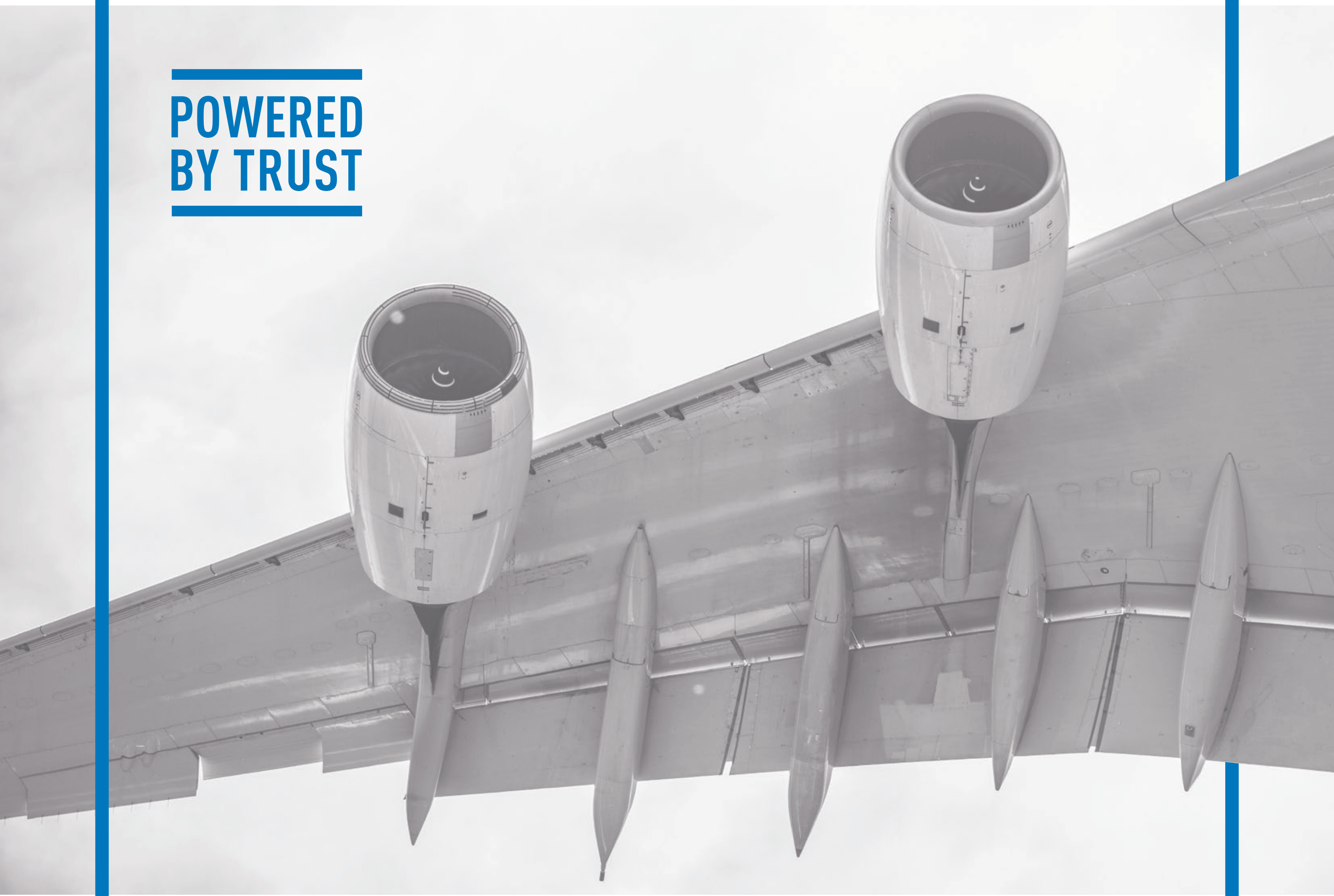

2017 INTERIM

FINANCIAL REPORT

SAFRAN

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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."

The Interim Financial Report is available on the website at www.safran-group.com

STATEMENT OF THE PERSON RESPONSIBLE

"I certify that, to the best of my knowledge, the condensed interim consolidated financial statements 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 attached interim management report provides a true and fair view of the main events of the first six months of the year, their impact on the condensed interim consolidated financial statements, the significant transactions with related parties, as well as a description of the main risks and uncertainties for the remaining six months of the year."

Paris, July 27, 2017

Chief Executive Officer,

Philippe Petitcolin

HALF-YEAR 2017 ACTIVITY REPORT

1

KEY BUSINESS HIGHLIGHTS

2017 PARIS AIR SHOW KEY TAKEAWAYS

- **Commercial success:** During the air show, CFM recorded orders for 1,063 new engines (of which 980 LEAP), in addition to LEAP and CFM56 services agreements, at a combined value of USD 18.8 billion at list price. **Following the air show, at June 30, 2017, the LEAP order book stands at 13,113 engines** (orders and commitments).
- **737 MAX 10:** Boeing launched the 737 MAX 10 powered by LEAP-1B engines. The new model is scheduled to enter commercial service in 2020.

CFM56 PROGRAM

- **Deliveries:** With 710 engines delivered in H1 2017, CFM56 production decreased as expected compared to 2016 as airframers transition their production towards neo and MAX aircraft. 886 engines were delivered in H1 2016.
- **Backlog:** CFM56 order book stands at 1,814 engines, including 389 orders logged in H1 2017. Demand for the engine ensures that the production ramp down will be more gradual than expected.

LEAP PROGRAM

The ramp-up of the LEAP programmes proceeds. 147 engines were sold in the first six months of 2017 to both Airbus and Boeing compared to 11 engines in the year ago period.

- **LEAP-1A:** Production is ramping up. 15 airlines were operating LEAP-1A engines totalling over 190,000 flight hours so far. On June 19, 2017, the Federal Aviation Administration (FAA) and European Aviation Safety Agency (EASA) granted 180-minute ETOPS certification to the LEAP-1A for the A320neo family.
- **LEAP-1B:** CFM has started to ramp-up for the LEAP-1B. The first 737 MAX equipped with LEAP-1B engines was delivered to Malindo and started commercial service operations on May 22, 2017. On June 19, 2017, the FAA and EASA granted 180-minute ETOPS certification to the LEAP-1B for the 737 MAX family. Mid-July 2017, three airlines were operating LEAP-1B engines totalling over 1,400 flight hours so far.
- **LEAP-1C:** First flight of the COMAC C919 powered by LEAP-1C on May 5, 2017.

HELICOPTER TURBINES

Safran Helicopter Engines received EASA engine type certification for its Ardiden 3G engine, which powers Russian Helicopters' Ka-62. The helicopter made its official maiden flight on May 25, 2017.

CARBON BRAKES

Several new contracts were signed during H1, notably with Lion Air for 222 Boeing 737 MAX, Norwegian for 107 Boeing 737 MAX, Aeromexico for 60 Boeing 737 MAX, IAG for 74 A320neo, Vueling for 42 A320neo, and Singapore Airlines for 47 A350.

EUROPEAN EXTREMELY LARGE TELESCOPE (ELT)

The European Southern Observatory (ESO) has awarded a contract to Safran for the M1 primary mirror for Europe's ELT. Safran had already been chosen for all previous mirror contracts awarded by ESO (M2, M3 and M4 mirrors).

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 in addition to 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 2016 Registration Document filed with the French financial markets authority (*Autorité des Marchés Financiers* – AMF) on March 30, 2017 under number D. 17-0275).

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 first-half 2010 interim financial statements, the Group decided to restate:
  - the impact of purchase price allocations for business combinations, particularly amortization charged against intangible assets recognized at the time of the transaction and amortized over extended periods due to the length of the Group's business cycles, as well as
  - gains on remeasuring any previously held equity interests in the event of step acquisitions or assets contributions to joint ventures;
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
  - all mark-to-market changes on instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

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

(in € millions)	First-half 2017 Consolidated data	Currency hedges		Business combinations		First-half 2017 Adjusted data
		Remeasurement of revenue(1)	Deferred hedging gain (loss)(2)	Amortization of intangible assets from Sagem-Snecma merger(3)	PPA impacts – other business combinations(4)	
Revenue	**8,382**	**(344)**	**-**	**-**	**-**	**8,038**
Other recurring operating income and expenses	(6,959)	(12)	6	33	20	(6,912)
Share in profit from joint ventures	66	-	-	-	26	92
Recurring operating income	**1,489**	**(356)**	**6**	**33**	**46**	**1,218**
Other non-recurring operating income and expenses	(16)	-	-	-	-	(16)
Profit from operations	**1,473**	**(356)**	**6**	**33**	**46**	**1,202**
Cost of debt	(28)	-	-	-	-	(28)
Foreign exchange gain (loss)	2,422	356	(2,754)	-	-	24
Other financial income and expense	(20)	-	-	-	-	(20)
Financial income (loss)	**2,374**	**356**	**(2,754)**	**-**	**-**	**(24)**
Income tax benefit (expense)	(1,234)	-	946	(11)	(7)	(306)
Profit from continuing operations	**2,613**	**-**	**(1,802)**	**22**	**39**	**872**
Profit from discontinued operations and disposal gain	765	-	-	-	-	765
Loss for the period attributable to non-controlling interests	**(30)**	**-**	**-**	**(1)**	**-**	**(31)**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**3,348**	**-**	**(1,802)**	**21**	**39**	**1,606**

(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 recognized in profit or loss for the period.

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (€2,754 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (€6 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 depreciation/amortization/impairment of assets identified during business combinations.

Readers are reminded that only the condensed interim consolidated financial statements are reviewed 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 chapter 3, Note 5, "Segment information" of this document.

Adjusted financial data other than the data provided in chapter 3, Note 5, "Segment information" are subject to verification procedures applicable to all of the information provided in the interim report.

1.1 FIRST-HALF 2017 RESULTS

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

Adjusted interim income statement

(in € millions)	First-half 2016 Adjusted data (published)	IFRS 5 impact*	First-half 2016 Adjusted data (restated)	First-half 2017 Adjusted data
Revenue	**8,936**	**(949)**	**7,987**	**8,038**
Other income	141	(8)	133	143
Income from operations	**9,077**	**(957)**	**8,120**	**8,181**
Change in inventories of finished goods and work-in-progress	206	(12)	194	415
Capitalized production	309	(7)	302	241
Raw materials and consumables used	(5,109)	447	(4,662)	(4,940)
Personnel costs	(2,663)	277	(2,386)	(2,247)
Taxes	(183)	11	(172)	(165)
Depreciation, amortization, and increase in provisions, net of use	(179)	22	(157)	(331)
Asset impairment	(113)	(3)	(116)	(87)
Other recurring operating income and expenses	(55)	143	88	59
Share in profit from joint ventures	19	-	19	92
Recurring operating income (loss)	**1,309**	**(79)**	**1,230**	**1,218**
Other non-recurring operating income and expenses	(13)	-	(13)	(16)
Profit from operations	**1,296**	**(79)**	**1,217**	**1,202**
Cost of net debt	(24)	-	(24)	(28)
Foreign exchange gain (loss)	25	-	25	24
Other financial income and expense	(60)	-	(60)	(20)
Financial income (loss)	**(59)**	**-**	**(59)**	**(24)**
Profit (loss) before tax	**1,237**	**(79)**	**1,158**	**1,178**
Income tax benefit (expense)	(342)	23	(319)	(306)
Share in profit from associates	-	-	-	-
Profit from continuing operations	**895**	**(56)**	**839**	**872**
Profit from discontinued operations and disposal gain	-	56	56	765
PROFIT FOR THE PERIOD	**895**	**-**	**895**	**1,637**
Attributable to:				
owners of the parent	862	-	862	1,606
continuing operations	*862*	*(55)*	*807*	*842*
discontinued operations		*55*	*55*	*764*
non-controlling interests	33	-	33	31
continuing operations	*33*	*(1)*	*32*	*30*
discontinued operations		*1*	*1*	*1*
Earnings per share from continuing operations attributable to owners of the parent *(in €)*				
Basic earnings per share	2.07	(0.13)	1.94	2.05
Diluted earnings per share	2.03	(0.13)	1.90	2.01
Earnings per share from discontinued operations attributable to owners of the parent *(in €)*				
Basic earnings per share	0.00	0.13	0.13	1.86
Diluted earnings per share	0.00	0.13	0.13	1.83

* *Adjusted data published for first-half 2016 have been restated to reflect the reclassification of the "Security" segment within discontinued operations in accordance with IFRS 5.*

Adjusted revenue

First-half 2017 adjusted revenue grew in line with annual guidance on organic basis. Revenue growth was driven by services in Propulsion (civil and military) and Aircraft Equipment as well as Defense activities.

Organic revenue was determined by excluding the effect of changes in scope of consolidation (notably €312 million in H1 2016 for the space launcher activities since contributed to ArianeGroup). The net impact of currency variations was €161 million reflecting a positive translation effect on non-Euro revenues, principally USD. The average USD/EUR spot rate was 1.08 to the Euro in the first-half of 2017, compared to 1.12 in the year-ago period. The Group's hedge rate improves to USD 1.21 to the Euro in H1 2017 from USD 1.24 in H1 2016.

(in € millions)	Propulsion	Aircraft Equipment	Defense	Holding & Others	Safran
H1 2016	4,857	2,542	584	4	7,987
H1 2017	4,691	2,715	624	8	8,038
Reported growth	**(3.4)%**	**6.8%**	**6.8%**	**na**	**0.6%**
Impact of changes in scope	(6.3)%	0.4%	-	na	(3.8)%
Currency impact	2.0%	2.2%	1.0%	na	2.0%
Organic growth	**0.9%**	**4.2%**	**5.8%**	**na**	**2.4%**

Adjusted recurring operating income

For first-half 2017, Safran's recurring operating income was €1,218 million, slightly lower compared to €1,230 million in the first-half 2016, including the improvement in the EUR/USD hedge rate.

As expected, profitability improved strongly in Aircraft Equipment and Defense activities whereas Propulsion margin was impacted by the CFM56-LEAP transition.

Adjusted profit from operations

One-off items totalled €(16) million during first-half 2017:

(in € millions)	H1 2016	H1 2017
Adjusted recurring operating income	**1,230**	**1,218**
% of revenue	*15.4%*	*15.2%*
Total one-off items	**(13)**	**(16)**
Capital gain (loss) on disposals	-	-
Impairment reversal (charge)	-	-
Other infrequent & material non-operational items	(13)	(16)
ADJUSTED PROFIT FROM OPERATIONS	**1,217**	**1,202**
% of revenue	*15.2%*	*15.0%*

Adjusted net income – Group share

Adjusted net income – Group share was €1,606 million (€3.91 per share) compared with €862 million (€2.07 per share) in H1 2016. Adjusted net income – Group share for continuing operations was €842 million (€2.05 per share) compared with €807 million (€1.94 per share) in H1 2016. Net income – Group share from discontinued operations of €764 million, includes the contribution of the Security activities prior to, and the post-tax capital gain realized upon their disposal.

This improved performance also includes:

- net adjusted financial income of €(24) million, including cost of debt of €(28) million;
- an adjusted tax expense of €(306) million (26% apparent tax rate).

The reconciliation between H1 2017 consolidated income statement and adjusted income statement is provided and commented on page 4 of this report.

1.2 BUSINESS COMMENTARY

First-half 2017 key figures

Segment breakdown of adjusted revenue

(in € millions)	H1 2016	H1 2017	% change	% change organic
Aerospace Propulsion	4,857	4,691	-3.4%	0.9%
Aircraft Equipment	2,542	2,715	6.8%	4.2%
Defense	584	624	6.8%	5.8%
Holding & Others	4	8	-	-
TOTAL GROUP	**7,987**	**8,038**	**0.6%**	**2.4%**

Segment breakdown of adjusted recurring operating income

(in € millions)	H1 2016	H1 2017	% change
Aerospace Propulsion	**942**	**849**	**-9.9%**
% of revenue	*19.4%*	*18.1%*	
Aircraft Equipment	**271**	**327**	**20.7%**
% of revenue	*10.7%*	*12.0%*	
Defense	**22**	**40**	**81.8%**
% of revenue	*3.8%*	*6.4%*	
Holding & Others	**(5)**	**2**	**NA**
TOTAL GROUP	**1,230**	**1,218**	**-1.0%**
% of revenue	*15.4%*	*15.2%*	

2017 adjusted revenue by quarter

(in € millions)	Q1 2017	Q2 2017	H1 2017
Aerospace Propulsion	2,360	2,331	4,691
Aircraft Equipment	1,335	1,380	2,715
Defense	284	340	624
Holding & Others	3	5	8
TOTAL REVENUE	**3,982**	**4,056**	**8,038**

Segment operations review

Aerospace Propulsion

Revenue was €4,691 million, up 0.9% on an organic basis driven by service business on both civil and military programmes. Despite a stronger USD compared to the year-ago period, revenue declined 3.4% on a reported basis compared to €4,857 million in the year-ago period, principally due to the scope effect related to the contribution of the launcher activities to ArianeGroup in 2016.

OE revenues from civil engines dropped as expected, driven notably by lower deliveries of CFM56 engines (710 units were delivered in H1 2017, 176 fewer than in H1 2016). High thrust engine module deliveries, notably GE90, were also lower. LEAP sales grew with 147 engines delivered in the first six months of 2017, compared with 11 units in the year-ago period. Military OE revenues also increased due to higher volumes of M88 and TP400 engines compared to the first half of 2016. Twelve deliveries of M88 engines were recognised in the first-half, of which seven were destined for export customers.

Helicopter turbines revenues declined in the high-single digit range impacted by lower OE sales and softer services activity, principally at customers in the Oil & Gas sector and as a result of the grounding of part of the H-225 helicopter fleet.

Overall service revenue in Propulsion was up 7.5% in Euro terms and represents a 61.4% share of revenue in the first-half. Civil aftermarket revenue grew by 8.4% in USD terms compared to H1 2016, driven by spare parts and service activity on CFM56 and GE90 engines. Civil aftermarket in the second quarter was flat compared to Q2 2016 which had included a positive, non-recurring contribution. Military aftermarket grew slightly.

Recurring operating income, at 18.1% of revenue, was €849 million, compared to €942 million (19.4% of revenue) in the year-ago period. As expected, Propulsion margin was negatively impacted by the ramp-down of OE deliveries of CFM56 engines, negative margin resulting from LEAP engines delivered and in production, lower helicopter turbine activity as well as higher expensed R&D.

Consistent with expectations, these headwinds were not entirely offset by the increase in civil aftermarket, the contribution from ArianeGroup and the improvement in the hedged rate. Safran is executing a strong action plan to progressively reduce the production cost of LEAP engines and achieve breakeven at gross margin level before the end of the decade, as previously indicated.

Aircraft Equipment

Revenue of €2,715 million, up 6.8% compared to the year-ago period. On an organic basis, revenue was up 4.2%.

OE revenue grew 6.5% in the first half. Deliveries of wiring shipsets and landing gear to Airbus for the A350 programme grew strongly compared to the year-ago period. Deliveries related to the A330 programme also increased compared to 2016. Deliveries of nacelles for A320neo grew to 105 units (8 units in H1 2016), tracking higher LEAP-1A deliveries. As expected, 21 nacelles for A380 were delivered in the first half compared to 56 units in the year-ago period.

Service revenue grew by 7.4% and accounts for 31.4% of total sales. Growth was broad-based: nacelles activities, landing gear MRO and carbon brakes contributed positively.

Recurring operating income was €327 million, an increase of 20.7% compared to €271 million in the year-ago period. Return on sales increased 1.3 points to 12%. The profitability increase was driven by stronger trading and continuing benefits of cost reduction and productivity actions mostly in landing systems and electrical systems.

Defense

Revenue was €624 million, up 6.8% or 5.8% organically, compared to €584 million in the year-ago period.

Military sales drove growth with increases in guidance systems, drones and optronics equipment, particularly for export which offset softness in avionics revenue, affected mostly by lower helicopter flight control systems shipments.

Recurring operating income, at 6.4% of revenue, was up at €40 million compared to €22 million (3.8% of revenue) in first-half 2016. Volume-driven increases in optronics, guidance and sighting systems more than offset a decline in avionics. The level of expensed R&D dropped compared to first half 2016. Self-funded R&D remains above 10% of sales in order to maintain technological leadership. Cost reduction and productivity actions put in place during 2016 contributed to profitability improvement.

Holding and others

The reporting segment "Holding and others" includes costs of general management as well as transverse services provided for the Group and its subsidiaries including central finance, tax and foreign currency management, Group legal, communication and human resources.

In addition, the holding invoices subsidiaries for shared services including administrative service centres (payroll, recruitment, IT, transaction accounting), a centralised training organisation and Safran's R&T centre.

The change in Holding and others' impact on Group recurring operating income reflects notably control of central costs, an increase financing related to R&T as well as an increase of the level of expenses charged back to operating units.

Research and development

Total R&D expenditures, including customer-funded, reached €756 million.

The self-funded R&D effort before research tax credit was €507 million or 6.3% of revenue in first-half 2017, a decrease of €34 million compared to first-half 2016. Capitalised R&D fell €25 million to €135 million, as expected, due notably to lower expenditure on the LEAP programmes. In addition, Safran ceased capitalising R&D on the LEAP-1B at the end of February 2017 as the first production engines destined for commercial service were delivered to Boeing. Amortisation of capitalised R&D rose by €18 million to €65 million, including the amortisation of LEAP-1A and LEAP-1B. The impact on recurring operating income of expensed R&D was €363 million, an increase of €6 million compared to the year-ago period.

1.3 HALF-YEAR 2017 CONSOLIDATED INCOME STATEMENT

(in € millions)	June 30, 2016*	June 30, 2017	% change
Revenue	**8,306**	**8,382**	**+0,9%**
Other operating income and expenses	(6,832)	(6,959)	
Share in profit from joint ventures	19	66	
Recurring operating income	**1,493**	**1,489**	**-0,3%**
Other non-recurring operating income and expenses	355	(16)	
Profit from operations	**1,848**	**1,473**	**-20,3%**
Financial income (loss)	623	2,374	
Profit before tax	**2,471**	**3,847**	
Income tax benefit (expense)	(647)	(1,234)	
Profit from continuing operations	**1,824**	**2,613**	
Profit from discontinued operations and disposal gain	26	765	
Loss for the period attributable to non-controlling interests	**(32)**	**(30)**	
PROFIT FROM THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,818**	**3,348**	

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see section 3 Note 3 "Restatement of first-half 2016 comparative information" and Note 22 "Discontinued operations").*

Consolidated revenue

For first-half 2017, revenue was €8,382 million, compared to a €8,306 million in the same period a year ago, a 0.9% 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 2017 by €344 million (versus €319 million for first-half consolidated revenue in 2016). 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 first-half 2017 was 1.21, against an average rate of 1.08, 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).

Consolidated recurring operating income

Recurring operating income came in at €1,489 million for first-half 2017, compared to €1,493 million for first-half 2016. The difference between recurring operating income and adjusted recurring operating income, which came in at €1,218 million, results in particular from:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem/Snecma business combination, representing €(33) million for first-half 2017 (versus €(36) million for first-half 2016);
- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €(46) million for first-half 2017 (versus €(23) million for first-half 2016). The allocation of the purchase price to Airbus Safran Launchers' amortizable intangible assets generated an amortization expense net of the deferred tax effect of €25 million in first-half 2017 (see section 3, Note 4 "Scope of consolidation);
- a positive €356 million impact resulting from foreign currency transactions (compared to a positive impact of €333 million for first-half 2016), including the remeasurement of foreign-currency denominated revenue (€344 million) and of "other recurring operating income and expenses" (€12 million).

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

Consolidated profit from operations

Profit from operations came in at €1,473 million for first-half 2017, compared to €1,848 million for first-half 2016.

Profit from operations includes recurring operating income of €1,489 million (€1,493 million for first-half 2016) and a non-recurring expense of €(16) million (versus a non-recurring profit of €355 million for first-half 2016 including a revaluation gain of €368 million relating to the loss of control in the activities and the investments transferred during the second phase of the creation of the 50-50 joint arrangement Airbus Safran Launchers (ASL), between Airbus Group and Safran).

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

Consolidated financial income (loss)

The Group reported a financial profit of €2,374 million for first-half 2017, compared to €623 million for first-half 2016.

Two items account for the difference between the consolidated financial income for first-half 2017 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 positive impact of €2,754 million (compared to a negative impact of €(1,015) million for first-half 2016). 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 totalling €(356) million for first-half 2017 (compared to a €(333) million negative impact for first-half 2016). 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.

Consolidated income tax expense

Income tax expense amounted to €(1,234) million for first-half 2017 compared to €(647) million for first-half 2016.

The first-half 2017 income tax expense includes current tax expense of €(237) million and a deferred tax expense of €(997) million.

The deferred tax expense arises from mark-to-market changes on instruments hedging future cash flows amounting to a profit of €2,754 million for first-half 2017 included within "Financial income (loss)". For first-half 2016, the deferred tax expense arises from mark-to-market changes on instruments hedging future cash flows amounting to a positive €1,015 million.

Consolidated profit attributable to owners of the parent

This caption amounted to €3,348 million for first-half 2017 and €1,818 million for first-half 2016. For first-half 2017, a profit from discontinued operations of €765 million is included in this caption, comprising the earnings after tax of Security businesses until disposal and the capital gain on the disposal after tax (see section 1.1).

1.4 BALANCE SHEET AND CASH FLOW

Balance sheet – Assets

(in € millions)	Dec. 31, 2016	June. 30, 2017
Goodwill	1,864	1,845
Tangible & Intangible assets	8,347	8,620
Investments in joint ventures and associates	2,175	2,097
Other non-current assets	1,733	769
Derivatives assets	620	767
Inventories and WIP	4,247	4,615
Trade and other receivables	6,252	6,345
Cash and cash equivalents	1,926	6,751
Other current assets	660	604
Assets held for sale	3,234	-
TOTAL ASSETS	**31,058**	**32,413**

Balance sheet – Liabilities

(in € millions)	Dec. 31, 2016	June. 30, 2017
Equity	6,809	9,239
Provisions	3,264	3,204
Borrowings subject to sp. conditions	699	698
Interest bearing liabilities	3,337	5,220
Derivatives liabilities	4,385	1,672
Other non-current liabilities	992	1,149
Trade and other payables	10,242	10,735
Other current liabilities	536	496
Liabilities held for sale	794	-
TOTAL EQUITY & LIABILITIES	**31,058**	**32,413**

Cash Flow Highlights

(in € millions)	H1 2016	FY 2016	H1 2017
Adjusted attributable net profit	**862**	**1,804**	**1,606**
Post-tax capital gain on Security activities	-	-	(766)
Depreciation, amortization, provisions and others	458	847	470
Cash flow from operations	**1,320**	**2,651**	**1,310**
Changes in working capital	(50)	(168)	(40)
Capex (tangible assets)	(322)	(704)	(345)
Capex (intangible assets)	(181)	(324)	(118)
Capitalisation of R&D*	(173)	(364)	(141)
Free cash flow	**594**	**1,091**	**666**
Dividends paid	(351)	(642)	(366)
Divestments/acquisitions and others	(510)	(917)	2,643
Net debt at end of period of discontinued operations	-	(167)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(267)**	**(635)**	**2,943**
Net debt at beginning of period	(748)	(748)	(1,383)
Net debt at end of period	**(1,015)**	**(1,383)**	**1,560**

The net cash position was €1,560 million as of June 30, 2017 compared to a net debt position of €1,383 million as of December 31, 2016. Free cash flow generation was driven by cash from operations of €1,310 million, devoted principally to capital expenditures (at €345 million) and to a limited increase of €40 million in working capital requirements.

- Safran announced the finalisation of the disposal of its detection activities on April 7, 2017, and that of its identity and security activities on May 31, 2017. Net of tax and transaction costs, the total proceeds for these disposals amount to €3.1 billion, subject to limited post-closing adjustments.
- A dividend of €1.52 per share was approved by the shareholders at the Annual General Meeting of June 15, 2017. An interim payment having been made in December 2016 (€0.69 per share), a final payment of €0.83 per share was made in June 2017 impacting cash flow in the total amount of €340 million.
- On December 12, 2016, Safran announced its intention to proceed with the repurchase of its own shares up to a maximum aggregate value of €450 million with the objective of neutralizing the dilutive effect of equity-related instruments on its balance sheet. Safran ceased the share buyback activity on June 13, 2017 having repurchased a total of 6,428,664 shares for an aggregate amount of €444 million. The repurchased shares are included in treasury shares.
- On June 28, 2017, Safran completed a €1 billion floating rate notes offering in 2-year and 4-year tranches of €500 million each. Part of the proceeds could contribute to the cash settlement of the intended agreed tender offer for Zodiac Aerospace announced on May 24, 2017. With this offering, Safran secures medium term financing at historically low interest rate conditions and strengthens its maturity debt profile in line with its cashflow's outlook.

1.5 CURRENCY HEDGES

Safran's hedging portfolio totalled USD 16.5 billion on July 25, 2017.

2017, 2018: No changes to the Group's foreign exchange coverage are to be noted since the disclosures in the first quarter 2017 revenue announcement (April 25, 2017).

2019: Coverage of net USD/EUR exposure increased to USD 2.8 billion (USD 2.7 billion in April) and should rise to 8.0 billion by end-2017 as long as USD/EUR remains below 1.25. Some instruments have knock-out barriers set at various levels between USD 1.18 and USD 1.45 with maturities up to one year. The target hedge rate lies in a range between 1.15 and 1.18 USD/EUR (unchanged).

2020: Coverage of net USD/EUR exposure is unchanged at USD 2.0 billion and should rise to 6.5 billion (USD 6.4 billion in April) by mid-2018 as long as USD/EUR remains below 1.25. Some instruments have knock-out barriers set at various levels between USD 1.18 and USD 1.45 with maturities up to one year. The target hedge rate lies in a range between 1.13 and 1.18 USD/EUR (unchanged).

1.6 FULL-YEAR 2017 OUTLOOK

In the first-half of 2017, all the businesses comprising the Security activities were sold. As a result, the comparison to 2016 and guidance for 2017 are based on continuing operations: Aerospace Propulsion, Aircraft Equipment, Defense, Holding & Others.

In addition, starting on July 1, 2016, Safran accounts for its share in ArianeGroup using the equity method and no longer records revenue from space activities. In 2017 the change impacted revenue by €(312) million corresponding to the first half of 2016.

Safran confirms its expectation for 2017 on a full-year basis:

- reported adjusted revenue to grow in the range 2% to 3% at an estimated average rate of USD 1.10 to the Euro. Excluding the effect of the equity accounting of ArianeGroup from July 1, 2016, revenue growth is expected to be in the low to mid-single digits;
- adjusted recurring operating income close to the 2016 level;
- free cash flow representing above 45% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

The assumptions on which the guidance is based are unchanged compared to those outlined on February 24, 2017 (see section 2.4 of the 2016 Registration Document).

1.7 RELATED-PARTY TRANSACTIONS

Readers are invited to refer to Note 23 of chapter 3 of this document and section 7.1.4 of the 2016 Registration Document.

RISK FACTORS

2

There has been no significant change in the risk factors identified and presented in the 2016 Registration Document. Readers are invited to refer to section 4 of the 2016 Registration Document filed with the AMF on March 30, 2017 under number D. 17-0275.

HALF-YEAR FINANCIAL STATEMENTS

3

The Board of Directors' meeting of July 27, 2017 adopted and authorized the publication of Safran's consolidated financial statements for the six-month period ended June 30, 2017.

Consolidated income statement

(in € millions)	Note	First-half 2016*	First-half 2017
Revenue	**6**	**8,306**	**8,382**
Other income	6	133	143
Income from operations		**8,439**	**8,525**
Change in inventories of finished goods and work-in-progress		194	415
Capitalized production		302	241
Raw materials and consumables used	6	(4,655)	(4,938)
Personnel costs	6	(2,378)	(2,237)
Taxes		(172)	(165)
Depreciation, amortization, and increase in provisions, net of use	6	(221)	(390)
Asset impairment	6	(122)	(87)
Other recurring operating income and expenses	6	87	59
Share in profit from joint ventures	14	19	66
Recurring operating income		**1,493**	**1,489**
Other non-recurring operating income and expenses	6	355	(16)
Profit from operations		**1,848**	**1,473**
Cost of net debt		(24)	(28)
Foreign exchange gain (loss)		706	2,422
Other financial income and expense		(59)	(20)
Financial income (loss)	**7**	**623**	**2,374**
Profit before tax		**2,471**	**3,847**
Income tax benefit (expense)	8	(647)	(1,234)
Profit from continuing operations		**1,824**	**2,613**
Profit from discontinued operations and disposal gain	22	26	765
PROFIT FOR THE PERIOD		**1,850**	**3,378**
Attributable to:			
owners of the parent		1,818	3,348
continuing operations		*1,793*	*2,584*
discontinued operations		*25*	*764*
non-controlling interests		32	30
continuing operations		*31*	*29*
discontinued operations		*1*	*1*
Earnings per share from continuing operations attributable to owners of the parent *(in €)*	**9**		
Basic earnings per share		4.31	6.28
Diluted earnings per share		4.24	6.17
Earnings per share from discontinued operations attributable to owners of the parent *(in €)*	**9**		
Basic earnings per share		0.06	1.86
Diluted earnings per share		0.06	1.83

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

Consolidated statement of comprehensive income

(in € millions)	Note	First-half 2016*	First-half 2017
Profit for the period		**1,850**	**3,378**
Other comprehensive income			
Items to be reclassified to profit		**(110)**	**(366)**
Available-for-sale financial assets	13	(12)	(4)
Translation differences and net investment hedges		(84)	(94)
Income tax related to components of other comprehensive income to be reclassified to profit		(6)	(23)
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	14	(7)	(19)
Items related to discontinued operations to be reclassified to profit		(1)	(220)
Income tax on items related to discontinued operations to be reclassified to profit		-	(6)
Items not to be reclassified to profit		**(59)**	**(3)**
Actuarial gains and losses on post-employment benefits		(78)	(3)
Income tax related to components of other comprehensive income not to be reclassified to profit		20	-
Items related to discontinued operations not to be reclassified to profit (net of tax)		(1)	-
Other comprehensive income (expense) for the period		**(169)**	**(369)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,681**	**3,009**
Attributable to:			
- owners of the parent		1,650	2,982
continuing operations		*1,625*	*2,443*
discontinued operations		*25*	*539*
- non-controlling interests		31	27
continuing operations		*30*	*26*
discontinued operations		*1*	*1*

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

In first-half 2017, other comprehensive income relating to foreign exchange differences and net investment hedges includes:

- €3 million in foreign exchange losses (gains of €3 million in first-half 2016) arising in the period on long-term financing for foreign subsidiaries. This financing meets the criteria for classification as a net investment in a foreign operation and is treated in accordance with the applicable provisions of IAS 21;
- €17 million in foreign exchange gains (gains of €21 million in first-half 2016) arising in the period on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market, classified as a hedge of the net investment in some of the Group's US operations;
- €108 million in foreign exchange losses (losses of €108 million in first-half 2016) arising in the period on foreign operations.

Other comprehensive income relating to equity-accounted companies (net of tax) includes (see Note 14, "Investments in equity-accounted companies") €29 million in foreign exchange losses arising in the period on foreign joint ventures (losses of €7 million in first-half 2016) and a positive amount of €10 million relating to cash flow hedges of joint ventures (nil in first-half 2016).

Items of comprehensive income to be reclassified to profit relating to discontinued operations comprise pre-tax income of €220 million in unrealized foreign exchange differences reclassified to profit further to the disposal of the Security businesses during the first half of 2017, and mainly relate to the US entities sold as part of this divestment. The related tax reclassified to profit represents income of €6 million.

In accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and are not subsequently reclassified 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, 2015	June 30, 2016	Dec. 31, 2016	June 30, 2017
Eurozone	2.00%	1.50%	1.30%	1.30%
UK	3.75%	3.25%	2.75%	2.55%

The inflation rate assumption used to calculate obligations in the United Kingdom was as follows:

	Dec. 31, 2015	June 30, 2016	Dec. 31, 2016	June 30, 2017
UK inflation rate	3.05%	2.90%	3.35%	3.20%

Consolidated balance sheet

Assets

(in € millions)	Note	Dec. 31, 2016	June 30, 2017
Goodwill	10	1,864	1,845
Intangible assets	11	5,178	5,261
Property, plant and equipment	12	3,169	3,359
Non-current financial assets	13	382	331
Investments in equity-accounted companies	14	2,175	2,097
Non-current derivatives (positive fair value)	21	28	29
Deferred tax assets		1,351	438
Non-current assets		**14,147**	**13,360**
Current financial assets	13	147	211
Current derivatives (positive fair value)	21	592	738
Inventories and work-in-progress		4,247	4,615
Trade and other receivables		6,252	6,345
Tax assets		513	393
Cash and cash equivalents	15	1,926	6,751
Current assets		**13,677**	**19,053**
Assets related to discontinued operations	22	3,234	-
TOTAL ASSETS		**31,058**	**32,413**

Equity and liabilities

(in € millions)	Note	Dec. 31, 2016	June 30, 2017
Share capital	16	83	83
Consolidated retained earnings	16	4,495	5,495
Net unrealized gains on available-for-sale financial assets	16	35	31
Profit for the period		1,908	3,348
Equity attributable to owners of the parent		**6,521**	**8,957**
Non-controlling interests		**288**	**282**
Total equity		**6,809**	**9,239**
Provisions	17	1,706	1,632
Borrowings subject to specific conditions	18	699	698
Non-current interest-bearing financial liabilities	19	2,392	3,305
Non-current derivatives (negative fair value)	21	-	-
Deferred tax liabilities		987	1,107
Other non-current financial liabilities	20	5	42
Non-current liabilities		**5,789**	**6,784**
Provisions	17	1,558	1,572
Current interest-bearing financial liabilities	19	945	1,915
Trade and other payables		10,242	10,735
Tax liabilities		179	386
Current derivatives (negative fair value)	21	4,385	1,672
Other current financial liabilities	20	357	110
Current liabilities		**17,666**	**16,390**
Liabilities related to discontinued operations	22	794	-
TOTAL EQUITY AND LIABILITIES		**31,058**	**32,413**

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Foreign exchange differences 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, 2016	**83**	**3,360**	**(19)**	**41**	**522**	**2,229**	**(363)**	**(424)**	**198**	**5,627**	**266**	**5,893**
Comprehensive income (expense) for the period	-	-	-	(12)	(91)	-	(80)	1,818	15(a)	1,650	31	1,681
Acquisitions/disposals of treasury shares	-	-	2	-	-	-	-	-	-	2	-	2
Dividends	-	-	-	-	-	(325)	-	-	-	(325)	(26)	(351)
OCEANE 2016-2020 bond	-	-	-	-	-	44	-	-	-	44	-	44
Buyback of non-controlling interests	-	-	-	-	-	-	-	-	(6)	(6)	(1)	(7)
Other movements, including appropriation of profit	-	-	-	-	-	(424)	-	424	-	-	(3)	(3)
At June 30, 2016	**83**	**3,360**	**(17)**	**29**	**431**	**1,524**	**(443)**	**1,818**	**207**	**6,992**	**267**	**7,259**
Comprehensive income (expense) for the period	-	-	-	6	99	-	(51)	90	17(a)	161	24	185
Acquisitions/disposals of treasury shares	-	-	(40)	-	-	-	-	-	-	(40)	-	(40)
Dividends	-	-	-	-	-	-	-	-	-	-	(4)	(4)
2016 interim dividend	-	-	-	-	-	(287)	-	-	-	(287)	-	(287)
Share buyback program	-	-	(42)	-	-	(208)	-	-	-	(250)	-	(250)
Other movements, including appropriation of profit	-	-	-	-	-	(15)	15	-	(55)	(55)	1	(54)
At December 31, 2016	**83**	**3,360**	**(99)**	**35**	**530**	**1,014**	**(479)**	**1,908**	**169**	**6,521**	**288**	**6,809**
Comprehensive income (expense) for the period	-	-	-	(4)	(340)	10	(3)	3,348	(29)(a)	2,982	27	3,009
Acquisitions/disposals of treasury shares	-	-	(8)	-	-	-	-	-	-	(8)	-	(8)
Dividends	-	-	-	-	-	(340)	-	-	-	(340)	(28)	(368)
Share buyback program	-	-	(402)	-	-	208	-	-	-	(194)	-	(194)
Other movements, including appropriation of profit	-	-	-	-	-	1,902	6	(1,908)	(4)	(4)	(5)	(9)
AT JUNE 30, 2017	**83**	**3,360**	**(509)**	**31**	**190**	**2,794**	**(476)**	**3,348**	**136**	**8,957**	**282**	**9,239**

(a) See table below:

(in € millions)	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for first-half 2016 (attributable to owners of the parent)	21	(6)	15
Comprehensive income (expense) for second-half 2016 (attributable to owners of the parent)	3	14	17
Comprehensive income (expense) for first-half 2017 (attributable to owners of the parent)	-	(29)	(29)

Consolidated statement of cash flows

(in € millions)	Note	First-half 2016*	First-half 2017
I. Cash flow from operating activities			
Profit attributable to owners of the parent		1,818	3,348
Depreciation, amortization, impairment and provisions(1)		348	419
Share in profit from equity-accounted companies (net of dividends received)	14	5	(49)
Change in fair value of currency and commodity derivatives(2)	21	(1,065)	(2,865)
Capital gains and losses on asset disposals(3)		(367)	(3)
Profit from discontinued operations and disposal gain (before tax)		(32)	(947)
Profit (loss) attributable to non-controlling interests		32	30
Other(4)		581	1,377
Cash flow from operations, before change in working capital		**1,320**	**1,310**
Change in inventories and work-in-progress		(261)	(466)
Change in operating receivables and payables(5)	21	316	425
Change in other receivables and payables		(105)	1
Change in working capital		**(50)**	**(40)**
TOTAL I(6)		**1,270**	**1,270**
II. Cash flow from investing activities			
Capitalization of R&D expenditure(7)	11	(173)	(141)
Payments for the purchase of intangible assets, net of proceeds(8)		(181)	(118)
Payments for the purchase of property, plant and equipment, net of proceeds(9)		(322)	(345)
Payments arising from the acquisition of investments or businesses, net		(497)	4
Proceeds arising from the sale of investments or businesses, net		-	3,109
Proceeds (payments) arising from the sale (acquisition) of investments and loans		10	(68)
TOTAL II		**(1,163)**	**2,441**
III. Cash flow used in financing activities			
Change in share capital – owners of the parent		-	-
Change in share capital – non-controlling interests		(8)	(3)
Acquisitions and disposals of treasury shares	16.b	2	(453)
Repayment of borrowings and long-term debt	19	(31)	(17)
Increase in borrowings	19	688	1,012
Change in repayable advances	18	(12)	(11)
Change in short-term borrowings	19	163	966
Dividends and interim dividends paid to owners of the parent	16.e	(325)	(340)
Dividends paid to non-controlling interests		(26)	(26)
TOTAL III		**451**	**1,128**
Cash flow from operating activities of discontinued operations — **TOTAL IV**		**25**	**14**
Cash flow used in investing activities of discontinued operations — **TOTAL V**		**(56)**	**(52)**
Cash flow from (used in) financing activities of discontinued operations — **TOTAL VI**		**2**	**(139)**
Effect of changes in foreign exchange rates — **TOTAL VII**		**(3)**	**(17)**
Net increase in cash and cash equivalents — **I+II+III+IV+V+VI+VII**		**526**	**4,645**
Cash and cash equivalents at beginning of period		1,845	1,926
Cash and cash equivalents of discontinued operations at beginning of period		-	180
Cash and cash equivalents at end of period	15	2,205	6,751
Cash and cash equivalents of discontinued operations at end of period		166	-
Net increase in cash and cash equivalents		**526**	**4,645**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

(1) Including in first-half 2017: depreciation and amortization for €382 million (€350 million in first-half 2016), impairment for €81 million (€130 million in first-half 2016) and reversals of provisions for €44 million (€132 million in first-half 2016).

(2) Including in first-half 2017: gains of €2,861 million arising on currency derivatives (gains of €1,054 million in first-half 2016) (see Note 21, "Management of market risks and derivatives").

(3) Including in first-half 2016: a revaluation gain of €367 million in respect of the contribution to ArianeGroup.

(4) Including in first-half 2017: deferred tax of €954 million arising on the change in fair value of currency derivatives (deferred tax of €349 million in first-half 2016).

(5) Including in first-half 2017: net premiums on currency options for €2 million (see Note 21, "Management of market risks and derivatives"), shown on the balance sheet under current derivatives with a negative fair value (€11 million in net premiums in first-half 2016).

(6) In first-half 2017, this caption includes €64 million in taxes paid (€20 million in tax income in first-half 2016), of which €35 million in interest paid (€26 million in first-half 2016) and €12 million in interest received (€11 million in first-half 2016).

(7) Including in first-half 2017: capitalized interest for €6 million (€13 million in first-half 2016).

(8) Including in first-half 2017: disbursements for acquisitions of intangible assets for €149 million (€177 million in first-half 2016), proceeds from disposals for €17 million (€2 million in first-half 2016) and changes in amounts payable on acquisitions of non-current assets representing €16 million (a negative €6 million in first-half 2016).

(9) Including in first-half 2017: disbursements for acquisitions of property, plant and equipment for €349 million (€335 million in first-half 2016), changes in amounts payable on acquisitions of non-current assets representing a negative €6 million (a negative €15 million in first-half 2016) and €10 million in proceeds from disposals (€28 million in first-half 2016).

Notes to the 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 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 27, 2017 adopted and authorized for issue the 2017 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, 2017 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, 2017.

In preparing these condensed interim consolidated financial statements at June 30, 2017, 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, 2016 (see Note 1, section 3.1 of the 2016 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, 2017

The following two amendments are still in the process of adoption by the European Union:

- Amendments to IAS 7, Statement of Cash Flows – Disclosure Initiative;
- Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses.

These amendments 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, 2017

None.

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

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- IFRS 16, Leases;
- IFRS 17, Insurance Contracts;
- Amendments to IAS 28, Investments in Associates and Joint Ventures, and IFRS 10, Consolidated Financial Statements – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- Amendments to IAS 40, Investment Property – Transfers of Investment Property;
- Amendments to IFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions;
- Annual Improvements to IFRSs published in December 2016 (2014-2016 cycle);
- IFRIC 22, Foreign Currency Transactions and Advance Consideration;
- IFRIC 23, Uncertainty over Income Tax Treatments.

With the exception of IFRS 9 and IFRS 15, which are effective for financial periods beginning on or after January 1, 2018, 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 though early adoption is 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.

The application of IFRS 9 will not have a material impact on the Group's consolidated financial statements.

Regarding the application of IFRS 15, Safran disclosed the main changes in accounting treatment expected for the Group as a result of applying the new standard at the time of the presentation of its full-year 2016 results.

The main anticipated restatements are described in detail below:

SALES OF ORIGINAL EQUIPMENT ENGINES AND SPARE ENGINES, SERIAL PRODUCTION EQUIPMENT AND SPARE PARTS

Revenue relating to serial products and spare parts is currently recognized on delivery of the goods and the application of IFRS 15 will not change the pattern of recognition.

Concerning the transaction price to adopt for these contracts under IFRS 15, few changes are expected as compared to current practices, except for the treatment of certain performance warranties in the Aerospace Propulsion and Aircraft Equipment segments. Performance warranties granted to customers along with extended warranties will be recognized as a deduction from revenue, whereas they are currently recognized in expenses.

In the Aircraft Equipment segment, the Group expects changes in the accounting treatment for trade concessions granted to customers in the form of goods free of consideration. In accordance with IFRS 15, these will be deducted from the transaction price, whereas they are currently recognized in expenses. The pattern in which they are recognized in income may also be altered.

CONTRACTS WITH MULTIPLE ELEMENTS

The main change resulting from the application of IFRS 15 in the Defense segment concerns contracts with "multiple elements", which include development work, sales of goods and sales of services. Most of the Group's "multiple-element" contracts are found in the Defense segment.

Revenue from these contracts is currently recognized as an overall performance obligation, either as technical milestones are achieved or based on the percentage-of-completion (cost-to-cost method).

Applying IFRS 15 will require the Group to identify separate performance obligations for each contract and to determine the time at which each obligation is satisfied, on a case-by-case basis. Accordingly, this may alter the pattern in which the Group recognizes revenue and margins under these contracts.

- Generally speaking, the portion of the contract concerning specific development work or customization assignments will not represent a specific performance obligation since the development and customization are inseparable from serial production. Financing received from the customer will be recognized in revenue as and when the various performance obligations are satisfied.
- The costs associated with development and installation will be recognized as the contract "fulfilment cost" and accounted for in expenses over the contract term.
- Revenue generated on the serial production portion of the contract will be recognized either on delivery of the goods, or on a percentage-of-completion basis (cost-to-cost method), depending on the nature of the performance obligation.

SALES OF TIME AND MATERIALS SERVICE CONTRACTS

Services under these contracts are generally provided over the short term. Revenue generated on these contracts is currently recognized once the repair service has been provided. There will be no change to this accounting treatment as a result of IFRS 15.

Concerning the transaction price to adopt for such contracts under IFRS 15, few changes are expected as compared to current practices, except for the treatment of certain performance warranties in the Aerospace Propulsion segment. Performance warranties granted to customers will be recognized as a deduction from revenue, whereas they are currently recognized in expenses.

SALES OF INSTALLED BASE MAINTENANCE AND SUPPORT CONTRACTS

- In the Aerospace Propulsion and Aircraft Equipment segments, certain maintenance and support contracts require a fleet of engines or various equipment to be kept in flying condition. Revenue under these contracts is currently recognized in line with the flying hours/landings billed. Under IFRS 15, the different services provided under each such contract represent a single performance obligation and the related revenue is to be recognized on a percentage-of-completion basis (cost-to-cost method).

  This represents the biggest change for the Group resulting from IFRS 15 in terms of both revenue recognition and the accounting for the associated margins.

  Concerning the transaction price for these contracts, few changes are expected when applying IFRS 15 as compared to current practices, except for the treatment of certain performance warranties discussed in the section on time and materials service contracts.

- In the Defense sector, the pattern of revenue recognition under certain fixed-price maintenance contracts may alter depending on the type of service. Revenue will be recognized based on a percentage-of-completion basis (cost-to-cost method) rather than on billing milestones.

SALES OF STUDIES

Sales of studies include standalone sales and development sales associated with the delivery of the goods.

Under IFRS 15, the Group will be required to identify the separate performance obligations existing in the contract for each of these sales.

Sales of studies

Each study to be completed generally represents a separate performance obligation.

The pattern of recognizing revenue will depend on how control is transferred: i.e., over time or at a point in time.

Revenue under these contracts is currently recognized based on a percentage-of-completion basis (cost-to-cost method) or on the achievement of billing milestones.

Under IFRS 15, revenue will be recognized based on the percentage of costs incurred (transfer over time) or once the performance obligation has been satisfied.

Sales of studies only represent a very minor part of the Group's business and are found in all of its business activities.

Sales of development work associated with serial production deliveries

Development work may be carried out prior to production and be wholly or partly financed by the customer.

Sales of development work primarily concern the Aircraft Equipment and Defense sectors.

In the Group's contracts, financed development work is generally inseparable from serial production and does not therefore represent a separate performance obligation. Under IFRS 15, client-financed development work is to be recognized in full within "serial" revenue on the delivery of the goods, whereas currently it is generally recognized within sales of studies during the development phase, based on either the percentage-of-completion (cost-to-cost method), on billing milestones, or on delivery of serial production.

ESTIMATED IMPACTS

IFRS 15 will be applied with effect from January 1, 2018 based on the "full retrospective approach".

Accordingly, opening equity at January 1, 2017 will be restated for the impacts of the first-time application of the new standard, and the comparative data for 2017 presented in the 2018 consolidated financial statements will also be restated.

The impact on opening equity results from the retrospective application of IFRS 15, which in certain cases (notably for maintenance contracts based on flying hours/landings and for contracts where revenue is based on a percentage of completion) gives rise to the deferral of the recognition of revenue and the associated profit from operations as compared to current accounting practice.

The Group currently anticipates a negative impact on consolidated equity at January 1, 2017 in the region of €0.8 billion, taking into account the related deferred tax effect. At this stage, the projected impact is based on estimations and may evolve as the calculations of the impact on the consolidated financial statements for each contract are completed. It does not include the impact of the change in accounting standard on certain joint ventures.

There will be two types of impact on Group revenue:

- a base effect relating to the reclassification of expenses as a deduction from revenue. This effect concerns essentially sales of original engines, equipment and spare parts. It should be marginal with regard to the volume of revenue and neutral with regard to the operating result;
- a deferral in the recognition of revenue.

Overall, the application of IFRS 15 is not expected to have a material impact on the Group's annual revenue based on its current scope.

IFRS 15 will have no impact on the related cash flows.

NOTE 2 MAIN SOURCES OF ESTIMATES

The preparation of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) described in Note 1, section 3.1 of the 2016 Registration Document, 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 2016 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 expenditures:** the conditions for capitalizing development expenditures are set out in Note 1.j, section 3.1 of the 2016 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:** sales contracts (or combinations of contracts) may be onerous. For all sales contracts or combinations of contracts, the Group estimates the volume of goods to be delivered as well as spare parts and services directly related to the delivery commitment, which may be contractual or highly probable. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when the combination of contracts is onerous and a loss is likely to be incurred. It uses estimates, notably as regards the volume of goods to be produced and delivered under the sales contracts or combinations of contracts, as well as the volume of directly-related spare parts and services, projected production costs and the expected economic benefits.
- **Repayable advances:** the forecast repayment of advances received from public bodies is based on revenue from future sales of engines, equipment and spare parts, as appropriate. As a result, the forecasts are closely related to the business plans prepared by the operating divisions using the main assumptions discussed above.

Any changes in estimates and assumptions underlying cash flow forecasts for programs and contracts could have a material impact on the Group's future earnings and/or the amounts reported in its balance sheet. Consequently, the sensitivity of key estimates and assumptions to such changes is systematically tested and the results of these tests reviewed by management on a regular basis.

b) Provisions

Provisions reflect management's best estimates using available information, past experience and, in some cases, estimates 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.

The specific nature of any receivables from governments or government-backed entities is taken into account when determining bad debt risk for each receivable and therefore when estimating the amount of any impairment loss.

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 prices. 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 25, "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 RESTATEMENT OF FIRST-HALF 2016 COMPARATIVE INFORMATION

The entire Security business was presented within assets held for sale at December 31, 2016 owing to:

- the announcement on April 21, 2016 of an agreement to sell Morpho Detection LLC and other detection businesses to Smiths Group Plc; and
- the announcement on September 29, 2016 of the start of exclusive negotiations with Advent International to sell the identity and security businesses.

In the Group's interim consolidated financial statements for the first half of 2017, and in accordance with IFRS 5, the activities of the Security segment are shown in discontinued operations (see Note 4, "Scope of consolidation") and comparative information for the first half of 2016 has been restated. Consequently, the income statement, statement of cash flows and segment information published for first-half 2016 have been restated.

The resulting impacts on the financial statements are shown below.

3.a. Income statement and statement of comprehensive income

(in € millions)	First-half 2016 (published)	IFRS 5 impact	First-half 2016 (restated)
Revenue	**9,255**	**(949)**	**8,306**
Other income	141	(8)	133
Income from operations	**9,396**	**(957)**	**8,439**
Change in inventories of finished goods and work-in-progress	206	(12)	194
Capitalized production	309	(7)	302
Raw materials and consumables used	(5,114)	459	(4,655)
Personnel costs	(2,655)	277	(2,378)
Taxes	(183)	11	(172)
Depreciation, amortization, and increase in provisions, net of use	(291)	70	(221)
Asset impairment	(119)	(3)	(122)
Other recurring operating income and expenses	(55)	142	87
Share in profit from joint ventures	19	-	19
Recurring operating income	**1,513**	**(20)**	**1,493**
Other non-recurring operating income and expenses	355	-	355
Profit from operations	**1,868**	**(20)**	**1,848**
Cost of net debt	(24)	-	(24)
Foreign exchange gain (loss)	718	(12)	706
Other financial income and expense	(60)	1	(59)
Financial income (loss)	**634**	**(11)**	**623**
Profit (loss) before tax	**2,502**	**(31)**	**2,471**
Income tax benefit (expense)	(652)	5	(647)
Profit from continuing operations	**1,850**	**(26)**	**1,824**
Profit from discontinued operations	-	26	26
PROFIT FOR THE PERIOD	**1,850**	**-**	**1,850**
Attributable to:			
owners of the parent	1,818	-	1,818
continuing operations	*1,818*	*(25)*	*1,793*
discontinued operations	*-*	*25*	*25*
non-controlling interests	32	-	32
continuing operations	*32*	*(1)*	*31*
discontinued operations	*-*	*1*	*1*
Earnings per share from continuing operations attributable to owners of the parent *(in €)*			
Basic earnings per share	4.37	(0.06)	4.31
Diluted earnings per share	4.30	(0.06)	4.24
Earnings per share from discontinued operations attributable to owners of the parent *(in €)*			
Basic earnings per share	0.00	0.06	0.06
Diluted earnings per share	0.00	0.06	0.06

(in € millions)	First-half 2016 (published)	IFRS 5 impact	First-half 2016 (restated)
Profit for the period	**1,850**	**-**	**1,850**
Other comprehensive income			
Items to be reclassified to profit	**(110)**	**-**	**(110)**
Available-for-sale financial assets	(12)	-	(12)
Foreign exchange differences and net investment hedges	(84)	-	(84)
Income tax related to components of other comprehensive income to be reclassified to profit	(6)	-	(6)
Share in other comprehensive income of equity-accounted companies (net of tax)	(8)	1	(7)
Items related to discontinued operations to be reclassified to profit (net of tax)	-	(1)	(1)
Items not to be reclassified to profit	**(59)**	**-**	**(59)**
Actuarial gains and losses on post-employment benefits	(80)	2	(78)
Income tax related to components of other comprehensive income not to be reclassified to profit	21	(1)	20
Share in other comprehensive income of equity-accounted companies (net of tax) not to be reclassified to profit	-	-	-
Items related to discontinued operations not to be reclassified to profit (net of tax)	-	(1)	(1)
Other comprehensive income (expense) for the period	**(169)**	**-**	**(169)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,681**	**-**	**1,681**
Attributable to:			
owners of the parent	1,650	-	1,650
continuing operations	*1,650*	*(25)*	*1,625*
discontinued operations	-	*25*	*25*
non-controlling interests	31	-	31
continuing operations	*31*	*(1)*	*30*
discontinued operations	-	*1*	*1*

3.b. Consolidated statement of cash flows

(in € millions)		First-half 2016 (published)	IFRS 5 impact	First-half 2016 (restated)
I. Cash flow from operating activities				
Profit attributable to owners of the parent		1,818	-	1,818
Depreciation, amortization and provisions		416	(68)	348
Share in profit from equity-accounted companies (net of dividends received)		6	(1)	5
Change in fair value of currency and commodity derivatives		(1,065)	-	(1,065)
Capital gains and losses on asset disposals		(367)	-	(367)
Pre-tax profit from discontinued operations		-	(32)	(32)
Profit attributable to non-controlling interests		32	-	32
Other		519	62	581
Cash flow from operations, before change in working capital		**1,359**	**(39)**	**1,320**
Change in inventories and work-in-progress		(281)	20	(261)
Change in operating receivables and payables		356	(40)	316
Change in other receivables and payables		(139)	34	(105)
Change in working capital		**(64)**	**14**	**(50)**
	TOTAL I	**1,295**	**(25)**	**1,270**
II. Cash flow used in investing activities				
Capitalization of R&D expenditure		(181)	8	(173)
Payments for the purchase of intangible assets, net of proceeds		(188)	7	(181)
Payments for the purchase of property, plant and equipment, net of proceeds		(360)	38	(322)
Payments arising from the acquisition of investments or businesses, net		(500)	3	(497)
Proceeds (payments) arising from the sale (acquisition) of investments and loans		10	-	10
	TOTAL II	**(1,219)**	**56**	**(1,163)**
III. Cash flow from financing activities				
Change in share capital – owners of the parent		-		-
Change in share capital – non-controlling interests		(8)	-	(8)
Acquisitions and disposals of treasury shares		2	-	2
Repayment of borrowings and long-term debt		(35)	4	(31)
Increase in borrowings		690	(2)	688
Change in repayable advances		(12)	-	(12)
Change in short-term borrowings		167	(4)	163
Dividends and interim dividends paid to owners of the parent		(325)	-	(325)
Dividends paid to non-controlling interests		(26)	-	(26)
	TOTAL III	**453**	**(2)**	**451**
Cash flow from operating activities of discontinued operations	**TOTAL IV**	**-**	**25**	**25**
Cash flow used in investing activities of discontinued operations	**TOTAL V**	**-**	**(56)**	**(56)**
Cash flow used in financing activities of discontinued operations	**TOTAL VI**	**-**	**2**	**2**
Effect of changes in foreign exchange rates	**TOTAL VII**	**(3)**	**-**	**(3)**
Net increase in cash and cash equivalents	**I+II+III+IV +V+VI+VII**	**526**	**-**	**526**
Cash and cash equivalents at beginning of period		1,845		1,845
Cash and cash equivalents of discontinued operations at beginning of period		-		-
Cash and cash equivalents at end of period		2,353	(148)	2,205
Cash and cash equivalents of discontinued operations at end of period		18	148	166
Net increase in cash and cash equivalents		**526**		**526**

3.c. Segment information

FIRST-HALF 2016

(in € millions)	Total operating segments (published)	IFRS 5 impact	Total operating segments (restated)	Holding company and other	Total adjusted data (restated)	Currency hedges (restated)	Impacts of business combinations (restated)	Total consolidated data (restated)
Revenue	**8,932**	**(949)**	**7,983**	**4**	**7,987**	**319**	**-**	**8,306**
Recurring operating income (loss)	**1,314**	**(79)**	**1,235**	**(5)**	**1,230**	**322**	**(59)***	**1,493**
Other non-recurring operating income and expenses	3	-	3	(16)	(13)	-	368	355
Profit from operations	**1,317**	**(79)**	**1,238**	**(21)**	**1,217**	**322**	**309***	**1,848**
Free cash flow	**649**	**29**	**678**	**(84)**	**594**	**-**	**-**	**594**

* *A negative amount of €48 million concerning the Security segment was restated in first-half 2016.*

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers (published)	1,924	1,780	3,172	1,216	844	8,936	319	9,255
IFRS 5 impact	(86)	(143)	(539)	(85)	(96)	(949)		(949)
Revenue by location of customers (restated)	**1,838**	**1,637**	**2,633**	**1,131**	**748**	**7,987**	**319**	**8,306**

NOTE 4 SCOPE OF CONSOLIDATION

Main changes in the scope of consolidation in 2017

SALE OF THE SECURITY BUSINESSES

Safran announced on April 7, 2017, that it had finalized the sale of Morpho Detection LLC, Morpho Detection International LLC and other detection assets to Smiths Group Plc for an enterprise value of USD 710 million. The divested companies were deconsolidated as from that date.

On May 31, 2017, Safran finalized the disposal of its identity and security businesses to Advent International for an enterprise value of €2.4 billion. The divested companies were deconsolidated as from that date.

In the first half of 2017, these transactions generated a disposal gain recognized in "Profit from discontinued operations" in a post-tax amount of €766 million (see Note 22 – "Discontinued operations"). The disposal gain may be revised at the end of the contractual post-closing review period, which is expected to be finalized during the second half of the year, and in light of the related tax effects.

Safran granted vendor warranties as part of these disposals (See Note 24.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation").

Other transactions that may impact the scope of consolidation

TENDER OFFER FOR ZODIAC AEROSPACE

On January 19, 2017, Safran announced its intention to acquire Zodiac Aerospace through an agreed offer and a subsequent merger, after approval of the main terms and conditions of the transaction by the Board of Directors of Safran and the Supervisory Board of Zodiac Aerospace.

On May 24, 2017, Safran and Zodiac Aerospace announced that they had withdrawn this transaction structure and had entered into a new business combination agreement.

Under the terms of this agreement, and subject to certain conditions precedent, Safran will file a Tender Offer for Zodiac Aerospace's shares, consisting in:

- a primary cash offer targeting 100% of Zodiac Aerospace's shares (excluding any treasury shares held by Zodiac Aerospace) at a price of €25 per Zodiac Aerospace share;

- a subsidiary exchange offer pursuant to which Zodiac Aerospace shareholders would receive a number of Safran preferred shares determined on the basis of a ratio between a value of €24 per Zodiac Aerospace share and the market price of Safran ordinary shares, within a +5%/-5% collar mechanism, resulting in an exchange ratio of 0.300 to 0.332 Safran preferred share per Zodiac Aerospace share. The number of Zodiac Aerospace shares to be tendered to the subsidiary exchange offer would be capped at 88,847,828 shares, representing approximately 31.4% of Zodiac Aerospace's share capital, leading to the issuance of 26.6 million and 29.5 million Safran preferred shares (depending on the exchange ratio's variations). The preferred shares will bear the same rights as ordinary shares but will not be transferable for three years as from settlement of the Tender Offer.

The Tender Offer would not be open to the public in the United States of America or any jurisdiction other than France where action to permit the offer is required.

The subsidiary exchange offer is subject to a pro-rata reduction mechanism so that the overall number of Zodiac Aerospace shares tendered to the subsidiary exchange offer does not exceed 88,847,828 shares, representing approximately 31.4% of the targeted share capital. The primary cash offer would not be subject to any limitation or reduction mechanism.

The completion of the Tender Offer would, in particular, be subject to reaching (i) the mandatory overall acceptance threshold of 50% of Zodiac Aerospace's share capital or voting rights, and (ii) a voluntary overall acceptance threshold of 66.67% of the exercisable voting rights of Zodiac Aerospace.

Certain of Zodiac Aerospace's family shareholders and two institutional investors (FFP and Fonds Stratégique de Participations), Zodiac Aerospace's leading shareholders, have undertaken to tender their shares to the Tender Offer, representing a total of approximately 27.52% of Zodiac Aerospace's share capital.

Certain family shareholders of Zodiac Aerospace representing approximately 4.76% of Zodiac Aerospace's share capital have signed residual interest undertakings and may remain shareholders of Zodiac Aerospace until February 2022.

Following completion of the Tender Offer, Safran intends to provide that Zodiac Aerospace would not distribute any dividends and reserves its rights to consider the possibility of a squeeze-out or a merger.

Main changes in the scope of consolidation in 2016

AIRBUS SAFRAN LAUNCHERS (ASL) JOINT VENTURE

On January 14, 2015, Airbus Group and Safran completed the first phase of the creation of their 50-50 joint arrangement, Airbus Safran Launchers (ASL). During this phase, the coordination and the management of all existing civil launchers programs along with Safran's investments in Europropulsion, Regulus and Arianespace were contributed to the joint venture. In return for these first phase contributions, Safran received 50% of the shares issued by ASL, which were recognized within "Investments in equity-accounted companies" for €69 million. A revaluation gain of €36 million on the activities and investments contributed during this first phase was recognized in first-half 2015 within "Other non-recurring operating income and expenses". On August 12, 2015, the European Space Agency awarded ASL the Ariane 6 development contract.

On May 20, 2016, Airbus Group and Safran signed the phase 2 Master Agreement fully enabling the joint venture to design, develop, produce and market all activities related to civil and military launchers and associated propulsion systems, and completing the coordination and the management of all civil launchers programs and associated investments, already managed by ASL since the completion of the first phase.

Pursuant to this agreement, on June 30, 2016 Safran contributed to the joint venture all the assets and liabilities relating to the design, development, production and commercial activities related to launcher propulsion systems for civil and military applications, as well as its investments in Pyroalliance and APP Beheer BV. In order to respect the 50-50 balance between both partners, Safran subscribed to two reserved capital increases carried out by ASL Holding SAS for a total amount of €750 million. In return for these contributions and capital increases, Safran received 50% of the shares issued by ASL Holding SAS, which were recognized within "Investments in equity-accounted companies" for €1,398 million. The loss of control in the activities and the investments contributed during this second phase led to the recognition of a revaluation gain of €367 million in "Other non-recurring operating income and expenses" for 2016, exempt from tax pursuant to deferred tax rules.

To complete the last phase of the project, ASL's acquisition of CNES' 34.68% stake in Arianespace was approved by the European Commission in mid-July 2016 and finalized at end-December 2016, bringing ASL's interest in Arianespace to 74%. Changes in Arianespace's share ownership mark the new governance arrangements in place for European launchers.

The allocation of the purchase price to the acquired entity's amortizable intangible assets has been finalized, and generated an amortization expense net of the deferred tax effect of €25 million in first-half 2017 (€12 million in second-half 2016).

On July 1, 2017, Airbus Safran Launchers (ASL) became ArianeGroup following the change of its corporate name.

TECHNOFAN

On June 15, 2016, the AMF approved Safran's public tender offer followed by a mandatory squeeze-out of the 4.85% of Technofan's share capital not owned by Safran on the date the offer was registered. The offer applied to 30,495 shares at a price per share of €245, equal to a total acquisition price of €7.5 million, to acquire Technofan's non-controlling interests, reducing consolidated equity by €6 million at December 31, 2016.

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. Three operating segments have been identified based on these criteria.

The Security segment has been classified within "discontinued operations" since 2016 (see Notes 3 and 22) and is no longer presented as an operating segment for segment reporting purposes.

AEROSPACE PROPULSION

The Group designs, develops, produces and markets propulsion systems for commercial aircraft, military transport, training and combat aircraft, civil and military helicopters, 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, and air surveillance systems), as well as defense equipment and systems.

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 below 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 in chapter 1 of this document.

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, section 3.1 of the 2016 Registration Document), except for the restatements made in respect of adjusted data (see Foreword in chapter 1).

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.

Segment information

FIRST-HALF 2017

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**4,691**	**2,715**	**624**	**8,030**	**8**	**8,038**	**344**	**-**	**8,382**
Recurring operating income	**849**	**327**	**40**	**1,216**	**2**	**1,218**	**350**	**(79)**	**1,489**
Other non-recurring operating income and expenses	-	-	-	-	(16)	(16)	-	-	(16)
Profit (loss) from operations	**849**	**327**	**40**	**1,216**	**(14)**	**1,202**	**350**	**(79)**	**1,473**
Free cash flow	**698**	**57**	**(20)**	**735**	**(69)**	**666**	**-**	**-**	**666**

FIRST-HALF 2016*

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
Revenue	**4,857**	**2,542**	**584**	**7,983**	**4**	**7,987**	**319**	**-**	**8,306**
Recurring operating income	**942**	**271**	**22**	**1,235**	**(5)**	**1,230**	**322**	**(59)**	**1,493**
Other non-recurring operating income and expenses	5	(2)	-	3	(16)	(13)	-	368	355
Profit (loss) from operations	**947**	**269**	**22**	**1,238**	**(21)**	**1,217**	**322**	**309**	**1,848**
Free cash flow	**705**	**44**	**(71)**	**678**	**(84)**	**594**	**-**	**-**	**594**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

Revenue (adjusted data)

(in € millions)	First-half 2016*	First-half 2017
Aerospace Propulsion		
Original equipment and related products and services	1,994	1,766
Services	2,677	2,878
Sales of studies	165	31
Other	21	16
Sub-total	**4,857**	**4,691**
Aircraft Equipment		
Original equipment and related products and services	1,598	1,706
Services	794	853
Sales of studies	97	90
Other	53	66
Sub-total	**2,542**	**2,715**
Defense		
Sales of equipment	362	394
Services	158	167
Sales of studies	63	62
Other	1	1
Sub-total	**584**	**624**
Holding company and other		
Sales of equipment	-	-
Other	4	8
Sub-total	**4**	**8**
TOTAL	**7,987**	**8,038**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 22, "Discontinued operations").*

Information by geographic area

FIRST-HALF 2017

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers	1,674	1,983	2,705	1,131	545	8,038	344	8,382
%	*21%*	*25%*	*34%*	*14%*	*6%*			

FIRST-HALF 2016

(in € millions)	France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	Total adjusted data	Currency hedges	Total consolidated data
Revenue by location of customers*	1,838	1,637	2,633	1,131	748	7,987	319	8,306
%	*23%*	*21%*	*33%*	*14%*	*9%*			

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

NOTE 6 BREAKDOWN OF THE MAIN COMPONENTS OF PROFIT FROM OPERATIONS

Revenue

(in € millions)	First-half 2016*	First-half 2017
Original equipment and related products and services	4,109	4,026
Services	3,778	4,072
Sales of studies	337	194
Other	82	90
TOTAL	**8,306**	**8,382**

* The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").

Other income

(in € millions)	First-half 2016*	First-half 2017
Research tax credit(1)	71	74
Competitiveness and employment tax credit (CICE)	20	21
Other operating subsidies	34	39
Other operating income	8	9
TOTAL	**133**	**143**

* The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").

(1) Of which €8 million in connection with additional research tax credits in respect of 2016, included in first-half 2017 income (€5 million in respect of 2015 included in first-half 2016 income).

Raw materials and consumables used

This caption breaks down as follows for the period:

(in € millions)	First-half 2016*	First-half 2017
Raw materials, supplies and other	(1,298)	(1,437)
Bought-in goods	(63)	(70)
Changes in inventories	62	50
Sub-contracting	(2,030)	(2,177)
Purchases not held in inventory	(228)	(223)
External service expenses	(1,098)	(1,081)
TOTAL	**(4,655)**	**(4,938)**

* The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").

Personnel costs

(in € millions)	First-half 2016*	First-half 2017
Wages and salaries	(1,462)	(1,386)
Social security contributions	(627)	(579)
Statutory employee profit-sharing	(73)	(67)
Optional employee profit-sharing	(80)	(73)
Additional contributions	(32)	(38)
Corporate social contribution	(38)	(36)
Other employee costs	(66)	(58)
TOTAL	**(2,378)**	**(2,237)**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

The decrease in personnel costs primarily relates to the transfer of 3,500 employees further to the contribution on June 30, 2016 of the space business to the Airbus Safran Launchers joint venture (renamed ArianeGroup on July 1, 2017).

Depreciation, amortization and increase in provisions, net of use

(in € millions)	First-half 2016*	First-half 2017
Net depreciation and amortization expense		
intangible assets	(160)	(184)
property, plant and equipment	(190)	(198)
Total net depreciation and amortization expense(1)	**(350)**	**(382)**
Net increase in provisions	**129**	**(8)**
DEPRECIATION, AMORTIZATION, AND INCREASE IN PROVISIONS, NET OF USE	**(221)**	**(390)**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*
(1) *Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €33 million in first-half 2017 and €36 million in first-half 2016; and during recent acquisitions: €20 million in first-half 2017 and €23 million in first-half 2016.*

Asset impairment

	Impairment expense		Reversals	
(in € millions)	First-half 2016*	First-half 2017	First-half 2016*	First-half 2017
Property, plant and equipment and intangible assets	(35)	(16)	11	3
Financial assets	-	-	5	3
Inventories and work-in-progress	(197)	(178)	87	104
Receivables	(22)	(28)	29	25
TOTAL	**(254)**	**(222)**	**132**	**135**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

Other recurring operating income and expenses

(in € millions)	First-half 2016*	First-half 2017
Capital gains and losses on asset disposals	1	2
Royalties, patents and licenses	(13)	(9)
Losses on irrecoverable receivables	(7)	(5)
Other operating income and expenses	106	71
TOTAL	**87**	**59**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

Other non-recurring operating income and expenses

(in € millions)	First-half 2016*	First-half 2017
Gains on remeasuring previously held equity interests	367	-
Other non-recurring items	(12)	(16)
TOTAL	**355**	**(16)**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

In first-half 2017, other non-recurring items concern €16 million in transaction costs.

At June 30, 2016, the revaluation gain arising from the loss of control in the activities and the investments transferred during the second phase of the creation of ASL (since renamed ArianeGroup), the 50-50 joint arrangement between Airbus Group and Safran, was included within "Other non-recurring operating income and expenses" for €367 million (see Note 4, "Scope of consolidation").

Besides this gain, other non-recurring items chiefly included €11 million in transaction and integration costs arising on business combinations.

NOTE 7 FINANCIAL INCOME (LOSS)

(in € millions)	June 30, 2016*	June 30, 2017
Financial expense on interest-bearing financial liabilities	(36)	(40)
Financial income on cash and cash equivalents	12	12
Cost of net debt	**(24)**	**(28)**
Gain (loss) on foreign currency hedging instruments	1,015	2,754
Foreign exchange gains and losses	(324)	(391)
Net foreign exchange gains (losses) on provisions	15	59
Foreign exchange gain (loss)	**706**	**2,422**
Gain or loss on interest rate and commodity hedging instruments	6	4
Impairment of available-for-sale financial assets	(5)	(2)
Write-downs of loans and other financial receivables	(5)	-
Dividends received	1	1
Other financial provisions	4	(1)
Interest component of IAS 19 expense	(9)	(6)
Impact of discounting	(60)	(16)
Other	9	-
Other financial income and expense	**(59)**	**(20)**
FINANCIAL INCOME (LOSS)	**623**	**2,374**
of which financial expense	**(439)**	**(456)**
of which financial income	**1,062**	**2,830**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

In first-half 2017, the €2,754 million gain on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to cash flows that will be recognized in profit or loss in future periods. This gain results chiefly from the change in the EUR/USD closing exchange rate (1.14 at June 30, 2017 versus 1.05 at December 31, 2016).

The €391 million foreign exchange loss includes €356 million relating to the loss on unwinding currency derivatives hedging operating cash flows recognized in profit or loss in the period. This foreign exchange loss reflects the fact that the currency derivatives unwound in the period broadly guaranteed a EUR/USD exchange rate of USD 1.21 for €1, which proved less favorable than the actual exchange rate observed during the period.

NOTE 8 INCOME TAX

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

The tax expense in first-half 2017 amounts to €1,234 million. It includes a current tax expense of €237 million and a deferred tax expense of €997 million.

The deferred tax expense in first-half 2017 is primarily due to a gain in the fair value of currency instruments hedging future cash flows recognized in financial income (loss) with an impact of €2,754 million.

In first-half 2016, changes in the fair value of currency instruments amounted to a positive €1,015 million and generated a deferred tax expense.

NOTE 9 EARNINGS PER SHARE

	Index	First-half 2016*	First-half 2017
Numerator *(in € millions)*			
Profit for the period attributable to owners of the parent	(a)	1,818	3,348
Profit from continuing operations attributable to owners of the parent	(i)	1,793	2,584
Profit from discontinued operations attributable to owners of the parent	(j)	25	764
Denominator *(in shares)*			-
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	582,726	7,773,268
Number of shares excluding treasury shares	(d)=(b-c)	416,446,859	409,256,317
Weighted average number of shares (excluding treasury shares)	(d’)	416,388,893	411,224,858
Potentially dilutive ordinary shares	(e)	7,277,205	7,277,205
Weighted average number of shares after dilution	(f)=(d’+e)	423,666,098	418,502,063
Ratio: earnings per share from continuing operations *(in €)*			
Basic earnings per share	(k)=(i*1million)/(d’)	4.31	6.28
Diluted earnings per share	(l)=(i*1million)/(f)	4.23	6.17
Ratio: earnings per share from discontinued operations *(in €)*			
Basic earnings per share	(m)=(j*1million)/(d’)	0.06	1.86
Diluted earnings per share	(n)=(j*1million)/(f)	0.06	1.83

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, “Restatement of first-half 2016 comparative information” and Note 22, “Discontinued operations”).*

At June 30, 2017, potentially dilutive ordinary shares comprise shares that may be issued if all of the options issued by the Group on January 5, 2016 as part of the issue of bonds convertible and/or exchangeable for new and/or existing shares (OCEANE – see Note 16.c, “Convertible bond issue”) are converted.

NOTE 10 GOODWILL

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2016 Net	Changes in scope of consolidation	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	June 30, 2017 Net
Safran Aircraft Engines (formerly Snecma)	392	-	-	-	-	392
Safran Helicopter Engines (formerly Turbomeca)	306	-	-	-	-	306
Safran Aero Booster (formerly Techspace)	47	-	-	-	-	47
Other	1	-	-	-	-	1
Total Aerospace Propulsion	**746**	**-**	**-**	**-**	**-**	**746**
Safran Nacelles (formerly Aircelle)	213	-	-	-	-	213
Safran Engineering Services	78	-	-	-	-	78
Safran Landing Systems (formerly Messier Bugatti Dowty)	188	-	-	-	2	190
Technofan – Ventilation systems	10	-	-	-	-	10
Safran Electrical & Power (formerly Labinal Power System)	491	-	-	-	(17)	474
Total Aircraft Equipment	**980**	**-**	**-**	**-**	**(15)**	**965**
Safran Electronics & Defense (formerly Sagem Défense)	138	-	-	-	(4)	134
Total Defense	**138**	**-**	**-**	**-**	**(4)**	**134**
TOTAL	**1,864**	**-**	**-**	**-**	**(19)**	**1,845**

Annual impairment tests

The Group tests goodwill for impairment during the first half of the year.

The Group performed annual impairment tests on the cash-generating units (CGUs) presented above, by comparing their value in use with their net carrying amount.

The main assumptions used in determining the value in use of CGUs are described below:

- Expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at 10 years but may be 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 projections and assumptions are based on the Group's medium-term plan for the next four years, while projections and assumptions beyond this period are based on management's best case long-term scenario.
- 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 growth rate used to calculate terminal value was set at 1.5% for the Defense CGU (unchanged from 2016) and at 2% for the Aerospace Propulsion and Aircraft Equipment CGUs (unchanged from 2016).
- The average USD exchange rate adopted is 1.19 for years 2017 to 2019 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 benchmark post-tax discount rate used is 7.5% (unchanged from 2016) and is applied to post-tax cash flows.

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 2016.

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 2017 as in 2016, 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, 2016			June 30, 2017		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,367	(1,326)	1,041	2,364	(1,382)	982
Development expenditures	3,946	(1,265)	2,681	4,070	(1,310)	2,760
Commercial agreements and concessions	973	(312)	661	1,062	(342)	720
Software	523	(452)	71	568	(476)	92
Commercial relationships	227	(90)	137	204	(78)	126
Technology	93	(22)	71	89	(24)	65
Other	642	(126)	516	651	(135)	516
TOTAL	**8,771**	**(3,593)**	**5,178**	**9,008**	**(3,747)**	**5,261**

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
At December 31, 2016	**8,771**	**(3,593)**	**5,178**
Capitalization of R&D expenditure[1]	141	-	141
Capitalization of other intangible assets	50	-	50
Acquisitions of other intangible assets	99	-	99
Disposals and retirements	(1)	-	(1)
Depreciation	-	(184)	(184)
Impairment losses recognized in profit or loss	-	-	-
Reclassifications	(20)	14	(6)
Changes in scope of consolidation	3	-	3
Foreign exchange differences	(35)	16	(19)
AT JUNE 30, 2017	**9,008**	**(3,747)**	**5,261**

(1) Including €6 million in capitalized interest on R&D expenditure at June 30, 2017 (€13 million at June 30, 2016).

Research and development expenditure recognized in recurring operating income for the period totalled €437 million including amortization (€428 million in first-half 2016, restated in line with IFRS 5). This amount does not include the research tax credit recognized in recurring operating income within other income (see Note 6, "Breakdown of the main components of profit from operations").

Amortization was recognized in respect of intangible assets for €53 million relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger (€33 million), and to assets identified as part of other business combinations (€20 million).

No impairment losses were recognized as a result of the impairment tests carried out in first-half 2017 or first-half 2016.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2016			June 30, 2017		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	209	-	209	205	-	205
Buildings	1,559	(687)	872	1,588	(717)	871
Technical facilities, equipment and tooling	4,416	(3,028)	1,388	4,568	(3,100)	1,468
Assets in progress, advances	690	(78)	612	709	(85)	624
Site development and preparation costs	50	(28)	22	50	(29)	21
Buildings on land owned by third parties	92	(34)	58	98	(35)	63
Computer hardware and other equipment	369	(361)	8	475	(368)	107
TOTAL	**7,385**	**(4,216)**	**3,169**	**7,693**	**(4,334)**	**3,359**

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2016	**7,385**	**(4,216)**	**3,169**
Internally produced assets	57	-	57
Additions(1)	295	-	295
Disposals and retirements	(58)	47	(11)
Depreciation	-	(198)	(198)
Impairment losses recognized in profit or loss	-	(13)	(13)
Reclassification(2)	88	8	96
Changes in scope of consolidation	4	(1)	3
Foreign exchange differences	(78)	39	(39)
AT JUNE 30, 2017	**7,693**	**(4,334)**	**3,359**

(1) Including €3 million in assets held under finance leases.

(2) A positive amount of €98 million, corresponding to the cumulative eliminations of internal margins generated between the Group and a joint venture in prior periods, was reclassified from property, plant and equipment to investments in equity-accounted companies.

NOTE 13 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets include:

	Dec. 31, 2016			June 30, 2017		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments[1]	488	(188)	300	431	(185)	246
Other financial assets	316	(87)	229	384	(88)	296
TOTAL	**804**	**(275)**	**529**	**815**	**(273)**	**542**

(1) Of which Embraer listed securities for €31 million at June 30, 2017 (€39 million at end-December 2016), classified in Level 1 of the IFRS 13 fair value hierarchy (as at December 31, 2016).

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

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

No material write-downs were recognized in first-half 2017.

Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2016	June 30, 2017
Loans to non-consolidated companies	152	143
Loans to employees	32	30
Deposits and guarantees	7	8
Loans linked to sales financing	1	-
Other	37	115
TOTAL	**229**	**296**
Non-current	**82**	**85**
Current	**147**	**211**

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2016	**229**
Increase	73
Decrease	(5)
Reclassifications	1
Changes in scope of consolidation	(2)
AT JUNE 30, 2017	**296**

The fair value of other financial assets approximate 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, 2016	June 30, 2017
ArianeGroup	1,484	1,529
Other joint ventures	691	568
TOTAL	**2,175**	**2,097**

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

(in € millions)	
At December 31, 2016	**2,175**
Share in profit from ArianeGroup	41
Share in profit from other joint ventures	25
Dividends received from joint ventures	(17)
Changes in scope of consolidation	35
Reclassification(1)	(98)
Foreign exchange differences	(48)
Other movements	(16)
AT JUNE 30, 2017	**2,097**

(1) A negative amount of €98 million, corresponding to the cumulative eliminations of internal margins generated between the Group and a joint venture in prior periods, was reclassified from property, plant and equipment to investments in equity-accounted companies.

There were no off-balance sheet commitments relating to the Group's joint ventures at either June 30, 2017 or December 31, 2016.

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

- Airbus Safran Launchers (ASL), which changed corporate name to ArianeGroup on July 1, 2017: space launchers;
- 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;
- Safran Martin-Baker France: 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;
- SAIFEI: electrical wiring;
- Fadec International LLC: digital engine control systems.

ArianeGroup is the Group's sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

(in € millions)	Dec. 31, 2016	June 30, 2017
Non-current assets	1,093	1,091
Current assets	5,518	4,617
of which: Cash and cash equivalents	*797*	*457*
Non-current liabilities	(526)	(491)
of which: non-current financial liabilities	*(35)*	*(32)*
Current liabilities	(6,511)	(5,740)
of which: current financial liabilities	*(333)*	*(5)*
Non-controlling interests	8	16
Net assets of ArianeGroup (excl. goodwill and PPA) – attributable to owners of the parent (based on a 100% interest)	**(434)**	**(507)**
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	**(217)**	**(254)**
Purchase price allocation, net of deferred taxes(1)	350	607
Safran equity share – Net assets of ArianeGroup(1)	**133**	**353**
Goodwill(1)	**1,351**	**1,176**
CARRYING AMOUNT OF INVESTMENT IN ARIANEGROUP	**1,484**	**1,529**

(1) Provisional allocation of the purchase price at December 31, 2016; final allocation of the purchase price at June 30, 2017.

(in € millions)	June 30, 2017
Profit for the period attributable to owners of the parent	**132**
Other comprehensive income	20
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**152**
Attributable to owners of the parent (50%)	**66**
Amortization of purchase price allocation, net of deferred taxes	(25)
Safran equity share in profit of ArianeGroup	**41**
Other comprehensive income	10
Safran equity share in comprehensive income of ArianeGroup	**51**

No dividends were paid by ArianeGroup in first-half 2017.

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

(in € millions)	June 30, 2016*	June 30, 2017
Profit from continuing operations	19	25
Other comprehensive income (expense)	(8)	(29)
TOTAL COMPREHENSIVE INCOME	**11**	**(4)**

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

NOTE 15 CASH AND CASH EQUIVALENTS

(in € millions)	Dec. 31, 2016	June 30, 2017
Money-market funds	21	3,696
Short-term investments	1,113	1,753
Sight deposits	792	1,302
TOTAL	**1,926**	**6,751**

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, 2016	**1,926**
Movements during the period	4,816
Changes in scope of consolidation	20
Foreign exchange differences	(11)
AT JUNE 30, 2017	**6,751**

NOTE 16 CONSOLIDATED SHAREHOLDERS' EQUITY

16.a. Share capital

At June 30, 2017, 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.

16.b. Breakdown of share capital and voting rights

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

DECEMBER 31, 2016

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Private investors	318,282,922	76.32%	335,107,792	64.90%
French State	58,393,131	14.00%	116,786,262	22.62%
Employees(2)	38,515,045	9.24%	64,409,240	12.48%
Treasury shares	1,838,487	0.44%	-	-
TOTAL	**417,029,585**	**100.00%**	**516,303,294**	**100.00%**

(1) Exercisable voting rights.
(2) Employee shareholding within the meaning of Article L. 225-102 of the French Commercial Code (Code de commerce).

JUNE 30, 2017

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Private investors	318,726,516	76.43%	335,134,943	65.79%
French State	58,393,131	14.00%	116,786,262	22.93%
Employees(2)	32,136,670	7.71%	57,459,750	11.28%
Treasury shares	7,773,268	1.86%	-	-
TOTAL	**417,029,585**	**100.00%**	**509,380,955**	**100.00%**

(1) Exercisable voting rights.
(2) Employee shareholding within the meaning of Article L. 225-102 of the French Commercial Code (Code de commerce).

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

The 7,773,268 treasury shares have no voting rights.

TREASURY SHARES

The number of treasury shares has increased since December 31, 2016 following:

- the purchase of 127,592 shares under the Group's liquidity agreement, net of shares sold;
- the purchase of 5,807,189 shares in connection with the implementation of the share buyback program.

On May 19, 2016, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations, at a maximum purchase price of €80 per share. This authorization was renewed by the Shareholders' Meeting of June 15, 2017, which set the maximum purchase price at €95 per share.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, the Company purchased 2,196,416 shares for €156 million, and sold 2,068,824 shares for €148 million.

At June 30, 2017, 226,000 shares were held in connection with the liquidity agreement.

On December 12, 2016, Safran announced a buyback program for up to €450 million worth of its own shares in order to neutralize the dilutive effect of equity instruments on its balance sheet:

- on December 8, 2016, Safran signed a share purchase agreement with a bank for an initial buyback tranche of up to €250 million;
- on February 27, 2017, Safran signed a share purchase agreement with a different investment services firm for a second tranche of up to €200 million.

Within the scope of these agreements, at June 30, 2017, the two tranches had been successively completed for a total of 6,428,664 shares at a value of €444 million.

16.c. Convertible bond issues

On January 5, 2016, Safran issued 7,277,205 bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) for a total nominal amount of €650 million.

The bonds do not carry any coupon.

Bondholders have the option of converting their bonds into shares on a one-for-one basis. This option can be exercised at any point after the issue date and up to the seventh trading day preceding the standard or early redemption date.

This bond comes with an early redemption option that the issuer may trigger if the share price exceeds 130% of par value and that the bearer may trigger in the event of a change of control.

Unless converted, redeemed or bought back and cancelled prior to maturity, the bonds are redeemable at par on December 31, 2020.

The OCEANE convertible bond is deemed a hybrid instrument comprising equity and debt.

The effective annual interest rate on the liability component is 1.5% including issuance fees.

16.d. Total equity

Movements in equity are as follows:

(in € millions)	
Equity attributable to owners of the parent prior to profit at December 31, 2016	**4,613**
Appropriation of 2016 profit	1,908
Payment of the outstanding dividend for 2016	(340)
Payment of the 2017 interim dividend	-
Change in translation adjustments and net investment hedges	(340)
Deferred taxes on net investment hedges recognized in equity	(29)
Change in actuarial gains and losses on post-employment benefits	(3)
Available-for-sale financial assets	(4)
Liquidity agreement	(8)
Share buyback program	(194)
Other	6
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT PRIOR TO PROFIT AT JUNE 30, 2017	**5,609**

16.e. Dividend distribution

A dividend payout of €1.52 per share was approved in respect of 2016 and partially paid in that year in the form of an interim dividend of €0.69 per share, representing a total of €287 million. The remaining €0.83 dividend per share was paid in first-half 2017, representing a payout of €340 million.

NOTE 17 PROVISIONS

Provisions break down as follows:

(in € millions)	Dec. 31, 2016	Additions	Reversals			Changes in scope of consolidation	Other	June 30, 2017
			Utilizations	Reclassifications	Surplus			
Performance warranties	780	102	(56)	-	(136)	-	7	697
Financial guarantees	14	-	-	-	(8)	-	-	6
Services to be rendered	849	348	(223)	-	(21)	-	(11)	942
Post-employment benefits	867	30	(38)	-	-	-	(2)	857
Sales agreements and long-term receivables	301	14	(8)	-	(24)	-	2	285
Provisions for losses on completion and losses arising on delivery commitments	138	20	(16)	(5)	(14)	-	-	123
Disputes and litigation	39	6	(7)	-	(1)	-	2	39
Others	276	34	(26)	-	(15)	-	(14)	255
TOTAL	**3,264**	**554**	**(374)**	**(5)**	**(219)**	**-**	**(16)**	**3,204**
Non-current	**1,706**							**1,632**
Current	**1,558**							**1,572**

For the Silvercrest program, the Group recorded all necessary provisions to cover its contractual obligations in the current status of contracts, including penalties payable to Dassault in connection with the development phase.

The impacts on the income statement in the first half of 2017 can be analyzed as follows:

(in € millions)	June 30, 2017
Net addition recognized in recurring operating income	(8)
Net reversals recognized in financial income (loss)	52
TOTAL REVERSALS, NET	**44**

NOTE 18 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption mainly includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2016	**699**
New advances received	11
Advances repaid	(22)
Sub-total: changes giving rise to cash flows	**(11)**
Cost of borrowings and discounting	14
Foreign exchange differences	(1)
Adjustments to the probability of repayment of advances	(3)
Sub-total: changes with no cash impacts	**10**
AT JUNE 30, 2017	**698**

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, 2016	June 30, 2017
Bond issue	215	1,210
OCEANE convertible bond	613	617
Senior unsecured notes in USD	1,154	1,068
Finance lease liabilities	165	153
Other long-term borrowings	245	257
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**2,392**	**3,305**
Finance lease liabilities	25	27
Other long-term borrowings	223	267
Accrued interest not yet due	15	14
Current interest-bearing financial liabilities, long-term at inception	**263**	**308**
Commercial paper	250	860
Short-term bank facilities and equivalent	432	747
Current interest-bearing financial liabilities, short-term at inception	**682**	**1,607**
Total current interest-bearing financial liabilities (less than 1 year)	**945**	**1,915**
TOTAL INTEREST-BEARING FINANCIAL LIABILITIES(1)	**3,337**	**5,220**

(1) The fair value of interest-bearing financial liabilities amounts to €5,306 million at June 30, 2017 (€3,424 million at December 31, 2016).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2016	**3,337**
Increase in long-term borrowings at inception (excluding finance lease liabilities)	1,012
Decrease in long-term borrowings at inception	(17)
Change in short-term borrowings	966
Sub-total: changes giving rise to cash flows	**1,961**
Increase in finance lease liabilities	3
Accrued interest	3
Changes in scope of consolidation	2
Foreign exchange differences	(65)
Change in the fair value of borrowings hedged with interest rate instruments(1)	(3)
Reclassifications and other	(18)
Sub-total: changes with no cash impacts	**(78)**
AT JUNE 30, 2017	**5,220**

(1) See Note 21, "Management of market risks and derivatives".

Analysis by maturity:

(in € millions)	Dec. 31, 2016	June 30, 2017
Maturing in:		
1 year or less	945	1,915
More than 1 year and less than 5 years	1,101	2,579
Beyond 5 years	1,291	726
TOTAL	**3,337**	**5,220**

Analysis by currency:

	Dec. 31, 2016		June 30, 2017	
(in millions of currency units)	Currency	EUR	Currency	EUR
EUR	1,811	1,811	3,614	3,614
USD	1,596	1,515	1,804	1,582
CAD	2	1	2	1
Other	N/A	10	N/A	23
TOTAL		**3,337**		**5,220**

Analysis by type of interest rate:

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

(in € millions)	Total		Non-current				Current			
	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016		June 30, 2017		Dec. 31, 2016		June 30, 2017	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	2,405	2,476	2,044	3.27%	1,954	3.22%	361	0.33%	522	0.21%
Floating rate	932	2,744	348	0.89%	1,351	0.32%	584	0.29%	1,393	0.15%
TOTAL	**3,337**	**5,220**	**2,392**	**2.92%**	**3,305**	**2.03%**	**945**	**0.31%**	**1,915**	**0.17%**

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

(in € millions)	Total		Non-current				Current			
	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016		June 30, 2017		Dec. 31, 2016		June 30, 2017	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,183	1,332	822	2.04%	810	2.00%	361	0.33%	522	0.21%
Floating rate	2,154	3,888	1,570	2.41%	2,495	1.51%	584	0.29%	1,393	0.15%
TOTAL	**3,337**	**5,220**	**2,392**	**2.28%**	**3,305**	**1.63%**	**945**	**0.31%**	**1,915**	**0.17%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2016	June 30, 2017
Cash and cash equivalents (A)	1,926	6,751
Interest-bearing financial liabilities (B)	3,337	5,220
Fair value of interest rate derivatives hedging borrowings (C)	28	29
TOTAL (A) - (B) + (C)	**(1,383)**	**1,560**

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 positive impact of €87 million on the Group's net debt at June 30, 2017. Since this issue is classified as a net investment hedge, the offsetting entry was an increase in consolidated equity (see the consolidated statement of comprehensive income).

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2016	June 30, 2017
Net debt	(1,383)	1,560
Total equity	6,809	9,239
GEARING RATIO	**20.31%**	**N/A**

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 3.36% in 2017 after taking account of interest rate derivatives.
- Issuance on June 28, 2017 of floating-rate bonds for a total amount of €1 billion in two tranches:
  - €500 million of two-year bonds due June 2019 at a fixed-rate coupon of 3-month Euribor +30 basis points (floor at 0%), issued at 100.059% of nominal (tranche 1).
  - €500 million of four-year bonds due June 2021 at a fixed-rate coupon of 3-month Euribor +57 basis points (floor at 0%), issued at 100% of nominal (tranche 2).
- Bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) on January 5, 2016 for a nominal total amount of €650 million. These bonds do not carry a coupon and were offered at an issue price of €676 million, or 104% of par, corresponding to a gross yield-to-maturity of -0.78%. Unless converted, redeemed or bought back and cancelled prior to maturity, the bonds are redeemable at par on December 31, 2020. The effective annual interest rate on the liability component is 1.5% including issuance fees (see Note 16.c, "Convertible bond issue").
- 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 1.20% in 2017 after taking account of interest rate derivatives.
- European Investment Bank (EIB) borrowings: €150 million (€150 million at December 31, 2016). These borrowings bear floating-rate interest indexed to 3-month Euribor plus 0.73% and are repayable in equal yearly instalments between December 17, 2013 and December 17, 2020.
- Employee savings financing under the Group employee savings plan: €360.2 million (€305.7 million at December 31, 2016).

  The maximum maturity is five years and the amount falling due within one year is €224.5 million. The interest rate is set annually and indexed to the five-year French treasury bill rate (BTAN), i.e., 0.70% for 2017 and 0.87% for 2016.
- Safran Helicopter Engines real estate lease financing contract: €27 million (€30 million at December 31, 2016), of which €6 million was due within one year. The lease bears fixed-rate interest of 4.7% and expires in November 2021.
- Safran University real estate lease financing contract: €42 million (€43 million at December 31, 2016), of which €4 million was due within one year. The lease bears floating-rate interest and expires in October 2026.
- Safran R&T Center real estate lease financing contract: €38 million (€38 million at December 31, 2016), of which €4 million was due within one year. The lease bears floating-rate interest and expires in February 2026.

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

MAIN SHORT-TERM BORROWINGS

- Commercial paper: €860 million (€250 million at December 31, 2016). This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.
- Financial current accounts with joint ventures: €239 million (€87 million at December 31, 2016). 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, 2017 and December 31, 2016 does not include the CFM Inc. trade receivable assigned without recourse.

This confirmed 364-day facility for USD 2,350 million, renewed in 2017 with a syndicate of nine banks led by Bank of Tokyo – Mitsubishi UFJ (USD 2,350 million at December 31, 2016), on which USD 2,345 million (USD 1,172.5 million at 50%) had been drawn at June 30, 2017, versus USD 1,768 million (USD 884 million at 50%) at December 31, 2016.

NOTE 20 OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

(in € millions)	Dec. 31, 2016	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Other	June 30, 2017
Payables on purchases of property, plant and equipment and intangible assets	108	10	-	(1)	-	117
Payables on purchases of investments	254	(219)	(1)	-	1	35
TOTAL	**362**	**(209)**	**(1)**	**(1)**	**1**	**152**
Non-current	**5**					**42**
Current	**357**					**110**

A payable of €250 million relating to the share buyback program launched on December 8, 2016 was settled in the first quarter of 2017.

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, counterparty risk and liquidity risk.

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

	Dec. 31, 2016		June 30, 2017	
(in € millions)	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	**28**	**-**	**29**	**-**
Fixed-for-floating interest rate swaps	28	-	29	-
Foreign currency risk management	**592**	**(4,385)**	**738**	**(1,672)**
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	97	(2,065)	63	(788)
Currency option contracts	495	(2,320)	675	(884)
TOTAL	**620**	**(4,385)**	**767**	**(1,672)**

All derivatives are categorized within level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2016).

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 totalled USD 3.9 billion in first-half 2017 (USD 3.8 billion in first-half 2016).

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 2016 Registration Document.

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2016				June 30, 2017			
(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	**(1,967)**				**(726)**			
Short USD position	(1,962)	14,266	12,516	1,750	(726)	12,883	12,883	-
Of which against EUR	*(1,918)*	*13,678*	*11,978*	*1,700*	*(729)*	*12,627*	*12,627*	*-*
Long USD position	82	(632)	(247)	(385)	30	(620)	(420)	(200)
Of which against EUR	*82*	*(632)*	*(247)*	*(385)*	*30*	*(620)*	*(420)*	*(200)*
Short EUR position against GBP	(2)	(210)	(210)	-	-	-	-	-
Short EUR position against CAD	9	-	40	(40)	4	-	-	-
Long PLN position against EUR	-	(195)	(75)	(120)	1	(120)	(40)	(80)
Long MXN position against USD	(94)	(5,850)	(3,050)	(2,800)	(35)	(4,850)	(3,300)	(1,550)
Currency option contracts	**(1,826)**				**(208)**			
USD put purchased	149	10,350	8,550	1,800	300	9,800	8,700	1,100
USD call purchased	178	(4,720)	(3,260)	(1,460)	181	(6,370)	(3,610)	(2,760)
USD call sold	(2,215)	25,910	19,360	6,550	(751)	24,246	20,020	4,226
USD put sold	(45)	(9,440)	(6,520)	(2,920)	(108)	(9,540)	(4,020)	(5,520)
EUR call sold	(20)	210	210	-	-	-	-	-
Accumulators – sell USD[2]	(27)	1,790	1,790	-	1	180	180	-
Accumulators – buy USD[2]	154	(4,122)	(552)	(3,570)	169	(2,895)	(1,974)	(921)
TOTAL	**(3,793)**				**(934)**			

(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.

In the balance sheet, the €2,859 million increase in the fair value of foreign currency derivatives between December 31, 2016 and June 30, 2017 reflects a €2,861 million increase in the fair value of currency hedging instruments not yet settled at June 30, 2017 and a €2 million decrease in net premiums.

In the income statement, in view of the accounting constraints resulting from the application of IAS 39 and the nature of the hedging instruments used, the Group decided not to apply hedge accounting and therefore to recognize all changes in the fair value of its derivatives in "Financial income (loss)".

Accordingly, changes in the fair value of derivatives not yet settled at June 30, 2017 (increase of €2,861 million) along with changes in the fair value of derivatives settled in 2016 (decrease of €17 million) following the collection of advances from customers in foreign currency, representing an amount of €2,844 million, are included in "Financial income (loss)" for the period, as follows:

- €2,754 million in "Gain (loss) on foreign currency hedging instruments", corresponding to derivatives hedging revenue net of future purchases;
- €27 million in "Foreign exchange gains and losses", corresponding to derivatives hedging balance sheet positions;
- a positive €63 million in "Foreign exchange gains and losses", corresponding to premiums due over the period.

Interest rate risk management

The Group's interest rate risk management policy is described in Note 27, section 3.1 of the 2016 Registration Document.

EXPOSURE TO EURO INTEREST RATE RISK

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

These swaps are eligible for fair value hedge accounting.

	Dec. 31, 2016					June 30, 2017				
(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	17	200	-	-	200	13	200	-	-	200
TOTAL	**17**					**13**				

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.

Fixed-rate borrower/floating-rate lender swaps for a nominal amount of USD 400 million were contracted in December 2016 in connection with a financing transaction. The swaps are for a term of one year and were taken out on behalf of a joint arrangement 50%-owned by the Group. Since the arrangement classifies as a joint operation, it gives rise to a floating-rate borrower/fixed-rate lender swap for a nominal amount of USD 200 million after elimination of intragroup items. These swaps are not eligible for hedge accounting.

	Dec. 31, 2016					June 30, 2017				
(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	11	1,245	200	-	1,045	16	1,245	200	540	505
Floating-for-fixed	-	400	400	-	-	-	400	400	-	-
TOTAL	**11**					**16**				

Liquidity risk management

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with, and financing requirements of subsidiaries met by, the parent company on an arm's length basis. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

Since the Group had an undrawn, confirmed liquidity line at June 30, 2017, it is relatively insensitive to liquidity risk. This €2,520 million line was set up in December 2015 and expires in December 2020. It includes two successive one-year extension options, one of which was exercised in late 2016, extending maturity to 2021. This line is not subject to any financial covenants.

Further to the announcement on January 19, 2017, of the planned acquisition of Zodiac Aerospace, Safran signed a €4 billion bridge loan with a banking syndicate. The bridge facility has a maturity of 12 months, with two six-month extension options. Further to Safran's €1 billion bond issue on June 28, 2017, the total amount available under the bridge facility was reduced by approximately the same amount, to €3 billion. On July 10, 2017, Safran signed an addendum to the bridge facility in order to adapt it to the revised transaction structure for the planned acquisition of Zodiac Aerospace, which was announced on May 24, 2017, and reduced the amount available under the bridge facility to €1 billion.

A number of financial covenants apply to the EIB borrowings set up in 2010 (see Note 19).

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market (see Note 19).

The terms "net debt", "EBITDA" and "total equity" used in connection with the EIB borrowings and senior unsecured notes issued on the US private placement market are defined as follows:

- net debt: borrowings (excluding borrowings subject to specific conditions) less marketable securities and cash and cash equivalents;
- EBITDA: the sum of profit (loss) from operations and the net charge to depreciation, amortization and provisions for impairment of assets (calculated based on adjusted data);
- total equity: equity attributable to owners of the parent and non-controlling interests.

NOTE 22 DISCONTINUED OPERATIONS

All of the activities comprising the Security segment, which were presented within assets held for sale at December 31, 2016, were sold during the first half of the year (see Note 4, "Scope of consolidation").

The vendor warranties granted in connection with these disposals are presented in Note 24.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation".

In accordance with IFRS 5, "profit from discontinued operations" as presented in the consolidated income statement for the first half of 2017, includes the contribution of discontinued operations up to the closing date of each of the disposals (i.e., three months for the detection activities, and five months for the identity and security businesses), the disposal gain net of disposal costs and the related tax effect.

(in € millions)	June 30, 2016	June 30, 2017
Revenue	949	748
Recurring operating income	20	39
Profit (loss) for the period	**26**	**(1)**
Post-tax disposal gain on detection and security businesses	-	766
PROFIT FROM DISCONTINUED OPERATIONS AND DISPOSAL GAIN	**26**	**765**
Attributable to:	**-**	**-**
Owners of the parent	25	764
Non-controlling interests	1	1

Amortization and depreciation were no longer charged against intangible assets and property, plant and equipment (i) as of April 30, 2016 for the detection businesses, and (ii) as of September 30, 2016 for the identity and security businesses. Discontinuing amortization and depreciation had an overall positive impact of €65 million on pre-tax profit (€42 million on net profit) of discontinued operations in the first half of 2017 (€6 million impact on pre-tax profit and €4 million impact on net profit in first-half 2016).

Other comprehensive income relating to discontinued operations and reclassified to profit at the disposal date are presented separately in the consolidated statement of comprehensive income.

NOTE 23 RELATED PARTIES

In accordance with IAS 24, the Group's related parties are considered to be its owners (including the French State), companies in which these owners hold equity interests, associates, joint ventures and management executives.

The French State also holds a golden share in Safran Ceramics (formerly Herakles, renamed Safran Ceramics on June 30, 2016 following the contributions made to Airbus Safran Launchers) allowing it to veto any change in control of the Company or sale of company assets.

The following transactions were carried out with related parties other than joint ventures:

(in € millions)	First-half 2016*	First-half 2017
Sales to related parties other than joint ventures	1,606	1,600
Purchases from related parties other than joint ventures	(45)	(34)

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

(in € millions)	Dec. 31, 2016	June 30, 2017
Amounts receivable from related parties other than joint ventures	1,371	1,441
Amounts payable to related parties other than joint ventures	1,661	2,093

(in € millions)	Dec. 31, 2016	June 30, 2017
Guarantees granted to related parties other than joint ventures (off-balance sheet commitments)[1]	2,408	2,211

(1) See Note 24.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 Defense Procurement Agency (DGA).

The following transactions were carried out with joint ventures:

(in € millions)	First-half 2016*	First-half 2017
Sales to joint ventures	164	140
Purchases from joint ventures	(60)	(55)

* *The data published for first-half 2016 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of first-half 2016 comparative information" and Note 22, "Discontinued operations").*

(in € millions)	Dec. 31, 2016	June 30, 2017
Amounts receivable from joint ventures	35	66
Amounts payable to joint ventures	64	41

(in € millions)	Dec. 31, 2016	June 30, 2017
Guarantees granted to joint ventures (off-balance sheet commitments)[1]	-	-

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

NOTE 24 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

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

(i) COMMITMENTS GIVEN AND CONTINGENT LIABILITIES

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

(in € millions)	Dec. 31, 2016	June 30, 2017
Purchase commitments on intangible assets	245	160
Purchase commitments on property, plant and equipment	368	309
Guarantees given in connection with the performance of operating agreements	4,269	3,741
Operating lease commitments	429	292
Financial guarantees granted on the sale of Group products	29	22
Other commitments given	262	232
TOTAL[(1)]	**5,602**	**4,756**

(1) Including the Security segment for €395 million at December 31, 2016 (the Security segment businesses were sold in 2017).

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 23, "Related parties".

Operating lease commitments

Commitments under operating leases can be analyzed as follows:

	Dec. 31, 2016	June 30, 2017	Period to maturity		
(in € millions)	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	429	292	62	164	66
TOTAL	**429**	**292**	**62**	**164**	**66**

Including the Security segment for €125 million at December 31, 2016 (the Security segment businesses were sold in 2017).

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 25 million at June 30, 2017 (USD 31 million at December 31, 2016), or €22 million (€29 million at December 31, 2016). 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 20 million at June 30, 2017 (USD 25 million at December 31, 2016), for which a provision, based on an assessment of the risk, 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 claims 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 25, "Disputes and litigation".

(ii) COMMITMENTS RECEIVED

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

(in € millions)	Dec. 31, 2016	June 30, 2017
Commitments received from banks on behalf of suppliers	33	21
Completion warranties	30	22
Endorsements and guarantees received	3	2
Other commitments received	9	10
TOTAL[1]	**75**	**55**

(1) Including the Security segment for €9 million at December 31, 2016 (the Security segment businesses were sold in 2017).

24.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.

(i) VENDOR WARRANTIES GIVEN

(in € millions)	Dec. 31, 2016	June 30, 2017
Vendor warranties given[1]	5	302

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

(ii) VENDOR WARRANTIES RECEIVED

(in € millions)	Dec. 31, 2016	June 30, 2017
Vendor warranties received[1]	3	0

(1) Including the Security segment for €3 million at December 31, 2016 (the Security segment businesses were sold in 2017).

Vendor warranties granted in connection with the disposal of the Security businesses (see Note 4, "Scope of consolidation")

In connection with the sale of the identity and security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at June 30, 2017, as well as a specific indemnity capped at BRL 200 million (€53 million at June 30, 2017) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian tax authorities concerning the calculation method for value added tax on certain products.

In connection with the sale of the detection businesses on April 7, 2017, Safran granted Smiths Group Plc a vendor warranty valued at USD 74 million (€65 million at June 30, 2017).

Termination fees provided for as part of Safran's tender offer for Zodiac Aerospace's shares (see Note 4, "Scope of consolidation")

The contemplated combination provides for the following termination fees:

- €150 million termination fee payable by Safran to Zodiac Aerospace if Safran fails to file the Tender Offer once the conditions precedent are met, except in the event of a successful competing tender offer from a third party or in the event of the withdrawal of the Tender Offer due to a modification of Zodiac Aerospace's substance;
- €150 million termination fee payable by Zodiac Aerospace to Safran if (i) Zodiac Aerospace fails to obtain the report from an independent expert pursuant to Article 262-1 of the General Regulations of the French financial markets authority (*Autorité des Marchés Financiers* – AMF), or fails to recommend the Tender Offer; (ii) in the event of a successful competing tender offer of a third party; or (iii) in the event of the withdrawal of the Tender Offer due to a modification of Zodiac Aerospace's substance.

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

Commitments received in respect of financing relate to:

- an undrawn portion of the trade receivable assignment facility (see Note 19, "Interest-bearing financial liabilities");
- the confirmed, undrawn syndicated credit line for €2,520 million set up in December 2015; and
- the €1 billion bridge loan contracted in connection with financing the Zodiac Aerospace acquisition (see Note 4, "Scope of consolidation" and Note 21, "Management of market risks and derivatives").

NOTE 25 DISPUTES AND LITIGATION

Safran and certain Group subsidiaries are party to regulatory, legal or arbitration proceedings arising in the ordinary course of their operations. Safran and certain Group subsidiaries are also party to claims, legal action and regulatory proceedings outside the scope of their ordinary operations. The most important are described below.

The amount of the provisions booked is based on the level of risk for each case, as assessed by Safran and its subsidiaries and largely depends on their assessment of the merits of the claims and defensive arguments, bearing in mind that the occurrence of events during the proceedings can lead to a reassessment of the risk at any time.

A provision is only booked to cover the expenses that may result from such proceedings when the expenses are probable and their amount can be either quantified or reasonably estimated.

Safran considers that the provisions booked are adequate to cover the risks it incurs.

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.
- At the end of 2002, a group of French manufacturers, including the former Snecma group, was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers in which Snecma's participation was approximately 10%. An agreement was signed by the parties in June 2003, whereby the claimant withdrew from the proceedings. In November 2012, the claimant filed a new request for arbitration on similar grounds to those invoked in 2002 and for a revised amount of €226 million. The parties are strongly challenging this claim. At the date of this report, it is not possible to measure the potential financial risk. Consequently, Safran has not recognized a provision. The proceedings are still ongoing.
- On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim against Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings for reimbursement of overcharges against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. At the date of this report, it is not possible to evaluate any potential financial risk.

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 26 SUBSEQUENT EVENTS

None.

STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEAR CONSOLIDATED FINANCIAL INFORMATION

4

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 1 to June 30, 2017

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 1 to June 30, 2017;
- 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.

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 27, 2017

The Statutory Auditors

French original signed by

Mazars		**Ernst & Young et Autres**	
Gaël Lamant	Christophe Berrard	Jean-Roch Varon	Nicolas Macé

5 CORPORATE GOVERNANCE

Safran's Ordinary and Extraordinary Annual General Meeting of June 15, 2017

Safran's Ordinary and Extraordinary Annual General Meeting of Shareholders was held on June 15, 2017.

All resolutions submitted for a vote by the Annual General Meeting were approved, except for resolution 4 and resolution A.

Shareholders approved notably:

- the financial statements for the fiscal year 2016 and voted for the payment of a dividend of €1.52 per share, i.e., given the interim dividend of €0.69 per share paid in December 2016, a remaining payout of €0.83 per share, paid on June 21, 2017;
- the components of 2016 compensation of executive corporate officers as well as the compensation policy applicable to them;
- amendment to the Company's bylaws in order to raise the age limit for serving as Chief Executive Officer or Deputy Chief Executive Officer to 68;
- financial authorizations.

The General Meeting, with more than 90% of votes cast in favor, approved the amendment of the bylaws to create Class A preference shares (32nd resolution) and authorized the Board of Directors to issue Class A preference shares in the event of a public exchange offer (33rd resolution), both resolutions being required to implement Safran's offer on Zodiac Aerospace.

Resolution A, proposed by an employee savings fund, to grant existing or new shares, free of consideration, to all Safran's employees, not recommended by the Board of Directors, was rejected.

Resolution 4 relative to related-party commitments given to the Chairman of the Board of Directors concerning pension benefits was rejected (by 50.34%).

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

The terms of office of Giovanni Bisignani, Odile Desforges, Xavier Lagarde and Élisabeth Lulin expired at the close of the Annual General Meeting of Shareholders of June 15, 2017.

Shareholders re-appointed Odile Desforges and named as directors Hélène Auriol Potier, Patrick Pélata and Sophie Zurquiyah, to replace Giovanni Bisignani, Xavier Lagarde and Élisabeth Lulin.

These re-appointment and appointments made it possible to increase the proportion of women on the Board to the 40% required pursuant to Article L. 225-18-1 of the French Commercial Code and four independent Directors were re-appointed or appointed out of the four expiring mandates.

The Board of Directors is thus composed, since June 15, 2017 of the 17 following Directors:

- Ross McInnes, Chairman;
- Philippe Petitcolin, Chief Executive Officer;
- Christian Streiff, Vice-Chairman, independent Director;
- Hélène Auriol Potier, independent Director;
- Frédéric Bourges, Director representing employees;
- Éliane Carré-Copin, Director representing employee shareholders;
- Jean-Lou Chameau, independent Director;
- Monique Cohen, independent Director;
- Odile Desforges, independent Director;
- Jean-Marc Forneri, Director;
- Patrick Gandil, Director put forward by the French State;
- Vincent Imbert, Director put forward by the French State;
- Gérard Mardiné, Director representing employee shareholders;
- Daniel Mazaltarim, Director representing employees;
- Lucie Muniesa, representative of the French State.
- Patrick Pélata, independent Director;
- Sophie Zurquiyah, independent Director.

Safran's Board of Directors thus comprises one representative of the French State, two Directors put forward by the French State, two Directors representing employee shareholders, two Directors representing employees and seven independent Directors, i.e., a percentage of independent Directors of 53.8% *(in accordance with the AFEP-MEDEF Corporate Governance Code applied by Safran, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors).*

By decision of the Board of Directors of June 15, 2017:

- Sophie Zurquiyah joined the Audit and Risk Committee;
- Monique Cohen joined the Appointments and Compensation Committee, as member and Chairman in replacement of Jean-Marc Forneri;
- Hélène Auriol Potier and Patrick Pélata also joined the Appointments and Compensation Committee.

The Board's permanent Committees are thus composed, as of June 15, 2017, as follows:

Audit and Risk Committee
Odile Desforges, Chair
Monique Cohen
Gérard Mardiné (representing employee shareholders)
Daniel Mazaltarim (representing employees)
Lucie Muniesa (representative of the French State)
Sophie Zurquiyah
6 MEMBERS AND 75% OF INDEPENDENT MEMBERS (3/4*)

* *In accordance with the AFEP-MEDEF Corporate Governance Code of Listed Corporations, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating this percentage.*

Appointments and Compensation Committee
Monique Cohen, Chair
Hélène Auriol Potier
Frédéric Bourges (representing employees), for the "compensation" part of meetings
Jean-Lou Chameau
Lucie Muniesa (representative of the French State)
Patrick Pélata
Christian Streiff
7 MEMBERS AND 83% OF INDEPENDENT MEMBERS (5/6*)

* *In accordance with the AFEP-MEDEF Corporate Governance Code of Listed Corporations, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating this percentage.*

Share buyback program authorized by the Annual General Meeting of June 15, 2017

Under its 15th resolution, the Annual General Meeting of June 15, 2017 authorized a new share buyback program.

Shares may not be purchased at a price of more than €95 per share and the maximum amount that may be invested in the program is €3.9 billion.

The description of this program, drafted in accordance with the provisions of Article 241-2 of the French financial markets authority's (*Autorité des Marchés Financiers* – AMF) General Regulations, is available on the Company's website (www.safran-group.com, in the Finance/Publications/Regulated information section).

Contact

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SAFRAN

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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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