold of voting rights and that, as of June 25, 2014, it held 5,313,065 shares representing 1.03% of the voting rights of the Company;
   - by letter of July 18, 2014, that following the acquisition of shares, it had exceeded the 2% statutory threshold of share capital and that, as of July 15, 2014, it held 8,579,700 shares representing 2.06% of the capital of the Company;
   - by letter of August 6, 2014, that following the acquisition of shares, it had exceeded the 2% statutory threshold of voting rights and that, as of July 31, 2014, it held 10,398,600 shares representing 2.02% of the voting rights of the Company;
   - by letter of November 11, 2014, that following the sale of shares, it had fallen below the 2% statutory threshold of voting rights and that, as of November 4, 2014, it held 10,149,100 shares representing 1.97% of the voting rights of the Company.
6. Franklin Resources, Inc. reported on behalf of the funds and accounts that it manages:
   - by letter of July 11, 2014, that it had fallen below the 1% statutory threshold of voting rights and that it held 5,033,902 shares representing 1.21% of the capital and 0.98% of the voting rights of the Company;
   - by letter of November 19, 2014, that it had fallen below the 1% statutory threshold of share capital and that it held 4,168,200 shares, representing 0.99% of the capital and 0.81% of the voting rights of the Company.
7. By letter of November 5, 2014, the French State reported that following the sale of 1,747,086 shares on October 29, 2014 (as part of the offer reserved for employees set out in section 7.3.7.2), it had fallen below the 22% statutory threshold of share capital and that it held 91,693,131 shares representing 21.99% of the capital, with 130,693,131 voting rights representing 25.40% of the voting rights of the Company.
8. Egerton Capital (UK) LLP, by letter of November 24, 2014, reported that following the acquisition of shares on November 21, 2014, it had exceeded the 1% statutory thresholds of share capital and voting rights and it held, at that date, on behalf of the funds that it manages, 4,296,665 Safran shares representing 1.03% of the capital and 1.03% of the voting rights.

7.3.4.2 Significant movements since January 1, 2015

By letter of January 16, 2015, Harris Associates L.P. reported that following the sale of shares on January 9, 2015, it had fallen below the 2% statutory threshold of share capital and that it held, at that date, on behalf of the funds that it manages, 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.

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, the French State 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% statutory thresholds of share capital and the 25%, 24% and 23% statutory thresholds of voting rights. The French State informed the Company of this movement by letter of March 5, 2014 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.

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 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 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

As of the date this Registration Document was filed, the Board of Directors had not used the 26-month authorization approved by the twenty-first resolution of the Annual General Meeting of May 28, 2013 to make free grants of existing or newly-issued Safran shares. This authorization expires on July 27, 2015.

There is no free share grant plan in progress.

Safran affiliates have not granted free shares.

7.3.7.2 Other transactions

PROFIT-SHARING BONUS FOR EMPLOYEES

In both 2014 and 2013, since 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. In 2014, this bonus was determined in accordance with the Group’s new profit-sharing agreement signed in 2012 (see section 3.1, Note 6 and section 5.3.4 of this Registration Document). Based on the analysis that the profit-sharing bonus mechanism introduced by the Law 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 (starting from dividends payable in 2013 in respect of 2012 profit).

EMPLOYEE SHAREHOLDING TRANSACTIONS

Following the two sales by the French State of shares of the Company in 2013, the Group's current and former employees were given the opportunity to subscribe to Safran shares under preferential conditions in 2014, in accordance with the Privatization Act of August 6, 1986. In conjunction with the French State's sale of these shares, the Company decided to provide an employee share offer (Safran Sharing 2014) described in section 5.3.4. At the end of the subscription period 1,747,086 shares had been purchased by current and former employees through this offer.

7.3.7.3 Stock options

As of the date this Registration Document was filed, the Board of Directors has not used the 26-month authorization approved by the twentieth resolution of the Annual General Meeting of May 28, 2013 to give stock options granting entitlement to subscribe for new shares of the Company or to purchase existing shares bought back by the Company. This authorization expires on July 27, 2015.

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 third 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 2014.

No disclosures of temporary transfers were made between January 1, 2015 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 2014 and answered questions from investors and analysts.

On June 16 of the previous year, Safran also held its Capital Markets Day (CMD) in Paris, open to analysts and investors. This event was led by the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, Finance, assisted by members of the Executive Committee and the Executive Management team.

At the CMD, the Group's management executives presented its business model and strategy during plenary sessions which focused on civil engines, electric aircraft and the Security and Identity businesses.

In addition, throughout 2014, 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 Caen on September 30, 2014, and the second in Bordeaux on November 26, 2014.

To further strengthen these relationships, Safran proposes industrial-site visits to members of the Shareholders' Club. Six half-day visits were organized in 2014 during which more than 100 people got an insider's view of the Group's business activities. In 2014 the Group also organized for the first time 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 2015 Revenue: April 22, 2015

Ordinary and Extraordinary General Meeting of Shareholders: April 23, 2015 at the CNIT in Paris – La Défense

First-half 2015 results: July 30, 2015

7.4.5 INVESTOR RELATIONS CONTACTS

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Investors and analysts

Tel.: +33 (0)1 40 60 83 53

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

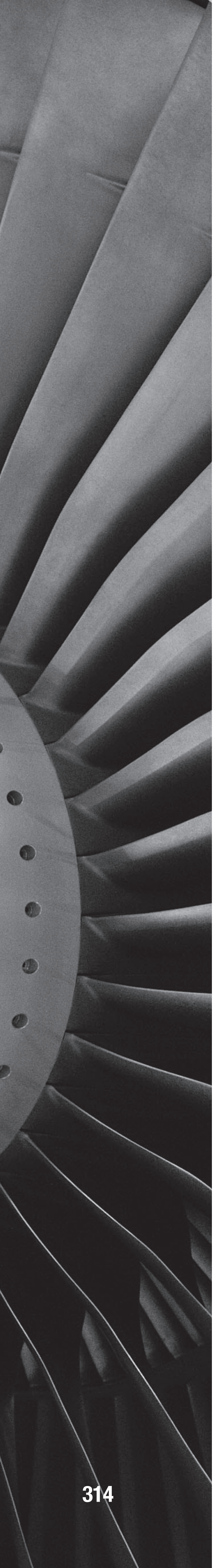
The Safran share (ISIN code: FR0000073272 – Ticker symbol: SAF) is listed on compartment A of the Euronext Paris Eurolist market and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

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.

Main stock market data over three years	2012	2013	2014
Number of shares as of December 31	**417,029,585**	**417,029,585**	**417,029,585**
Safran share price *(in €)*			
High	32.850	50.690	54.590
Low	22.755	32.760	43.240
Closing	32.595	50.510	51.250
Market capitalization as of December 31 *(in € millions)*	13,593	21,064	21,372

Change in share price from January 1, 2014 to February 28, 2015		Average share price* *(in €)*	High *(in €)*	Low *(in €)*	Average daily transactions *(in number of shares)*	Average market capitalization** *(in € millions)*
January	**2014**	52.460	54.560	50.080	679,085	21,877
February		52.537	54.590	49.315	961,771	21,909
March		49.333	51.430	46.750	1,118,852	20,573
April		48.973	51.710	46.840	914,751	20,423
May		48.135	49.860	46.495	776,828	20,074
June		49.264	51.290	47.075	799,976	20,545
July		46.142	48.020	43.780	871,050	19,243
August		46.644	49.885	43.240	758,042	19,452
September		50.772	51.950	49.165	806,334	21,173
October		47.927	51.700	43.655	1,031,896	19,987
November		51.443	52.590	49.620	657,982	21,453
December		51.010	53.710	47.750	724,098	21,273
January	**2015**	55.499	60.000	50.620	1,027,681	23,145
February		60.825	63.500	58.620	759,880	25,366

(*) Average closing price.
(**) Out of the 417,029,585 shares that comprised the share capital from January 1, 2014 to February 28, 2015. Source: NYSE Euronext.



8 ANNUAL GENERAL MEETING OF APRIL 23, 2015

IN BRIEF

15
ordinary resolutions

11
extraordinary resolutions

1
resolution concerning powers to carry out formalities

The Annual General Meeting will be held on April 23, 2015 at the CNIT (Paris-La Défense, France)

Proposed resolutions

- Approval of the parent company and consolidated financial statements for the year ended December 31, 2014
- Appropriation of profit for the year and approval of the recommended dividend
- Related-party agreements and commitments
- Amendments to the Company's bylaws
- Expiry of Directors' terms of office – Appointment of Directors
- 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 vote on the compensation due or awarded for 2014 to Jean-Paul Herteman, Chairman and Chief Executive Officer
- Advisory vote on the compensation due or awarded for 2014 to the Deputy Chief Executive Officers
- Financial authorizations
- Powers to carry out formalities

Dividend

At the Annual General Meeting of April 23, 2015, the Board of Directors will recommend a dividend payment of €1.20 per share, representing a total payout of approximately €500 million (including the €233 million interim dividend paid in December 2014).

	2012	2013	2014
Dividend per share	€0.96	€1.12	€1.20

8.1 AGENDA

ORDINARY RESOLUTIONS

First resolution:	Approval of the parent company financial statements for the year ended December 31, 2014
Second resolution:	Approval of the consolidated financial statements for the year ended December 31, 2014
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 Jean-Paul Herteman (Chairman and Chief Executive Officer) resulting from changes to the Group's Accidental Death and Disability insurance coverage
Fifth resolution:	Approval of related-party commitments governed by Article L.225-42-1 of the French Commercial Code, given to the Deputy Chief Executive Officers resulting from changes to the Group's Accidental Death and Disability insurance coverage
Sixth resolution:	Approval of related-party agreements governed by Article L.225-38 of the French Commercial Code

EXTRAORDINARY RESOLUTIONS

Seventh resolution:	Amendments to Articles 14.8, 14.9.6 and 16.1 of the Company's bylaws to reduce the term of office of Directors from five to four years
Eighth resolution:	Amendments to Articles 14.1 and 14.5 of the Company's bylaws in order to comply with French government *ordonnance* (order) 2014-948 dated August 20, 2014 concerning the governance and capital transactions of companies with public shareholders

ORDINARY RESOLUTIONS

Ninth resolution:	Appointment of Philippe Petitcolin as a Director
Tenth resolution:	Appointment of Ross McInnes as a Director
Eleventh resolution:	Appointment of Patrick Gandil as a Director
Twelfth resolution:	Appointment of Vincent Imbert as a Director
Thirteenth Resolution:	Re-appointment of Jean-Lou Chameau as a Director
Fourteenth resolution:	Setting the amount of attendance fees to be allocated to the Board of Directors
Fifteenth resolution:	Authorization for the Board of Directors to carry out a share buyback program
Sixteenth resolution:	Advisory vote on the compensation due or awarded for 2014 to Jean-Paul Herteman, Chairman and Chief Executive Officer
Seventeenth resolution:	Advisory vote on the compensation due or awarded for 2014 to the Deputy Chief Executive Officers

EXTRAORDINARY RESOLUTIONS

Eighteenth resolution:	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
Nineteenth resolution:	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
Twentieth resolution:	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
Twenty-first resolution:	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
Twenty-second resolution:	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
Twenty-third resolution:	Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital
Twenty-fourth resolution:	Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders
Twenty-fifth resolution:	Blanket ceilings on authorizations to issue shares and/or other securities
Twenty-sixth resolution:	Authorization for the Board of Directors to grant new or existing shares of the Company, free of consideration, to employees and corporate officers of the Company and/or other Safran Group entities, with a waiver by shareholders of their pre-emptive subscription rights

POWERS TO CARRY OUT FORMALITIES

Twenty-seventh resolution: Powers to carry out formalities

8.2 PROPOSED RESOLUTIONS

8.2.1 REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS

ORDINARY RESOLUTIONS

PRESENTATION OF THE FIRST AND SECOND RESOLUTIONS

Approval of the parent company and consolidated financial statements

In the first and second resolutions shareholders are invited to approve the parent company and consolidated financial statements for the year ended December 31, 2014 as well as the expenses incurred during the year that are not deductible for tax purposes.

- The parent company financial statements show that the Company ended 2014 with profit of €654.3 million.
- The consolidated financial statements show an attributable loss for the year amounting to €126 million (€0.30 per share).

PRESENTATION OF THE THIRD RESOLUTION

Appropriation of profit

Safran's distributable profit for 2014 totals €884.0 million, breaking down as €654.3 million in profit for the year plus €229.7 million in retained earnings brought forward from the previous year.

The Board of Directors is recommending a total dividend payout of €500.4 million, representing a per-share dividend of €1.20, up 7% on 2013.

An interim dividend of €0.56 per share was paid on December 23, 2014 with the ex-dividend date having been set as December 19, 2014. If the third resolution is approved, the ex-dividend date for the balance of the 2014 dividend – corresponding to €0.64 per share – will be set as April 27, 2015 and the dividend payment will be made on April 29, 2015.

The remaining €383.6 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 amount of their interim dividend, as provided for under Article 158, 3-2° of the French Tax Code *(Code général des impôts)*.

They also qualify for this 40% tax relief on the balance of the dividend payment. 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 (as amended by Article 9 of the French Finance Act for 2013 – Act 2012-1509 of December 29, 2012), 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 *(Code monétaire et financier)*.

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 April 29, 2015 will be offset against shareholders' personal income tax payable in 2016 on income received in 2015.

Individual shareholders domiciled for tax purposes in France 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 2014 dividend, to be paid on April 29, 2015, shareholders must lodge with the Company's paying agent, by March 31, 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.

PRESENTATION OF THE FOURTH, FIFTH AND SIXTH RESOLUTIONS

Related-party agreements and commitments

The fourth, fifth and sixth resolutions concern related-party agreements and commitments governed by Articles L.225-38 and L.225-42-1 of the French Commercial Code *(Code de commerce)* entered into or given in 2014, as described in the Statutory Auditors' special report.

These agreements and commitments correspond to the following:

- 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. Shareholders will be asked to approve two such agreements entered into in 2014;
- commitments given to management executives (the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers) relating to (i) benefits due or likely to be due as a result of the termination or a change in their duties, or (ii) pension benefits and personal risk insurance. New commitments related to personal risk insurance were given to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers in 2014.

Fourth resolution – Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Jean-Paul Herteman (Chairman and Chief Executive Officer) resulting from changes to the Group's Accidental Death and Disability insurance coverage

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 coverage available to all Safran Group employees in France. This coverage, which is described in sections 5.3.4 and 6.2.1 of this Registration Document, is in addition to that provided for under the Group Personal Risk Insurance Plan and has been effective since January 1, 2015.

On December 17, 2014, the Board of Directors decided to extend these changes to Safran's accidental death and disability coverage to the Group's executive corporate officers, including Jean-Paul Herteman, Chairman and Chief Executive Officer.

Shareholders are invited to approve this commitment.

Fifth resolution – Approval of related-party commitments governed by Article L.225-42-1 of the French Commercial Code, given to the Deputy Chief Executive Officers resulting from changes to the Group's Accidental Death and Disability insurance coverage

Further to the Board of Directors' above-mentioned decision of December 17, 2014, the changes to Safran's accidental death and disability coverage have also been extended to the three Deputy Chief Executive Officers (Stéphane Abrial, Ross McInnes and Marc Ventre).

Shareholders are invited to approve these commitments.

Sixth resolution – Related-party agreements governed by Article L.225-38 of the French Commercial Code

Shareholders are invited to approve two new related-party agreements governed by Article L.225-38 of the French Commercial Code which were entered into during 2014:

- Addendum no. 4 to the agreement in lieu of a "golden share" entered into between Safran and the French State on December 21, 2004

  The members of the Board of Directors representing the French State (Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart) did not take part in the Board of Directors' discussions or vote on this amendment.

  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 addendum) in order to ensure that the French State's rights under the agreement are maintained and are respected by Airbus Safran Launchers Holding (see section 7.1.4.2 of the 2014 Registration Document for further details).

  Safran and the French State also sought through the addendum to amend 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.

  The signature of this addendum was authorized by the Board of Directors on December 1, 2014. It was signed on the same date and came into force on January 14, 2015 (the completion date of the first phase of the overall transaction between Safran and Airbus).

- Addendum no. 5 to the agreement in lieu of a "golden share" entered into between Safran and the French State on December 21, 2004

  The members of the Board of Directors representing the French State (Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart) did not take part in the Board of Directors' discussions or vote on this amendment.

  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 and 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 corporation *(société anonyme)* to a simplified joint-stock corporation *(société par actions simplifiée)*, the French State required an addendum to be signed to confirm that this right under the December 21, 2004 agreement would still apply irrespective of the legal form of the companies concerned.

  The signature of this addendum was authorized by the Board of Directors on December 17, 2014. It was signed on the same date and entered into force immediately.

EXTRAORDINARY RESOLUTIONS

PRESENTATION OF THE SEVENTH RESOLUTION

Amendments to Articles 14.8, 14.9.6 and 16.1 of the Company's bylaws to reduce the term of office of Directors from five to four years

In accordance with the Company's bylaws, Directors are currently appointed for a five-year term.

In order to comply with the recommendations of the AFEP-MEDEF Code on Corporate Governance applicable to listed companies in France, shareholders are being asked to reduce Directors' terms of office from five to four years.

To this end shareholders are invited to amend:

- paragraph 12 of Article 14.8 of the bylaws as follows:

  "Directors representing employee shareholders shall be appointed for a four-year term", with the rest of the wording of paragraph 12 and of Article 14.8 remaining unchanged. This amendment will not affect the duration of the current terms of Directors representing employee shareholders, which will continue to run until their original expiration date;
- paragraph 2 of Article 14.9.6 of the bylaws as follows:

  "Directors representing employees ("employee representative Directors") shall be appointed for a four-year term", with the rest of the wording of Article 14.9.6 remaining unchanged. This amendment will not affect the duration of the current terms of Directors representing employees, which will continue to run until their original expiration date;
- Article 16.1 of the bylaws as follows:

  "Directors shall be appointed for a four-year term, except as provided otherwise in the laws and regulations applicable in the case of provisional directorship appointments by the Board", with the rest of the wording of Article 16.1 remaining unchanged. This amendment will not affect the duration of Directors' current terms, which will continue to run until their original expiration date.

PRESENTATION OF THE EIGHTH RESOLUTION

Amendments to Articles 14.1 and 14.5 of the Company's bylaws in order to comply with French government *ordonnance* (order) 2014-948 dated August 20, 2014 concerning the governance and capital transactions of companies with public shareholders

On August 20, 2014, a French government *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 is the Board of Directors' responsibility to set the date on which the *ordonnance*'s provisions on governance will take effect within the Company (which may not be later than the day following the first Ordinary General Meeting held after January 1, 2017). It is also necessary to amend article 14.1 of the Company's bylaws so that they comply with the new provisions.

The main provisions of Section II of the *ordonnance* which are applicable to Safran are as follows:

- when the French State, acting alone, directly holds between 10% and 50% of a company's capital, it may put forward one or more Directors, in proportion to the size of its shareholding;
- when the French State, acting alone, directly holds at least 10% of a company's capital, and the Board of Directors has more than ten members, the State is entitled to hold at least two seats on that company's Board;
- one Board representative can be appointed directly by the State whereas the nomination of other Board members representing the State is put forward to an Ordinary General Meeting;
- the State representatives on the Board of Directors have the same rights and powers as the other Board members.

On February 24, 2015, having taken note of the provisions of the *ordonnance*, the Board of Directors resolved:

- to implement the relevant provisions of Section II of the *ordonnance*, subject to shareholders approving the required amendments to Article 14.1 of the bylaws at the next Annual General Meeting, and consequently;
- to submit to the Annual General Meeting of April 23, 2015 a resolution to amend Articles 14.1 and 14.5 of the bylaws as follows:
  - *"14.1. The Company shall be administered by a Board of Directors with at least three and no more than thirteen members, including, where applicable, the 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 *2014-948 dated August 20, 2014",*
  - *"14.5. Each Director – other than the representative of the French State and/or the Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government* ordonnance *2014-948 dated August 20, 2014, the Directors representing employee shareholders and Directors representing employees – shall be required to own a certain number of shares in the Company as provided for in the Board of Directors' Internal Rules. If a Director no longer holds the required number of shares, he will have a specific period of time (as set out in the Board of Directors' Internal Rules) to remedy the situation, after which he will automatically be deemed to have resigned unless such remedial action is taken".*

If these amendments to the bylaws are adopted, the provisions of the *ordonnance* will immediately take effect within Safran and the terms of office of the French State's current representatives who were appointed by Ministerial Decree – i.e., Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart – will be terminated.

The French State informed Safran that once the provisions of the *ordonnance* take effect within the Company it intends to appoint a representative (in accordance with Article 4 of the *ordonnance*), and at the next Annual General Meeting would put forward Patrick Gandil and Vincent Imbert for appointment as Directors (in accordance with Article 6 of the *ordonnance*).

At the Annual General Meeting of April 23, 2015, shareholders are therefore being asked to approve resolutions concerning the appointment of two Directors put forward by the French State (eleventh and twelfth resolutions presented below), for a four-year term expiring at the close of the Annual General Meeting to be held in 2019 to approve the financial statements for the year ending December 31, 2018.

ORDINARY RESOLUTIONS

PRESENTATION OF THE NINTH RESOLUTION

Appointment of Philippe Petitcolin as a Director

Shareholders are invited to appoint Philippe Petitcolin as a Director for a four-year term expiring at the close of the Annual General Meeting to be held in 2019 to approve the financial statements for the year ending December 31, 2018, to replace Jean-Paul Herteman whose term of office expires at the close of the April 23, 2015 Annual General Meeting.

PRESENTATION OF THE TENTH RESOLUTION

Appointment of Ross McInnes as a Director

Shareholders are invited to appoint Ross McInnes as a Director for a four-year term expiring at the close of the Annual General Meeting to be held in 2019 to approve the financial statements for the year ending December 31, 2018.

PRESENTATION OF THE ELEVENTH RESOLUTION

Appointment of Patrick Gandil as a Director

Shareholders are invited to appoint Patrick Gandil as a Director, who has been put forward by the French State in accordance with the provisions of the French government *ordonnance* dated August 20, 2014, for a four-year term expiring at the close of the Annual General Meeting to be held in 2019 to approve the financial statements for the year ending December 31, 2018.

PRESENTATION OF THE TWELFTH RESOLUTION

Appointment of Vincent Imbert as a Director

Shareholders are invited to appoint Vincent Imbert as a Director, who has been put forward by the French State in accordance with the provisions of the French government *ordonnance* dated August 20, 2014, for a four-year term expiring at the close of the Annual General Meeting to be held in 2019 to approve the financial statements for the year ending December 31, 2018.

PRESENTATION OF THE THIRTEENTH RESOLUTION

Re-appointment of Jean-Lou Chameau as a Director

Shareholders are invited to re-appoint Jean-Lou Chameau as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held in 2019 to approve the financial statements for the year ending December 31, 2018.

PRESENTATION OF THE FOURTEENTH RESOLUTION

Attendance fees

In the fourteenth resolution shareholders are invited to set the aggregate amount of attendance fees to be allocated among the members of the Board of Directors for 2015 at the same amount as for 2014, i.e., €868,000.

PRESENTATION OF THE FIFTEENTH RESOLUTION

Share buyback programs

The Company needs to have the necessary flexibility to react to changes in financial markets by buying back Safran shares.

In the fifteenth resolution 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, 2014) 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 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 for the purposes authorized in the applicable regulations, notably to purchase shares:

- 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;
- for cancellation in accordance with the authorization granted in the twelfth resolution of the Annual General Meeting of May 27, 2014.

This authorization would be given for a period of 18 months and would supersede the previous authorization granted for the same purpose in the ninth resolution of the Annual General Meeting held on May 27, 2014.

Report on the utilization in 2014 of previous shareholder-approved share buyback programs

In 2014, the aggregate number of shares purchased under the liquidity agreement entered into with Oddo Corporate Finance amounted to 1,690,322.

The total number of shares sold under this liquidity agreement amounted to 1,668,099.

No treasury shares purchased under a buyback program were canceled in 2014.

At December 31, 2014, the Company directly held 603,327 Safran shares, representing 0.14% of its share capital.

These treasury shares were held for the following purposes:

- to allocate or sell shares to employees or corporate officers: 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: 84,723 shares, representing 0.02% of the Company's capital.

PRESENTATION OF THE SIXTEENTH AND SEVENTEENTH RESOLUTIONS

Safran bases its corporate governance framework on the Corporate Governance Code for Listed Corporations published by the AFEP and MEDEF, as revised in June 2013 (hereinafter the AFEP-MEDEF Code). In Article 24.3 of said Code it is stated that companies' Boards of Directors should "*present to the Annual General Meeting the components of compensation due or awarded for the past fiscal year to each executive Director. These compensation components include:*

- *the fixed portion;*
- *the annual variable portion, and where applicable, the multi-annual variable portion, including a description of the objectives that must be met in order for this variable portion to be paid;*
- *extraordinary compensation;*
- *stock options, performance shares and any other long-term compensation;*
- *benefits related to taking up or terminating office;*
- *supplementary pension plan;*
- *any other benefits.*"

The AFEP-MEDEF Code recommends that this presentation be followed by a shareholder advisory vote, with one resolution presented for the Chief Executive Officer and one resolution for the Deputy Chief Executive Officers.

In accordance with this recommendation, shareholders are therefore invited to give positive advisory votes on the compensation due or awarded for 2014 (as shown in the tables below) to the Chairman and Chief Executive Officer, Jean-Paul Herteman (sixteenth resolution) and the Deputy Chief Executive Officers, Stéphane Abrial, Ross McInnes and Marc Ventre (seventeenth resolution).

Sixteenth resolution – Presentation of the compensation due or awarded for 2014 to Jean-Paul Herteman (Chairman and Chief Executive Officer)

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
Fixed compensation	**€730,000**	Jean-Paul Herteman's fixed annual compensation was set at €730,000 by the Board of Directors at its meeting of May 26, 2011. This amount was effective until January 1, 2014. As proposed by Jean-Paul Herteman, at its December 11, 2013 meeting, the Board of Directors renewed this fixed annual compensation of €730,000 until the end of Mr. Herteman's term of office, i.e., until the close of the Annual General Meeting of April 23, 2015.
Annual variable compensation	**€846,800**	Two-thirds of the variable component is determined on the basis of financial objectives and one third on individual objectives for each year. The Board of Directors decided to define financial objectives with reference to EBIT, free cash flow and working capital. The Board reviews the respective weighting of these three performance metrics every year. It also establishes the threshold and maximum levels for each metric, as well as an aggregate maximum level. At its meeting on December 11, 2013, the Board of Directors determined the financial performance criteria for 2014 based on the following components, which are the same as those used for 2013: • weighting: – EBIT: 60%, – working capital: 10%, and – free cash flow: 30%; • threshold levels (based on annual budgets): – 80% of EBIT 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 free cash flow target. At the same meeting, the Board set the following calculation methods, based on the threshold and maximum levels applied: • the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met); • if an objective is exceeded, the variable compensation allocated in respect of this 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 EBIT target is achieved, the maximum 130% of variable compensation will be payable for this metric, – if 65% (or less) of the working capital target is achieved, the maximum 130% of variable compensation will be payable for this metric, and – if 130% (or more) of the free cash flow target is achieved, the maximum 130% of variable compensation will be payable for this metric. The total variable compensation can reach 100% of fixed compensation if all of the objectives are achieved and up to 130% if the performance, assessed by the Board based on both individual objectives and in proportion to the Group's results for the financial objectives, is exceeded and substantiated. At the same meeting on December 11, 2013, the Board of Directors also determined Mr. Herteman's individual objectives. These objectives were measurable, they were not solely financial, and mainly related to the Group's main strategic challenges, notably in terms of management, programs, competitiveness and external growth transactions. They cannot be disclosed for reasons of strategic and competitive sensitivity. At its meeting of February 24, 2015, the Board of Directors, upon the recommendation of the Appointments and Compensation Committee, reviewed the achievement of the objectives set for the variable compensation payable to Jean-Paul Herteman for 2014.

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
		The achievement rate for the Group's financial performance was set by the Board of Directors' meeting of February 24, 2015 at 109%, based on the following achievement rates: 105% of the EBIT target, 71% of the working capital target (working capital exceeded budgeted working capital by 10%), and 130% of the free cash flow target. For the purpose of calculating the last two components, the impact of late payments by a customer State as well as changes in Group scope of consolidation which were not included in the budget were neutralized. The achievement rate of the individual qualitative objectives of Mr. Herteman was specifically determined by the Board at the same meeting. Mr. Herteman's achievement rate for his individual qualitative objectives in 2014 was 130%. Based on the achievement rates for the Group's financial performance added to the achievement rate of his individual qualitative objectives, Jean-Paul Herteman's variable compensation for 2014 amounted to €846,800 representing 116% of his fixed compensation.
Deferred variable compensation	**N/A[1]**	Mr. Herteman does not receive any deferred variable compensation.
Extraordinary compensation	**N/A**	Mr. Herteman does not receive any extraordinary compensation.
Stock options, performance shares and any other long-term compensation	**Stock options = N/A**	Mr. Herteman does not receive any stock options.
	Performance shares = N/A **Other long-term compensation = N/A**	Mr. Herteman does not receive any performance shares or any other long-term compensation.
Attendance fees	**€0**	Mr. Herteman waived his attendance fees for his duties as a Director of the Company and Chairman of the Board of Directors for 2014, which the Board placed on record at its March 20, 2014 meeting.
Value of benefits-in-kind	**€3,409** (accounting value)	Mr. Herteman has the use of a company car.

(1) N/A = not applicable.

Compensation due or awarded for 2014 that has been approved by shareholders as part of the procedure for related-party agreements and commitments	Amounts submitted for shareholder approval	Presentation
Termination benefits	**€0**	Jean-Paul Herteman is not entitled to any termination benefits.
Non-compete indemnity	**N/A**[(1)]	Mr. Herteman is 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. Herteman was previously covered by defined contribution supplementary pension plans set up for the Company's managerial-grade staff. At its meeting of July 27, 2011, the Board of Directors decided to authorize Mr. Herteman to continue to be covered by this supplementary pension plan, in accordance with the same conditions as the other personnel concerned. The contributions are based on the compensation (fixed and variable) that he receives for his role as Chairman and Chief Executive Officer. The expense recorded in the 2014 financial statements relating to the contributions paid under this plan for Mr. Herteman amounted to €55,571.98. This commitment was submitted for shareholder approval in the sixth resolution of the May 31, 2012 Annual General Meeting in accordance with the applicable procedure for approving related-party agreements and commitments. *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 supplementary defined benefit 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 the four executive corporate officers, including Jean-Paul Herteman. The methods used to calculate the benefits that would be paid to these corporate officers are exactly the same as those used for the other executive managers who benefit from the plan, 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 service, 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 ceiling applicable in 2015 was €38,040); • 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 benefits to which Jean-Paul Herteman would be entitled, subject to his fulfilling the aforementioned conditions, will be capped at three times the annual social security ceiling, i.e., €114,120 per year based on the ceiling applicable in 2015. This commitment was approved by shareholders in the fifth resolution of the May 27, 2014 Annual General Meeting.

(1) N/A = not applicable.

Seventeenth resolution – Presentation of the compensation due or awarded for 2014 to the Deputy Chief Executive Officers

Presentation of the compensation due or awarded for 2014 to Stéphane Abrial (Deputy Chief Executive Officer, Corporate Office)

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
Fixed compensation	**€400,000**	Stéphane Abrial's fixed annual compensation was set at €400,000 by the Board of Directors at its meeting of July 25, 2013 and remained unchanged in 2014.
Annual variable compensation	**€424,000**	Two-thirds of the variable component is determined on the basis of financial objectives and one third on individual objectives for each year. The Board of Directors decided to define financial objectives with reference to EBIT, free cash flow and working capital. The Board reviews the respective weighting of these three performance metrics every year. It also establishes the threshold and maximum levels for each metric, as well as an aggregate maximum level. At its meeting on December 11, 2013, the Board of Directors determined the financial performance criteria for 2014 based on the following components, which are the same as those used for 2013: • weighting: – EBIT: 60%, – working capital: 10%, and – free cash flow: 30%; • threshold levels (based on annual budgets): – 80% of EBIT 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 free cash flow target. At the same meeting, the Board set the following calculation methods, based on the threshold and maximum levels applied: • the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met); • if an objective is exceeded, the variable compensation allocated in respect of this 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 EBIT target is achieved, the maximum 130% of variable compensation will be payable for this metric, – if 65% (or less) of the working capital target is achieved, the maximum 130% of variable compensation will be payable for this metric, and – if 130% (or more) of the free cash flow target is achieved, the maximum 130% of variable compensation will be payable for this metric. The total variable compensation can reach 100% of fixed compensation if all of the objectives are achieved and up to 130% if the performance, assessed by the Board based on both individual objectives and in proportion to the Group's results for the financial objectives, is exceeded and substantiated. At the same meeting on December 11, 2013, the Board of Directors also determined Mr. Abrial's individual objectives. These objectives were measurable, they were not solely financial, and mainly related to the Group's main strategic challenges, notably in terms of management, programs, competitiveness and external growth transactions. They cannot be disclosed for reasons of strategic and competitive sensitivity. At its meeting of February 24, 2015, the Board of Directors, upon the recommendation of the Appointments and Compensation Committee, reviewed the achievement of the objectives set for the variable compensation payable to Stéphane Abrial for 2014.

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
		The achievement rate for the Group's financial performance was set by the Board of Directors' meeting of February 24, 2015 at 109%, based on the following achievement rates: 105% of the EBIT target, 71% of the working capital target (working capital exceeded budgeted working capital by 10%), and 130% of the free cash flow target. For the purpose of calculating the last two components, the impact of late payments by a customer State as well as changes in Group scope of consolidation which were not included in the budget were neutralized. The achievement rate of the individual qualitative objectives of Mr. Abrial was specifically determined by the Board at the same meeting. Mr. Abrial's achievement rate for his individual qualitative objectives in 2014 was 100%. Based on the achievement rates for the Group's financial performance added to the achievement rate of his individual qualitative objectives, Stéphane Abrial's variable compensation for 2014 amounted to €424,000, representing 106% of his fixed compensation.
Deferred variable compensation	**N/A**[1]	Mr. Abrial does not receive any deferred variable compensation.
Extraordinary compensation	**€16,575**	Mr. Abrial received payments under optional and statutory employee-profit sharing for 2013 and the company contribution (period prior to the suspension of his employment contract). He did not receive any other extraordinary compensation.
Stock options, performance shares and any other long-term compensation	**Stock options = N/A**	Mr. Abrial does not receive any stock options.
	Performance shares = N/A **Other long-term compensation = N/A**	Mr. Abrial does not receive any performance shares or any other long-term compensation.
Attendance fees	**N/A**	Mr. Abrial does not receive any attendance fees.
Value of benefits-in-kind	**€3,333** (accounting value)	Mr. Abrial has the use of a company car.

(1) N/A = not applicable.

Compensation due or awarded for 2014 that has been approved by shareholders as part of the procedure for related-party agreements and commitments	Amounts submitted for shareholder approval	Presentation
Termination benefits	**N/A**[1]	Stéphane Abrial is not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Mr. Abrial is 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 covered by a defined contribution supplementary pension plan set up for the Company's managerial-grade staff. At its meeting of July 25, 2013, the Board of Directors decided to authorize Mr. Abrial to continue to be covered by this supplementary pension plan, in accordance with the same conditions as the other personnel concerned. The contributions are based on the compensation (fixed and variable) that he receives for his role as Deputy Chief Executive Officer. The expense recorded in the 2014 financial statements relating to the contributions paid under this plan for Mr. Abrial amounted to €15,266.70. This commitment was approved by shareholders in the fourth resolution of the May 27, 2014 Annual General Meeting. *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 supplementary defined benefit 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 the four executive corporate officers, including Stéphane Abrial. The methods used to calculate the benefits that would be paid to these corporate officers are exactly the same as those used for the other executive managers who benefit from the plan, 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 service, 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 ceiling applicable in 2015 was €38,040); • 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 benefits to which Stéphane Abrial would be entitled, subject to his fulfilling the aforementioned conditions, will be capped at three times the annual social security ceiling, i.e., €114,120 per year based on the ceiling applicable in 2015. This commitment was approved by shareholders in the sixth resolution of the May 27, 2014 Annual General Meeting.

(1) N/A = not applicable.

Presentation of the compensation due or awarded for 2014 to Ross McInnes (Deputy Chief Executive Officer, Finance)

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
Fixed compensation	**€500,000**	Ross McInnes' fixed annual compensation was set by the Board of Directors at its meeting of December 12, 2012 for the period up until January 1, 2016.
Annual variable compensation	**€546,667**	Two-thirds of the variable component is determined on the basis of financial objectives and one third on individual objectives for each year. The Board of Directors decided to define financial objectives with reference to EBIT, free cash flow and working capital. The Board reviews the respective weighting of these three performance metrics every year. It also establishes the threshold and maximum levels for each metric, as well as an aggregate maximum level. At its meeting on December 11, 2013, the Board of Directors determined the financial performance criteria for 2014 based on the following components, which are the same as those used for 2013: • weighting: – EBIT: 60%, – working capital: 10%, and – free cash flow: 30%; • threshold levels (based on annual budgets): – 80% of EBIT 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 free cash flow target. At the same meeting, the Board set the following calculation methods, based on the threshold and maximum levels applied: • the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met); • if an objective is exceeded, the variable compensation allocated in respect of this 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 EBIT target is achieved, the maximum 130% of variable compensation will be payable for this metric, – if 65% (or less) of the working capital target is achieved, the maximum 130% of variable compensation will be payable for this metric, and – if 130% (or more) of the free cash flow target is achieved, the maximum 130% of variable compensation will be payable for this metric. The total variable compensation can reach 100% of fixed compensation if all of the objectives are achieved and up to 130% if the performance, assessed by the Board based on both individual objectives and in proportion to the Group's results for the financial objectives, is exceeded and substantiated. At the same meeting on December 11, 2013, the Board of Directors also determined Mr. McInnes' individual objectives. These objectives were measurable, they were not solely financial, and mainly related to the Group's main strategic challenges, notably in terms of management, programs, competitiveness and external growth transactions. They cannot be disclosed for reasons of strategic and competitive sensitivity. At its meeting of February 24, 2015, the Board of Directors, upon the recommendation of the Appointments and Compensation Committee, reviewed the achievement of the objectives set for the variable compensation payable to Ross McInnes for 2014.

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
		The achievement rate for the Group's financial performance was set by the Board of Directors' meeting of February 24, 2015 at 109%, based on the following achievement rates: 105% of the EBIT target, 71% of the working capital target (working capital exceeded budgeted working capital by 10%), and 130% of the free cash flow target. For the purpose of calculating the last two components, the impact of late payments by a customer State as well as changes in Group scope of consolidation which were not included in the budget were neutralized. The achievement rate of the individual qualitative objectives of Mr. McInnes was specifically determined by the Board at the same meeting. Mr. McInnes' achievement rate for his individual qualitative objectives for 2014 was 110%. Based on the achievement rates for the Group's financial performance added to the achievement rate of his individual qualitative objectives, Ross McInnes' variable compensation for 2014 amounted to €546,667, representing 109% of his fixed compensation.
Deferred variable compensation	**N/A**[1]	Mr. McInnes does not receive any deferred variable compensation.
Extraordinary compensation	**€650**	Mr. McInnes received the 2014 Safran Sharing company contribution. He did not receive any other extraordinary compensation.
Stock options, performance shares and any other long-term compensation	**Stock options = N/A**	Mr. McInnes does not receive any stock options.
	Performance shares = N/A **Other long-term compensation = N/A**	Mr. McInnes does not receive any performance shares or any other long-term compensation.
Attendance fees	**N/A**	Mr. McInnes does not receive any attendance fees.
Value of benefits-in-kind	**€4,133** (accounting value)	Mr. McInnes has the use of a company car.

(1) N/A = not applicable.

Compensation due or awarded for 2014 that has been approved by shareholders as part of the procedure for related-party agreements and commitments	Amounts submitted for shareholder approval	Presentation
Termination benefits	**N/A**[1]	Ross McInnes is not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Mr. McInnes is 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 covered by a defined contribution supplementary pension plan set up for the Company's managerial-grade staff. At its meeting of July 27, 2011, the Board of Directors decided to authorize Mr. McInnes to continue to be covered by this supplementary pension plan, in accordance with the same conditions as the other personnel concerned. The contributions are based on the compensation (fixed and variable) that he receives for his role as Deputy Chief Executive Officer. The expense recorded in the 2014 financial statements relating to the contributions paid under this plan for Mr. McInnes amounted to €21,082.62. This commitment was submitted for shareholder approval in the sixth resolution of the May 31, 2012 Annual General Meeting in accordance with the applicable procedure for approving related-party agreements and commitments. *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 supplementary defined benefit 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 the four executive corporate officers, including Ross McInnes. The methods used to calculate the benefits that would be paid to these corporate officers are exactly the same as those used for the other executive managers who benefit from the plan, 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 service, 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 ceiling applicable in 2015 was €38,040); • 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 benefits to which Ross McInnes would be entitled, subject to his fulfilling the aforementioned conditions, will be capped at three times the annual social security ceiling, i.e., €114,120 per year based on the ceiling applicable in 2015. This commitment was approved by shareholders in the sixth resolution of the May 27, 2014 Annual General Meeting.

(1) N/A = not applicable.

Presentation of the compensation due or awarded for 2014 to Marc Ventre (Deputy Chief Executive Officer, Operations)

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
Fixed compensation	**€500,000**	Marc Ventre's fixed annual compensation was set by the Board of Directors at its meeting of December 12, 2012 for the period up until January 1, 2016.
Annual variable compensation	**€546,667**	Two-thirds of the variable component is determined on the basis of financial objectives and one third on individual objectives for each year. The Board of Directors decided to define financial objectives with reference to EBIT, free cash flow and working capital. The Board reviews the respective weighting of these three performance metrics every year. It also establishes the threshold and maximum levels for each metric, as well as an aggregate maximum level. At its meeting on December 11, 2013, the Board of Directors determined the financial performance criteria for 2014 based on the following components, which are the same as those used for 2013: • weighting: – EBIT: 60%, – working capital: 10%, and – free cash flow: 30%; • threshold levels (based on annual budgets): – 80% of EBIT 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 free cash flow target. At the same meeting, the Board set the following calculation methods, based on the threshold and maximum levels applied: • the threshold level of each performance metric results in the allocation of variable compensation (from 0 to 100% when the budget is met); • if an objective is exceeded, the variable compensation allocated in respect of this 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 EBIT target is achieved, the maximum 130% of variable compensation will be payable for this metric, – if 65% (or less) of the working capital target is achieved, the maximum 130% of variable compensation will be payable for this metric, and – if 130% (or more) of the free cash flow target is achieved, the maximum 130% of variable compensation will be payable for this metric. The total variable compensation can reach 100% of fixed compensation if all of the objectives are achieved and up to 130% if the performance, assessed by the Board based on both individual objectives and in proportion to the Group's results for the financial objectives, is exceeded and substantiated. At the same meeting on December 11, 2013, the Board of Directors also determined Mr. Ventre's individual objectives. These objectives were measurable, they were not solely financial, and mainly related to the Group's main strategic challenges, notably in terms of management, programs, competitiveness and external growth transactions. They cannot be disclosed for reasons of strategic and competitive sensitivity. At its meeting of February 24, 2015, the Board of Directors, upon the recommendation of the Appointments and Compensation Committee, reviewed the achievement of the objectives set for the variable compensation payable to Marc Ventre for 2014.

Compensation due or awarded for 2014	Amounts (or accounting value) submitted for shareholder approval	Presentation
		The achievement rate for the Group's financial performance was set by the Board of Directors' meeting of February 24, 2015 at 109%, based on the following achievement rates: 105% of the EBIT target, 71% of the working capital target (working capital exceeded budgeted working capital by 10%), and 130% of the free cash flow target. For the purpose of calculating the last two components, the impact of late payments by a customer State as well as changes in Group scope of consolidation which were not included in the budget were neutralized. The achievement rate of the individual qualitative objectives of Mr. Ventre was specifically determined by the Board at the same meeting. Mr. Ventre's achievement rate for his individual objectives for 2014 was 110%. Based on the achievement rates for the Group's financial performance added to the achievement rate of his individual qualitative objectives, Marc Ventre's variable compensation for 2014 amounted to €546,667, representing 109% of his fixed compensation.
Deferred variable compensation	**N/A**[1]	Mr. Ventre does not receive any deferred variable compensation.
Extraordinary compensation	**N/A**	Mr. Ventre does not receive any extraordinary compensation.
Stock options, performance shares and any other long-term compensation	**Stock options = N/A**	Mr. Ventre does not receive any stock options.
	Performance shares = N/A **Other long-term compensation = N/A**	Mr. Ventre does not receive any performance shares or any other long-term compensation.
Attendance fees	**N/A**	Mr. Ventre does not receive any attendance fees.
Value of benefits-in-kind	**€4,011** (accounting value)	Mr. Ventre has the use of a company car.

(1) N/A = not applicable.

Compensation due or awarded for 2014 that has been approved by shareholders as part of the procedure for related-party agreements and commitments	Amounts submitted for shareholder approval	Presentation
Termination benefits	**N/A**[1]	Marc Ventre is not entitled to any termination benefits.
Non-compete indemnity	**N/A**	Mr. Ventre is 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. Ventre was previously covered by defined contribution supplementary pension plans set up for the Company's managerial-grade staff. At its meeting of July 27, 2011, the Board of Directors decided to authorize Mr. Ventre to continue to be covered by this supplementary pension plan, in accordance with the same conditions as the other personnel concerned. The contributions are based on the compensation (fixed and variable) that he receives for his role as Deputy Chief Executive Officer. The expense recorded in the 2014 financial statements relating to the contributions paid under this plan for Mr. Ventre amounted to €45,110.52. This commitment was submitted for shareholder approval in the sixth resolution of the May 31, 2012 Annual General Meeting in accordance with the applicable procedure for approving related-party agreements and commitments. *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 supplementary defined benefit 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 the four executive corporate officers, including Marc Ventre. The methods used to calculate the benefits that would be paid to these corporate officers are exactly the same as those used for the other executive managers who benefit from the plan, 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 service, 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 ceiling applicable in 2015 is €38,040); • 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 benefits to which Marc Ventre would be entitled, subject to his fulfilling the aforementioned conditions, will be capped at three times the annual social security ceiling, i.e., €114,120 per year based on the ceiling applicable in 2015. This commitment was approved by shareholders in the sixth resolution of the May 27, 2014 Annual General Meeting.

(1) N/A = not applicable.

EXTRAORDINARY RESOLUTIONS

FINANCIAL AUTHORIZATIONS

Safran needs to have the flexibility required to raise financing swiftly to support its ongoing operations and business development, based on opportunities arising in financial markets and using the most suitable financial instruments. To this end shareholders are invited to grant the Board of Directors the necessary authorizations – covering a period of twenty-six months – to issue ordinary shares and/or securities carrying immediate or deferred rights to shares of the Company.

The financial authorizations given to the Board of Directors at the May 28, 2013 and May 27, 2014 Annual General Meetings were not used in 2014.

In the same way as in prior years, the Board of Directors is seeking these authorizations in order to carry out the operations considered necessary for the effective running and future growth of the Company and the Group. If the new authorizations are adopted, they will supersede the previous authorizations granted to the Board of Directors for the same purpose.

A summary table is provided in section 8.2.4 of this Registration Document setting out the financial authorizations that shareholders are being asked to renew.

PRESENTATION OF THE EIGHTEENTH RESOLUTION

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

The purpose of the eighteenth resolution is to authorize 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. The pre-emptive rights granted to existing shareholders may be detached from the shares to which they relate and may be transferred or traded throughout the subscription period of any issues carried out under this authorization.

These pre-emptive subscription rights would entitle their holders to subscribe for a number of new shares proportionate to the number of pre-emptive rights held, during a period corresponding to at least five trading days from the opening of the subscription period.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €20 million (representing approximately 24% of the Company's capital). This amount would be included in the ceilings set in the twenty-fifth resolution, i.e.:

- the €25 million sub-ceiling applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eighteenth to twenty-first resolutions; and
- the €30 million blanket ceiling applicable to all capital increases that may be carried out by the Board of Directors.

The maximum principal amount of any debt securities issued would be set at €2 billion, which would be included in the €2 billion blanket ceiling set in the twenty-fifth resolution. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €25 million ceiling on capital increases set in the eighteenth resolution (and therefore in the ceilings on capital increases set in the twenty-fifth resolution).

The Board of Directors would be able to use this authorization during, or in the run-up to, a public offer for the Company's shares. However, during such a period, the maximum aggregate nominal amount of any capital increases carried out pursuant to this authorization – either immediately or on exercise of rights to shares of the Company – would be set at €8 million, which would be included in the €8 million blanket ceiling set in paragraph 4 of the twenty-fifth resolution.

This authorization would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purpose in the eleventh resolution of the Annual General Meeting held on May 28, 2013.

PRESENTATION OF THE NINETEENTH RESOLUTION

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

In the nineteenth resolution the Board of Directors is seeking an authorization to issue ordinary shares and/or securities carrying rights to shares of the Company, through a public offering and without pre-emptive subscription rights for existing shareholders.

However, if this resolution is adopted, the Board of Directors would be able to grant shareholders a priority subscription right for a period of at least three trading days but this right would be non-transferable and non-tradable.

The cancellation of pre-emptive subscription rights would make it easier to carry out public offerings, especially when an issue has to be organized swiftly in order for it to be successful, or when shares or other securities are offered in financial markets both in France and abroad.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €8 million (representing approximately 9.6% of the Company's capital).

This amount would be included in the ceilings set in the twenty-fifth resolution, i.e.:

- the €25 million sub-ceiling applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eighteenth to twenty-first resolutions; and
- the €30 million blanket ceiling applicable to all capital increases that may be carried out by the Board of Directors.

The maximum principal amount of any debt securities issued would be set at €1.3 billion, which would be included in the €2 billion blanket ceiling set in the twenty-fifth resolution. The nominal amount of any capital increases resulting from the exercise of rights attached to debt securities carrying rights to shares of the Company would be included in the €8 million sub-ceiling on capital increases set in the nineteenth resolution (and therefore in the ceilings on capital increases set in the twenty-fifth resolution).

The issue price of the shares and/or other securities issued under this authorization would be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The Board of Directors would be able to use this authorization during, or in the run-up to, a public offer for the Company's shares. However, during such a period, the maximum aggregate nominal amount of any capital increases carried out pursuant to this authorization – either immediately or on exercise of rights to shares in the Company – would be set at €8 million, which would be included in the €8 million blanket ceiling set in paragraph 4 of the twenty-fifth resolution.

This authorization would supersede, as from the date of this Meeting, the authorization granted to the Board of Directors for the same purpose in the twelfth resolution of the Annual General Meeting held on May 28, 2013.

PRESENTATION OF THE TWENTIETH RESOLUTION

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

The purpose of the twentieth resolution – which is connected to the nineteenth resolution – is to authorize the Board of Directors to issue shares of the Company and/or securities carrying rights to the Company's shares as payment for securities of another company that are tendered to a public exchange offering initiated by the Company in France or abroad.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €8 million (representing approximately 9.6% of the Company's capital).

This amount would be included in the €8 million ceiling set in the nineteenth resolution and therefore would also be included in:

- the €25 million ceiling applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eighteenth to twenty-first resolutions; and
- the €30 million blanket ceiling applicable to all capital increases that may be carried out by the Board of Directors.

The maximum principal amount of any debt securities issued would be set at €1.3 billion, and this amount would be included in the €1.3 billion ceiling set in the nineteenth resolution and therefore also in the €2 billion ceiling set in the twenty-fifth resolution.

The issue price of the shares and/or other securities issued under this authorization would be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%). The applicable exchange ratio would be set by the Board of Directors.

The Board of Directors would be able to use this authorization during, or in the run-up to, a public offer for the Company's shares. However, during such a period, the maximum aggregate nominal amount of any capital increases carried out pursuant to this authorization would be set at €8 million, which would be included in the €8 million blanket ceiling set in paragraph 4 of the twenty-fifth resolution.

This authorization would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purpose in the thirteenth resolution of the Annual General Meeting held on May 28, 2013.

PRESENTATION OF THE TWENTY-FIRST RESOLUTION

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

This resolution would authorize the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, by way of a private placement carried out through an offering to qualified investors or a restricted group of investors, without pre-emptive subscription rights for existing shareholders.

The procedure for this type of private placement is less onerous than for a public offering and this authorization would enable the Company to react swiftly to market opportunities and rapidly raise the funds it requires.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution – either immediately or on exercise of rights to shares of the Company – would be set at €8 million (representing approximately 9.6% of the Company's capital).

This amount would be included in the €8 million ceiling set in the nineteenth resolution and would therefore also be included in:

- the €25 million ceiling applicable to capital increases carried out with or without pre-emptive subscription rights pursuant to the eighteenth to twenty-first resolutions; and
- the €30 million blanket ceiling applicable to all capital increases that may be carried out by the Board of Directors.

This type of issue would be subject to an additional ceiling provided for by law, corresponding to 20% of the Company's capital per year.

The maximum principal amount of any debt securities issued would be set at €1.3 billion, and this amount would be included in the €1.3 billion ceiling set in the nineteenth resolution and therefore in the €2 billion ceiling set in the twenty-fifth resolution.

The issue price of the shares and/or other securities issued under this authorization would be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (currently corresponding to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The Board of Directors would be able to use this authorization during, or in the run-up to, a public offer for the Company's shares. However, during such a period, the maximum aggregate nominal amount of any capital increases carried out pursuant to this authorization – either immediately or on exercise of rights to shares in the Company – would be set at €8 million, which would be included in the €8 million blanket ceiling set in paragraph 4 of the twenty-fifth resolution.

This authorization would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purposes in the fourteenth resolution of the Annual General Meeting held on May 28, 2013.

PRESENTATION OF THE TWENTY-SECOND RESOLUTION

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

In the twenty-second resolution the Board of Directors is seeking an authorization to increase the number of securities to be issued in the event that an issue carried out with or without pre-emptive subscription rights decided by the Board of Directors pursuant to the eighteenth, nineteenth, twentieth, or twenty-first resolution is oversubscribed.

Any securities issued under this authorization would have to be issued:

- at the same price as for the original issue; and
- within the timeframes and limits provided for in the laws and regulations in force on the issue date (currently, the additional securities must be issued within thirty days of the close of the original subscription period and may not represent more than 15% of the original issue amount).

The ceilings and sub-ceilings applicable in the eighteenth to twenty-first resolutions would still apply if the option provided for in the twenty-second resolution is exercised.

This authorization would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purpose in the fifteenth resolution of the Annual General Meeting held on May 28, 2013.

PRESENTATION OF THE TWENTY-THIRD RESOLUTION

Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital

The twenty-third resolution authorizes the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital brought forward from prior years.

The maximum aggregate nominal amount of any capital increases carried out pursuant to this resolution would be set at €12.5 million, which would be included in the €30 million blanket ceiling set in the twenty-fifth resolution.

The Board of Directors would be able to use this authorization during, or in the run-up to, a public offer for the Company's shares. However, during such a period, the maximum aggregate nominal amount of any capital increases carried out pursuant to this authorization – either immediately or on exercise of rights to shares of the Company – would be set at €8 million, which would be included in the €8 million blanket ceiling set in paragraph 4 of the twenty-fifth resolution.

This authorization would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purpose in the seventeenth resolution of the Annual General Meeting held on May 28, 2013.

PRESENTATION OF THE TWENTY-FOURTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders

In the twenty-fourth resolution shareholders are invited to authorize the Board of Directors to offer employees who are members of a Safran Group employee savings plan the possibility to subscribe for the Company's shares with a view to involving them more closely in the Group's development.

This resolution is being submitted in accordance with paragraph 1 of Article L.225-129-6 of the French Commercial Code which states that whenever companies seek authorizations to issue shares to be paid up in cash, they must also submit a resolution on employee share issues.

If this authorization is approved it will necessarily entail the waiver of existing shareholders' pre-emptive rights to subscribe for the shares covered by the employee shares issue(s) concerned.

Shares issued under this resolution would not be able to represent over 1% of the Company's capital and this amount would be included in the €30 million blanket ceiling set in the twenty-fifth resolution.

In accordance with Article L.3332-19 of the French Labor Code, the purchase price of the shares offered to employees may not be lower than the average of the closing prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided for by law as at the date of the Board's decision.

The Board of Directors would be able to use this authorization during, or in the run-up to, a public offer for the Company's shares. However, during such a period, the maximum aggregate nominal amount of any capital increases carried out pursuant to this authorization – either immediately or on exercise of rights to shares of the Company – would be set at €8 million, which would be included in the €8 million blanket ceiling set in paragraph 4 of the twenty-fifth resolution.

This authorization would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purpose in the eighteenth resolution of the Annual General Meeting held on May 28, 2013.

PRESENTATION OF THE TWENTY-FIFTH RESOLUTION

Blanket ceilings on authorizations to issue shares and/or other securities

This resolution sets the following ceilings for the issues that may be carried out by the Board of Directors pursuant to the authorizations granted at the Meeting if the related resolutions are adopted:

- a €30 million blanket ceiling (representing approximately 36% of the Company's capital) would be set for the aggregate nominal amount of any capital increases carried out by the Board of Directors pursuant to the authorizations given in the eighteenth, nineteenth, twentieth, twenty-first, twenty-third and twenty-fourth resolutions;
- a €25 million sub-ceiling (approximately 30% of the Company's capital) – which would be included in the above-mentioned €30 million blanket ceiling – would be set for the aggregate nominal value of capital increases carried out pursuant to the authorizations given in the eighteenth, nineteenth, twentieth and twenty-first resolutions;
- a blanket ceiling of €2 billion would be set for the aggregate principal amount of debt securities that may be issued pursuant to the authorizations given in the eighteenth, nineteenth, twentieth and twenty-first resolutions;
- an €8 million blanket ceiling (representing approximately 9.6% of the Company's capital) would be set for the aggregate nominal amount of any capital increases carried out by the Board of Directors during, or in the run-up to, a public offer for the Company's shares, pursuant to the authorizations given in the eighteenth, nineteenth, twentieth, twenty-first, twenty-third and twenty-fourth resolutions.

PRESENTATION OF THE TWENTY-SIXTH RESOLUTION

Authorization for the Board of Directors to grant new or existing 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

If the twenty-sixth resolution is adopted, the Board of Directors would be authorized to grant new or existing Safran shares, free of consideration, to (i) employees or certain categories of employees of the Company and/or of other entities in the Safran Group, and/or (ii) corporate officers of the Company and/or other entities in the Safran Group, provided said corporate officers are eligible for such grants under the applicable law.

The purpose of this resolution is to enable the Board to grant free shares in order to strengthen motivation and teamwork within Safran and foster employee loyalty, while at the same time aligning the interests of the beneficiaries with those of Safran and its shareholders. It is also in line with the Board's strategy of linking the incentives of top executives to Safran's share performance – with the inherent risks and rewards that this involves – in order to encourage long-term reasoning in their actions.

In accordance with this authorization the Board would be able to grant either new shares or shares bought back by the Company under the terms and conditions provided for by law.

The Board of Directors would determine the beneficiaries of the grants and set the terms and conditions thereof as well as any eligibility criteria.

The total number of free shares granted would not be able to exceed 0.1% of the Company's capital as at the date on which the Board decides to make the share grants.

This authorization would entail the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares to be issued pursuant to this resolution in favor of the beneficiaries.

The shares granted would be subject to a vesting period set by the Board of Directors, which may not be less than two years. In addition, the vested shares would be subject to a lock-up period set by the Board and lasting at least two years as from the vesting date. However, this lock-up period may be reduced or waived for any shares whose vesting period is set at a minimum of four years.

The vesting of any free shares granted under this authorization to employees who are members of the Company's Executive Committee and/or corporate officers of entities related to the Company would be subject to performance conditions which would be set by the Board of Directors based on the recommendation of the Appointments and Compensation Committee. These conditions would entail meeting qualitative and/or quantitative criteria as assessed over a minimum period of three consecutive fiscal years.

Any shares granted under this authorization to the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers of the Company, would have to be subject to performance conditions and could not represent more than 0.01% of the number of shares making up the Company's capital as at the date of the Board's decision to grant the shares. The performance conditions – whose attainment would be assessed over a minimum period of three consecutive fiscal years – would be set by the Board of Directors based on the recommendation of the Appointments and Compensation Committee and would entail meeting qualitative criteria and/or quantitative criteria based on factual, verifiable and quantifiable data.

This authorization would be granted for a period of 26 months and would supersede, as from the date of the Meeting, the authorization granted to the Board of Directors for the same purpose in the twenty-first resolution of the Annual General Meeting held on May 28, 2013.

RESOLUTION CONCERNING POWERS TO CARRY OUT FORMALITIES

PRESENTATION OF THE TWENTY-SEVENTH RESOLUTION

The twenty-seventh resolution concerns the powers that are necessary to carry out the filing and other legal formalities required for the resolutions adopted at the Meeting.

8.2.2 TEXT OF THE PROPOSED RESOLUTIONS

ORDINARY RESOLUTIONS

Approval of the parent company and consolidated financial statements for the year ended December 31, 2014

TEXT OF THE FIRST RESOLUTION

Approval of the parent company financial statements for the year ended December 31, 2014

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, 2014 as presented – showing profit for the year of €654,303,872.14 – 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, the shareholders approve the non-deductible expenses governed by Article 39-4 of said Code, which totaled €138,606 and gave rise to a tax charge of €52,670.

TEXT OF THE SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended December 31, 2014

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, 2014 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

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, 2014 as follows:

• Profit for 2014	€654,303,872.14
• Retained earnings(1)	€229,696,768.71
• Profit available for distribution	€884,000,640.85
Appropriation:	
• Dividend	€500,435,502.00
• Retained earnings	€383,565,138.85

(1) Including €649,236.38 corresponding to the 2013 dividend due on shares held in treasury at the dividend payment date.

Accordingly, the dividend paid will be €1.20 per share.

An interim dividend of €0.56 per share was paid on December 23, 2014. The ex-dividend date for the remaining payout of €0.64 per share will be April 27, 2015, and the dividend will be paid on April 29, 2015.

Individual shareholders domiciled for tax purposes in France are eligible for 40% tax relief on the 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 which are 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)
2013	416,450,981(2)	€1.12	€466,423,898.72
2012	416,463,366(3)	€0.96	€399,645,083.40
2011	415,843,977(4)	€0.62	€256,383,788.99

(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 (€0.48) was paid on 416,448,481 shares and the remainder of the dividend (€0.64) was paid on 416,450,981 shares.
(3) 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.
(4) An interim dividend (€0.25) was paid on 410,086,070 shares and the remainder of the dividend (€0.37) was paid on 415,843,977 shares.
(5) Fully eligible for the 40% tax relief provided for under Article 158, 3-2° of the French Tax Code.

Related-party agreements and commitments

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 Jean-Paul Herteman (Chairman and Chief Executive Officer), resulting from changes to the Group's Accidental Death and Disability insurance coverage

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 the commitment described therein given to Jean-Paul Herteman (Chairman and Chief Executive Officer) resulting from changes to the Group's Accidental Death and Disability insurance coverage.

TEXT OF THE FIFTH RESOLUTION

Approval of related-party commitments governed by Article L.225-42-1 of the French Commercial Code, given to the Deputy Chief Executive Officers, resulting from changes to the Group's Accidental Death and Disability insurance coverage

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 the commitments described therein given to Stéphane Abrial, Ross McInnes and Marc Ventre (Deputy Chief Executive Officers) resulting from changes to the Group's Accidental Death and Disability insurance coverage.

TEXT OF THE SIXTH RESOLUTION

Approval of related-party agreements 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 place on record the findings of said report and approve the new agreements entered into during 2014 described therein, namely addenda no. 4 and 5 to the agreement signed on December 21, 2004 between Safran and the French State.

EXTRAORDINARY RESOLUTIONS

Amendments to the Company's bylaws

TEXT OF THE SEVENTH RESOLUTION

Amendments to Articles 14.8, 14.9.6 and 16.1 of the Company's bylaws to reduce the term of office of Directors from five to four years

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, the shareholders resolve:

- to reduce Directors' terms of office from five to four years, without this affecting the current terms of Directors which will continue until their original expiration date;
- to amend, with immediate effect, paragraph 12 of Article 14.8 of the Company's bylaws, which will now be worded as follows:

  "Directors representing employee shareholders shall be appointed for a four-year term".

  The rest of the wording of paragraph 12 and of Article 14.8 of the bylaws will remain unchanged;
- to amend, with immediate effect, paragraph 2 of Article 14.9.6 of the Company's bylaws, which will now be worded as follows:

  "Directors representing employees ("employee representative Directors") shall be appointed for a four-year term".

  The rest of the wording of Article 14.9.6 of the bylaws will remain unchanged;
- to amend, with immediate effect, Article 16.1 of the Company's bylaws, which will now be worded as follows:

  "Directors shall be appointed for a four-year term, except as provided otherwise in the laws and regulations applicable in the case of provisional directorship appointments by the Board".

  The rest of the wording of Article 16.1 of the bylaws will remain unchanged.

TEXT OF THE EIGHTH RESOLUTION

Amendments to Articles 14.1 and 14.5 of the Company's bylaws in order to comply with French government *ordonnance* (order) 2014-948 dated August 20, 2014 concerning the governance and capital transactions of companies with public shareholders

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, the shareholders:

- place on record the decision of the Company's Board of Directors to immediately implement the relevant provisions of Section II of French government *ordonnance* 2014-948 dated August 20, 2014 concerning the governance and capital transactions of companies with public shareholders;
- resolve to amend Article 14.1 of the Company's bylaws, which will now be worded as follows:

  *"**14.1.** The Company shall be 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 *2014-948 dated August 20, 2014"*;
- resolve to amend Article 14.5 of the Company's bylaws, which will now be worded as follows:

  *"**14.5.** Each Director – other than the representative of the French State and/or the Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government* ordonnance *2014-948 dated August 20, 2014, the Directors representing employee shareholders and Directors representing employees – shall be required to own a certain number of shares in the Company as provided for in the Board of Directors' Internal Rules. If a Director no longer holds the required number of shares, he will have a specific period of time (as set out in the Board of Directors' Internal Rules) to remedy the situation, after which he will automatically be deemed to have resigned unless such remedial action is taken"*;
- place on record that Safran's application of French government *ordonnance* 2014-948 dated August 20, 2014 entails the automatic termination of the terms of office of the current representatives of the French State appointed by Ministerial Decree, namely Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart;
- place on record that Safran's application of French government *ordonnance* 2014-948 dated August 20, 2014 does not affect the current terms of other Directors which will continue until their original expiration dates.

ORDINARY RESOLUTIONS

Directors

TEXT OF THE NINTH RESOLUTION

Appointment of Philippe Petitcolin as a Director

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 appoint Philippe Petitcolin as a Director to replace Jean-Paul Herteman whose term of office expires at the close of this Meeting.

Philippe Petitcolin 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, 2018.

TEXT OF THE TENTH RESOLUTION

Appointment of Ross McInnes as a Director

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 appoint Ross McInnes as a Director 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, 2018.

TEXT OF THE ELEVENTH RESOLUTION

Appointment of Patrick Gandil as a Director

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 appoint Patrick Gandil as a Director 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, 2018.

TEXT OF THE TWELFTH RESOLUTION

Appointment of Vincent Imbert as a Director

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 appoint Vincent Imbert as a Director 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, 2018.

TEXT OF THE THIRTEENTH RESOLUTION

Re-appointment of Jean-Lou Chameau as a Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, based on the Board of Directors' recommendation, the shareholders re-appoint Jean-Lou Chameau as a Director, 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, 2018.

Attendance fees

TEXT OF THE FOURTEENTH 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 €868,000 the total maximum amount of attendance fees to be allocated among members of the Board of Directors for 2015.

Authorization for the Board of Directors to carry out a share buyback program

TEXT OF THE FIFTEENTH 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 be 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, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Safran 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 cancellation in accordance with the authorization granted in the twelfth resolution of the Annual General Meeting of May 27, 2014.

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 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, 2014). 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 ninth resolution of the Annual General Meeting held on May 27, 2014.

Advisory votes on the compensation due or awarded for 2014 to the executive corporate officers

TEXT OF THE SIXTEENTH RESOLUTION

Advisory vote on the compensation due or awarded for 2014 to Jean-Paul Herteman, 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 June 2013 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 year ended December 31, 2014 to Jean-Paul Herteman (Chairman and Chief Executive Officer), as presented in the Board of Directors' report on the resolutions proposed at this Meeting (included in section 8.2.1 of the 2014 Registration Document).

TEXT OF THE SEVENTEENTH RESOLUTION

Advisory vote on the compensation due or awarded for 2014 to the 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 June 2013 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 year ended December 31, 2014 to the Deputy Chief Executive Officers, as presented in the Board of Directors' report on the resolutions proposed at this Meeting (included in section 8.2.1 of the 2014 Registration Document).

EXTRAORDINARY RESOLUTIONS

Financial authorizations

TEXT OF THE EIGHTEENTH RESOLUTION

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

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 the applicable laws and regulations, and in particular Articles L.225-129-2, L.225-132 and L.228-91 *et seq.* of the French Commercial Code, and having noted that the share capital has been fully paid up, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration), with pre-emptive subscription rights for existing shareholders. The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s) (including during, or in the run-up to, a public offer for the Company's shares), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies;
2. resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €20 million (except for capital increases carried out during, or in the run-up to, a public offer for the Company's shares, in which case the specific ceiling set out in the third bullet point below will apply). This €20 million ceiling (i) will be included in the blanket ceilings set in paragraphs 1 and 2 of the twenty-fifth resolution, and (ii) will not include the nominal amount of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares,
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €2 billion (or the euro equivalent of this amount at the issue date for issues denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in the blanket ceiling set in paragraph 3 of the twenty-fifth resolution, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code,
   - during, or in the run-up to, a public offer for the Company's shares, the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million, it being specified that this amount (i) will be included in the blanket ceiling set in paragraph 4 of the twenty-fifth resolution, and (ii) will not include the nominal amount of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares;

3. resolve that existing shareholders will have pre-emptive rights to subscribe for the securities issued pursuant to this authorization, in proportion to their existing holdings;
4. note that in accordance with the law, the Board of Directors may grant shareholders additional pre-emptive rights to subscribe for any securities not taken up by other shareholders exercising their pre-emptive subscription rights. Such additional rights will also be exercisable in proportion to shareholders' existing holdings and within the limits of their requests;
5. resolve that if an issue is not taken up in full by shareholders exercising their pre-emptive rights as described above, the Board of Directors may take one or more of the following courses of action, in accordance with the law and in the order of its choice:
   - limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up,
   - freely allocate all or some of the unsubscribed securities,
   - offer some or all of the unsubscribed securities on the open market, either in France or abroad;
6. resolve that Safran stock warrants may be offered for subscription on the above basis or allocated without consideration to existing shareholders. In the latter case the Board of Directors will have full powers to decide that rights to fractions of warrants will not be transferable or tradable and that the corresponding warrants will be sold;
7. resolve that the Board of Directors may suspend the exercise of rights to shares of the Company for a maximum period of three months, and make any adjustments in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares;
8. note that in the event of an issue carried out under this authorization of securities carrying rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company and the ranking of any debt securities;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the eleventh resolution of the Annual General Meeting held on May 28, 2013.

TEXT OF THE NINETEENTH RESOLUTION

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

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.225-129 *et seq.* of the French Commercial Code, notably Articles L.225-129-2, L.225-135, L.225-136 and Articles L.228-91 *et seq.*, and having noted that the share capital has been fully paid up, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions and through a public offering, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration). The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s) (including during, or in the run-up to, a public offer for the Company's shares), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies;
2. resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million (except for capital increases carried out during, or in the run-up to, a public offer for the Company's shares, in which case the specific ceiling set out in the third bullet point below will apply). This €8 million ceiling (i) will be included in the blanket ceilings set in paragraphs 1 and 2 of the twenty-fifth resolution, and (ii) will not include the nominal amount of any additional shares to be issued to protect the rights of holders of securities carrying rights to the Company's shares,

- the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.3 billion (or the euro equivalent of this amount at the issue date for issues denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in the blanket ceiling set in paragraph 3 of the twenty-fifth resolution, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code,
- during, or in the run-up to, a public offer for the Company's shares, the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million, it being specified that this amount (i) will be included in the blanket ceiling set in paragraph 4 of the twenty-fifth resolution, and (ii) will not include the nominal amount of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares;

3. resolve to waive shareholders' pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization. However, in accordance with paragraph 5 of Article L.225-135 and Article R.225-131 of the French Commercial Code, the Board of Directors may offer existing shareholders a priority right to subscribe for all or part of any issue(s) carried out under this authorization for a period of no less than three trading days. Such priority rights will not be transferable or tradable and will be exercisable in proportion to shareholders' existing interests;

4. resolve that if an issue is not taken up in full (including by shareholders exercising their above-mentioned priority rights), the Board of Directors may take one or the other of the following courses of action, in accordance with the law and in the order of its choice:
- limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up,
- freely allocate all or some of the unsubscribed securities;

5. note that in the event of an issue carried out under this authorization of securities carrying rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;

6. resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, corresponding at the date of this Meeting to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company and the ranking of any debt securities;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the twelfth resolution of the Annual General Meeting held on May 28, 2013.

TEXT OF THE TWENTIETH RESOLUTION

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

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.225-129-2 to L.225-129-6, L.225-135, L.225-136, L.225-148 and L.228-91 *et seq.* of the French Commercial Code, and subject to the adoption of the nineteenth resolution, the shareholders:

1. authorize the Board of Directors, on the basis of the nineteenth resolution, and under the conditions provided for therein, to issue shares of the Company and/or securities carrying immediate or deferred rights to the Company's shares as payment for securities of another company listed on one of the regulated markets referred to in Article L.225-148 of the French Commercial Code that are tendered to a public exchange offering initiated by the Company in France or abroad. The shareholders further authorize the Board to cancel the pre-emptive rights of existing shareholders to subscribe for the shares and/or securities issued under this authorization;

2. note that in accordance with Article L.225-132 of the French Commercial Code, in the event of an issue carried out under this authorization of securities carrying immediate or deferred rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;
3. resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million, it being specified that this ceiling (i) will be included in the €8 million ceiling set in the nineteenth resolution as well as in the blanket ceilings set in paragraphs 1 and 2 of the twenty-fifth resolution, and (ii) will not include the nominal amount of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares,
   - the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.3 billion (or the euro equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in (a) the ceiling set in the nineteenth resolution corresponding to €1.3 billion (or the euro equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies) and (b) the blanket celling set in paragraph 3 of the twenty-fifth resolution, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code;
4. resolve that the Board of Directors will have full powers to carry out the public exchange offering(s) covered by this resolution and in particular to:
   - set the exchange ratio as well as any balance to be paid in cash,
   - place on record the number of securities tendered to the exchange,
   - determine the timing and other terms and conditions of the issue(s) and notably the price and cum-rights date (which may be retroactive) of the securities issued in accordance with this resolution,
   - credit the difference between the issue price of the new shares and their par value to a "contribution premium" account to which all shareholders will have equivalent rights,
   - charge all the issuance costs against the contribution premium, and more generally,
   - take all appropriate measures and enter into any and all agreements to successfully complete the issue(s), place on record the capital increase(s), and amend the Company's bylaws to reflect the new capital;
5. authorize the Board of Directors, within the limits set in advance by the Board, to delegate to the Chief Executive Officer or, in agreement with him, to one or more Deputy Chief Executive Officers, the authorization given under this resolution.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the thirteenth resolution of the Annual General Meeting held on May 28, 2013.

TEXT OF THE TWENTY-FIRST RESOLUTION

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

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.225-129 *et seq.* of the French Commercial Code, notably Articles L.225-129-2, L.225-135, L.225-136 and Articles L.228-91 *et seq.*, and Article L.411-2-II of the French Monetary and Financial Code, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions, ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company (either with or without consideration) through a private placement that complies with the conditions set out in Article L.411-2-II of the French Monetary and Financial Code. The Board of Directors will have full discretionary powers to determine the amount and timing of said issue(s) (including during, or in the run-up to, a public offer for the Company's shares), which may be carried out in France or abroad and may be denominated in euros, foreign currency or a monetary unit determined by reference to a basket of currencies;
2. resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million (except for capital increases carried out during, or in the run-up to, a public offer for the Company's shares, in which case the specific ceiling set out in the third bullet point below will apply). This €8 million ceiling will be included in (i) the ceiling for capital increases without pre-emptive subscription rights set in paragraph 2 of the nineteenth resolution and (ii) the blanket ceilings set in paragraphs 1 and 2 of the twenty-fifth resolution. However it will not include the nominal amount of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares. Furthermore, in accordance with the

law, issues of shares and/or securities carried out pursuant to this authorization may not represent over 20% of the Company's share capital in any given year,

- the maximum principal amount of debt securities that may be issued pursuant to this authorization is set at €1.3 billion (or the euro equivalent of this amount at the issue date for issues in foreign currency or a monetary unit determined by reference to a basket of currencies), it being specified that this ceiling (i) will be included in the ceiling set in paragraph 2 of the nineteenth resolution relating to the issue of debt securities without pre-emptive subscription rights as well as in the blanket ceiling set in paragraph 3 of the twenty-fifth resolution for issues of debt securities, and (ii) is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code,
- during, or in the run-up to, a public offer for the Company's shares, the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization – either directly and/or on exercise of rights to shares – is set at €8 million, it being specified that this amount (i) will be included in the blanket ceiling set in paragraph 4 of the twenty-fifth resolution, and (ii) will not include the nominal amount of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to the Company's shares. Furthermore, in accordance with the law, issues of shares and/or securities carried out pursuant to this authorization may not represent over 20% of the Company's share capital in any given year;

3. resolve to waive shareholders' pre-emptive rights to subscribe for the shares and/or other securities to be issued under this authorization;

4. resolve that if an issue is not fully subscribed, the Board of Directors may limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up;

5. note that in the event of an issue carried out under this authorization of securities carrying rights to shares of the Company, existing shareholders will waive their pre-emptive rights to subscribe for the shares to be issued on exercise of the rights attached to said securities;

6. resolve that the issue price of the shares or securities carrying rights to shares will be at least equal to the minimum price provided for in the laws and regulations in force on the issue date (for information purposes, corresponding at the date of this Meeting, to a price at least equal to the weighted average of the prices quoted for the Company's shares over the three trading days preceding the pricing date, less a discount of no more than 5%).

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to:

- use this authorization and notably to determine the timing, characteristics and other terms and conditions of any issues carried out, including the type of securities to be issued, the start and end dates of the subscription period, the issue price and cum-rights date of the issued securities, the method by which the securities will be paid up, the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company and the ranking of any debt securities;
- charge the issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level; and more generally;
- take all appropriate measures and enter into any and all agreements to successfully complete the issue(s) and private placement(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the securities issued.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the fourteenth resolution of the Annual General Meeting held on May 28, 2013.

TEXT OF THE TWENTY-SECOND RESOLUTION

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

Having considered the report of the Board of Directors, in accordance with French company law, notably Articles L.225-135-1 and R.225-118 of the French Commercial Code, and subject to the adoption of the eighteenth, nineteenth, twentieth and twenty-first resolutions, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights as decided by the Board of Directors pursuant to the eighteenth, nineteenth, twentieth or twenty-first resolutions, notably in order to grant an over-allotment option in accordance with standard market practices. Said additional securities will be issued at the same price as for the original issue in accordance with the conditions and ceilings specified in the applicable regulations (as at the date of this Meeting, the additional securities must be issued within thirty days of the close of the original subscription period and may not represent more than 15% of the original issue amount). In the case of an issue carried out with pre-emptive subscription rights any additional securities issued pursuant to this resolution may only be offered to shareholders in proportion to their existing holdings;

2. resolve that the nominal amount of any capital increases carried out as a result of the shares or other securities issued pursuant to this resolution will be included in the ceiling(s) provided for in the resolution under which the original issue is decided.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the fifteenth resolution of the Annual General Meeting held on May 28, 2013.

TEXT OF THE TWENTY-THIRD RESOLUTION

Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital

Deliberating in extraordinary session but in accordance with the rules of quorum and majority applicable to ordinary general meetings, and having considered the report of the Board of Directors, in accordance with Articles L.225-129-2 and L.225-130 of the French Commercial Code, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to increase the Company's capital on one or more occasions (including during, or in the run-up to, a public offer for the Company's shares), to be paid up by capitalizing reserves, retained earnings, additional paid-in capital and/or other items that may be capitalized in accordance with the applicable laws and the Company's bylaws, by issuing bonus shares and/or raising the par value of existing shares. The amounts and timing of such issues will be determined at the Board's discretion;
2. resolve that if the Board of Directors uses this authorization:
   - the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization is set at €12.5 million (except for capital increases carried out during, or in the run-up to, a public offer for the Company's shares, in which case the specific ceiling set out in the bullet point below will apply). This €12.5 million ceiling will be included in the blanket ceiling set in paragraph 2 of the twenty-fifth resolution,
   - during, or in the run-up to, a public offer for the Company's shares, the maximum nominal amount of the capital increases that may be carried out pursuant to this authorization is set at €8 million, it being specified that this amount will be included in the blanket ceiling set in paragraph 4 of the twenty-fifth resolution;
3. resolve that rights to fractions of shares will not be transferable or tradable and that the corresponding shares will be sold, with the proceeds allocated to the holders of the rights in accordance with the applicable laws.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization and to take any and all measures and carry out any and all formalities required to successfully complete the capital increase(s), as well as to place on record the capital increase(s) and amend the Company's bylaws to reflect the new capital.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the seventeenth resolution of the Annual General Meeting held on May 28, 2013.

TEXT OF THE TWENTY-FOURTH RESOLUTION

Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders

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.225-129-2, L.225-129-6 and L.225-138-1 of the French Commercial Code, and Articles L.3332-18 *et seq.* of the French Labor Code, the shareholders:

1. authorize the Board of Directors – or any representative duly empowered in accordance with the law – to issue, on one or more occasions (including during, or in the run-up to, a public offer for the Company's shares), ordinary shares of the Company to employees of the Company and of any French or foreign related companies within the meaning of Article L.225-180 of the French Commercial Code, who are members of the Group employee savings plan or any company employee savings plan in place within the Safran Group. The amounts and timing of such issues will be determined at the Board's discretion;
2. resolve that the maximum nominal amount of any capital increases carried out under this authorization may not represent over 1% of the Company's capital at the date of the Board of Directors' decision to carry out the issue. This ceiling will be included (i) in the blanket ceiling applicable to capital increases set in paragraph 2 of the twenty-fifth resolution or, (ii) for capital increases carried out during, or in the run-up to, a public offer for the Company's shares, in the blanket ceiling set in paragraph 4 of the twenty-fifth resolution;
3. resolve that the purchase price of the shares offered to employees under this authorization may not be lower than the average of the closing prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision setting the opening date for the subscription period, less the maximum discount provided by law at the date of the Board's decision;
4. note that this authorization automatically entails the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares offered to employees under the issue(s) carried out under this resolution.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to use this authorization, and in particular to (i) set the terms and conditions of the capital increase(s), (ii) draw up the list of companies whose employees will be eligible for the share issue(s), (iii) set the conditions, particularly concerning length of service, that the beneficiaries will have to meet in order to subscribe, on an individual basis or through an investment fund, for the shares issued pursuant to this authorization, (iv) set the dates and terms and conditions of the issue(s), (v) set the start and end dates of the subscription period(s); (vi) determine the price and the cum-rights date of the shares issued, (vii) determine the method by which the shares will be paid up, (viii) charge the issuance costs against the related premium and deduct from the premium the amounts necessary to raise the legal reserve to the required level, and (ix) more generally, take all appropriate measures and enter into any agreements to successfully complete the share issue(s), place on record the capital increase(s), amend the Company's bylaws to reflect the new capital and carry out all the formalities required for the admission to trading of the shares issued.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the eighteenth resolution of the Annual General Meeting held on May 28, 2013.

TEXT OF THE TWENTY-FIFTH RESOLUTION

Blanket ceilings on authorizations to issue shares and/or other securities

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, the shareholders resolve:

1. to set at €25 million the maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth and twenty-first resolutions, either directly and/or on exercise of rights to shares. This ceiling does not include the nominal amount of any shares to be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
2. to set at €30 million the maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth, twenty-first, twenty-third and twenty-fourth resolutions, either directly and/or on exercise of rights to shares. This ceiling does not include the nominal amount of any shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company;
3. to set at €2 billion the maximum aggregate principal amount of debt securities that may be issued pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth and twenty-first resolutions. This ceiling is independent and separate from the amount of any debt securities whose issue may be decided or authorized by the Board of Directors in accordance with Article L.228-40 of the French Commercial Code;
4. that during, or in the run-up to, a public offer for the Company's shares, the maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth, twenty-first, twenty-third and twenty-fourth resolutions, either directly and/or on exercise of rights to shares, is set at €8 million. This ceiling does not include the nominal amount of any shares that may be issued in accordance with the applicable laws and regulations and any contractual provisions to protect the rights of holders of securities carrying rights to shares of the Company.

TEXT OF THE TWENTY-SIXTH RESOLUTION

Authorization for the Board of Directors to grant new or existing 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, new or existing Safran shares, 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 amounts and timing of such grants will be determined at the Board's discretion;
2. resolve that the total number of free shares granted pursuant to this authorization may not exceed 0.1% of the number of shares making up the Company's capital at the date of the decision to grant free shares made by the Board of Directors;
3. resolve that the shares granted shall be subject to a vesting period which shall be set by the Board of Directors but may not be less than two years, followed by a lock-up period which shall also be set by the Board of Directors but must be no less than two years from the vesting date. However:
   - if the vesting period applicable to all or some of the shares granted represents a minimum of four years, the shareholders authorize the Board of Directors to reduce or waive the lock-up period for the shares concerned,
   - the shares shall vest before the expiry date of the above-mentioned vesting period, and shall be freely transferable before the expiry of the above-mentioned lock-up period in the event that the beneficiary becomes incapacitated, 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 *(Code de la sécurité sociale)*;
4. resolve that this authorization may be used to grant free shares to employees who are members of the Company's Executive Committee and/or corporate officers of entities related to the Company within the meaning of Article L.225-197-2 of the French Commercial Code provided that their vesting is subject to performance conditions, which will be set by the Board of Directors based on the recommendation of the Appointments and Compensation Committee. These performance conditions – whose attainment will be assessed over a minimum period of three consecutive fiscal years – entail meeting qualitative criteria and/or quantitative criteria based on factual, verifiable and quantifiable data;

5. resolve that this authorization may be used to grant free shares to the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers provided that their vesting is subject to performance conditions and that they do not represent more than 0.01% of the number of shares making up the Company's capital as at the date of the Board's decision to grant the shares. The applicable performance conditions – whose attainment will be assessed over a minimum period of three consecutive fiscal years – will be set by the Board of Directors based on the recommendation of the Appointments and Compensation Committee and will entail meeting qualitative criteria and/or quantitative criteria based on factual, verifiable and quantifiable data;

6. note that this authorization entails the waiver by existing shareholders of their pre-emptive rights to subscribe for the shares to be issued pursuant to this resolution.

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 whether the free shares granted will be existing or newly-issued shares;
- draw up the list or categories of eligible beneficiaries;
- set the conditions (notably the performance conditions for members of the Company's Executive Committee and the corporate officers referred to in paragraph 1 above), and any eligibility criteria for the share grants, in particular the length of the vesting period and lock-up period applicable to each beneficiary;
- 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, taking into account any applicable legal restrictions;
- make any adjustments required during the vesting period to the number of free shares granted in order to protect the rights of beneficiaries;
- 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 share grants provided for in this resolution.

This authorization is given for a period of twenty-six months from the date of this Meeting and supersedes the authorization given to the Board of Directors for the same purpose in the twenty-first resolution of the Annual General Meeting held on May 28, 2013.

POWERS TO CARRY OUT FORMALITIES

TEXT OF THE TWENTY-SEVENTH 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.

8.2.3 NOMINEES TO THE BOARD OF DIRECTORS

Nominees for appointment and re-appointment

Shareholders are invited to:

- appoint Ross McInnes as a Director (see section 6.1.3 for further information);
- appoint Patrick Gandil as a Director (see section 6.1.1 for further information);
- appoint Vincent Imbert as a Director (see section 6.1.1 for further information);
- re-appoint Jean-Lou Chameau as a Director (see section 6.1.1 for further information).

Shareholders are also invited to appoint Philippe Petitcolin as a Director, further details on whom are provided below:

Philippe Petitcolin

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.*

He 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 then 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 served as Chairman and Chief Executive Officer of Morpho and Chairman of the Board of Directors of Sagem. He has been Chairman of Morpho since December 2014.

Current offices

Safran Group:

- Chairman: Morpho, since December 2014
- Chairman of the Board of Directors: MorphoTrak, LLC (US); Morpho Detection International, LLC (US)
- Chairman and President: Morpho USA, Inc. (US)
- Director: Morpho Detection, LLC (US)
- Member of the Supervisory Board: Morpho Cards GmbH (Germany)

Non-Group:

- Member of the Supervisory Board: *Institut Aspen France*

Offices that expired in the last five years

Safran Group:

- Chairman and CEO: Morpho, up to December 2014; Sagem Défense Sécurité, up to July 2013; Snecma, up to May 2011
- Chairman of the Board of Directors: Sagem Défense Sécurité, up to December 2014
- Director: Safran Consulting, up to June 2012, Techspace Aero (Belgium), up to December 2011; Snecma HAL Aerospace PLT (India), up to October 2011; Société de Motorisations Aéronautiques, up to June 2011; Snecma Mexico SA de CV (Mexico), up to June 2011; Turbomeca, up to May 2011

Non-Group:

- Chairman of the Board of Directors: EPI Europrop International GmbH (Germany), up to October 2010

8.2.4 SUMMARY TABLE OF AUTHORIZATIONS FOR THE BOARD OF DIRECTORS, SUBMITTED FOR APPROVAL AT THE ANNUAL GENERAL MEETING OF APRIL 23, 2015

The resolutions approved by the Board of Directors on February 24, 2015, which will be submitted for approval at the Annual General Meeting held on April 23, 2015, provide for the authorizations described below to be granted to the Board of Directors.

Type of authorization	Date of authorization	Term	**Ceiling** *(maximum nominal amount of capital increases and maximum principal amount of debt securities)*
Authorization for the Board of Directors to carry out a share buyback program	April 23, 2015 AGM (fifteenth resolution)	18 months	€3.3 billion 10% of the Company's capital
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 (eighteenth resolution)	26 months	€20 million[(a)(c)] €2 billion (debt securities)[(b)]
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 (nineteenth resolution)	26 months	€8 million[(a)(c)] €1.3 billion (debt securities)[(b)]
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 (twentieth resolution)	26 months	€8 million[(a)(c)(d)] €1.3 billion (debt securities)[(b)(e)]
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 (twenty-first resolution)	26 months	€8 million[(a)(c)(d)] €1.3 billion (debt securities)[(b)(e)]
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 (twenty-second resolution)	26 months	15% of the original issue(s)[(f)]
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 (twenty-third resolution)	26 months	€12.5 million[(c)]
Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders	April 23, 2015 AGM (twenty-fourth resolution)	26 months	1% of the Company's capital[(c)]

(a) This amount is included in the €25 million sub-ceiling for capital increases submitted for shareholder approval in the twenty-fifth resolution of the April 23, 2015 AGM.

(b) This amount is included in the €2 billion sub-ceiling for debt securities submitted for shareholder approval in the twenty-fifth resolution of the April 23, 2015 AGM.

(c) This amount is included in the €30 million blanket ceiling for capital increases submitted for shareholder approval in the twenty-fifth resolution of the April 23, 2015 AGM.

(d) This amount is included in the €8 million sub-ceiling for capital increases without pre-emptive subscription rights submitted for shareholder approval in the nineteenth resolution of the April 23, 2015 AGM.

(e) This amount is included in the €1.3 billion sub-ceiling for issues of debt securities without pre-emptive subscription rights submitted for shareholder approval in the nineteenth resolution of the April 23, 2015 AGM.

(f) The ceilings set in the eighteenth, nineteenth, twentieth and twenty-first resolutions of the April 23, 2015 AGM will still apply if the option provided for in the twenty-second resolution is used.

Type of authorization	Date of authorization	Term	Ceiling *(maximum nominal amount of capital increases and maximum principal amount of debt securities)*
Blanket ceilings on authorizations to issue shares and/or other securities	April 23, 2015 AGM (twenty-fifth resolution)	-	Sub-ceiling: €25 million for the eighteenth, nineteenth, twentieth and twenty-first resolutions of the April 23, 2015 AGM. Sub-ceiling: €2 billion (debt securities) for the eighteenth, nineteenth, twentieth and twenty-first resolutions of the April 23, 2015 AGM. Blanket ceiling of €30 million for the eighteenth, nineteenth, twentieth, twenty-first, twenty-third and twenty-fourth resolutions of the April 23, 2015 AGM
Authorization for the Board of Directors to grant new or existing shares of the Company, free of consideration, to employees and corporate officers of the Company and other Safran Group entities, with a waiver by shareholders of their pre-emptive subscription rights	April 23, 2015 AGM (twenty-sixth resolution)	26 months	0.1% of the Company's capital

8.2.5 SUMMARY TABLE OF AUTHORIZATIONS IN FORCE ALREADY GRANTED TO THE BOARD OF DIRECTORS

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, 2014
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	AGM of May 28, 2013 (11th resolution) 26 months, i.e., until July 27, 2015	€25 million(a)(c) €1.3 billion (debt securities)(b)	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	AGM of May 28, 2013 (12th resolution) 26 months, i.e., until July 27, 2015	€8 million(a)(c) €1 billion (debt securities)(b)(e)	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	AGM of May 28, 2013 (13th resolution) 26 months, i.e., until July 27, 2015	€8 million(a)(c)(d) €1 billion (debt securities)(b)(e)	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	AGM of May 28, 2013 (14th resolution) 26 months, i.e., until July 27, 2015	€8 million(a)(c)(d) €1 billion (debt securities)(b)(e)	None
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	AGM of May 28, 2013 (15th resolution) 26 months, i.e., until July 27, 2015	15% of the original issue(f)	None
Authorization for the Board of Directors to issue ordinary shares in payment for another company's shares or securities carrying rights to shares, without pre-emptive subscription rights for existing shareholders	AGM of May 28, 2013 (16th resolution) 26 months, i.e., until July 27, 2015	10% of the Company's capital(c)	None
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital	AGM of May 28, 2013 (17th resolution) 26 months, i.e., until July 27, 2015	€12.5 million(c)	None
Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Safran Group employee savings plan, without pre-emptive subscription rights for existing shareholders	AGM of May 28, 2013 (18th resolution) 26 months, i.e., until July 27, 2015	1.5% of the Company's capital(c)	None
Authorization for the Board of Directors to grant stock options to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights	AGM of May 28, 2013 (20th resolution) 26 months, i.e., until July 27, 2015	1.5% of the Company's capital(c)	None

(a) *This amount is included in the €30 million sub-ceiling for capital increases set at the Annual General Meeting of May 28, 2013 (nineteenth resolution).*

(b) *This amount is included in the €1.3 billion sub-ceiling for debt securities set at the Annual General Meeting of May 28, 2013 (nineteenth resolution).*

(c) *This amount is included in the €50 million blanket ceiling for capital increases set at the Annual General Meeting of May 28, 2013 (nineteenth resolution).*

(d) *This amount is included in the €8 million ceiling for capital increases without pre-emptive subscription rights set at the Annual General Meeting of May 28, 2013 (twelfth resolution).*

(e) *This amount is included in the €1 billion ceiling for issues of debt securities without pre-emptive subscription rights set at the Annual General Meeting of May 28, 2013 (twelfth resolution).*

(f) *The sub-ceilings and ceilings applicable to the eleventh, twelfth, thirteenth and fourteenth resolutions of the Annual General Meeting of May 28, 2013 still applied if the option provided for in the fifteenth resolution was used.*

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, 2014
Authorization for the Board of Directors to make free grants of existing or newly-issued Safran shares to employees of the Company and other companies in the Safran Group, with a waiver of shareholders' pre-emptive subscription rights	AGM of May 28, 2013 (21st resolution) 26 months, i.e., until July 27, 2015	0.5% of the Company's capital	None
Blanket ceilings on authorizations to issue shares and/or other securities	AGM of May 28, 2013 (19th resolution)	Sub-ceiling: €30 million for the 11th, 12th, 13th and 14th resolutions of the AGM of May 28, 2013. Sub-ceiling: €1.3 billion (debt securities) for the 11th, 12th, 13th and 14th resolutions of the AGM of May 28, 2013. Blanket ceiling of €50 million for the 11th, 12th, 13th, 14th, 16th, 17th, 18th and 20th resolutions of the AGM of May 28, 2013	None

The authorizations to increase the Company's capital granted to the Board of Directors by shareholders at the May 28, 2013 Annual General Meeting were not used in 2014 and had not been used at the filing date of this Registration Document.

8.3 DIVIDEND PAYMENT POLICY

Year	Type of shares	Number of shares	Dividend per share *(in €)* Actual	Tax credit *(in €)* Actual	Net dividend *(in €)*	Total dividend payment *(in €)*
2009	Ordinary	417,029,585	0.38	-	0.38	158,471,242
2010	Ordinary	417,029,585	0.50	-	0.50	208,514,792
2011	Ordinary	417,029,585	0.62	-	0.62	258,558,343
2012(1)	Ordinary	417,029,585	0.96	-	0.96	400,348,402
2013(1)	Ordinary	417,029,585	1.12	-	1.12	467,073,135
2014(1)	**ORDINARY**	**417,029,585**	**1.20**	**-**	**1.20**	**500,435,502**

(1) For income tax purposes, for dividends paid as from January 1, 2012, the full amount of the dividend qualifies 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. However for such shareholders, the Company's paying agent will withhold at source from the gross amount of the dividend (i) a compulsory deduction of 21% as required in accordance with Article 117 quater *of the French Tax Code (as amended by Article 9 of the French Finance Act for 2013 – Act 2012-1509 of December 29, 2012), and (ii) 15.5% in social security contributions. Shareholders whose taxable income is below the ceilings set in Article 117* quater *of the French Tax Code may qualify for an exemption from the 21% withholding tax provided they have lodged with the Company's paying agent a statement of honor as provided for in Article 242* quater *of said 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.*

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.

8.4 FIVE-YEAR FINANCIAL SUMMARY

(in €)	2010	2011	2012	2013	2014
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	460,950,316	311,960,503	583,002,487	351,489,419	218,114,906
Income tax expense	(81,337,666)	(85,414,505)	(190,424,330)	(49,857,914)	(135,606,853)
Statutory employee profit-sharing for the fiscal year	-	-	-	-	
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	497,099,621	352,862,622	764,947,485	327,839,113	654,303,872
Dividend payment	208,514,793	258,558,343	400,348,402	467,073,135	500,435,502
Per share data					
Profit after tax, statutory employee profit-sharing, but before depreciation, amortization and provisions					
• divided by the number of shares outstanding	1.30	0.95	1.85	0.96	0.85
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions					
• divided by the number of shares outstanding	1.19	0.85	1.83	0.79	1.57
Net dividend					
• per ordinary share outstanding	0.50	0.62	0.96	1.12	1.20
Employees					
Average number of employees during the fiscal year	475	895	1,085	1,211	1,370
Total payroll	64,261,911	87,901,591	99,864,352	109,929,617	124,923,990
Social security and other social welfare contributions	31,003,789	75,671,943(1)	56,713,929	71,358,273(2)	75,609,338

(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.

8.5 STATUTORY AUDITORS' REPORTS

8.5.1 STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

SHAREHOLDERS' MEETING TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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 readers. 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 approval by 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 your Board of Directors.

EXTENSION OF THE NEW ACCIDENTAL DEATH AND DISABILITY INSURANCE COVERAGE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND THE DEPUTY CHIEF EXECUTIVE OFFICERS

Persons concerned

Jean-Paul Herteman, Chairman and Chief Executive Officer and Stéphane Abrial, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers.

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 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.

SIGNATURE OF TWO NEW AMENDMENTS TO THE THREE-WAY AGREEMENT IN LIEU OF A "GOLDEN SHARE" ENTERED INTO BY SAGEM SA, 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 was modified by three amendments in 2011:

- **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.

Two new amendments to the agreement were signed in 2014:

■ **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 corporation ("*société anonyme*") to a simplified joint-stock corporation ("*société par actions simplifiée*"), the French state required an amendment to be signed to confirm that this 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.

Agreements and commitments already approved by the general meeting of shareholders

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS WHOSE IMPLEMENTATION CONTINUED DURING THE YEAR

In accordance with Article R.225-30 of the French Commercial Code *(Code de commerce)*, we were informed that the following agreements and commitments which were approved by the general meeting of shareholders in previous years continued during the year.

Continuation of personal risk insurance benefits and supplementary pension benefits for Stéphane Abrial, Deputy Chief Executive Officer

Person concerned

Stéphane Abrial, Deputy Chief Executive Officer.

Nature and purpose

As a company employee, Stéphane Abrial was previously covered by the personal risk insurance plan set up for all Safran Group employees and by supplementary defined contribution pension plans for managerial-grade staff.

At its meeting of July 25, 2013 the Board of Directors decided to authorize, in accordance with Article L.225-42-1 of the French Commercial Code *(Code de commerce)*, Stéphane Abrial to continue to be covered by the personal risk insurance and the supplementary pension plans in the same terms and conditions as all relevant employees.

Terms and conditions

The contributions are based on the compensation (fixed and variable) that he receives for his role as Deputy Chief Executive Officer.

The expense recorded in the 2014 financial statements amounted to €21,706, of which €6,439 relating to the contribution to the personal risk insurance plan and €15,267 relating to the contribution to the supplementary pension plans.

Extension of defined benefit pension plan to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

Persons concerned

Jean-Paul Herteman, Chairman and Chief Executive Officer and Stéphane Abrial, Ross McInnes and Marc Ventre, Deputy Chief Executive Officers.

Nature and purpose

At its meeting of October 31, 2013, the Board of Directors decided to implement as from January 1, 2014, a new supplementary defined benefit pension plan in France that covers senior executives of the group.

At its meeting of December 11, 2013 the Board of Directors authorized the extension of this supplementary defined benefit pension plan to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers.

Terms and conditions

Terms and conditions for calculating the benefits that would be paid to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers are the same as for other covered employees, that are:

- the benefits will be based on the average compensation of the last 3 years preceding retirement and on years of service within the covered category (at least 5 years), for 1.8% of the referred compensation per year of service, capped at 18%;
- the total amount of benefits under all pension plans will not exceed 35% of the referred compensation;
- the annuity is capped at three times the annual social security ceiling in force as of the wind-up date of the general social security pension plan;
- the granting of this benefit is subject to the beneficiary completing his/her career with the company and to the effective liquidation of his/her full social security pension.

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, 2014.

WITH JEAN-PAUL HERTEMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, AND ROSS MCINNES AND MARC VENTRE, DEPUTY CHIEF EXECUTIVE OFFICERS

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 covered by 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. 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.

The expense recorded in the 2014 financial statements relating to the contribution to these personal risk insurance plans amounted to €19,076.

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 covered by supplementary defined contribution pension plans 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. 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.

The expense recorded in the 2014 financial statements relating to the contribution to these supplementary pension plans amounted to €103,742.

Courbevoie and Paris-La Défense, March 18, 2015

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

8.5.2 STATUTORY AUDITORS' REPORT ON THE ISSUE, WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS, OF ORDINARY SHARES OR SECURITIES CARRYING RIGHTS TO SHARES

EXTRAORDINARY GENERAL MEETING OF APRIL 23, 2015 – EIGHTEENTH, NINETEENTH, TWENTIETH AND TWENTY-FIRST RESOLUTIONS

This is a free translation into English of a 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 Articles L.228-92 and L.225-135 *et seq.* of the French Commercial Code *(Code de commerce)*, we hereby report on the proposed delegation to the Board of Directors of various issues of ordinary shares or securities carrying rights to shares, an operation on which you are called to vote.

Your Board of Directors proposes, on the basis of its report, delegating them with the ability to sub-delegate for a maximum period of 26 months starting on the date of this meeting, the ability to decide on the following transactions and set the final conditions for these issues and proposes, where necessary, to cancel your preferential subscription right:

- issuing ordinary shares or securities carrying rights to shares, without cancellation of the preferential subscription right (eighteenth resolution);
- issuing ordinary shares or securities carrying rights to shares, with cancellation of the preferential subscription right by way of public offering (nineteenth resolution);
- issuing ordinary shares or securities carrying rights to shares, in the event of a public exchange offer initiated by your Company (twentieth resolution), on the grounds of and under the conditions of the nineteenth resolution;
- issuing ordinary shares or or securities carrying rights to shares, within the scope of an offering set out in II of Article L.411-2 of the French Financial and Monetary Code *(Code monétaire et financier)*, with cancellation of the preferential subscription right (twenty-first resolution) and up to 20% of the share capital each year.

The maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth and twenty-first resolutions, either directly and/or on exercise of rights to shares, may not exceed €25 million. The maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth and twenty-first, twenty-third and twenty-fourth resolutions, either directly and/or on exercise of rights to shares, may not exceed €30 million. The maximum aggregate principal amount of debt securities that may be issued pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth and twenty-first resolutions may not exceed €2 billion. During, or in the run-up to, a public offer to the Company's shares, the maximum aggregate nominal amount of any capital increases carried out pursuant to the authorizations given to the Board of Directors in the eighteenth, nineteenth, twentieth, twenty-first, twenty-third and twenty-fourth resolutions, either directly and/or on exercise of rights to shares may not exceed €8 million.

Those caps take into account the number of shares to be created within the scope of the implementation of the delegations referred to in the eighteenth, nineteenth, twentieth and twenty-first resolutions, in accordance with the legal and regulatory provisions governing commercial companies, notably those of Article L.225-135-1 of the French Commercial Code *(Code de commerce)*, if you vote the twenty-second resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R.225-113 *et seq*. of the French Commercial Code *(Code de commerce)*. Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the issues provided in the report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body *(Compagnie nationale des commissaires aux comptes)* for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation and the methods used to determine the issue price of the capital securities to be issued.

Subject to a subsequent examination of the conditions for the proposed issues, we have no matters to report as to the methods used to determine the issue price of the capital securities to be issued provided in the Board of Directors' report in respect of the nineteenth and twenty-first resolutions.

Further, as this report does not specify the conditions for determining the issue price of the capital securities to be issued within the scope of the implementation of the eighteenth and twentieth resolutions, we cannot report on the choice of constituent elements used to determine the issue price.

As the issue price of the capital securities has not yet been determined, we cannot report on the final conditions for the issue, and, consequently, on the cancellation of preferential subscription rights proposed in the nineteenth and twenty-first resolutions.

In accordance with Article R.225-116 of the French Commercial Code *(Code de commerce)*, we will issue a supplementary report if necessary when your Board of Directors has used the delegations in the event of issues of securities that are equity securities that give access to other equity securities or carry rights to the allocation of debt securities, in the event of issues of securities that give access to equity securities to be issued and in the event of issues of ordinary shares with cancellation of the preferential subscription right.

Courbevoie and Paris-La Défense, March 18, 2015

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

8.5.3 STATUTORY AUDITORS' REPORT ON SHARE CAPITAL INCREASE RESERVED FOR EMPLOYEES WHO ARE MEMBERS OF THE SAFRAN GROUP EMPLOYEE SAVINGS PLANS

EXTRAORDINARY GENERAL MEETING OF APRIL 23, 2015 – TWENTY-FOURTH RESOLUTION

This is a free translation into English of a 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 Articles L.225-135 *et seq*. of the French Commercial Code *(Code de commerce)*, we hereby report on the proposed delegation of authority to the Board of Directors to decide an increase in capital by means of the issue of ordinary shares with cancellation of preferential subscription rights, reserved for employees who are members of the Group savings scheme or of any company savings scheme existing within the Group, an operation on which you are called to vote.

The maximum nominal amount of any capital increase(s) carried out under this authorization may not represent over 1% of the Company's capital at the date of the Board of Directors' decision to carry out the issue. This ceiling shall be included in the blanket ceiling applicable to capital increases of €30 million of the twenty-fifth resolution of this Annual General Meeting.

This increase in capital is submitted for your approval in accordance with Articles L.225-129-6 of the French Commercial Code *(Code de commerce)* and L.3332-18 *et seq*. of the French Labor Code *(Code du travail)*.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of 26 months starting on the date of this meeting, to decide on whether to proceed to one or more increases in capital and proposes to cancel your preferential subscription rights to ordinary shares to be issued. If necessary, the Board of Directors will determine the final conditions of this operation.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code *(Code de commerce)*. Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the share issue contained in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body *(Compagnie nationale des commissaires aux comptes)* for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation and the methods used to determine the issue price.

Subject to a subsequent examination of the conditions for the increase in capital that would be decided, we have no matters to report as to the methods used to determine the issue price for the ordinary shares to be issued provided in the Board of Directors' report.

As the final conditions of the capital increase have not yet been determined, we cannot report on the final conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with Article R.225-116 of the French Commercial Code *(Code de commerce)*, we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Courbevoie and Paris-La Défense, March 18, 2015

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

8.5.4 STATUTORY AUDITORS' SPECIAL REPORT ON THE AUTHORIZATION TO GRANT NEW OR EXISTING SHARES, FREE OF CONSIDERATION

EXTRAORDINARY GENERAL MEETING OF APRIL 23, 2015 – TWENTY-SIXTH RESOLUTION

This is a free translation into English of a 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.

This authorization may not grant entitlement to a total number of shares exceeding 0.1% of the number of shares making up the Company's share capital on the date of the grant decision by the Board of Directors.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of 26 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 operation. Our role is to report on any matters relating to the information regarding the proposed operation.

We have performed those procedures which we considered necessary to comply 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.

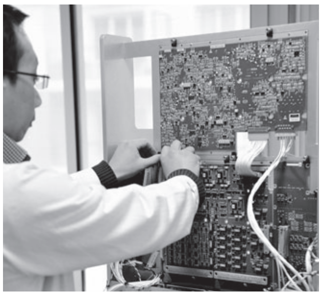
Courbevoie and Paris-La Défense, March 18, 2015

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

9 ADDITIONAL INFORMATION



Persons responsible

PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Jean-Paul Herteman

- Chairman and Chief Executive Officer

PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Ross McInnes

- Deputy Chief Executive Officer, Finance

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.

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;
- Labor, environmental and social information cross-reference table;
- Annual General Meeting information cross-reference table.

9.1 PERSONS RESPONSIBLE

9.1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Jean-Paul Herteman

Chairman and 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, 2014 and incorporated by reference for the years ended December 31, 2012 and December 31, 2013.

The unqualified Statutory Auditors' reports on the consolidated financial statements for the years ended December 31, 2013 and December 31, 2014 contain 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."

Paris, March 18, 2015

Chairman and Chief Executive Officer,

Jean-Paul Herteman

9.1.3 PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Ross McInnes

Deputy Chief Executive Officer, Finance

Telephone: +33 (0)1 40 60 81 26

Email: ross.mcinnes@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 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)	• 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)
• 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 Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 27, 2010 for a term of six years (2010 to 2015)	• 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)
• 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.

9.3 DOCUMENTS ON DISPLAY

9.3.1 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 and L.225-100-2 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	2014 Registration Document section(s)
1		**Group activities in 2014**	**Profile and 2.1**
		Summary of key figures by business	**Profile and 2.1.3**
2		**Human resources**	
	2.1	Headcount	5.3.2
	2.2	Human resources policy	5.3.1 and 5.3.3
	2.3	Labor relations	5.3.5
	2.4	Statutory and discretionary profit-sharing schemes	5.3.4
	2.5	Group employee savings plan and international Group employee savings plan	5.3.4
	2.6	The importance of sub-contracting	5.5
	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 of December 31, 2014	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	8.2.2
	5.7	Proposed appropriation of profit	8.2.1 and 8.2.2
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	5.4
7		**Investments**	**7.1.3**

	Board of Directors' management report headings	2014 Registration Document section(s)
8	**Share capital and share ownership**	
8.1	Breakdown of share capital and voting rights	**7.3.1 and 7.3.2**
8.2	Shareholder agreements	**7.3.5**
8.3	Agreement with the French State	**7.1.4.2**
8.4	Undertaking to hold securities	**7.3.6**
8.5	Stock options	**7.3.7.3**
8.6	Free share grants	**7.3.7.1**
8.7	Share buyback programs	**7.2.7**
8.8	Safran share	**7.5**
9	**Corporate officers**	
9.1	Terms of office and duties	**6.1**
9.2	Compensation and benefits	**6.2**
9.3	Transactions in the Company's shares	**6.3**
10	**Outlook for 2015 and significant subsequent events**	**2.4, 2.5 and 3.1 – Note 32**
11	**Principal provisions of the bylaws**	**7.1.2**
Appendices		
Appendix 1	List of subsidiaries and associates	**3.1 – Note 33**
Appendix 2	Five-year financial summary	**8.4**
Appendix 3	Authorizations and powers granted by the AGM to the Board of Directors with respect to share capital increases	**7.2.2.1**
Appendix 4	Dividends paid over the past three years	**8.3**

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	2014 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 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 5.4**

	EC Regulation No. 809/2004 Annex 1 headings	2014 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**
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**
15	**Compensation and benefits**	
15.1	Compensation paid and benefits in kind	**6.2**
15.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	**6.2**
16	**Board practices**	
16.1	Date of expiration of the current terms of office	**6.1**
16.2	Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	**6.1**
16.3	Information about Board committees	**6.1**
16.4	Statement of compliance with the corporate governance regime in force	**6.5.3**
17	**Employees**	
17.1	Number and breakdown of employees	**5.3.2**
17.2	Shareholdings and stock options	**6.1 and 6.2**
17.3	Arrangements for involving the employees in the capital of the issuer	**5.3.4 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	2014 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 8.5**
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, 2013, 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	**8.3**
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	**7.2.3.1**
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	2014 Registration Document section(s)
Declaration by the person responsible	**9.1.2**
Board of Directors' management report	**See the cross-reference table, 9.4.1**
Operating, financial and risk analysis of the parent and the Group (art. L.225-100 and L.225-100-2 of the French Commercial Code)	**2.1, 4 and 5.4**
Information concerning the breakdown of share capital and material that could have an effect in the event of a public offering (art. L.225-100-3 of the French Commercial Code)	**7.1.2.2, 7.1.2.6, 7.2.6 and 7.3.1**
Information concerning share buybacks (art. L.225-211, paragraph 2 of the French Commercial Code)	**7.2.7**
Report of the Chairman of the Board of Directors	**6.5**
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, 6.6 and 8.5**
Audit fees	**6.4**

9.4.4 LABOR, ENVIRONMENTAL AND SOCIAL INFORMATION CROSS-REFERENCE TABLE

This Registration Document includes the labor, environmental and social information contained in the Board of Directors' management report in accordance with article R.225-105-1 of the French Commercial Code.

The following table presents the cross-references between the two documents.

	Headings from article R.225-105 of the French Commercial Code	2014 Registration Document section(s)
1	**Labor information**	
1.1	Employment	
1.1.1	Total headcount and breakdown of employees by gender, age and geographic area	**5.3.2 and 5.3.6**
1.1.2	New hires and layoffs	**5.3.2**
1.1.3	Compensation and changes in compensation	**5.3.4**
1.2	Working hours	
1.2.1	Organization of working time	**5.3.5**
1.2.2	Absenteeism	**5.3.1**
1.3	Labor relations	
1.3.1	Organization of social dialog, in particular procedures for informing, consulting and negotiating with employees	**5.3.5**
1.3.2	Collective bargaining agreements	**5.3.5**
1.4	Health and safety	
1.4.1	Occupational health and safety conditions	**5.4.1.2 and 5.4.2**
1.4.2	Bargaining agreements signed with trade unions and employee representatives concerning occupational health and safety	**5.4.2**
1.4.3	Work-related accidents, in particular frequency and severity, and occupational illnesses	**5.4.2**
1.5	Training	
1.5.1	Training policies	**5.3.3**
1.5.2	Total number of training hours	**5.3.3**
1.6	Equal treatment	
1.6.1	Measures taken to promote gender equality	**5.3.6**
1.6.2	Measures taken to promote the employment and integration of persons with disabilities	**5.3.6**
1.6.3	Policy concerning the fight against discrimination	**5.3.6**
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	**5.3.1 and 5.3.5**
1.7.2	the elimination of discrimination in respect of employment and occupation	**5.3.1 and 5.3.6**
1.7.3	the elimination of forced and compulsory labor	**5.2.1 and 5.3.1**
1.7.4	the effective abolition of child labor	**5.2.1 and 5.3.1**

	Headings from article R.225-105 of the French Commercial Code	2014 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	**5.4.1 and 5.4.3**
2.1.2	Initiatives taken to train and raise awareness among employees on environmental protection	**5.4.2.2**
2.1.3	Resources assigned to the prevention of environmental risks and pollution	**5.4.3**
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	**5.4.3.8 and 5.4.3.12**
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	**5.4.3**
2.2.2	Measures taken to prevent, recycle and eliminate waste	**5.4.3.9**
2.2.3	Steps taken to address noise pollution and any other form of pollution relating to a specific activity	**5.4.3**
2.3	Sustainable use of resources	
2.3.1	Water consumption and supply of water in accordance with local regulations	**5.4.3.10**
2.3.2	Raw materials consumption and measures taken to promote more efficient use	**5.4.3.2 and 5.4.3.3**
2.3.3	Energy consumption and measures taken to improve energy efficiency and use of renewable energy	**5.4.3.11**
2.3.4	Land use	**5.4.3.15**
2.4	Climate change	
2.4.1	Greenhouse gas emissions	**5.4.3.5**
2.4.2	Adapting to the consequences of climate change	**5.4.3.6**
2.5	Protection of biodiversity	
2.5.1	Measures taken to protect and develop biodiversity	**5.4.3.14**
3	**Information on social commitments to promote sustainable development**	
3.1	Community, economic and social impact of the Company's activities on:	
3.1.1	Employment and regional development	**5.3.5 and 5.5.1**
3.1.2	Local residents	**5.3.5**
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 dialog conditions with these people and organizations	**5.3.3, 5.3.5 and 5.3.6**
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	**5.5.1**
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 5.5**
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	**5.4**
3.5	Other action taken, pursuant to paragraph 3 of article R.225-105, to promote human rights	**5.2.1 and 5.3.1**

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	2014 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	**8.2.1**
Report of the Chairman of the Board of Directors	**6.5**
Parent company financial statements	**3.3**
Consolidated financial statements	**3.1**
Draft resolutions	**8.2.2**
Statutory Auditors' reports	**3.2, 3.4, 6.6 and 8.5**

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KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS

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