2015

HALF-YEAR FINANCIAL REPORT

SAFRAN

AEROSPACE · DEFENCE · SECURITY

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"The forecasts and forward-looking statements described in this document are based on the data, assumptions and estimates considered as reasonable by the Group as at the date of this document. These data, assumptions and estimates may evolve or change as a result of uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment. The occurrence of one or more of the risks described in the registration document (document de référence) and may also have an impact on the business, financial position, results and prospects of the Group and thus affect its ability to achieve such forecasts and forward-looking statements. The Group therefore neither makes any commitment, nor provides any assurance as to the achievement of the forecasts and forward-looking statements described in this document."



STATEMENT OF THE PERSON RESPONSIBLE

“I certify that, to the best of my knowledge, the condensed consolidated financial statements for the half year have been prepared in accordance with the applicable accounting standards, and give true and fair view of the assets and liabilities, and of the financial position and results of the company and all its consolidated subsidiaries, and that the half-year management report attached provides a fair view of the main events of the first six months of the year, their impact on the condensed consolidated financial statements, the significant transactions with related parties, and a description of the main risks and uncertainties for the next six months.”

Paris, July 29, 2015

Chief Executive Officer,

Philippe Petitcolin



1 HALF-YEAR 2015 ACTIVITY REPORT

KEY BUSINESS HIGHLIGHTS FOR FIRST-HALF 2015

- During the Paris Air Show, CFM recorded orders for 835 new engines (of which 765 LEAP), in addition to LEAP and CFM56 services agreements, at a combined value of USD 14 billion at list price. **Following the air show, at June 30, 2015, the LEAP order book stands at over 9,580 engines** (orders and commitments) and the CFM56 order book at close to 4,000 engines.
- **Safran will build two new assembly lines dedicated to the LEAP** in Villaroche, France, to prepare its production ramp up. Each line will offer a capacity up to 500 engines per year. They will permit assembly of all three versions of the LEAP and start operations in January 2017 and early 2018. A third LEAP assembly line could later be added to increase production capacity.
- **Safran and Airbus Group are making progress on Phase 2 of the creation of their joint venture, Airbus Safran Launchers** (ASL). In this context, **ASL, the French state and CNES, the French space agency, reached an agreement to transfer CNES's stake in Arianespace to ASL.** Once the project has undergone all the required employee consultation and regulatory approval procedures, Airbus Safran Launchers will become a 74% shareholder in Arianespace.
- **FADEC International (JV between Safran and BAE Systems) was selected to develop and produce the Full-authority Digital Engine Controls (FADEC) of the GE9X** engine in partnership with GE Aviation under the FADEC Alliance JV.
- **Safran carbon brakes were chosen by Xiamen Airlines for its fleet of 737NG.** The contract provides for wheels and carbon brakes for 142 aircraft, including 94 to be retrofitted and 48 more on order.
- **Rolls-Royce and Safran signed the final agreement** to create a jointly-owned company that will design, develop, produce and support accessory drive train transmissions (ADT) for all of Rolls-Royce's future civil aircraft engines, starting with the Trent 7000.
- **Safran signed a contract with the arms authority of the Egyptian Ministry of Defense for AASM Hammer air-to-ground missiles.** This contract follows the acquisition by Egypt of 24 Rafale fighter aircraft from Dassault Aviation.
- **Safran signed two major contracts to supply PASEO, a new generation of combat vehicle sights, to more than 2,000 systems.**
- **Safran received orders for CTX explosives detection systems (EDS) from the TSA, CATSA, Heathrow Airport and several airports in Mexico.**

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 Note 1.f, section 3.1 of the 2014 Registration Document).

Accordingly, Safran's consolidated income statement has been adjusted for the impact of:

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programs revalued at the time of the Sagem-Snecma merger. With effect from the 2010 interim consolidated financial statements, the Group decided to restate the impact of purchase price allocations for all business combinations. In particular, this concerns the amortization of intangible assets recognized at the time of the acquisition and amortized over extended periods due to the length of the Group's business cycles, along with gains or losses on remeasuring the Group's previously held interests in an entity acquired in a step acquisition or assets contributed to a joint venture;
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
  - all mark-to-market changes on instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT FOR FIRST-HALF 2015

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

		Currency hedges		Business combinations		
(in € millions)	Consolidated data First-half 2015	Remeasurement of revenue (1)	Deferred hedging gain (loss) (2)	Amortization of intangible assets from Sagem-Snecma merger (3)	PPA impacts – other business combinations (4)	Adjusted data First-half 2015
Revenue	**8,708**	**(305)**	**-**	**-**	**-**	**8,403**
Other recurring operating income and expenses	(7,381)	14	(12)	55	76	(7,248)
Share in profit from joint ventures	16	-	-	-	-	16
Recurring operating income	**1,343**	**(291)**	**(12)**	**55**	**76**	**1,171**
Other non-recurring operating income and expenses	32	-	-	-	(36)	(4)
Profit from operations	**1,375**	**(291)**	**(12)**	**55**	**40**	**1,167**
Cost of debt	(10)	-	-	-	-	(10)
Foreign exchange losses	(2,445)	291	2,123	-	-	(31)
Other financial income and expense	2	-	-	-	-	2
Financial loss	**(2,453)**	**291**	**2,123**	**-**	**-**	**(39)**
Income tax benefit (expense)	494	-	(804)	(19)	(24)	(353)
Share in profit from associates	4	-	-	-	-	4
Gain on disposal of Ingenico shares	419	-	-	-	-	419
Profit (loss) from continuing operations	**(161)**	**-**	**1,307**	**36**	**16**	**1,198**
Profit (loss) for the period attributable to non-controlling interests	**(32)**	**-**	**(1)**	**(1)**	**-**	**(34)**
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**(193)**	**-**	**1,306**	**35**	**16**	**1,164**

(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 (€2,123 million excluding tax), and the negative impact of taking into account hedges when measuring provisions for losses on completion (€12 million).*

(3) *Cancelation 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) *Cancelation of amortization/impairment of assets identified during business combinations (€76 million) and cancelation of the capital gain on contributions to the Airbus Safran Launchers joint venture (a negative €36 million).*

Readers are reminded that only the condensed interim consolidated financial statements are subject to a limited review by the Group's Statutory Auditors. The condensed interim consolidated financial statements include revenue and operating profit indicators set out in the adjusted data in Note 5, “Segment information”.

Adjusted financial data other than the data provided in Note 5, “Segment information” are subject to verification procedures applicable to all of the information provided in the interim report.

1.1 FIRST-HALF 2015 RESULTS

All figures concerning first-half income statement and commented in sections 1.1 and 1.2 represent adjusted data, except when noted. Comments on interim consolidated income statement are provided in the section 1.3 of this report.

The H1 2014 financial statements have been restated to reflect the changes induced by the application of adoption of IFRIC 21 from the accounting period beginning on January 1, 2015 (see Note 3, section 3).

ADJUSTED INTERIM CONSOLIDATED INCOME STATEMENT

(in € million)	H1 2014 restated (1)	H1 2015	% change
Revenue	**7,208**	**8,403**	**16.6%**
Other recurring operating income and expenses	(6,270)	(7,248)	
Share in profit from joint ventures	18	16	
Recurring operating income	**956**	**1,171**	**22.5%**
% of revenue	13.3%	13.9%	0.6 pt
Other non-recurring operating income and expenses	(10)	(4)	
Profit from operations	**946**	**1,167**	**23.4%**
% of revenue	13.1%	13.9%	0.8 pt
Net financial income (expense)	(11)	(39)	
Income tax expense	(304)	(353)	
Share in profit from associates	7	4	
Gain on disposal of Ingenico Group shares	-	419	
Profit for the period attributable to non-controlling interests	(22)	(34)	
Profit for the period attributable to owners of the parent	**616**	**1,164**	**89%**
EPS *(in €)*	1.48 *	2.80 **	1.32

* *Based on the weighted average number of shares of 416,440,876 as of June 30, 2014.*

** *Based on the weighted average number of shares of 416 432 773 as of June 30, 2015.*

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

Adjusted revenue

For first-half 2015, Safran's revenue was €8,403 million, up 16.6%, compared to €7,208 million in the same period a year ago. This €1,195 million increase, which includes positive currency impacts amounting to €782 million, reflects growth in Aerospace (Propulsion and Equipment), Security and Defence revenue.

On an organic basis (excluding the effects of acquisitions, disposals and currency variations), Group revenue increased by 5.0%, or €358 million, reflecting continued momentum particularly in Propulsion services, as well as in Security.

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

Reported growth			**16.6%**
Impact of changes in scope	€(55) million	(0.8)%	
Currency impact	€(782) million	(10.8)%	
Organic growth			**5.0%**

Currency variations favourably impacted revenue in the amount of €782 million in the first-half 2015, reflecting a globally positive translation effect on non-Euro revenues, notably on the portion of the USD-denominated revenue naturally hedged via USD procurements. The average USD/EUR spot rate was 1.12 to the Euro in the first-half 2015 compared to 1.37 in the year-ago period. The Group's hedge rate improved to USD 1.25 to the Euro in the first-half 2015 from USD 1.26 in the year-ago period.

Adjusted recurring operating income

For first-half 2015, Safran's recurring operating income was €1,171 million, up 22.5% compared to €956 million in the first-half 2014 , 13.3% of revenue. Excluding a positive currency impact of €45 million, the improvement on an organic basis was €170 million, representing 17.8% year-over-year growth. The impact of acquisitions, disposals and changes in the scope of consolidation was not significant.

The improvement in recurring operating income was primarily driven by aerospace aftermarket activities in the Propulsion, landing gear and wheels & brakes businesses. Recurring operating income in Security businesses was slightly up while it was down in Defense activities compared to the year-ago period.

Adjusted profit from operations

One-off items totalled €(4) million during first-half 2015:

(in € million)	H1 2014 restated [1]	H1 2015
Adjusted recurring operating income	**956**	**1,171**
% of revenue	13.3%	13.9%
Total one-off items	**(10)**	**(4)**
Capital gain (loss) on disposals	-	-
Impairment reversal (charge)	-	-
Other infrequent & material non-operational items	(10)	(4)
ADJUSTED PROFIT FROM OPERATIONS	**946**	**1,167**
% of revenue	13.1%	13.9%

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

Adjusted net income – Group share

Adjusted net income – Group share attributable to holders of the parent of €1,164 million (€2.80 per share) included a post-tax capital gain of €419 million from the sale of Ingenico Group shares. Net income in the year-ago period was 616 million (€1.48 per share).

In addition to the rise in profit from operations, this improved performance includes:

- net financial expense of €(39) million, including €(10) million of cost of debt;
- tax expense of €(353) million (31.3% apparent tax rate).

1.2 BUSINESS COMMENTARY

FIRST-HALF 2015 KEY FIGURES

Segment breakdown of revenue

(in € million)	H1 2014	H1 2015	% change	% change organic
Aerospace Propulsion	3,763	4,486	19.2%	8.9%
Aircraft Equipment	2,137	2,414	13.0%	(1.2)%
Defence	584	616	5.5%	(1.7)%
Security	722	885	22.6%	7.9%
Others	2	2	-	-
TOTAL GROUP	**7,208**	**8,403**	**16.6%**	**5.0%**

Segment breakdown of recurring operating income

(in € million)	H1 2014 restated [(1)]	H1 2015	% change
Aerospace Propulsion	**727**	**944**	**29.8%**
% of revenue	19.3%	21.0%	
Aircraft Equipment	**197**	**199**	**1.0%**
% of revenue	9.2%	8.2%	
Defence	**43**	**15**	**(65.1)%**
% of revenue	7.4%	2.4%	
Security	**64**	**66**	**3.1%**
% of revenue	8.9%	7.5%	
Others	**(75)**	**(53)**	**Na**
TOTAL GROUP	**956**	**1,171**	**22.5%**
% of revenue	13.3%	13.9%	

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

2015 revenue by quarter

(in € million)	First quarter 2015	Second quarter 2015	First half 2015
Aerospace Propulsion	2,070	2,416	4,486
Aircraft Equipment	1,172	1,242	2,414
Defence	278	338	616
Security	414	471	885
Others	1	1	2
TOTAL REVENUE	**3,935**	**4,468**	**8,403**

SEGMENT OPERATIONS REVIEW

Aerospace Propulsion

Revenue, at €4,486 million, grew by 19.2% compared to €3,763 million in the year-ago period. On an organic basis, revenue grew 8.9%. The increase was primarily driven by services, the strong underlying growth of which was boosted by the stronger USD.

Overall service revenue in Aerospace Propulsion grew by 30.8% in Euro terms and represents 54% of total revenue in the semester. Civil aftermarket grew by 27.8% in USD terms and continues to be driven by first overhauls of recent CFM56 and GE90 engines in the context of a favourable environment for airline customers. Helicopter turbines aftermarket and military engines aftermarket also grew at healthy rates. The space and ballistics activities were flat, in line with delivery schedules which are skewed to the second half of the year.

816 CFM56 engines were delivered in the period, up 3% compared to the year ago period. Total new firm orders and commitments for CFM56 and LEAP were received for over 1,540 engines in the first half. At June 30, 2015 the total backlog for these engines stood at above 13,500 units and notably contains orders and commitments for close to 9,600 next-generation LEAP engines. During Q2, production of M88 engines for Rafale fighters destined for the French DoD has been diverted towards export contracts, as expected. As a result, revenue previously recognised for the diverted engines has been derecognised and will be booked upon delivery of aircraft to export customers.

Recurring operating income, at 21.0% of revenue, was €944 million, up 29.8% compared to €727 million (19.3% of revenue) in the year-ago period. This improvement resulted from healthy activity in services as well as from increased OE deliveries of CFM56 engines. The level of expensed R&D increased compared to 2014, primarily due to the Silvercrest programme, expenditure on which ceased to be capitalised from the second quarter 2014. The stronger USD and the improvement in the hedged rate had a positive impact on profitability.

Aircraft Equipment

Revenue of €2,414 million, up 13.0% compared to the year-ago period. On an organic basis, revenue was slightly down by (1.2)%. Service revenue grew by 16.9%, including the effect of the stronger USD, and accounts for 28.6% of total sales.

Deliveries of wiring shipsets and landing gear to Airbus for the A350 programme grew, accelerating from a very low base. Those for the 787 programme, which had driven strong OE growth throughout 2014, showed modest increases this year. Lower deliveries of A330 thrust reversers are the reflection of an announced assembly rate drop of that aircraft. As expected, volumes of A320 thrust reversers caught up with the 2014 level over the course of Q2. 49 nacelles for A380 were delivered in the first half, compared to 57 in the year-ago period.

Growth in services was driven by carbon brakes and landing gear aftermarket. With close to 7,200 aircraft equipped at June 30, 2015, Safran is the world leader in carbon brakes for commercial aircraft over 100 seats.

Recurring operating income was €199 million, an increase of 1.0% compared to €197 million in the year-ago period. Return on sales dropped 1 point to 8.2%. Headwinds in OE related primarily to programme maturity mix coupled with pricing pressure are temporarily weighing on margins. Strong cost reduction and productivity actions have been put in place to mitigate the impacts and drive margin improvements. Very good performance in the landing gear and carbon brake aftermarket activities, as a result of a larger installed base and continued air traffic growth, was only partially offset by patchy performance in nacelle support.

Defence

Revenue was up 5.5% at €616 million, or down (1.7) % on an organic basis, compared to the year-ago period.

Revenue showed resilience as the negative impact on Optronics of the end, as expected, of deliveries of FELIN equipment to the French army was compensated by a strong increase in shipments of stabilised sighting systems for combat vehicles and naval applications. Avionics revenues slightly declined as a drop in inertial navigation systems was not entirely compensated by growth elsewhere, notably in infrared seekers.

Recurring operating income, at 2.4% of revenue, was €15 million, a €28 million decrease compared to €43 million (7.4% of revenue) in first-half 2014 due notably to the voluntarily sustained level of R&D in order to maintain technological leadership in the context of the end of the FELIN deliveries. Additionally, unfavourable product mix put temporary pressure on margins. The annual outlook for stability in Defence remains unchanged on the basis of the robust backlog resulting from strong order intake over the last 18 months.

Security

First-half 2015 revenue of €885 million increased 22.6% compared to €722 million in the year-ago period. On an organic basis, revenue grew by 7.9%.

The Identity and Security businesses delivered double digit organic growth driven by broad-based growth from public sector customers in Europe (France, Holland, Albania) and the Americas (US Federal contracts, Chile) partially offset by declines in the Middle East Africa region. Smartchip volumes recovered strongly particularly to banking and telco sector customers driving revenue growth. As expected, deliveries of explosives detection systems partly caught up the slippage reported in Q1, which is mostly due to delays in airport construction.

Recurring operating income was up 3.1% at €66 million (7.5% of revenue) compared to €64 million (8.9% of revenue) in first-half 2014. This increase results from the increased contribution of government ID and AFIS contracts, principally in Europe and the Americas region, and the positive impact of cost reduction actions in the smartchip business.

Research & development

Total R&D expenditures, including customer-funded, reached €1,021 million.

The self-funded R&D effort before research tax credit was €681 million or 8.1% of revenue in first-half 2015, a decrease of €28 million compared to first-half 2014. Capitalised R&D fell €112 million to €243 million, as expected, due mainly to lower expenditure on the LEAP and the A350 programmes. In addition, spending on the Silvercrest programme is fully expensed since April 1, 2014. Thus, the impact on recurring operating income after tax credit, capitalization and amortization was €407 million, an increase of €87 million compared to last year.

Capital expenditure

Capital expenditure amounted to €359 million in the first half of 2015, an increase of €60 million compared to the year-ago period. The increase in capital expenditure is principally due to the preparation for the entry into service and ramp up of new programmes.

1.3 HALF-YEAR 2015 CONSOLIDATED INCOME STATEMENT

(in € millions)	June 30, 2014 restated (1)	June 30, 2015	% change
Revenue	**6,972**	**8,708**	**24.9%**
Other operating income and expenses	(6,433)	(7,381)	
Share in profit from joint ventures	18	16	
Recurring operating income	**557**	**1,343**	**141.1%**
Other non-recurring operating income and expenses	(10)	32	
Profit from operations	**547**	**1,375**	**151.4%**
Financial income (loss)	424	(2,453)	
Profit before tax	**971**	**(1,078)**	
Income tax expense	(326)	494	
Share in profit from joint operations	7	4	
Gain on disposal of Ingenico shares	-	419	
Profit from continuing operations	**652**	**(161)**	
Profit for the period attributable to non-controlling interests	**(18)**	**(32)**	
PROFIT FROM THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**634**	**(193)**	

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

Consolidated revenue

For first-half 2015, revenue was €8,708 million, compared to a €6,972 million in the same period a year ago, a 24.9% year-on-year increase.

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 increased first-half consolidated revenue in 2015 by €305 million while it removed €(236) million from first-half consolidated revenue in 2014. This year-on-year change 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 for half-year 2015 was 1.25, against an average rate of 1.12, which explains why netting out the effect of foreign currency hedging results in a consolidated revenue figure that is higher than adjusted revenue.

Year-on-year changes in revenue, excluding the impact of adjusting items are analyzed above (see sections 1.1 and 1.2).

Recurring operating income

Recurring operating income came in at €1,343 million for first-half 2015, compared to €557 million for first-half 2014. The difference between recurring operating income and adjusted recurring operating income, which came in at €1,171 million, results from:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem-Snecma business combination, representing €(55) million for first-half 2015 (versus €(74) million for first-half 2014);
- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €(76) million for first-half 2015 (versus €(57) million for first-half 2014);
- a positive €303 million impact resulting from foreign currency transactions (compared to a negative impact of €(244) million for first-half 2014).

Changes in recurring operating income, excluding the impact of adjusting items, are analyzed above (see sections 1.1 and 1.2).

Profit from operations

Profit from operations came in at €1,375 million for half-year 2015, compared to €547 million for first-half 2014. Profit from operations includes recurring operating income of €1,343 million (€557 million for first-half 2014) and a non-recurring profit of €32 million (loss of €(10) million for first-half 2014). Profit from operations for first-half 2015 differed from adjusted profit from operations (€1,167 million) since, in addition to recurring operating items, it also comprised a revaluation gain of €36 million relating to the assets transferred on the creation of the Airbus Safran Launchers joint arrangement, included within “Other non-recurring operating income and expenses”.

Changes in profit from operations in adjusted data as well as the non-recurring items are analyzed above (see section 1.1).

Financial income (loss)

The Group reported a financial loss of €(2,453) million for first-half 2015, compared to a financial profit of €424 million for first-half 2014.

Two items account for the difference between the consolidated financial income for half-year 2015 and the adjusted financial loss analyzed above (see section 1.1):

- changes in the fair value of foreign currency derivatives hedging future cash flows which had a negative impact of €(2,123) million (compared to a positive impact of €206 million for first-half 2014). This amount is recognized in full in financial income (loss) in the consolidated financial statements, whereas this impact is neutralized in the adjusted consolidated financial statements;
- the net negative impact of exchange rate hedging on the portion of foreign currency denominated flows hedged by the Group totaling €(291) million for first-half 2015 (compared to a €229 million positive impact for first-half 2014. This impact is recognized in financial income (loss) in the consolidated financial statements, whereas it is recognized in profit from operations (mostly in revenue) in the adjusted income statement.

Income tax expense

Income tax benefit amounted to €494 million for first-half 2015 compared to an expense of €(326) million for first-half 2014.

The first-half 2015 income tax benefit includes current tax expense of €(235) million and a deferred tax profit of €729 million.

The deferred tax profit arises from changes in fair value of foreign currency derivatives portfolio amounting to €(2,123) million for first-half 2015 (compared to a positive impact of €206 million for first-half 2014).

Consolidated profit attributable to owners of the parent

This caption amounted to €(193) million for first-half 2015 and €634 million for first-half 2014.

1.4 BALANCE SHEET AND CASH FLOW

BALANCE SHEET – ASSETS

(in € million)	Dec. 31, 2014 restated (1)	June 30, 2015
Goodwill	3,420	3,554
Tangible & Intangible assets	8,464	9,023
Investments in joint ventures and associates	771	727
Other non-current assets	674	1,374
Derivatives assets	406	644
Inventories and WIP	4,265	4,878
Trade and other receivables	5,827	6,528
Cash and cash equivalents	1,633	1,789
Other current assets	673	1,009
TOTAL ASSETS	**26,133**	**29,526**

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

BALANCE SHEET – LIABILITIES

(in € million)	Dec. 31, 2014 restated (1)	June 30, 2015
Equity	6,491	6,357
Provisions	3,329	3,455
Borrowings subject to sp. conditions	713	717
Interest bearing liabilities	3,165	3,307
Derivatives liabilities	1,636	3,953
Other non-current liabilities	836	823
Trade and other payables	9,618	10,433
Other current liabilities	345	481
TOTAL EQUITY & LIABILITIES	**26,133**	**29,526**

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

CASH FLOW HIGHLIGHTS

(in € million)	H1 2014 restated (1)	FY 2014	H1 2015
Adjusted attributable net profit	**616**	**1,248**	**1,164**
Depreciation, amortization and provisions	376	906	458
Others	123	314	(127)
Cash flow from operations	**1,115**	**2,468**	**1,495**
Changes in working capital	(294)	(111)	(529)
Capex (tangible assets)	(299)	(674)	(359)
Capex (intangible assets)	(107)	(267)	(252)
Capitalisation of R&D *	(374)	(676)	(259)
Free cash flow	**41**	**740**	**96**
Dividends paid	(276)	(511)	(285)
Divestments/acquisitions and others	(342)	(512)	193
Net change in cash and cash equivalents	**(577)**	**(283)**	**4**
NET DEBT AT BEGINNING OF PERIOD	**(1,220)**	**(1,220)**	**(1,503)**
NET DEBT AT END OF PERIOD	**(1,797)**	**(1,503)**	**(1,499)**

* *In first-half 2015, this includes €(16) million in capitalized interest compared to €(19) million in first-half 2014.*

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

The net debt position was €1,499 million as of June 30, 2015 compared to a net debt position of €1,503 million as of December 31, 2014. Free cash flow generation of €96 million was driven by the cash from operations of €1,495 million, devoted notably to an increase in working capital needs of €529 million to sustain rising production rates, and increased capital expenditures (at €359 million). The major cash outflow in the semester was a 2014 final dividend payment of €267 million (€0.64 per share) to parent holders. The net proceeds of the disposal of a total of 3.3 million shares of Ingenico Group amounted to €364 million in the period.

As of June 30, 2015, Safran had cash & cash equivalents of €1.8 billion and €2.5 billion of secured and undrawn facilities available.

1.5 OUTLOOK AND CURRENCY HEDGES

OUTLOOK

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

Safran expects the positive momentum seen in the first half of the year in its civil aftermarket activities to continue into the second half. Thus, on the basis of a revised annual civil aftermarket growth assumption, Safran has adjusted profit guidance.

Safran expects on a full-year basis:

- adjusted revenue still to increase by a percentage in the high single digits at an estimated average spot rate of USD 1.20 to the Euro. If the average spot rate of USD 1.12 to the Euro were to remain throughout 2015, revenue would consequently grow by a percentage in the low double digits.
- adjusted recurring operating income now to increase by a percentage in the mid-teens (previously low double digits) at a hedged rate of USD 1.25 to the Euro.
- as previously, free cash flow to represent 35% to 45% of adjusted recurring operating income, subject to usual uncertainties on the amount of advance payments and the rhythm of payments by state-clients in the second half.

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

- healthy increase in aerospace OE deliveries;
- new: civil aftermarket to grow by a percentage in the high teens (previously approximately 10%);
- new: reduction of self-funded R&D of the order of €100 million (previously €100 – 150 million) with a lower level of capitalisation compared to 2014 with less spending on LEAP, A350, helicopters as programmes mature and enter into service;
- sustained level of tangible capex, around €700 million, as required by production transitioning and ramp-up;
- profitable growth for the Security business;
- continued benefits from the on-going Safran+ plan to improve direct costs and reduce overhead.

CURRENCY HEDGES

Safran now expects annual net USD exposure for 2015-2018 to range between USD 7.3 billion and USD 8.0 billion due to strong growth of businesses with exposed USD-denominated revenues. The Group took advantage of the stronger USD to secure the overall increased exposure at a favourable rate.

- **2015 / 2016:** Exposure fully hedged at the rate of USD 1.25;
- **2017:** Exposure almost fully hedged with USD 6.7 billion covered at an achieved rate of USD 1.25 (including through knock out option strategies). Accumulators will allow hedging to grow to a total of USD 7.7 billion as long as €/$ remains below 1.42 up to end 2015. The target hedge rate remains unchanged at USD 1.25. Knock out options barriers are set at various levels above USD 1.32;
- **2018:** Coverage of USD 5.4 billion at an achieved rate of USD 1.18 (through forward sales and short dated knock out option strategies). Coverage will increase to a total of USD 8.0 billion at an improved target rate below USD 1.20 through accumulators as long as €/$ remains below USD 1.28 up to end 2015. Knock out options barriers are set at various levels between 1.20 and USD 1.45 with maturities ranging between 2 months and 2 years.

Due to the use of knock out option strategies in 2017-2018 portfolios, effective coverage for the period will be secured in the course of 2015-17 depending on forex market conditions. If all or part of the options were to be knocked out the optional strategies would be adapted to new market conditions.

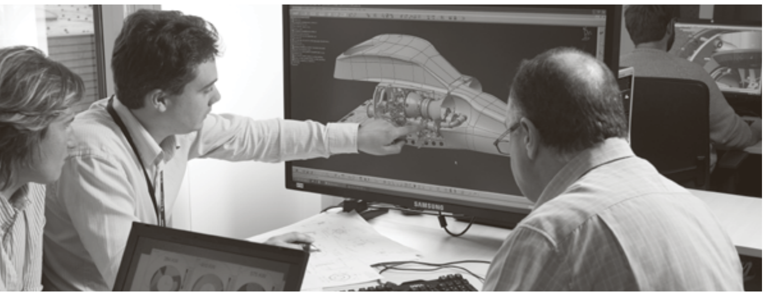
Hedged USD/EUR rates are unchanged:

- **2015-17:** targeted hedged rate at USD 1.25 to the Euro;
- **2018:** targeted hedged rate below USD 1.20 to the Euro.

At July 16, 2015, the firm hedge book amounted to USD 24.2 billion.

1.6 TRANSACTIONS WITH THE RELATED PARTIES

Readers are invited to refer to Note 22 of section 3 of this document and section 7.1.4 of the 2014 Registration Document, ref. D. 15-0172 filed with the AMF on March 19, 2015.



2 | RISKS FACTORS

There has been no significant change in the risk factors identified and presented in the 2014 Registration Document.

Readers are invited to refer to section 4 of 2014 Registration Document, ref. D. 15-0172 filed with the AMF on March 19, 2015.



3 HALF-YEAR FINANCIAL STATEMENTS

The Board of Directors' meeting of July 29, 2015 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the six-month period ended June 30, 2015.

INTERIM CONSOLIDATED INCOME STATEMENT

(in € millions)	Note	First-half 2014 *	First-half 2015
Revenue	**6**	**6,972**	**8,708**
Other income	6	139	141
Income from operations		**7,111**	**8,849**
Change in inventories of finished goods and work-in-progress		397	452
Capitalized production		509	444
Raw materials and consumables used	6	(4,354)	(5,051)
Personnel costs	6	(2,405)	(2,596)
Taxes		(164)	(173)
Depreciation, amortization, and increase in provisions, net of use	6	(448)	(510)
Asset impairment	6	(49)	(23)
Other recurring operating income and expenses	6	(58)	(65)
Share in profit from joint ventures	14	18	16
Recurring operating income		**557**	**1,343**
Other non-recurring operating income and expenses	6	(10)	32
Profit from operations		**547**	**1,375**
Cost of net debt		(21)	(10)
Foreign exchange gains (losses)		455	(2,445)
Other financial income and expense		(10)	2
Financial income (loss)	**7**	**424**	**(2,453)**
Profit (loss) before tax		**971**	**(1,078)**
Income tax benefit (expense)	8	(326)	494
Share in profit from associates	14	7	4
Gain on disposal of Ingenico Group shares	4	-	419
Profit (loss) from continuing operations		**652**	**(161)**
PROFIT (LOSS) FOR THE PERIOD		**652**	**(161)**
Attributable to:			
- owners of the parent		634	(193)
- non-controlling interests		18	32
Earnings per share attributable to owners of the parent *(in €)*	**9**		
Basic earnings (loss) per share		1.52	(0.46)
Diluted earnings (loss) per share		1.52	(0.46)

* *The data published for first-half 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at June 30, 2014").*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	First-half 2014 *	First-half 2015
Profit (loss) for the period	**652**	**(161)**
Other comprehensive income		
Items to be reclassified to profit	**46**	**241**
Available-for-sale financial assets	8	(11)
Foreign exchange differences and net investment hedges	36	198
Income tax related to components of other comprehensive income to be reclassified to profit	2	25
Share in other comprehensive income of equity-accounted companies (net of tax)	-	29
Items not to be reclassified to profit	**(9)**	**38**
Actuarial gains and losses on post-employment benefits	(14)	53
Income tax related to components of other comprehensive income not to be reclassified to profit	5	(15)
Other comprehensive income for the period	**37**	**279**
Total comprehensive income for the period	**689**	**118**
Attributable to:		
- owners of the parent	671	82
- non-controlling interests	18	36

* *The data published for first-half 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at June 30, 2014").*

In first-half 2015, other comprehensive income includes the following amounts, which have been recycled to profit for the period:

- a loss of €4 million from available-for-sale financial assets (following the disposal of the Myriad shares);
- income of €1 million from the share in other comprehensive income of equity-accounted companies (following the disposal of the Ingenico Group shares).

In first-half 2015, translation adjustments include gains of €12 million (€3 million in first-half 2014) relating to 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. Translation adjustments also include losses of €84 million in first-half 2015 (€8 million in first-half 2014) 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.

The remaining balance consists of translation gains of €268 million arising on foreign subsidiaries (€41 million in first-half 2014).

In accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and are not subsequently recycled to profit.

The discount rates used to calculate post-employment benefit obligations are determined by reference to the yield on private investment-grade bonds (AA), using the Iboxx index. The main discount rate assumptions used to calculate post-employment benefit obligations at the dates shown were revised as follows:

	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014	June 30, 2015
Eurozone	3.00%	2.50%	1.75%	2.25%
United Kingdom	4.50%	4.50%	3.50%	3.50%

The inflation rate assumption used to calculate obligations in the UK was as follows.

	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014	June 30, 2015
UK inflation rate	3.35%	3.35%	3.20%	3.20%

CONSOLIDATED BALANCE SHEET

Assets

(in € millions)	Note	Jan. 1, 2014*	Dec. 31, 2014*	June 30, 2015
Goodwill	10	3,399	3,420	3,554
Intangible assets	11	4,620	5,536	5,852
Property, plant and equipment	12	2,463	2,928	3,171
Non-current financial assets	13	370	446	376
Investments in equity-accounted companies	14	680	771	727
Non-current derivatives (positive fair value)	21	-	29	19
Deferred tax assets	8	203	228	998
Other non-current financial assets		12	-	-
Non-current assets		**11,747**	**13,358**	**14,697**
Current financial assets	13	195	221	484
Current derivatives (positive fair value)	21	864	377	625
Inventories and work-in-progress		3,998	4,265	4,878
Trade and other receivables		4,967	5,827	6,528
Tax assets	8	380	452	525
Cash and cash equivalents	15	1,547	1,633	1,789
Current assets		**11,951**	**12,775**	**14,829**
TOTAL ASSETS		**23,698**	**26,133**	**29,526**

Equity and liabilities

(in € millions)	Note	Jan. 1, 2014*	Dec. 31, 2014 *	June 30, 2015
Share capital	16	83	83	83
Consolidated retained earnings	16	5,150	6,259	6,174
Net unrealized gains on available-for-sale financial assets	16	29	50	39
Profit (loss) for the period		1,386	(126)	(193)
Equity attributable to owners of the parent		**6,648**	**6,266**	**6,103**
Non-controlling interests		**178**	**225**	**254**
Total equity		**6,826**	**6,491**	**6,357**
Provisions	17	1,738	1,870	2,107
Borrowings subject to specific conditions	18	670	713	717
Non-current interest-bearing financial liabilities	19	1,291	1,658	1,733
Non-current derivatives (negative fair value)	21	36	-	-
Deferred tax liabilities	8	1,271	735	759
Other non-current financial liabilities	20	140	101	64
Non-current liabilities		**5,146**	**5,077**	**5,380**
Provisions	17	1,220	1,459	1,348
Current interest-bearing financial liabilities	19	1,445	1,507	1,574
Trade and other payables		8,648	9,618	10,433
Tax liabilities	8	199	220	383
Current derivatives (negative fair value)	21	150	1,636	3,953
Other current financial liabilities	20	64	125	98
Current liabilities		**11,726**	**14,565**	**17,789**
TOTAL EQUITY AND LIABILITIES		**23,698**	**26,133**	**29,526**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	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, 2014 *	**83**	**3,360**	**(19)**	**29**	**29**	**1,986**	**(297)**	**1,386**	**91**	**6,648**	**178**	**6,826**
Comprehensive income (expense) for the period	-	-	-	8	36	-	(14)	634	7 (a)	671	18	689
Acquisitions/disposals of treasury shares	-	-	(6)	-	-	-	-	-	-	(6)	-	(6)
Dividends	-	-	-	-	-	(266)	-	-	-	(266)	(10)	(276)
2013 interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	1,386	-	(1,386)	4	4	(4)	-
At June 30, 2014 *	**83**	**3,360**	**(25)**	**37**	**65**	**3,106**	**(311)**	**634**	**102**	**7,051**	**182**	**7,233**
Comprehensive income (expense) for the period	-	-	-	13	231	-	(99)	(760)	57 (a)	(558)	40	(518)
Acquisitions/disposals of treasury shares	-	-	6	-	-	-	-	-	-	6	-	6
2014 interim dividend	-	-	-	-	-	(233)	-	-	-	(233)	-	(233)
Other movements	-	-	-	-	-	(1)	-	-	1	-	3	3
At Dec. 31, 2014 *	**83**	**3,360**	**(19)**	**50**	**296**	**2,872**	**(410)**	**(126)**	**160**	**6,266**	**225**	**6,491**
Comprehensive income (expense) for the period	-	-	-	(11)	224	-	52	(193)	10 (a)	82	36	118
Acquisitions/disposals of treasury shares	-	-	(3)	-	-	-	-	-	-	(3)	-	(3)
Dividends	-	-	-	-	-	(267)	-	-	-	(267)	(18)	(285)
2015 interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	(126)	-	126	25	25	11	36
At June 30, 2015	**83**	**3,360**	**(22)**	**39**	**520**	**2,479**	**(358)**	**(193)**	**195**	**6,103**	**254**	**6,357**

* *The data published for January 1, June 30 and December 31, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.a, "Impacts at January 1, 2014", Note 3.b, "Impacts at June 30, 2014" and Note 3.c, "Impacts at December 31, 2014").*

(a) *See table below:*

	Tax impact on actuarial gains and losses	Tax impact on translation adjustments	Total
Comprehensive income for first-half 2014 (attributable to owners of the parent)	5	2	7
Comprehensive income for second-half 2014 (attributable to owners of the parent)	29	28	57
Comprehensive income for first-half 2015 (attributable to owners of the parent)	(15)	25	10

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)		Note	First-half 2014 *	First-half 2015
I. Cash flow from operating activities				
Profit (loss) attributable to owners of the parent			634	(193)
Depreciation, amortization, impairment and provisions (1)			522	576
Share in profit from associates (net of dividends received)		14	(7)	16
Change in fair value of currency and commodity derivatives (2)		21	(251)	2,149
Capital gains and losses on asset disposals (3)			(1)	(471)
Profit attributable to non-controlling interests			18	32
Other (4)			200	(614)
Cash flow from operations, before changes in working capital			**1,115**	**1,495**
Change in inventories and work-in-progress			(374)	(569)
Change in operating receivables and payables (5)		21	80	95
Change in other receivables and payables			-	(55)
Change in working capital			**(294)**	**(529)**
	TOTAL I (6)		**821**	**966**
II. Cash flow used in investing activities				
Capitalization of R&D expenditure (7)		11	(374)	(259)
Payments for the purchase of intangible assets, net of proceeds (8)			(107)	(252)
Payments for the purchase of property, plant and equipment, net of proceeds (9)			(299)	(359)
Payments arising from the acquisition of investments or businesses, net			(221)	(20)
Proceeds arising from the sale of investments or businesses, net			3	376
Proceeds (payments) arising from the sale (acquisition) of investments and loans			(54)	(40)
	TOTAL II		**(1,052)**	**(554)**
III. Cash flow from (used in) financing activities				
Change in share capital – owners of the parent			-	-
Change in share capital – non-controlling interests			-	(3)
Acquisitions and disposals of treasury shares		16.c	(6)	(3)
Repayment of borrowings and long-term debt		19	(23)	(34)
Increase in borrowings		19	208	-
Change in repayable advances		18	(17)	(11)
Change in short-term borrowings		19	318	68
Dividends and interim dividends paid to owners of the parent		16.c	(266)	(267)
Dividends paid to non-controlling interests			(10)	(18)
	TOTAL III		**204**	**(268)**
Effect of changes in foreign exchange rates	**TOTAL IV**		**3**	**12**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**I+II+III+IV**		**(24)**	**156**
Cash and cash equivalents at beginning of period			1,547	1,633
Cash and cash equivalents at end of period		15	1,523	1,789
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**(24)**	**156**

* *The data published for first-half 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at June 30, 2014").*

(1) *Including in first-half 2015 depreciation and amortization for €433 million (€381 million in first-half 2014) impairment for €12 million (€50 million in first-half 2014) and provisions for €131 million (€91 million in first-half 2014).*

(2) *Including in first-half 2015 gains of €2,138 million arising on currency derivatives (losses of €237 million in first-half 2014).*

(3) *Including the capital gain on the disposal of the interest in Ingenico Group amounting to €443 million (€419 million net of tax).*

(4) *Including in first-half 2015 a deferred tax expense of €730 million arising on the change in fair value of currency derivatives (€71 million in first-half 2014).*

(5) *Including in first-half 2015 premiums for €82 million paid on currency options (see Note 21, "Management of market risks and derivatives"), shown on the balance sheet under current derivatives with a negative fair value (€12 million received in first-half 2014).*

(6) *Including in first-half 2015 taxes paid for €111 million (€117 million in first-half 2014), of which interest paid for €34 million (€31 million in first-half 2014) and interest received for €20 million (€18 million in first-half 2014).*

(7) *Including in first-half 2015 capitalized interest for €16 million (capitalized interest for €19 million in first-half 2014).*

(8) *Including in first-half 2015 disbursements for acquisitions of intangible assets for €250 million (€95 million in first-half 2014) and adverse changes in amounts payable on acquisitions of non-current assets representing €2 million (positive changes of €13 million in first-half 2014).*

(9) *Including in first-half 2015 disbursements for acquisitions of property, plant and equipment for €334 million (€284 million in first-half 2014), proceeds from disposals for €14 million (€21 million in first-half 2014) and adverse changes in amounts payable on acquisitions of non-current assets representing €39 million (€36 million in first-half 2014).*

NOTES TO THE SAFRAN GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Safran (2, boulevard du Général Martial-Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (joint-stock corporation) incorporated in France and permanently listed on Compartment A of the Euronext Paris Eurolist market. The condensed interim consolidated financial statements reflect the accounting position of Safran 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 condensed interim consolidated financial statements and accompanying notes are drawn up in euros and all amounts are rounded to the nearest million unless otherwise stated.

The Board of Directors' meeting of July 29, 2015 adopted and authorized the publication of the 2015 condensed interim consolidated financial statements.

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/internal_market/accounting/ias/index_en.htm) at the date the condensed interim consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely the IFRSs, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

The condensed interim consolidated financial statements at June 30, 2015 have been prepared in accordance with IAS 34, Interim Financial Reporting and with all the standards and interpretations adopted by the European Union and applicable to accounting periods beginning on or after January 1, 2015.

In preparing these condensed interim consolidated financial statements at June 30, 2015, Safran applied the same accounting rules and methods as those applied in the preparation of its consolidated financial statements for the year ended December 31, 2014 (see Note 1, section 3.1 of the 2014 Registration Document), except as regards the specific requirements of IAS 34 (use of projected annual rates in calculating the Group's income tax, adjusted for the main permanent differences) and the changes described below.

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 2015

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

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

Other standards, interpretations and amendments effective for reporting periods beginning on or after January 1, 2015 do not have a material impact on the Group's consolidated financial statements.

New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2015

None.

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

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- Amendments 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;
- Annual Improvements to IFRSs published in December 2013 (2010-2012 cycle);
- Annual Improvements to IFRSs published in September 2014 (2012-2014 cycle).

Except for the amendments to IAS 19 and improvements to IFRSs published in December 2013, these new standards and amendments have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even if early adoption were permitted by the texts concerned.

The Group is in the process of assessing the impacts resulting from the first-time application of these standards, amendments and interpretations.

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 segments. These analyses are regularly reviewed by management.

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

a) Estimates relating to programs and contracts

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

The assumptions applied and resulting estimates used for programs and contracts cover periods that are sometimes very long (up to several decades), and take into account the technological, commercial and contractual constraints 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, section 3.1 of the 2014 Registration Document. The recoverable amount of these assets is generally determined using cash flow forecasts based on the key assumptions described above.
- **capitalization of development costs:** the conditions for capitalizing development costs are set out in Note 1.j, section 3.1 of the 2014 Registration Document. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts 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 contract milestones 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 French 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 by independent experts.

In particular, contractual provisions relating to performance warranties given by the Group take into account factors such as the estimated cost of repairs and, where appropriate, the discount rate applied to cash flows. The value of these commitments may be based on a statistical assessment.

Provisions relating to financial guarantees given by the Group are based on the estimated value of the underlying assets, the probability that the customers concerned will default, and, where appropriate, the discount rate applied to cash flows.

The costs and penalties actually incurred or paid may differ significantly from these initial estimates when the obligations unwind, and this may have a material impact on the Group's future earnings.

At the date of this report, the Group has no information suggesting that these inputs are not appropriate taken as a whole, and is not aware of any developments that could materially impact the provisions recognized.

c) Post-employment benefits

The Group uses statistical data and other forward-looking inputs to determine assets and liabilities relating to post-employment benefits. These inputs include actuarial assumptions such as the discount rate, salary increase rate, retirement age, and employee turnover and mortality. Actuarial calculations are performed by independent actuaries. At the date of preparation of the consolidated financial statements, the Group considers that the assumptions used to measure its commitments are appropriate and justified.

However, if circumstances or actuarial assumptions – especially the discount rate – prove significantly different from actual experience, the amount of post-employment liabilities shown in the balance sheet could change significantly, along with equity.

d) Trade and other receivables

The Group estimates any collection risks based on commercial information, prevailing economic trends and information concerning the solvency of each customer, in order to determine any necessary write-downs on a case-by-case basis.

e) Allocation of the cost of business combinations

Business combinations are recorded using the acquisition (purchase) method. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at fair value at the date control is acquired.

One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied. The fair value of certain items acquired in a business combination can be measured reliably, for example property, plant and equipment using market price. However, the fair value of other items such as intangible assets or contingent liabilities may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

f) Disputes and litigation

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 24, "Disputes and litigation").

The Group's management takes stock of any outstanding proceedings and monitors their progress. It also decides whether to book a provision or adjust the amount of any existing provision if events arise during the proceedings that require a reassessment of the risk involved. The Group consults legal experts both within and outside the Group in determining the costs that may be incurred.

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

Note 3 • Change in accounting policy

The Group has applied IFRIC 21, Levies, with effect from January 1, 2015. IFRIC 21 defines when to recognize liabilities to pay levies imposed by a government. The date of recognition now corresponds to the obligating event that gives rise to the levy as defined by applicable local regulations.

As such, liabilities to pay certain levies, as well as the corresponding annual expense, are now recognized in full on the date of the obligating event (generally January 1). For the Safran Group, this primarily concerns French and American levies. Prior to this change, the liability and the expense were recognized progressively over the full year.

In accordance with IAS 8 on changes in accounting policy applied retrospectively, comparative information for the prior period is presented in the 2015 consolidated financial statements.

The impacts of this change in accounting policy on the 2014 consolidated financial statements are shown below.

a) Impacts at January 1, 2014

Opening balance sheet at January 1, 2014

ASSETS

(in € millions)	January 1, 2014 (published)	IFRIC 21 impact	January 1, 2014 (restated)
Non-current assets	**11,747**	**-**	**11,747**
Current assets	**11,951**	**-**	**11,951**
TOTAL ASSETS	**23,698**	**-**	**23,698**

EQUITY AND LIABILITIES

(in € millions)	January 1, 2014 (published)	IFRIC 21 impact	January 1, 2014 (restated)
Equity attributable to owners of the parent	6,635	13	6,648
Non-controlling interests	178		178
Total equity	**6,813**	**13**	**6,826**
Provisions	1,738		1,738
Borrowings subject to specific conditions	670		670
Non-current interest-bearing financial liabilities	1,291		1,291
Non-current derivatives (negative fair value)	36		36
Deferred tax liabilities	1,264	7	1,271
Other non-current financial liabilities	140		140
Non-current liabilities	**5,139**	**7**	**5,146**
Provisions	1,220		1,220
Current interest-bearing financial liabilities	1,445		1,445
Trade and other payables	8,668	(20)	8,648
Tax liabilities	199		199
Current derivatives (negative fair value)	150		150
Other current financial liabilities	64		64
Current liabilities	**11,746**	**(20)**	**11,726**
TOTAL EQUITY AND LIABILITIES	**23,698**	**-**	**23,698**

The impacts on the consolidated balance sheet at January 1, 2014 derive from cancellation of the following:

- the liability due in respect of the French social security financing tax (*Contribution Sociale de Solidarité des Sociétés* – C3S), which was recognized on the consolidated balance sheet at December 31, 2013 but for which the obligating event took place on January 1, 2014; and
- the deferred tax arising from the temporary difference between the date on which the related expense was recognized and the date on which it became deductible for tax purposes.

b) Impacts at June 30, 2014

Consolidated income statement for first-half 2014

(in € millions)	First-half 2014 (published)	IFRIC 21 impact	First-half 2014 (restated)
Revenue	**6,972**		**6,972**
Other income	139		139
Income from operations	**7,111**		**7,111**
Change in inventories of finished goods and work-in-progress	397		397
Capitalized production	509		509
Raw materials and consumables used	(4,354)		(4,354)
Personnel costs	(2,405)		(2,405)
Taxes	(139)	(25)	(164)
Depreciation, amortization, and increase in provisions, net of use	(448)		(448)
Asset impairment	(49)		(49)
Other recurring operating income and expenses	(58)		(58)
Share in profit from joint ventures	18		18
Recurring operating income	**582**	**(25)**	**557**
Other non-recurring operating income and expenses	(10)		(10)
Profit from operations	**572**	**(25)**	**547**
Financial income	**424**		**424**
Profit before tax	**996**	**(25)**	**971**
Income tax benefit (expense)	(335)	9	(326)
Share in profit from associates	7		7
Profit from continuing operations	**668**	**(16)**	**652**
Profit for the period	**668**	**(16)**	**652**
Attributable to:			
- owners of the parent	650	(16)	634
- non-controlling interests	18		18
Earnings per share attributable to owners of the parent *(in €)*			
Basic earnings per share	1.56	(0.04)	1.52
Diluted earnings per share	1.56	(0.04)	1.52

The impacts on the first-half 2014 consolidated income statement derive from the recognition of the entire annual expense for certain levies for 2014 on the date of the obligating event (generally January 1) instead of progressively over the full year. This mainly concerned French and American levies. The change in recognition date also has an associated tax impact on the first half of 2014.

IFRIC 21 has no impact on other comprehensive income for first-half 2014.

Segment information for first-half 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
Published recurring operating income (loss)	745	202	44	65	1,056	(75)	981	(244)	(155)	582
IFRIC 21 impact	(18)	(5)	(1)	(1)	(25)	-	(25)			(25)
Restated recurring operating income (loss)	**727**	**197**	**43**	**64**	**1,031**	**(75)**	**956**	**(244)**	**(155)**	**557**

c) Impacts at December 31, 2014

Consolidated balance sheet at December 31, 2014

ASSETS

(in € millions)	Dec. 31, 2014 (published)	IFRIC 21 impact	Dec. 31, 2014 (restated)
Non-current assets	**13,358**	**-**	**13,358**
Current assets	**12,775**	**-**	**12,775**
TOTAL ASSETS	**26,133**	**-**	**26,133**

EQUITY AND LIABILITIES

(in € millions)	Dec. 31, 2014 (published)	IFRIC 21 impact	Dec. 31, 2014 (restated)
Equity attributable to owners of the parent	6,253	13	6,266
Non-controlling interests	225		225
Total equity	**6,478**	**13**	**6,491**
Provisions	1,870		1,870
Borrowings subject to specific conditions	713		713
Non-current interest-bearing financial liabilities	1,658		1,658
Deferred tax liabilities	728	7	735
Other non-current financial liabilities	101		101
Non-current liabilities	**5,070**	**7**	**5,077**
Provisions	1,459		1,459
Current interest-bearing financial liabilities	1,507		1,507
Trade and other payables	9,638	(20)	9,618
Tax liabilities	220		220
Current derivatives (negative fair value)	1,636		1,636
Other current financial liabilities	125		125
Current liabilities	**14,585**	**(20)**	**14,565**
TOTAL EQUITY AND LIABILITIES	**26,133**	**-**	**26,133**

Segment information for full-year 2014

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Reported gross operating working capital	(201)	1,137	398	151	1,485	(147)	1,338	-	-	1,338
IFRIC 21 impact	12	5	2	-	19	1	20	-	-	20
Restated gross operating working capital	**(189)**	**1,142**	**400**	**151**	**1,504**	**(146)**	**1,358**	**-**	**-**	**1,358**

Note 4 • Scope of consolidation

Main changes in the scope of consolidation in first-half 2015

Airbus Safran Launchers joint venture (ASL)

On December 3, 2014, following the decisions handed down by the European Space Agency (ESA) on the strategy for the development and production of the new Ariane 6 launcher, Safran and the Airbus group announced that they had signed an agreement to create a 50/50 joint arrangement to be known as Airbus Safran Launchers (ASL). The operation has been organized by the two partners in two successive phases.

The first phase was finalized on January 14, 2015, with ASL operational as from January 2015. During this phase, the joint arrangement took over the management of all existing space launcher programs along with Safran's investments in Europropulsion, Regulus and Arianespace. In exchange, Safran received 50% of the shares issued by ASL, which were recognized within "Investments in equity-accounted companies" for €69 million. The resulting loss of control in these operations and the investments transferred during this first phase led to a revaluation gain of €36 million, included within "Other non-recurring operating income and expenses".

During the second phase, all contracts, assets and industrial resources of the Airbus group and Safran relating to the space launcher business and associated propulsion activities will be transferred to the joint venture. This second phase will be launched and implemented once the Ariane 6 development agreement has been transferred to ASL and all of the legal and financial conditions have been defined by the partners. Once this objective has been met, ASL will be ready to launch the design, development, production and marketing of space launchers and the associated propulsion systems for civil and military applications.

On June 16, 2015, an agreement was reached between ASL and CNES on the contemplated acquisition by ASL of the 34.68% stake held by CNES in Arianespace. Once the project has cleared all requisite employee consultation and regulatory approval procedures, ASL will become a 74% shareholder of Arianespace.

Disposal of shares in Ingenico Group

On May 19, 2015, Morpho sold 5.5% (3.3 million shares) of its interest in Ingenico Group to Bpifrance in an off-market block trade. The transaction was carried out for a price of €109 per share, representing an aggregate sale price of €364 million.

At the same time, Safran mandated a financial institution to sell Morpho's remaining 3.6% stake in Ingenico Group. The sale was hedged by a tunnel, with Morpho to receive the resulting proceeds when the hedging instrument expires in December 2015 at the latest.

A €419 million gain net of tax was recognized in first-half 2015 as a result of the two disposals. This breaks down into the net capital gain made on the sale to Bpifrance and the Group's best estimate of the net capital gain on the sale of the remaining stake, based on the fair value of the hedging instrument at June 30, 2015.

Main changes in the scope of consolidation in 2014

EATON

On May 9, 2014, Safran completed the acquisition of the aerospace power distribution solutions and integrated cockpit solutions business of Eaton Aerospace, a North American supplier positioned in the commercial and military aviation market. The cash consideration for the transaction amounted to €197 million.

The final purchase price accounting can be summarized as follows:

(in € millions)	Provisional allocation	Final allocation
Acquisition cost of shares	**197**	**197**
Fair value of net assets:		
Net assets at acquisition date	21	16
Fair value of technology	29	29
Fair value of customer relationships	57	57
Remeasurement of inventories	1	1
Other property, plant and equipment	3	3
Fair value of identifiable assets acquired and liabilities assumed	**111**	**106**
GOODWILL	**86**	**91**

The finalization of the purchase price accounting in first-half 2015 resulted in a €5 million increase in goodwill compared to end-2014.

The power distribution activities are consolidated within the Labinal Power Systems business (Aircraft Equipment), while the integrated cockpit solutions are consolidated within Sagem (Defense).

The contribution of this business to the Group's performance in the final eight months of 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 during the provisional allocation of the purchase price (€6 million at December 31, 2014).

Acquisition of Sabena Technics' stake in Hydrep

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

This transaction qualifies as a business combination as defined by IFRS 3. It generated €20 million in goodwill along with an €8 million gain on remeasuring the Group's previously held interest, shown in "Other non-recurring operating income and expenses" in 2014.

Hydrep's contribution to the Group's performance in the fourth quarter of 2014 was as follows:

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

Note 5 • Segment information

Segments presented

In accordance with IFRS 8, Operating Segments, segment information reflects Safran's different businesses.

The Group's operating segments reflect the organization of subsidiaries around tier-one entities ("consolidation sub-groups"). These consolidation sub-groups are organized based on the type of products and services they sell. Four operating segments have been identified based on these criteria.

Aerospace Propulsion

The Group designs, develops, produces and markets propulsion systems for commercial aircraft, military transport, training and combat aircraft, rocket engines, civil and military helicopters, tactical missiles and drones. This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

Aircraft Equipment

Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters. The Group is involved in landing gear and brakes, engine systems and associated equipment such as thrust reversers and nacelles, and mechanical power transmission systems. The Group is also present at the different stages of the electrical power generation cycle, associated engineering services, and ventilation systems. Aircraft Equipment also includes maintenance, repair and related services and the sale of spare parts.

Defense

Defense includes all businesses serving naval, land and aviation defense industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defense applications.

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, air surveillance systems), as well as defense equipment and systems.

Security

Safran's global Security businesses include a suite of solutions designed to increase safety and simplify the lives of individuals in their roles as citizens, consumers and employers. They also protect critical infrastructure and ensure travel safety. The Security businesses offer identification solutions based on multibiometric technologies (fingerprint, iris and face recognition) including transaction security and authentication solutions (identity and security solutions), as well as tomographic systems for the detection of dangerous or illicit substances in baggage.

Holding company and other

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

Business segment performance indicators

The segment information presented in the tables on page 7 is identical to that presented to the Chief Executive Officer, who – in accordance with the Group's governance structure – has been designated as the "Chief Operating Decision Maker" for the assessment of the performance of business segments and the allocation of resources between the different businesses.

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

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, section 3.1 of the 2014 Registration Document), except for the restatements made in respect of adjusted data (see Foreword).

Inter-segment sales are performed on an arm's length basis.

Free cash flow represents cash flow from operating activities less any disbursements relating to acquisitions of property, plant and equipment and intangible assets.

Quantified segment information for 2014 and 2015 is presented on pages 7 to 9.

Segment information

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

First-half 2015

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**4,486**	**2,414**	**616**	**885**	**8,401**	**2**	**8,403**	**305**	**-**	**8,708**
Recurring operating income	**944**	**199**	**15**	**66**	**1,224**	**(53)**	**1,171**	**303**	**(131)**	**1,343**
Other non-recurring operating income and expenses	2	8	-	(10)	-	(4)	(4)	-	36	32
Profit from operations	**946**	**207**	**15**	**56**	**1,224**	**(57)**	**1,167**	**303**	**(95)**	**1,375**
Free cash flow	**247**	**(36)**	**25**	**(66)**	**170**	**(74)**	**96**	**-**	**-**	**96**

First-half 2014*

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**3,763**	**2,137**	**584**	**722**	**7,206**	**2**	**7,208**	**(236)**	**-**	**6,972**
Recurring operating income (loss)	**727**	**197**	**43**	**64**	**1,031**	**(75)**	**956**	**(244)**	**(155)**	**557**
Other non-recurring operating income and expenses	(1)	-	2	(4)	(3)	(7)	(10)	-	-	(10)
Profit (loss) from operations	**726**	**197**	**45**	**60**	**1,028**	**(82)**	**946**	**(244)**	**(155)**	**547**
Free cash flow	**142**	**(19)**	**(22)**	**31**	**132**	**(91)**	**41**	**-**	**-**	**41**

* *The data published for first-half 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at June 30, 2014").*

Revenue (adjusted data)

(in € millions)	First-half 2014	First-half 2015
Aerospace Propulsion		
Original equipment and related products and services	1,751	1,872
Services	1,864	2,439
Sales of studies	115	149
Other	33	26
Sub-total	**3,763**	**4,486**
Aircraft Equipment		
Original equipment and related products and services	1,438	1,545
Services	590	690
Sales of studies	91	130
Other	18	49
Sub-total	**2,137**	**2,414**
Defence		
Sales of equipment	379	401
Services	137	152
Sales of studies	66	59
Other	2	4
Sub-total	**584**	**616**
Security		
Sales of equipment	571	700
Services	140	178
Sales of studies	4	5
Other	7	2
Sub-total	**722**	**885**
Holding company and other		
Other	2	2
Sub-total	**2**	**2**
TOTAL	**7,208**	**8,403**

Information by geographic area

First-half 2015

(in € millions)	France	Europe (excluding France)	Americas	Asia & Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	1,802	1,725	3,095	1,144	637	8,403	305	8,708
%	21%	20%	37%	14%	8%			

First-half 2014

(in € millions)	France	Europe (excluding France)	Americas	Asia & Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	1,534	1,580	2,727	835	532	7,208	(236)	6,972
%	21%	22%	38%	12%	7%			

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

Revenue

(in € millions)	First-half 2014	First-half 2015
Original equipment and related products and services	3,066	3,560
Sales of defense and security equipment	941	1,105
Services	2,638	3,602
Sales of studies	267	356
Other	60	85
TOTAL	**6,972**	**8,708**

Other income

(in € millions)	First-half 2014	First-half 2015
Research tax credit [(1)]	73	76
Competitiveness and employment tax credit (CICE)	19	19
Other operating subsidies	38	36
Other operating income	9	10
TOTAL	**139**	**141**

(1) *Of which €7 million in connection with additional research tax credits in respect of 2014, included in 2015 income (€11 million in respect of 2013 included in 2014 income).*

The CICE tax credit is calculated for each calendar year and represented 6% of remuneration paid that is equal to or less than 2.5 times the minimum wage (SMIC). 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)	First-half 2014	First-half 2015
Raw materials, supplies and other	(1,368)	(1,530)
Bought-in goods	(87)	(112)
Changes in inventories	(24)	117
Sub-contracting	(1,624)	(2,054)
Purchases not held in inventory	(207)	(251)
External service expenses	(1,044)	(1,221)
TOTAL	**(4,354)**	**(5,051)**

Personnel costs

(in € millions)	First-half 2014	First-half 2015
Wages and salaries	(1,524)	(1,660)
Social security contributions	(633)	(665)
Statutory employee profit-sharing	(51)	(60)
Optional employee profit-sharing	(71)	(78)
Additional contributions	(32)	(34)
Profit-sharing bonus for employees	(5)	-
Corporate social contribution	(32)	(36)
Other employee costs	(57)	(63)
TOTAL	**(2,405)**	**(2,596)**

The increase in wages and salaries reflects compensation policies, the rise in headcount resulting from new hires recruited by Group companies in response to the growth in business, and to a lesser extent, changes in the scope of consolidation.

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

The profit-sharing bonus scheme was abolished by France's 2015 social security financing act.

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) and employee retirement savings plan (PERCO), pension top-up payments and the profit-sharing bonus.

Depreciation, amortization and increase in provisions, net of use

(in € millions)	First-half 2014	First-half 2015
Net depreciation and amortization expense		
• intangible assets	(213)	(224)
• property, plant and equipment	(168)	(209)
Total net depreciation and amortization expense (1)	**(381)**	**(433)**
Net increase in provisions	**(67)**	**(77)**
DEPRECIATION, AMORTIZATION, AND INCREASE IN PROVISIONS, NET OF USE	**(448)**	**(510)**

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €55 million in first-half 2015 and €74 million in first-half 2014; and on recent acquisitions: €76 million in first-half 2015 and €57 million in first-half 2014).

Asset impairment

	Impairment expense		Reversals	
(in € millions)	First-half 2014	First-half 2015	First-half 2014	First-half 2015
Property, plant and equipment and intangible assets	(5)	(3)	3	5
Financial assets	(3)	-	1	-
Inventories and work-in-progress	(113)	(116)	75	85
Receivables	(37)	(13)	30	19
TOTAL	**(158)**	**(132)**	**109**	**109**

Other recurring operating income and expenses

(in € millions)	First-half 2014	First-half 2015
Capital gains and losses on asset disposals	1	(3)
Royalties, patents and licenses	(7)	(15)
Losses on irrecoverable receivables	(6)	(3)
Other operating income and expenses	(46)	(44)
TOTAL	**(58)**	**(65)**

Other non-recurring operating income and expenses

(in € millions)	First-half 2014	First-half 2015
Gains on remeasuring previously held equity interests	-	36
Other non-recurring items	(10)	(4)
TOTAL	**(10)**	**32**

At June 30, 2015, the revaluation gain relating to the assets transferred on the creation of the Airbus Safran Launchers joint arrangement by Safran and the Airbus group was included within “Other non-recurring operating income and expenses” for €36 million (see Note 4, “Scope of consolidation”).

Following the closure of Aircelle Ltd’s contracted-out pension fund, which was replaced by a defined contribution plan, a curtailment gain was recognized in other non-recurring items for an amount of €12 million. Besides this gain, other non-recurring items chiefly include non-recurring costs related to the restructuring of industrial plants in the Security business (€10 million) and transaction and integration costs incurred in connection with business combinations (€4 million).

In first-half 2014, other non-recurring items chiefly included €6 million in transaction and integration costs arising on business combinations.

Note 7 • Financial income (loss)

(in € millions)	**First-half 2014**	**First-half 2015**
Financial expense on interest-bearing financial liabilities	(40)	(30)
Financial income on cash and cash equivalents	19	20
Cost of net debt	**(21)**	**(10)**
Gain (loss) on foreign currency hedging instruments	206	(2,123)
Foreign exchange gains and losses	254	(260)
Net foreign exchange gains (losses) on provisions	(5)	(62)
Foreign exchange gains (losses)	**455**	**(2,445)**
Gain or loss on interest rate and commodity hedging instruments	14	(11)
Net expenses on disposals of financial assets	-	5
Dividends received	2	3
Interest component of IAS 19 expense	(12)	(9)
Impact of discounting	(26)	6
Other	12	8
Other financial income and expense	**(10)**	**2**
FINANCIAL INCOME (LOSS)	**424**	**(2,453)**
of which financial expense	**(84)**	**(2,495)**
of which financial income	**508**	**42**

In first-half 2015, 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 (1.12 at June 30, 2015 versus 1.21 at December 31, 2014).

Note 8 • Income tax

The Group tax charge is calculated by using the projected annual rates in each of the Group's tax jurisdictions, adjusted for the main permanent differences identified.

Tax income in first-half 2015 amounts to €494 million and includes current tax expense of €235 million and deferred tax income of €729 million.

The deferred tax income is chiefly the result of the change in fair value of foreign currency instruments hedging future cash flows, for which a negative €2,123 million was recognized in "Financial income (loss)" in first-half 2015, versus a positive €206 million in first-half 2014.

Note 9 • Earnings per share

	Index	June 30, 2014*	June 30, 2015
Numerator *(in € millions)*			
Profit (loss) for the period attributable to owners of the parent	(a)	634	(193)
Denominator (*in shares)*			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	701,604	648,904
Number of shares excluding treasury shares	(d)=(b-c)	416,327,981	416,380,681
Weighted average number of shares (excluding treasury shares)	(d)	416,440,876	416,432,773
Potentially dilutive ordinary shares:			
Weighted average number of shares after dilution	(f)=(d'+e)	416,440,876	416,432,773
Ratio: earnings per share *(in €)*			
Basic earnings (loss) per share	(g)=(a*1 million)/(d')	1.52	(0.46)
Diluted earnings (loss) per share	(h)=(a*1 million)/(f)	1.52	(0.46)

* *The data published for June 30, 2014 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRIC 21, Levies (see Note 3.b, "Impacts at June 30, 2014").*

Note 10 • Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2014 Net	Changes in scope of consolidation	CGU combinations	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	June 30, 2015 Net
Snecma – Aircraft engines	405	-	-	-	-	-	405
Turbomeca (incl. Microturbo) – Helicopter engines	306	-	-	-	-	-	306
Techspace Aero – Aircraft engine components	47	-	-	-	-	-	47
Herakles – Aerospace and strategic propulsion	202	(16)	-	-	-	-	186
Other	1	-	-	-	-	-	1
Total Propulsion	**961**	**(16)**	**-**	**-**	**-**	**-**	**945**
Aircelle – Nacelles and aerostructures	213	-	-	-	-	-	213
Safran Engineering Services – Engineering	78	-	-	-	-	-	78
Messier-Bugatti-Dowty (incl. Sofrance) – Landing and braking systems	188	-	-	-	-	-	188
Technofan – Ventilation systems	10	-	-	-	-	-	10
Labinal Power Systems – Electrical systems	464	9	-	-	2	26	501
Total Aircraft Equipment	**953**	**9**	**-**	**-**	**2**	**26**	**990**
Sagem – Defense	123	-	-	-	3	10	136
Total Defense	**123**	**-**	**-**	**-**	**3**	**10**	**136**
Morpho – Identification	986	-	(986)	-	-	-	-
Morpho – Business Solutions	65	-	(65)	-	-	-	-
Morpho – Detection	332	-	-	-	-	28	360
Morpho – Identity and Security Solutions	-	-	1,051	-	-	72	1,123
Total Security	**1,383**	**-**	**-**	**-**	**-**	**100**	**1,483**
TOTAL	**3,420**	**(7)**	**-**	**-**	**5**	**136**	**3,554**

Goodwill relating to joint ventures is now included within investments in equity-accounted companies (see Note 14, "Investments in equity-accounted companies").

Movements in the period

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

- the reorganization of the Group's identification (identity solutions, biometric equipment and biometric enrollment services), transaction security and corporate identity security operations, which have been brought together within a single unit of expertise, "identity and security solutions". This new CGU results from the aggregation of the "identification" and "enterprise solutions" CGUs. The reorganization responds to the security market's shift towards digital and mobility solutions, which has led to the growing interdependence of technologies, markets and organizational structures;
- the transfer of Regulus to Airbus Safran Launchers, a Safran-Airbus group joint arrangement (see Note 4, "Scope of consolidation"), which resulted in a €16 million reduction in goodwill relating to the "Herakles" CGU;
- the first-time consolidation of Aerosource Inc. specialized in the maintenance and repair of electrical equipment, which led to a €9 million increase in goodwill relating to the "Labinal Power Systems" CGU;
- the final allocation of the purchase price of Eaton Aerospace's power distribution solutions and integrated cockpit solutions businesses, adding €2 million to the Labinal Power Systems CGU goodwill and €3 million to the Sagem CGU goodwill (see Note 4, "Scope of consolidation").

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 presented above by comparing their value in use with their carrying amount.

The main assumptions used in determining the value in use of cash-generating units are described below:

- expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at 10 years but may be extended for businesses with longer development and production cycles;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions. These forecasts and assumptions are based on the Group's medium-term plan for the next four years, while forecasts and assumptions beyond this period are based on its long-term plan;
- the value in use of CGUs is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year in the long-term plan;
- the average USD exchange rate adopted is 1.23 for years 2015 to 2018 and 1.35 thereafter (2014: 1.25 for years 2014 to 2017 and 1.35 thereafter). These exchange rate assumptions were used for forecasting during the first half of the year, and take into account the foreign currency hedging portfolio (see Note 21, "Management of market risks and derivatives");
- the growth rate used to calculate terminal value was set at 1.5% for the Defense CGU (unchanged from 2014) and at 2% for Aerospace Propulsion, Security and Aircraft Equipment CGUs (unchanged from 2014);
- the benchmark post-tax discount rate used is 7.5% (unchanged from 2014) and is applied to post-tax cash flows. However, a post-tax discount rate of 8.5% is used for the Security CGUs (unchanged from 2014).

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized as a result of the annual impairment tests in 2014.

A sensitivity analysis was carried out in respect of the Group's main goodwill balances, by introducing the following changes to the main assumptions:

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

In 2015 as in 2014, the above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances.

Note 11 • Intangible assets

Intangible assets break down as follows:

	Dec. 31, 2014			June 30, 2015		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs [(1)]	3,103	(1,841)	1,262	2,408	(1,221)	1,187
Development expenditures	3,241	(574)	2,667	3,491	(625)	2,866
Commercial agreements and concessions	587	(200)	387	718	(212)	506
Software	520	(406)	114	546	(434)	112
Brands	147	(14)	133	147	(14)	133
Commercial relationships	752	(329)	423	803	(393)	410
Technology	406	(153)	253	432	(184)	248
Other	384	(87)	297	483	(93)	390
TOTAL	**9,140**	**(3,604)**	**5,536**	**9,028**	**(3,176)**	**5,852**

(1) Including €1,975 million remeasured to fair value in the context of the Sagem-Snecma merger in 2005 (€2,670 million at December 31, 2014), and €433 million remeasured to fair value in connection with the acquisition of the RTM322 business (helicopter turbines).

The €695 million decrease in gross value and change in cumulative amortization of aircraft programs in first-half 2015 marks the end of the amortization period for programs that were remeasured in the context of the Sagem-Snecma merger.

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, 2014	**9,140**	**(3,604)**	**5,536**
Capitalization of R&D expenditure [(1)]	259	-	259
Capitalization of other intangible assets	99	-	99
Acquisitions of other intangible assets	151	-	151
Disposals and retirements	(1)	-	(1)
Amortization	-	(224)	(224)
Impairment losses recognized in profit or loss	-	(2)	(2)
Reclassifications	(728)	702	(26)
Foreign exchange differences	108	(48)	60
At June 30, 2015	**9,028**	**(3,176)**	**5,852**

(1) Including €16 million in capitalized interest in first-half 2015 (€19 million in first-half 2014).

Research and development expenditure recognized in recurring operating income for the period totaled €483 million including amortization (€393 million in first-half 2014).

Amortization was recognized in respect of revalued assets for €131 million, breaking down into the allocation of the cost of the Snecma group business combination for €55 million (down €17 million on first-half 2014 following the end of the amortization period for one of the main remeasured aircraft programs) and other recent acquisitions for €76 million.

No impairment losses were recognized as a result of the impairment tests carried out in first-half 2015 or first-half 2014.

Note 12 • Property, plant and equipment

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2014 Gross	Dec. 31, 2014 Depreciation/ impairment	Dec. 31, 2014 Net	June 30, 2015 Gross	June 30, 2015 Depreciation/ impairment	June 30, 2015 Net
Land	237	-	237	249	-	249
Buildings	1,564	(756)	808	1,629	(789)	840
Technical facilities, equipment and tooling	4,379	(3,131)	1,248	4,591	(3,268)	1,323
Assets in progress, advances	539	(2)	537	661	(1)	660
Site development and preparation costs	58	(34)	24	56	(36)	20
Buildings on land owned by third parties	73	(42)	31	80	(48)	32
Computer hardware and other equipment	449	(406)	43	471	(424)	47
TOTAL	**7,299**	**(4,371)**	**2,928**	**7,737**	**(4,566)**	**3,171**

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2014	**7,299**	**(4,371)**	**2,928**
Internally produced assets	102	-	102
Additions [(1)]	255	-	255
Disposals and retirements	(102)	77	(25)
Depreciation	-	(209)	(209)
Impairment losses recognized in profit or loss	-	12	12
Reclassifications	24	1	25
Changes in scope of consolidation	33	(5)	28
Foreign exchange differences	126	(71)	55
At June 30, 2015	**7,737**	**(4,566)**	**3,171**

(1) Including €23 million in assets held under finance leases.

Note 13 • Current and non-current financial assets

Financial assets include:

	Dec. 31, 2014			June 30, 2015		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments [(1)]	546	(213)	333	466	(184)	282
Other financial assets [(2)]	438	(104)	334	671	(93)	578
TOTAL	**984**	**(317)**	**667**	**1,137**	**(277)**	**860**

(1) Of which listed securities for €57 million at June 30, 2015 (Embraer) and €70 million at end-December 2014 (Embraer and Myriad), classified in Level 1 of the IFRS 13 fair value hierarchy (as at December 31, 2014).
(2) Of which a net receivable of €37 million at June 30, 2015 in respect of warranties received in connection with the SME acquisition (see Note 23.b).

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

At June 30, 2015, the Group no longer held any Myriad shares.

The Group reviewed the value of each of its available-for-sale investments in order to determine whether any impairment loss needed to be recognized based on available information and the current market climate.

Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2014	June 30, 2015
Loans to non-consolidated companies	224	214
Loans to employees	30	30
Deposits and guarantees	8	9
Loans linked to sales financing	11	30
Other	61	295
TOTAL	**334**	**578**
non-current	**113**	**94**
current	**221**	**484**

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

The table below shows movements during the period in other financial assets:

(in € millions)	
At December 31, 2014	**334**
Increase	289
Decrease	(14)
Impairment (reversals/additions)	2
Translation adjustments	1
Reclassifications	(33)
Changes in scope of consolidation	(1)
At June 30, 2015	**578**

The increase in other financial assets at June 30, 2015 is mainly due to the €239 million receivable from a financial institution that resulted from the disposal of the 3.6% residual interest in Ingenico Group (see Note 4).

The fair value of other financial assets is close to their carrying amount.

Note 14 • Investments in equity-accounted companies

The Group's share in the net equity of equity-accounted companies breaks down as follows:

(in € millions)	Dec. 31, 2014	June 30, 2015
Associates (Ingenico Group)	153	-
Joint ventures	618	727
TOTAL	**771**	**727**

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

(in € millions)	
At December 31, 2014	**771**
Share in profit from joint ventures	16
Share in profit from associates	4
Dividends received from joint ventures and associates	(36)
Changes in scope of consolidation	(99)
Foreign exchange differences	46
Other movements	25
At June 30, 2015	**727**

The two main changes to the scope of consolidation related to investments in equity-accounted companies are the disposal of the Group's interest in Ingenico Group, and the first-time consolidation of Airbus Safran Launchers.

There were no off-balance commitments relating to the Group's joint ventures and associates at either June 30, 2015 or December 31, 2014.

a) Associates (Ingenico Group)

The Group disposed of its entire interest in Ingenico Group in first-half 2015 (see Note 4).

Ingenico Group's contribution to Safran's consolidated comprehensive income before the disposal was as follows:

(in € millions)	First-half 2014	First-half 2015
Profit from continuing operations	7	4
Other comprehensive income (expense)	(2)	1
TOTAL COMPREHENSIVE INCOME	**5**	**5**

b) Joint ventures

The Group has interests in the following joint ventures which are accounted for using the equity method:

- Shannon Engine Support Ltd: leasing of CFM56 engines, modules, equipment and tooling to airline companies;
- ULIS: manufacture of uncooled infrared detectors;
- SOFRADIR: manufacture of cooled infrared detectors;
- SEMMB: manufacture of ejectable seating;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts;

- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;
- EIMASS: identification;
- SAIFEI: electrical wiring;
- Airbus Safran Launchers.

The contribution of these joint ventures to the Group's comprehensive income in first-half 2015 was as follows:

(in € millions)	First-half 2014	First-half 2015
Profit from continuing operations	18	16
Other comprehensive income	3	28
TOTAL COMPREHENSIVE INCOME	**21**	**44**

Note 15 • Cash and cash equivalents

Cash and cash equivalents break down as follows at June 30, 2015:

(in € millions)	Dec. 31 2014	June 30, 2015
Money-market funds	22	13
Short-term investments	795	812
Sight deposits	816	964
TOTAL	**1,633**	**1,789**

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

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2014	**1,633**
Movements during the period	144
Foreign exchange differences	12
At June 30, 2015	**1,789**

Note 16 • Consolidated shareholders' equity

a) Share capital

At June 30, 2015, the share capital of Safran was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20.

Safran's equity does not include any equity instruments issued other than its shares.

b) Breakdown of share capital and voting rights

Changes in the breakdown of share capital and voting rights are as follows:

December 31, 2014

Shareholders	Number of shares	% share capital	Number of voting rights *	% voting rights *
Private investors	264,821,713	63.50%	270,605,602	52.73%
French State	91,693,131	21.99%	130,693,131	25.47%
Current and former employee shareholders	59,911,414	14.37%	111,926,730	21.80%
Treasury shares	603,327	0.14%	-	-
TOTAL	**417,029,585**	**100.00%**	**513,225,463**	**100.00%**

* *Exercisable voting rights.*

June 30, 2015

Shareholders	Number of shares	% share capital	Number of voting rights *	% voting rights *
Private investors	283,361,558	67.95%	289,152,398	56.54%
French State	75,193,131	18.03%	114,193,131	22.33%
Current and former employee shareholders	57,825,992	13.86%	108,110,263	21.13%
Treasury shares	648,904	0.16%	-	-
TOTAL	**417,029,585**	**100.00%**	**511,455,792**	**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 648,904 treasury shares have no voting rights.

On March 3, 2015, the French State finalized the sale of a 3.96% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. At June 30, 2015, the French State held 18.03% of Safran's share capital.

Treasury shares

Since December 31, 2014, the number of treasury shares has increased following the Group's net purchase of 45,577 of its own shares in connection with its liquidity agreement.

On May 31, 2012, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations. In 2012, the Group signed a liquidity agreement with Oddo aimed at enhancing the liquidity for the market in Safran shares. A total of €10 million was assigned to this agreement.

This authorization was renewed by the Shareholders' Meeting of April 23, 2015.

Pursuant to these authorizations and the liquidity agreement, in first-half 2015 the Company purchased 1,326,876 shares for €82 million, and sold 1,281,299 shares for €78 million.

At June 30, 2015, 130,300 shares were held in connection with the liquidity agreement.

c) Equity

Movements in equity are as follows:

(€m)	
Equity attributable to owners of the parent prior to profit at December 31, 2014 *	**6,392**
Appropriation of 2014 profit	(126)
Payment of the outstanding dividend for 2014	(267)
Change in translation adjustment and net investment hedges	224
Current taxes on net investment hedges recognized in equity	25
Change in actuarial gains and losses on post-employment benefits	52
Deferred taxes on changes in actuarial gains and losses recognized in equity	(15)
Delivery and sale of treasury shares	(3)
Available-for-sale financial assets	(11)
Other	25
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT PRIOR TO PROFIT AT JUNE 30, 2015	**6,296**

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

d) Dividend distribution

A dividend payout of €1.20 per share was approved in respect of 2014 and partially paid in that year in the form of an interim dividend of €0.56 per share, representing a total of €233 million. The remaining €0.64 dividend per share was paid in first-half 2015, representing a total of €267 million.

Note 17 • Provisions

Provisions break down as follows:

(in € millions)	Dec. 31, 2014	Additions	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus	Changes in scope of consolidation	Other	June 30, 2015
Performance warranties	765	154	(69)	-	(67)	-	7	790
Financial guarantees	24	4	-	-	(13)	-	8	23
Services to be rendered	734	306	(191)	-	(15)	-	7	841
Post-employment benefits	918	38	(44)	-	(12)	-	(37)	863
Sales agreements and long-term receivables	173	19	(8)	-	(5)	2	(21)	160
Provisions for losses on completion and losses arising on delivery commitments	404	177	(53)	(38)	(65)	3	1	429
Disputes and litigation	31	12	(3)	-	(4)	-	(2)	34
Other [1]	280	56	(32)	-	(16)	(1)	28	315
TOTAL	**3,329**	**766**	**(400)**	**(38)**	**(197)**	**4**	**(9)**	**3,455**
Non-current	**1,870**							**2,107**
Current	**1,459**							**1,348**

(1) Of which a provision of €76 million (December 31, 2014: €79 million) for environmental liabilities and contingent liabilities subject to a specific guarantee granted by SNPE to Safran in connection with the acquisition of SME and its subsidiaries (see Note 23, "Off-balance sheet commitments and contingent liabilities").

(in € millions)	June 30, 2015
Net amount recognized in profit from operations [1]	77
Net amount recognized in financial income (loss)	54
TOTAL NET AMOUNT RECOGNIZED	**131**

(1) Including €77 million recognized in recurring operating items (see Note 6, "Breakdown of the main components of profit from operations").

The Group makes a number of reclassifications when provisions initially recognized in liabilities – namely provisions for losses on completion and for losses arising on delivery commitments – are subsequently recognized in assets, for example writedowns of inventories and work-in-progress.

Note 18 • 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, 2014	**713**
New advances received	7
Advances repaid	(18)
Cost of borrowings and discounting	14
Foreign exchange differences	1
At June 30, 2015	**717**

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 19 • Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities:

(in € millions)	Dec. 31, 2014	June 30, 2015
Bond issue	214	207
Senior unsecured notes in USD	999	1,081
Finance lease liabilities	143	153
Other long-term borrowings	302	292
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**1,658**	**1,733**
Finance lease liabilities	19	21
Other long-term borrowings	347	226
Accrued interest not yet due	12	11
Current interest-bearing financial liabilities, long-term at inception	**378**	**258**
Commercial paper	946	1,054
Short-term bank facilities and equivalent	183	262
Current interest-bearing financial liabilities, short-term at inception	**1,129**	**1,316**
Total current interest-bearing financial liabilities (less than 1 year)	**1,507**	**1,574**
TOTAL INTEREST-BEARING FINANCIAL LIABILITIES (1)	**3,165**	**3,307**

(1) The fair value of interest-bearing financial liabilities amounts to €3,326 million (€3,184 million at December 31, 2014).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2014	**3,165**
Increase in borrowings (1)	23
Decrease in borrowings	(34)
Change in short-term borrowings	68
Foreign exchange differences	85
At June 30, 2015	**3,307**

(1) Including €23 million in finance lease liabilities.

Analysis by maturity:

(in € millions)	Dec. 31, 2014	June 30, 2015
Maturing in:		
1 year or less	1,507	1,574
More than 1 year and less than 5 years	469	478
Beyond 5 years	1,189	1,255
TOTAL	**3,165**	**3,307**

Analysis by currency:

	Dec. 31, 2014		June 30, 2015	
(in millions of currency units)	currency	EUR	currency	EUR
EUR	2,001	2,001	1,971	1,971
USD	1,386	1,142	1,490	1,332
CAD	-	-	1	1
Other	N/A	22	N/A	3
TOTAL		**3,165**		**3,307**

Analysis by type of interest rate (fixed/floating):

- before hedging:

	Total		Non-current				Current			
	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014		June 30, 2015		Dec. 31, 2014		June 30, 2015	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,320	1,473	1,264	4.06%	1,334	4.06%	56	1.35%	139	0.44%
Floating rate	1,845	1,834	394	1.25%	399	0.95%	1,451	0.64%	1,435	0.23%
TOTAL	**3,165**	**3,307**	**1,658**	**3.39%**	**1,733**	**3.34%**	**1,507**	**0.67%**	**1,574**	**0.25%**

- after hedging:

	Total		Non-current				Current			
	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014		June 30, 2015		Dec. 31, 2014		June 30, 2015	
(in € millions)	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	235	324	179	3.92%	185	3.89%	56	1.35%	139	0.44%
Floating rate	2,930	2,983	1,479	1.88%	1,548	1.85%	1,451	0.64%	1,435	0.23%
TOTAL	**3,165**	**3,307**	**1,658**	**2.10%**	**1,733**	**2.07%**	**1,507**	**0.67%**	**1,574**	**0.25%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2014	June 30, 2015
Cash and cash equivalents (A)	1,633	1,789
Interest-bearing financial liabilities (B)	3,165	3,307
Fair value of interest rate derivatives hedging borrowings (C)	29	19
TOTAL (A) - (B) + (C)	**(1,503)**	**(1,499)**

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 €84 million on the Group's net debt at June 30, 2015.

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2014 *	June 30, 2015
Net debt	(1,503)	(1,499)
Total equity	6,491	6,357
GEARING RATIO	**23.16%**	**23.58%**

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

Main long-term borrowings at inception

- On February 9, 2012, Safran issued USD 1.2 billion in senior unsecured notes on the US private placement market, which included:
  - USD 155 million of 7-year notes due February 2019 at a 3.70% fixed-rate coupon (tranche A);
  - USD 540 million of 10-year notes due February 2022 at a 4.28% fixed-rate coupon (tranche B);
  - USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon (tranche C).

A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.

The issue's initial fixed-rate interest came out at 2.49% in 2015 after taking account of interest rate derivatives.

- Safran ten-year bonds: €200 million issued to French investors on April 11, 2014 and maturing on April 11, 2024. The interest rate on these bonds was hedged by a floating rate swap on 3-month Euribor. The issue's initial fixed-rate interest came out at 1.51% in 2015 after taking account of interest rate derivatives.
- European Investment Bank (EIB) borrowings: €225 million (€225 million at December 31, 2014). These borrowings bear floating-rate interest indexed to 3-month Euribor plus 0.73% and are repayable in equal yearly installments between December 17, 2013 and December 17, 2020.
- Employee savings financing under the Group employee savings plan: €283 million (€417 million at December 31, 2014). The maximum maturity is five years and the amount falling due within one year is €184 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 1.15% for 2015 and 1.87% for 2014.

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

Main short-term borrowings

- Commercial paper: €1,054 million (€946 million at December 31, 2014). This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.
- Financial current accounts with subsidiaries: €128 million (€126 million at December 31, 2014). Interest is indexed to Euribor.

Other short-term borrowings are not material taken individually.

Sale of receivables without recourse

Net debt at both June 30, 2015 and December 31, 2014 does not include assigned trade receivables without recourse (two of which matured in first-half 2015 and were not renewed).

CFM Inc.

- Confirmed USD 200 million facility granted by General Electric Capital Corp., which expired during the first half of 2015. At December 31, 2014, an amount of USD 160 million (USD 80 million at 50%) had been drawn on this facility;
- Confirmed 364-day facility for USD 1,650 million, renewed in December 2014 by a syndicate of ten banks led by Royal Bank of Scotland and which was increased temporarily to USD 1,754 million between June and August 2015 due to CFM's business growth, on which USD 1,754 million (USD 877 million at 50%) had been drawn at June 30, 2015, versus USD 1,126 million (USD 563 million at 50%) at December 31, 2014.

CFM SA

- The USD facility granted by Medio Credito (Intesa San Paolo group) for an equivalent amount of €110 million expired in early 2015. At December 31, 2014, a total of USD 70 million (USD 35 million at 50%) had been drawn on this facility.

Note 20 • Other current and non-current financial liabilities

(in € millions)	Dec. 31, 2014	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	June 30, 2015
Payables on purchases of property, plant and equipment and intangible assets	188	(41)	3	1	-	151
Payables on purchases of investments	38	(4)	-	-	(23)	11
TOTAL	**226**	**(45)**	**3**	**1**	**(23)**	**162**
non-current	**101**					**64**
current	**125**					**98**

Note 21 • Management of market risks and derivatives

The main market risks to which the Group is exposed are foreign currency risk, interest rate risk, listed commodity price risk, counterparty risk and liquidity risk.

The carrying amount of derivatives used to manage market risks is shown below:

	Dec. 31, 2014		June 30, 2015	
(in € millions)	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	**29**	**-**	**19**	**-**
Fixed-for-floating interest rate swaps	29	-	19	-
Foreign currency risk management	**375**	**(1,616)**	**625**	**(3,922)**
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	163	(364)	218	(878)
Currency option contracts	212	(1,252)	407	(3,044)
Commodity risk management	**2**	**(20)**	**-**	**(31)**
Forward purchases of commodities	2	(20)	-	(31)
TOTAL	**406**	**(1,636)**	**644**	**(3,953)**

All derivatives are categorized within level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2014).

Credit Valuation Adjustment (CVA) and Debt Valuation Adjustment (DVA) are taken into account when measuring the fair value of derivatives.

Foreign currency risk management

Most 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 3.45 billion in first-half 2015 (USD 3.10 billion in first-half 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 an unfavorable monetary environment.

Hedging policy

The Group's foreign currency risk management policy is described in Note 27, section 3.1 of the 2014 Registration Document.

Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2014				June 30, 2015			
(in millions of currency units)	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years
Forward exchange contracts	**(201)**				**(660)**			
Short USD position	(307)	9,036	7,054	1,982	(754)	9,221	8,971	250
Of which against EUR	*(306)*	*8,457*	*6,675*	*1,782*	*(758)*	*8,791*	*8,691*	*100*
Long USD position	70	(917)	(667)	(250)	39	(310)	(150)	(160)
Of which against EUR	*48*	*(497)*	*(297)*	*(200)*	*33*	*(200)*	*(100)*	*(100)*
Short CAD position against CHF	3	36	36	-	4	30	30	-
Short EUR position against GBP	48	550	200	350	78	400	150	250
Short EUR position against CAD	27	240	-	240	33	240	80	160
Long EUR position against CHF	1	(11)	(11)	-	-	(6)	(6)	-
Long EUR position against SGD	(18)	(280)	(280)	-	(18)	(140)	(140)	-
Long PLN position against EUR	1	(255)	(85)	(170)	2	(284)	(85)	(199)
Long MXN position against USD	(26)	(6,900)	(2,300)	(4,600)	(44)	(7,800)	(2,400)	(5,400)
Currency option contracts	**(1,040)**				**(2,637)**			
USD put purchased	179	12,400	5,900	6,500	133	12,600	6,600	6,000
USD put sold	15	(1,800)	(1,800)	-	22	(2,000)	(500)	(1,500)
USD call sold	(1,001)	28,350	12,350	16,000	(2,370)	31,800	16,075	15,725
USD call purchased	6	(3,600)	(3,600)	-	229	(6,225)	(3,225)	(3,000)
EUR put purchased	3	280	280	-	-	-	-	-
EUR call sold	(3)	560	560	-	-	-	-	-
SGD call purchased	-	-	-	-	2	(238)	(238)	-
SGD put sold	-	-	-	-	(1)	(476)	(476)	-
Accumulators – sell USD (2)	(198)	6,434	6,434	-	(506)	5,980	5,980	-
Accumulators – buy USD (2)	(41)	(503)	(503)	-	(146)	(3,074)	(253)	(2,821)
TOTAL	**(1,241)**				**(3,297)**			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.
(2) Notional amounts for accumulators represent the maximum cumulative amount until the instrument is unwound.

The €2,056 million decrease in fair value between December 31, 2014 and June 30, 2015 reflects a €2,138 million decrease in the fair value of currency hedging instruments not yet settled at June 30, 2015 and a positive €82 million impact from premiums paid.

In view of the accounting constraints resulting from the application of IAS 39, the Group decided not to apply hedge accounting and to recognize all changes in the fair value of its derivatives in “Financial income (loss)”. Accordingly, the €2,138 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 €2,123 million was recognized in “Gain or loss on foreign currency hedging instruments” for derivatives hedging revenue net of future purchases; a loss of €29 million was recognized in “Foreign exchange gains and losses” for derivatives hedging balance sheet positions; and a gain of €14 million was recognized in the same caption for premiums matured during the period.

In order to reflect the economic effects of its currency hedging policy, the Group also prepares adjusted financial statements in which gains or losses on the hedging instruments are presented for the same periods as the gains or losses on the items hedged (see Foreword).

Interest rate risk management

The Group's interest rate risk management policy is described in Note 27, section 3.1 of the 2014 Registration Document.

Exposure to euro interest rate risk

An interest rate swap was taken out to convert the fixed rate payable on the new €200 million bond issue carried out in first-half 2014 and maturing in April 2024 to a floating rate.

These swaps are eligible for fair value hedge accounting.

	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	14	200	-	-	200	8	200	-	-	200
TOTAL	**14**					**8**				

Exposure to USD interest rate risk

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market (USPP) has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate.

These swaps are eligible for fair value hedge accounting.

	Dec. 31, 2014									
(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	15	1,045	-	-	1,045	11	1,045	-	-	1,045
Floating-for-fixed – fair value hedge	-	-	-	-	-	-	-	-	-	-
TOTAL	**15**					**11**				

Management of commodity risk

The Group's commodity risk management policy is described in Note 27, section 3.1 of the 2014 Registration Document.

The negative fair value of derivatives (forward purchases on the LME) was €31 million at June 30, 2015 compared to 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)".

Note 22 • 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 2014 or 2015, 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)	First-half 2014	First-half 2015
Sales to related parties other than joint ventures	1,725	1,628
Purchases from related parties other than joint ventures	(61)	(54)

(in € millions)	Dec. 31, 2014	June 30, 2015
Amounts receivable from related parties other than joint ventures	1,865	1,669
Amounts payable to related parties other than joint ventures	1,470	1,414

(in € millions)	Dec. 31, 2014	June 30, 2015
Guarantees granted to related parties other than joint ventures (off-balance sheet commitments) (1)	1,815	1,975

(1) See Note 23.a, "Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities".

Transactions with related parties other than joint ventures primarily concern the delivery of aviation products to Airbus and the French Directorate General of Weapons Procurement.

The following transactions were carried out with joint ventures:

(in € millions)	First-half 2014	First-half 2015
Sales to joint ventures	85	181
Purchases from joint ventures	(39)	(41)

(in € millions)	Dec. 31, 2014	June 30, 2015
Amounts receivable from joint ventures	51	95
Amounts payable to joint ventures	247	355

(in € millions)	Dec. 31, 2014	June 30, 2015
Guarantees granted to joint ventures (off-balance sheet commitments) (1)	-	-

(1) See Note 14, "Investments in equity-accounted companies".

Note 23 • Off-balance sheet commitments and contingent liabilities

a) Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities

Commitments given and contingent liabilities

The Group granted the following commitments in connection with its operating activities:

(in € millions)	Dec. 31, 2014	June 30, 2015
Purchase commitments on intangible assets	367	382
Purchase commitments on property, plant and equipment	289	289
Guarantees given in connection with the performance of operating agreements	3,275	3,668
Operating lease commitments	385	404
Financial guarantees granted on the sale of Group products	43	36
Other commitments given	247	250
TOTAL	**4,606**	**5,029**

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 22, "Related parties".

Operating lease commitments

Commitments under operating leases can be analyzed as follows:

	Dec. 31, 2014	June 30, 2015	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	385	404	70	220	114
TOTAL	**385**	**404**	**70**	**220**	**114**

Financial guarantees granted on the sale of Group products

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

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 40 million at June 30, 2015 and USD 52 million at December 31, 2014. However, these amounts do not reflect the actual risk to which Safran is exposed. In view of the value of the underlying assets pledged as security, the net exposure represents USD 35 million at June 30, 2015 (USD 35 million at December 31, 2014), for which a provision is booked in the financial statements (see Note 17, "Provisions").

Financing commitments granted in principle to clients alongside aircraft manufacturers in connection with certain civil engine sales campaigns form part of financing packages proposed by aircraft manufacturers to airline companies and generally correspond to the share represented by Group engines in the financing of the aircraft concerned. These commitments are not included in the gross exposure since i) the probability that they will be called by the airline companies is too uncertain because the deliveries are too far in the future, and ii) in the past, few commitments have been called due to their dissuasive conditions and to the fact that they represent a "last recourse" after the active banking, credit insurance and investor markets.

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation requests for late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the statutory performance warranties provisioned or included within contract costs (see Note 2.b, “Provisions”, and Note 17, “Provisions”). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized.

In the absence of an agreement between the parties, certain of these claims may give rise to litigation, the most significant of which is indicated in Note 24, “Disputes and litigation”.

Commitments received

The Group was granted the following commitments in connection with its operating activities:

(in € millions)	Dec. 31, 2014	June 30, 2015
Commitments received from banks on behalf of suppliers	16	13
Completion warranties	32	29
Endorsements and guarantees received	52	59
Other commitments received	7	8
TOTAL	**107**	**109**

b) Off-balance sheet commitments and contingent liabilities relating to the Group’s scope of consolidation

Vendor warranties are given or received on the acquisition or sale of companies.

Vendor warranties given

(in € millions)	Dec. 31, 2014	June 30, 2015
Vendor warranties given (1)	5	5

(1) Vendor warranties, the amount of which may be fixed or determinable.

Vendor warranties received

(in € millions)	Dec. 31, 2014	June 30, 2015
Vendor warranties received (1)	38	42

(1) Vendor warranties received at June 30, 2015 do not include those received from SNPE in connection with the SME acquisition, which are described below.

Warranties received from SNPE

Under the terms of the SME share transfer agreement, SNPE granted Safran a specific warranty for a period of 30 to 40 years concerning environmental liabilities due to past operations at eight sites. This warranty is capped at €240 million for 15 years and at €200 million thereafter. Safran is liable for 10% of the costs. The agreement provides for specific warranty sublimits totaling €91 million for cleanup during operations, including €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. Safran will be liable for 10% of the cleanup costs and 50% of the Perchlorate Plan costs. The plan was jointly drawn up by Safran and SNPE within 18 months of the acquisition date in order to define, reduce and/or restrict the sources of ammonium perchlorate pollution, and must be executed over a period of five years. These warranties granted by SNPE to Safran are counter-guaranteed by the French State for €216 million. When preparing the opening balance sheet and calculating goodwill, environmental studies were conducted in order to assess these environmental liabilities and contingent environmental liabilities as well as the abovementioned warranties.

The share transfer agreement also provides for other warranties granted by the seller which are capped at €25 million and have time limits of three to ten years depending on their nature.

The environmental warranty given to Safran by SNPE is called upon on an ongoing basis in proportion to the costs effectively incurred to treat pollution resulting from past operations.

At June 30, 2015, no other such warranties had been called, and no provisions were therefore recognized in this respect in the Group’s consolidated financial statements.

c) Off-balance sheet commitments and contingent liabilities relating to the Group's financing

Commitments granted in respect of financing relate to:

- the unused portion, where applicable, of the assigned trade receivables (see Note 19, "Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit lines.

Note 24 • 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 disputes and litigations 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. 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. In its judgment handed down on March 25, 2015, the Toulouse Criminal Court sentenced Herakles to pay a fine of €50,000 and to donate €2,000 to each association. The proceedings are now terminated.

  The urban community of Bordeaux (*Communauté Urbaine de Bordeaux* – CUB) served Herakles with a writ of summons for summary proceedings before the Paris Large Claims Court (Tribunal de Grande Instance). In an order handed down on May 3, 2012, a legal expert was appointed in order to determine the original cause and impact of the perchlorate-contaminated drinking water supply. At the time of the forensic work the urban community of Bordeaux, which owns the water supply source, estimated its claim for damages at approximately €1 million. Lyonnaise des Eaux, holder of the concession, has filed for damages of around €2 million. The expert report is planned for release in July 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 23, "Off-balance sheet commitments and contingent liabilities").
- At the end of 2002, a group of French manufacturers, including the former Snecma group, was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers 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.
- On April 2, 2014, Safran was fined by the European Commission following 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 was also fined, filed a claim with Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Based on the European Commission's decision, legal claims for reimbursement for overcharging have already been filed by certain purchasers of the cable supplied by the companies fined by the Commission. Safran is jointly and severally liable along with other suppliers in one such dispute and its liability could be sought in connection with other litigation in Europe. At the date of this report, the Group is unable to evaluate the potential associated financial risk and has not recognized a provision in this respect in its financial statements.

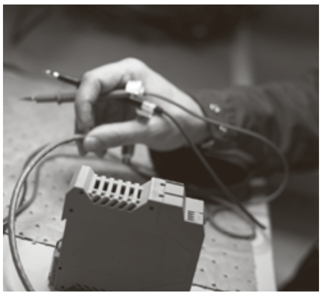
Tax litigation and contingencies

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expenses between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007 before the tax authorities who rejected this claim on June 24, 2011. Safran filed a statement of claim with the Administrative Court. In a ruling handed down on July 4, 2013, the Montreuil Administrative Court ruled partially in Safran's favor by granting relief from the €7.2 million in additional tax payments. Safran appealed this decision before the Versailles Administrative Court as regards the remainder. In an order dated December 30, 2014, the Court granted Safran's requests. On March 2, 2015, the French Minister for Finance and Public Accounts filed an appeal with the Council of State to set aside the court's decision.
- In late 2006, the French tax authorities issued Safran notice to pay an €11.7 million income tax adjustment, which was paid in September 2009. The adjustment was contested in a claim filed by Safran with the tax authorities in 2011, which was dismissed by the tax authorities on June 20, 2012. On August 3, 2012, Safran referred the case to the Montreuil Administrative Court, which subsequently found against Safran on November 18, 2014. Safran has decided to file an appeal against this decision with the Versailles Administrative Court of Appeal.
- A Group subsidiary in Brazil is accused of not having levied a value added tax known as ICMS in the period 2010-2011 when selling products to its customers. Following the decisions handed down at first instance and the first appeal rulings, certain of which found in favor of the Company, the risk now represents BRL 81 million, or around €23 million (including BRL 57 million in damages). The Company continues to challenge the grounds for these reassessments, relying primarily on a legal opinion and on Brazilian Supreme Court case law. No provision has therefore been set aside in this respect to date.
- The Canadian tax authorities have challenged the transfer pricing methods used by a Group subsidiary, and issued an adjustment of CAD 26 million, or approximately €18.6 million (tax and penalties). To date, the company has had to pay CAD 16 million despite fully contesting these claims. As well as challenging the grounds of the adjustment, it has appealed to the competent authorities in Canada, the UK and France in order to avoid any risk of double taxation should the adjustment be confirmed in Canada.

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 25 • Subsequent events

None.



4 STATUTORY AUDITOR'S REVIEW REPORT ON THE FIRST HALF-YEAR CONSOLIDATED FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

PERIOD FROM JANUARY 1ST TO JUNE 30TH, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Safran, for the period from January 1st, 2015 to June 30th, 2015;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note 3, "Change in accounting policy" of the condensed half-yearly consolidated financial statements which describes the incidence on the financial statements resulting from the application of IFRIC 21 "Levies".

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

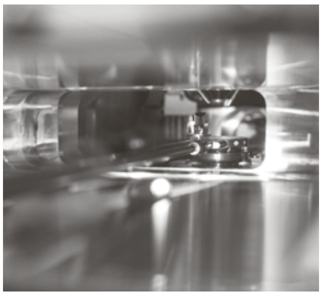
We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 29th, 2015

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Christophe Berrard	Vincent de La Bachelerie	Nicolas Macé

5 CORPORATE GOVERNANCE

Safran's Ordinary and Extraordinary Annual General Meeting of April 23, 2015

Safran's Ordinary and Extraordinary Annual General Meeting of Shareholders was held on April 23, 2015.

All of the resolutions proposed or agreed by the Board of Directors were approved, it being noted that the Board of Directors convened on April 23, 2015 prior to the General Meeting of Shareholders decided to remove resolution 26 (relative to the grant of shares, free of consideration), which was therefore not put to vote.

One resolution, which was included in the agenda at the request of a shareholder but not recommended by the Board of Directors, was rejected.

Safran shareholders approved the 2014 financial statements and decided on the payment of a dividend of €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 was set at April 27, 2015 and it was paid on April 29, 2015.

Amendments to the Company's bylaws

Pursuant to resolution 7 adopted by the Ordinary and Extraordinary Annual General Meeting of Shareholders of April 23, 2015, Articles 14.8, 14.9.6 and 16.1 of the Company's bylaws were amended to reduce the term of office of directors from 5 to 4 years, effective starting with the appointments made by the Annual General Meeting of April 23, 2015.

Pursuant to resolution 8 adopted by the Ordinary and Extraordinary Annual General Meeting of Shareholders of April 23, 2015, Articles 14.1 and 14.5 of the Company's bylaws were amended in order to comply with French government *Ordonnance* (order) 2014-948 dated August 20, 2014 concerning *inter alia* the governance of companies with a State shareholding.

Changes in executive management structure

In light of the fact that Jean-Paul Herteman's term of office as Chairman and Chief Executive Officer would expire at the close of the Annual General Meeting of April 23, 2015, following a several-month selection process, the Board of Directors convened at the close of the General Meeting of April 23, 2015 decided to separate the roles of Chairman of the Board and Chief Executive Officer and appointed Ross McInnes as Chairman of the Board and Philippe Petitcolin as Chief Executive Officer of Safran.

It was considered that these choices met Safran's specific challenges and that the Company would benefit from the new Chief Executive Officer's managerial expertise, long experience in industry and credibility in the Aerospace, Defence and Security sectors and the new Chairman's international standing and experience in corporate governance. It was also deemed that the complementarity of the two profiles would ensure a smooth transition at the top.

Changes in the composition of the Board of Directors and its Committees

Pursuant to resolutions 9, 10 and 13, the Ordinary and Extraordinary Annual General Meeting of Shareholders of April 23, 2015 respectively appointed Philippe Petitcolin and Ross McInnes as directors and re-appointed Jean-Lou Chameau as director, each for a four-year term.

As a consequence of the amendments to the Company's bylaws resulting from the adoption of resolution 8 by the Ordinary and Extraordinary Annual General Meeting of Shareholders of April 23, 2015, the provisions of *Ordonnance* 2014-948 dated August 20, 2014 immediately took effect within Safran and the terms of office of the French State's representatives who were appointed by Ministerial Decree – i.e., Patrick Gandil, Vincent Imbert, Astrid Milsan and Laure Reinhart – were terminated. In accordance with the above mentioned *Ordonnance*, Astrid Milsan was appointed as representative of the French State by Ministerial Decree of April 23, 2015 and Patrick Gandil and Vincent Imbert were appointed as directors by the General Meeting of Shareholders of April 23, 2015 on the basis of a proposal by the French State, for a four-year term.

The Board of Directors is thus composed, since April 23, 2015, of 17 members, including 2 representatives of employee shareholders and 2 representatives of employees:

- Ross McInnes, Chairman of the Board of Directors;
- Philippe Petitcolin, Chief Executive Officer;
- Christian Streiff, Vice-Chairman of the Board of Directors, independant director;
- Marc Aubry, director representing employee shareholders;
- Giovanni Bisignani, independant director;
- Frédéric Bourges, director representing employees;
- Jean-Lou Chameau, independant director;
- Monique Cohen, independant director;
- Odile Desforges, independant director;
- Jean-Marc Forneri, independant director;
- Patrick Gandil, director put forward by the French State;
- Christian Halary, director representing employee shareholders;
- Vincent Imbert, director put forward by the French State;
- Xavier Lagarde, director;
- Élisabeth Lulin, independant director;
- Daniel Mazaltarim, director representing employees;
- Astrid Milsan, representing the French State.

In light of Safran's new executive management structure, the composition of the Board of Directors resulting from decisions made by the General Meeting of Shareholders of April 23, 2015 and the appointment on November 20, 2014 of two directors representing the employees, the Board of Directors decided to dissolve the Strategy and Major Projects Committee created on April 21, 2011 and to review the membership structure of its Audit and Risk Committee and Appointments and Compensation Committee.

Pursuant to decisions of the Board of Directors on April 23, 2015 and May 26, 2015, the Board has two specialized committees:

The Audit and Risk Committee, composed since May 26, 2015 of:

- Odile Desforges (Chairman);
- Marc Aubry;
- Monique Cohen;
- Christian Halary;
- Élisabeth Lulin;
- Daniel Mazaltarim;
- Astrid Milsan.

The Appointments and Compensation Committee, composed since May 26, 2015 of:

- Jean-Marc Forneri (Chairman);
- Giovanni Bisignani;
- Frédéric Bourges;
- Jean-Lou Chameau;
- Xavier Lagarde;
- Astrid Milsan;
- Christian Streiff.

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All financial information pertaining to Safran is available on the Group’s website at www.safran-group.com, in the Finance section.

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