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Safran reports strong performance for first-half 2015 results

Adjusted revenue grew 16.6% (5% organic), adjusted operating income up 22.5% mostly driven by Aerospace services

Full year operating income outlook upgraded

All figures in this press release represent adjusted[1] data, except where noted. Please refer to the definitions and reconciliation between first-half 2015 consolidated income statement and adjusted income statement. Comparisons are established against 2014 figures restated for the application of IFRIC21, "Levies". Please refer to definitions contained in the Notes on page 11 and following of this press statement.

KEY FIGURES FOR FIRST-HALF 2015

- **Adjusted revenue was Euro 8,403 million, up 16.6% year-on-year including significant positive currency impacts mainly due to the considerable strengthening of the USD.** The average USD/EUR spot rate in H1 2015 was 1.12 compared with 1.37 a year ago. Adjusted revenue growth was 5.0% on an organic basis.

- **Adjusted recurring operating income [2] at Euro 1,171 million (13.9% of revenue)**, up 22.5% year-on-year. After one-off items totalling Euro (4) million, adjusted profit from operations was Euro 1,167 million.

- **Adjusted net income - Group share of Euro 1,164 million (Euro 2.80 per share)** included a post-tax capital gain of Euro 419 million (Euro 1.00 per share) from the sale of Ingenico Group shares. Net income in the year-ago period was 616 million (Euro 1.48 per share).

- Consolidated (non-adjusted) net income - Group share at Euro (193) million, or Euro (0.46) per share including a non-cash charge of Euro (2,123) million, before related deferred tax impact, resulting from the large adverse change in fair value of the portfolio of currency derivatives used to hedge future cash flows (see Note 1 on page 13).

- **Net debt position was Euro 1,499 million** as of June 30, 2015, with free cash flow generation of Euro 96 million. Free cash flow in the year ago period was Euro 41 million.

- **H1 2015 civil aftermarket [3] was up 27.8%** in USD terms driven by first overhauls of recent CFM56 and GE90 engines in the context of a favourable environment for airline customers. Expectation for annual growth raised to high-teens percentage growth (previously growth of approximately 10%).

- **Full-year 2015 outlook revised on the basis of strong civil aftermarket** activity. Safran now expects:
    - 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.

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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**.

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Paris, July 30, 2015 - The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, met in Paris on July 29, 2015 to approve the financial statements for the first-half of 2015.

EXECUTIVE COMMENTARY

CEO Philippe Petitcolin commented:

"Safran posted record profitability in the first half 2015 with recurring operating income up almost 23%, standing at 13.9% of turnover, thanks in large part to very strong growth of the aftermarket activities on our portfolio of civil engines.

The continued healthy growth in demand for air travel and improving economics for many of our airline customers underpin our confidence in the civil aftermarket and allow us to raise our profitability guidance for this year.

Demand for new-generation and current-generation engines remains extremely robust, demonstrated by our excellent commercial activity at the Paris Air Show and proving that our technologies are in strong demand.

The management team at Safran is fully mobilised with the priority of delivering on our commitments. I am fully confident that Safran has the talent and the means to meet that challenge."

FIRST-HALF 2015 RESULTS

Safran delivered a strong performance in first-half 2015, especially in its Propulsion business.

Solid growth in revenue. For first-half 2015, Safran's revenue was Euro 8,403 million, up 16.6%, compared to Euro 7,208 million in the same period a year ago. This Euro 1,195 million increase, which includes positive currency impacts amounting to Euro 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 Euro 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	Euro (55) million	(0.8)%	
	Currency impact	Euro (782) million	(10.8)%	
Organic growth				**5.0%**

Currency variations favourably impacted revenue in the amount of Euro 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.

Recurring operating margin reached 13.9% of revenue. For first-half 2015, Safran's recurring operating income was Euro 1,171 million, up 22.5% compared to Euro 956 million in the first-half 2014 , 13.3% of revenue. Excluding a positive currency impact of Euro 45 million, the improvement on an organic basis was Euro 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.

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

In Euro million	**H1 2014 Restated**	**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%

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

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

- Net financial expense of Euro (39) million, including Euro (10) million of cost of debt.
- Tax expense of Euro (353) million (31.3% apparent tax rate).

DIVIDEND TO SHAREHOLDERS

A dividend of Euro 1.20 per share was approved by the shareholders at the Annual General Meeting of April 23, 2015. An interim payment having been made in December 2014 (Euro 0.56 per share), a final payment of Euro 0.64 per share was made in April 2015.

BALANCE SHEET AND CASH FLOW

Operations generated Euro 96 million of Free Cash Flow. The net debt position was Euro 1,499 million as of June 30, 2015 compared to a net debt position of Euro 1,503 million as of December 31, 2014. Free cash flow generation of Euro 96 million was driven by the cash from operations of Euro 1,495 million, devoted notably to an increase in working capital needs of Euro 529 million to sustain rising production rates, and increased capital expenditures (at Euro 359 million). The major cash outflow in the semester was a 2014 final dividend payment of Euro 267 million (Euro 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 Euro 364 million in the period.

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

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CAPITAL EXPENDITURE

Capital expenditure amounted to Euro 359 million in the first half of 2015, an increase of 60 million Euros 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.

RESEARCH & DEVELOPMENT

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

The self-funded R&D effort before research tax credit was Euro 681 million or 8.1% of revenue in first-half 2015, a decrease of Euro 28 million compared to first-half 2014. Capitalised R&D fell 112 million Euros 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 Euro 407 million, an increase of Euro 87 million compared to last year.

SALE OF INGENICO GROUP SHARES

On May 19, 2015, Safran announced that Morpho, its wholly owned subsidiary, had sold approximately 3.3 million shares in Ingenico Group to Bpifrance in an off-market block trade at a unit price of Euro 109, generating proceeds of Euro 364 million. In addition, Safran announced that it would divest the residual stake, held by the group since the contribution to Ingenico Group of the Sagem Monetel assets in 2008.

A financial institution has undertaken the sale of that residual stake of approximately 2.2 million shares in Ingenico Group, the value of which to Safran is protected by a tunnel implemented through hedging contracts. Safran will receive the proceeds of the sale *in fine*, at the latest in December 2015.

Thus, Safran’s consolidated financial statements at June 30, 2015, reflect the cash proceeds of the May 19, 2015 block sale to Bpifrance. The post-tax capital gain of Euro 419 million arose in part from that transaction, the remainder being calculated on the basis of the fair value at June 30, 2015 of the hedging contracts protecting the value of the residual stake. The fair value of the hedging contracts is subject to variation, though bounded by the floor and ceiling of the tunnel.

EQUITY SHAREHOLDING

The French state sold 3.96% of Safran’s share capital to institutional investors via a placing on March 3, 2015, following which it held 18.0% of Safran share capital. Safran’s share thus benefits from a larger free float (68% of the shares outstanding at June 30, 2015) and greater liquidity.

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 Euro 100 million (previously Euro 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 Euro 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/Euro 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.

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BUSINESS COMMENTARY FOR FIRST-HALF 2015

- **Aerospace Propulsion**

Revenue, at Euro 4,486 million, grew by 19.2% compared to Euro 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 Euro 944 million, up 29.8% compared to Euro 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 Euro 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 Euro 199 million, an increase of 1.0% compared to Euro 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.

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- **Defence**

Revenue was up 5.5% at Euro 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 Euro 15 million, a Euro 28 million decrease compared to Euro 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 Euro 885 million increased 22.6% compared to Euro 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 Euro 66 million (7.5% of revenue) compared to Euro 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.

AGENDA

Q3 2015 revenue	October 22, 2015

* * * * *

Safran will host today a conference call open to analysts, investors and media at 8:30 am CET which can be accessed at +33 (0)1 70 77 09 39 from France, +44 (0)203 367 9456 from the UK and +1 866 907 5923 from the US. A replay will be available at +33 (0)1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 295110#).

The press release, presentation and consolidated financial statements are available on the website at www.safran-group.com.

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KEY FIGURES

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.

Adjusted income statement *(In Euro million)*	H1 2014 restated	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

Balance sheet - Assets *(In Euro million)*	Dec. 31, 2014 restated	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**

Balance sheet - Liabilities *(In Euro million)*	Dec. 31, 2014 restated	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**

Cash Flow Highlights *(In Euro million)*	H1 2014 restated	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

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Segment breakdown of revenue *(In Euro 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 Euro million)*	**H1 2014 restated**	**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%	

2014 adjusted revenue by quarter *(In Euro million)*	**Q1 2014**	**Q2 2014**	**Q3 2014**	**Q4 2014**	**FY 2014**
Aerospace Propulsion	1,825	1,938	1,944	2,446	8,153
Aircraft Equipment	1,016	1,121	1,021	1,288	4,446
Defence	257	327	256	381	1,221
Security	345	377	368	440	1,530
Others	-	2	-	3	5
Total revenue	**3,443**	**3,765**	**3,589**	**4,558**	**15,355**

2015 revenue by quarter *(In Euro 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**

Euro/USD rate	**H1 2014**	**FY 2014**	**H1 2015**
Average spot rate	1.37	1.33	1.12
Spot rate (end of period)	1.37	1.21	1.12
Hedged rate	1.26	1.26	1.25

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NOTES

[1] Adjusted data
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.

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 programmes revalued at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group has decided to restate the impact of purchase price allocations for 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 the gain resulting from the remeasurement of the Group's previously held interests in a business combination achieved in stages.

- 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 foreign currency derivatives hedging future cash flows are neutralized.

H1 2015 reconciliation between consolidated income statement and adjusted consolidated income statement:

H1 2015 *(In Euro million)*	**Consolidated data**	Currency hedging		Business combinations		**Adjusted data**
		Remeasurement of revenue	Deferred hedging gain / loss	Amortization of intangible assets -Sagem-Snecma merger	PPA impacts - other business combinations	
Revenue	**8,708**	**(305)**	**-**	**-**	**-**	**8,403**
Other 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 (loss) from operations	**1,375**	**(291)**	**(12)**	**55**	**40**	**1,167**
Cost of debt	(10)	-	-	-	-	(10)
Foreign exchange gains (losses)	(2,445)	291	2,123	-	-	(31)
Other financial income and expense	2	-	-	-	-	2
Financial income (loss)	**(2,453)**	**291**	**2,123**	**-**	**-**	**(39)**
Income tax expense	494	-	(804)	(19)	(24)	(353)
Share in profit from associates	4	-	-	-	-	4
Gain on disposal of Ingenico Group shares	419	-	-	-	-	419
Profit (loss) from continuing operations	**(161)**	**-**	**1,307**	**36**	**16**	**1,198**
Attributable to non-controlling interests	**(32)**	**-**	**(1)**	**(1)**	**-**	**(34)**
Attributable to owners of the parent	**(193)**	**-**	**1,306**	**35**	**16**	**1,164**

Readers are reminded that only the consolidated financial statements are reviewed by the Group's statutory auditors. The consolidated financial statements include revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information" of the half-year consolidated financial statements.

Adjusted financial data other than the data provided in Note 5, "Segment information" of the consolidated financial statements, are subject to verification procedures applicable to all of the information provided in the half-year financial report.

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[2] Recurring operating income
In order to better reflect the current economic performance, this subtotal named "recurring operating income" excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature such as: impairment losses/reversals, capital gains/losses on disposals of operations and other unusual and/or material non operational items.

[3] Civil aftermarket (expressed in USD)
This non-accounting indicator (non-audited) comprises spares and MRO (Maintenance, Repair & Overhaul) revenue for all civil aircraft engines for Snecma and its subsidiaries and reflects the Group's performance in civil aircraft engines aftermarket compared to the market.

[4] IFRIC 21 "Levies"
IFRIC 21 "Levies" is an Interpretation that provides guidance on when to recognize a liability for a levy (other than income tax), and specifies that the obligating event giving rise to this liability is the activity that triggers the payment of the levy, as identified by the legislation.
Changes in accounting methods result to the fact that the obligation to pay certain levies, mostly French and US levies, generally exists on January 1 and thus has to be recognized as a liability at this date. Previously, recognition of the liability and the charge was spread out over a year.
The Group has applied this Interpretation from the accounting period beginning on January 1, 2015.
As a result, Safran restated its H1 2014 income statement and its FY 2014 balance sheet for comparison purposes. Restated financial information is available for download on Safran's website : www.safran-group.com
The application of IFRIC 21 has no impact on FY 2014 income statement.

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***Safran** is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the Group has 69,000 employees and generated sales of 15.4 billion euros in 2014. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. The Group invests heavily in Research & Development to meet the requirements of changing markets, including expenditures of 2 billion euros in 2014. Safran is listed on Euronext Paris and is part of the CAC40 index.*

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