



REGISTRATION DOCUMENT 2016

Including the Annual Financial Report



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First flight of Ardiden 1U: The first flight of Safran's Ardiden 1U engine, powering the Indian LUH (Light Utility Helicopter), took place on September 6, 2016 in Bangalore. LUH is a new three-ton, single-engine, multipurpose rotorcraft designed by Hindustan Aeronautics Ltd. (HAL). The Ardiden 1U met all the performance targets set for this maiden flight.



REGISTRATION DOCUMENT 2016

INCLUDING THE ANNUAL
FINANCIAL REPORT



The French version of this Registration Document (document de référence) was filed with the French financial markets authority (Autorité des marchés financiers - AMF) on March 30, 2017 pursuant to Article 212-13 of the AMF's General Regulations. It may only be used in connection with a financial transaction if it is accompanied by a memorandum approved by the AMF. This document has been established by the issuer and is binding upon its signatories.

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

This Registration Document contains the Annual Financial Report in accordance with Article 222-3 of the AMF's General Regulations. The cross-reference table referring to information required in an Annual Financial Report is provided in section 8.4.3 of this Registration Document.



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

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



PHILIPPE PETITCOLIN

CHIEF EXECUTIVE
OFFICER

ROSS McINNES

CHAIRMAN OF THE BOARD
OF DIRECTORS

2 **017** has brought with it the greatest prospects for Safran, thanks to our employees' commitment as well as the trust placed in us by our customers, partners and shareholders.

With all its companies now grouped under a single brand, Safran achieved its objectives in 2016 sustained by this commitment and trust.

Our revenue grew 3.9% on an organic basis and operating income was up 5.4%. The Group's free cash flow (45% of recurring operating income) and low debt underscore Safran's financial soundness. This is reflected in the dividend submitted to shareholder approval at the Annual General Meeting amounting to €1.52 per share, up 10.1% on 2015.

The growth in revenue, in line with our forecasts on an organic basis, takes into account two changes in the scope of consolidation: the setting-up of our joint venture with Airbus and the reclassification of our Security businesses in discontinued operations.

The LEAP production ramp-up is on track and our customers have already shared with us their favorable feedback on its performance. We are ready to take the next steps.

In the helicopters segment, we have overcome the global market contraction by staying firmly in line with our schedule of deliveries and developments.

Our equipment is becoming increasingly competitive. The major efforts made in each Group company translated into a 1.6-point increase in recurring operating margin.

In Defense, we witnessed high demand against a backdrop of global uncertainty. The French army contract for the Patroller and the new Rafale export contracts also illustrate the quality of our products and confirm that we have chosen the right technologies.

The set-up of Airbus Safran Launchers (ASL) has inaugurated a new era for European space research, confirming our leading position in this sector.

Our corporate departments have also performed well this year. Their ability to clearly identify and propose adapted solutions to our businesses, to upgrade procedures and to optimize costs has made Safran more integrated, efficient and competitive.

The sale of our Identity & Security businesses fully reflects our commitment to focusing on our core businesses. Safran Identity & Security is an international success and its combination with Oberthur Technologies is slated to create a global leader in the years ahead.

In 2017, our primary challenge remains an operational one, with the ramped-up production of the LEAP. The entry into service of the Boeing 737 MAX and the first flight of the COMAC C919 are new milestones, following in the footsteps of the CFM56.

Our equipment will also face challenges from across all sectors and will need to continually strive to remain competitive to win through on the aggressive markets in which we operate. It will play a central role during this transitional period.

To be at our customers' side when they launch new programs, we are continuing to consolidate and build up our upstream research while optimizing our ability to control our investment expenditure.

Safran must be more innovative than ever to seize major opportunities and maintain a technological edge. We continue to invest in electric aircraft, 3D printing, more environmentally-friendly products, Big Data, digital transformation, and link-ups with start-ups.

Everyone's contribution is vital during this exhilarating and pivotal period.

Customers, employees, business partners: we know we can count on everyone who has stood by Safran over the years and contributed to its success.

Ross McInnes and Philippe Petitcolin

GROUP PROFILE

Employing 66,490 people worldwide, Safran is an international high-technology group and tier-1 supplier of systems and equipment in its core markets of Aerospace, Defense and Security (the Security business has been classified in discontinued operations). It is a leading global player on markets in which the technological and financial barriers to entry are high, with sustainable and profitable service activities and long-lasting partnerships and customer relations built on trust.

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

Safran has a strong positioning in Aerospace. Its installed fleet of engines, especially the CFM56®, offers significant new vistas for value creation thanks to associated maintenance and overhaul activities. Its engines and equipment are present in most current and future aircraft programs, with the LEAP® engine, which entered into commercial service in 2016, emulating the success of the CFM56. The Group is organized so as to deliver comprehensive offerings to aircraft manufacturers and airlines, such as propulsion and landing systems. Safran has great confidence that the move toward more electric aircraft systems represents new opportunities and is therefore reinforcing its expertise in the whole electrical energy chain — through its own growth and through targeted acquisitions — to offer comprehensive, world-class electrical systems. In Defense, the Group is renowned for its avionics, electronics, critical software and optronics technologies, which contribute to the performance of armies, navies and air forces in numerous countries around the world.

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

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

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



B787-8 landing gear.



Safran's contribution to the Rafale fighter (non-exhaustive): M88-2 engines (Safran Aircraft Engines). Wiring (Safran Electrical & Power). Inertial navigation system (Safran Electronics & Defense). Landing gear (Safran Landing Systems). Wheels and carbon brakes (Safran Landing Systems). Ejection seats (SEM MB).



LEAP-1A : Airbus A320neo engine.

KEY FIGURES BY BUSINESS

(adjusted data) ⁽¹⁾



Revenue ⁽²⁾

€15,781m



Recurring operating income ^{(2) (3)}

€2,404m



Revenue



Recurring operating income

	AEROSPACE PROPULSION	AIRCRAFT EQUIPMENT	DEFENSE	HOLDING COMPANY AND OTHER
Revenue	€9,391m 59% of Group revenue	€5,145m 33% of Group revenue	€1,238m 8% of Group revenue	€7m
Recurring operating income	€1,786m 19% of segment revenue	€567m 11% of segment revenue	€76m 6.1% of segment revenue	€(25)m

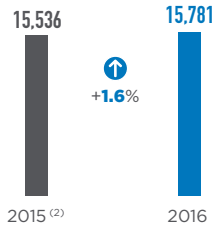
(1) The table reconciling the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.1.1.

(2) Continuing operations. The Security business (classified as discontinued operations) has been restated to reflect the impact of applying IFRS 5.

(3) For the purposes of readability, "operating income before capital gains or losses on disposals/impacts of changes in control, impairment charges, transaction and integration costs and other items" is referred to as "recurring operating income" throughout this document and in all other financial communications.

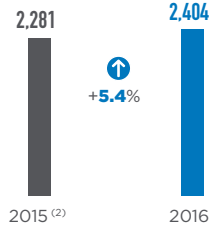
REVENUE

Continuing operations, adjusted data⁽¹⁾
(in € millions)



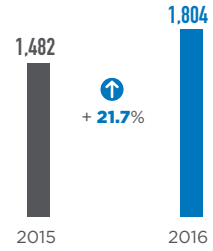
RECURRING OPERATING INCOME*

continuing operations, adjusted data⁽¹⁾
(in € millions)



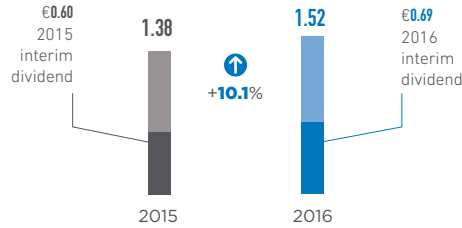
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

adjusted data⁽¹⁾
(in € millions)

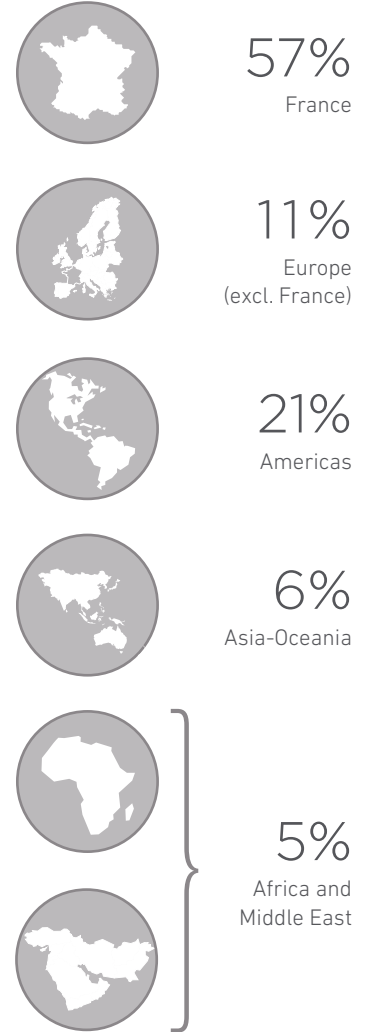


DIVIDENDS

(in € per share)

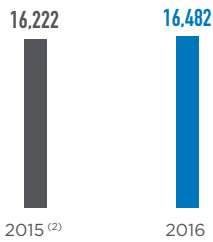


BREAKDOWN OF HEADCOUNT BY GEOGRAPHIC AREA



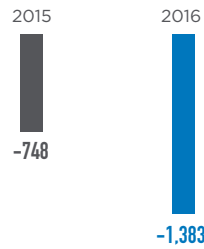
REVENUE

continuing operations, consolidated data
(in € millions)



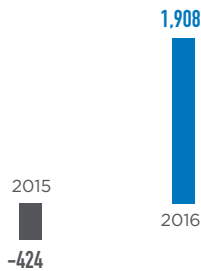
NET DEBT

consolidated data
(in € millions)



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

consolidated data
(in € millions)



Consolidated profit attributable to owners of the parent amounted to €1,908 million or €4.41 per share.



R&D EXPENDITURE
€1.7 billion
for continuing operations
(88% of which in France)



2016 HEADCOUNT
(including the security business)
66,490



CFM56 & LEAP: FIRM ORDERS AND PURCHASE COMMITMENTS
13,836 engines



RAFALE ORDER PLACED BY INDIA
36 powered by Safran

* For the purposes of readability, "operating income before capital gains or losses on disposals/impacts of changes in control, impairment charges, transaction and integration costs and other items" is referred to as "recurring operating income" throughout this document and in all other financial communications.

(1) The table reconciling the consolidated income statement and the adjusted consolidated income statement, including a description of the adjustments made, is presented in section 2.11.

(2) Adjusted for the impact of the application of IFRS 5.

CORPORATE GOVERNANCE

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors' main role is to define and oversee the implementation of the Group's key business priorities and strategy. Special committees assist the Board in its decisions.



Ross McInnes
Chairman
of the Board of Directors



Christian Streiff
Vice-Chairman
of the Board of Directors



Philippe Petitcolin
Chief Executive Officer



Giovanni Bisignani



Frédéric Bourges



Étienne Carré-Copin



Jean-Lou Chameau



Monique Cohen



Odile Desforges
Chair of the Audit
and Risks Committee



Jean-Marc Forneri
Chairman of the
Appointments and
Compensation Committee



Patrick Gandil



Vincent Imbert



Xavier Lagarde



Elisabeth Lulin



Gérard Martiné



Daniel Mazaltarim



Lucie Muniesa

BOARD COMMITTEES

The Audit and Risk Committee

6 members – Chair: Odile Desforges

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

The Appointments and Compensation Committee

7 members – Chairman: Jean-Marc Forneri

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

EXECUTIVE MANAGEMENT

Philippe Petitcolin
Chief Executive Officer



Successful launch of Ariane 5 on December 21, 2016. For its 7th and last launch of the year, Ariane 5 successfully completed its mission for the 76th consecutive time, placing two telecommunications satellites in orbit from the Guiana Space Center: JCSAT-15 and Star One D1.

2016 REVENUE
(adjusted data)⁽¹⁾

€15,781 million

**2016 RECURRING
OPERATING INCOME**⁽²⁾
(adjusted data)⁽¹⁾

€2,404 million

**2016 PROFIT ATTRIBUTABLE
TO OWNERS OF THE PARENT**
(adjusted data)⁽¹⁾

€1,804 million

TOTAL R&D EXPENDITURE
(including the portion
funded by customers)⁽¹⁾

€1,708 million

INDUSTRIAL INVESTMENTS⁽¹⁾

€704 million

**HEADCOUNT
AT DECEMBER 31, 2016**

**66,490
employees**

THE GROUP'S POSITIONING

Safran is a leading international high-technology group with three core businesses: Aerospace, Defense and Security. Made up of numerous companies operating across every continent, Safran enjoys prime global or European positions in all of its markets, either alone or in partnership with other companies.

Aerospace

Safran develops, manufactures and sells engines, propulsion subsystems and a wide range of equipment and subsystems for civil and military aircraft and helicopters. Safran is also a front-line participant in the world space industry, where it manufactures the Ariane 5 launch vehicle⁽³⁾, is developing its successor, Ariane 6⁽³⁾, and markets equipment and systems for launch vehicles and satellites.

Defense

Safran covers the optronics, inertial navigation, electronics and critical software markets, offering armed forces a full range of optronic, optical and navigation systems and equipment for air, land and sea applications.

Security

Safran is a pioneer in identification and detection systems and a major participant in smart cards and electronic documents, delivering cutting-edge solutions that address the emerging security needs of citizens, companies and governments. These businesses are now being sold (see section 1.3.4).

RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. Research and Development (R&D) is therefore essential to Group strategy. The total R&D effort, 65% of which is self-financed, amounted to around €1.7 billion in 2016, representing 11% of revenue. This commitment reflects the importance given to preparing for the future and developing new products and programs.

SAFRAN QUALITY PERFORMANCE AND POLICY

Safran pursues an ambitious quality policy targeting two main goals:

- customer satisfaction; and
- continuous progress in performance.

SAFRAN BRAND STRATEGY

In 2016, Safran's first-tier companies were renamed as follows (see section 8.5):

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

By bringing all its businesses under a single banner, Safran aims to enhance brand recognition across all its markets and develop a Group-wide sense of loyalty among employees.

(1) The Security business is now shown in "assets held for sale" (see section 3.1, Note 28).

(2) For the purposes of readability, "operating income before capital gains or losses on disposals/impacts of changes in control, impairment charges, transaction and integration costs and other items" is referred to as "recurring operating income" throughout this document and in all other financial communications.

(3) Through Airbus Safran Launchers, a 50-50 joint venture between Safran and Airbus Group.

PRESENTATION OF THE GROUP

1



| A320 Landing gear.

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1.1 OVERVIEW

1.1.1 History

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

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

Key dates in the Group's history

Safran was created on May 11, 2005 from the merger of Snecma and Sagem, and is the world's oldest aircraft engine manufacturer.

- 1905** Louis and Laurent Seguin found the Société des Moteurs Gnome in the Paris suburb of Gennevilliers. In just a few short years, their Gnome rotary engines become the standard for planes around the world.
- 1912** Louis Verdet founds the engines company Le Rhône. Within two years, Le Rhône becomes Gnome's main competitor and is taken over by its rival to form Société des Moteurs Gnome & Rhône. After the First World War, Gnome & Rhône becomes one of the world's leading manufacturers of aircraft engines.
- 1924** Marcel Môme creates Société d'Applications Générales d'Électricité et de Mécanique (Sagem), whose main business is to supply power to telephone exchanges. A few years later, Sagem diversifies its business to include the manufacture of cameras, projectors and artillery equipment. It also sets up the first ever analog telephone network. Sagem creates Société d'Application Téléphonique, which in 1960 becomes Société Anonyme de Télécommunications (SAT). This company goes on to design the world's first infrared guidance system for air-to-air missiles.
- 1945** After the Second World War, Gnome & Rhône is nationalized and renamed Snecma (for Société Nationale d'Étude et de Construction de Moteurs d'Aviation). It groups together the majority of French aircraft engine manufacturers launched since the beginning of the century (Renault, Lorraine, Régnier, etc.).
- 1968** Hispano-Suiza, specializing in power transmission for the engines of civil and military aircraft and helicopters, joins Snecma. A few years later, it teams up with Messier to create Messier-Hispano-Bugatti (MHB) and consolidate all products relating to landing systems.

- 1974** Snecma becomes a civil aircraft engine manufacturer through a cooperation agreement with General Electric Aircraft Engines for the manufacture of the CFM56* ("CF" for General Electric's commercial engine line and "M56" for Snecma's fifty-sixth project). This engine currently represents the world's largest civil aircraft engine fleet⁽¹⁾: an aircraft powered by the CFM56 takes off every two seconds⁽²⁾.
- 1993** Sagem purchases Morpho, a specialist in fingerprint-based biometric recognition systems.
- 1997** Snecma takes full control of Société Européenne de Propulsion (SEP) and enters the space propulsion market (Ariane launcher).
- 2000** Aircraft wiring specialist Labinal joins Snecma and becomes a leading world player in this market. Labinal helicopter engine manufacturer subsidiary Turbomeca also joins Snecma, to continue a technology success story that started in 1938 with company founder Joseph Szydlowski. Today, the company is the world's premier manufacturer of turbine engines for helicopters⁽²⁾.
- 2002** Hurel-Dubois merges its businesses with the aircraft engine nacelle business of Hispano-Suiza to become Hurel-Hispano. Three years later the company is renamed Aircelle. It is currently one of the key participants in the aircraft engine nacelle market.
- 2005** Safran is formed from the merger of Snecma and Sagem.

Safran strengthens its positions in the Security business with the acquisition of smartcard specialist Orga Kartensysteme GmbH.
- 2008** Safran extends its partnership with General Electric (GE) in the fields of aerospace propulsion and nacelles through to 2040. Safran's Security business acquires Sdu-I in the Netherlands, renamed Morpho BV.
- 2009** Safran acquires 81% of GE's Homeland Protection business, and Motorola's biometrics business (under the Printak brand, now MorphoTrak). Then, in 2012, Safran acquires the remaining 19% of GE Homeland Protection, renamed Morpho Detection Inc.
- 2010** Labinal completes its acquisition of Harvard Custom Manufacturing, an American company based in Salisbury (Maryland).
- 2011** Safran acquires L-1 Identity Solutions, now MorphoTrust USA, a leading identity management provider in the US market, to become a front-line world player in identity solutions and electronic documents. It also acquires SME (formerly SNPE Matériaux Énergétiques), to be merged with Snecma Propulsion Solide in 2012 to form Herakles.

(1) Source: Ascend.

(2) Source: Safran.

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

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

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

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

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

2015 Hispano-Suiza and Rolls-Royce found Aero Gearbox International, a joint venture specializing in design, development, production and after-sales for accessory drive trains (ADTs).

2016 Safran brings all its companies together under the same banner and includes "Safran" in the corporate name of each.

Safran and Airbus Group finalize a new 50-50 joint venture, Airbus Safran Launchers (ASL), to support the onset of the Ariane 6 project and provide Europe with a new family of competitive, versatile and high-performance launch vehicles.

Safran announces an agreement with Smiths Group on sale of the Detection business of Safran Identity & Security.

Safran announces an agreement with Advent International on sale of the Security businesses of Safran Identity & Security.

Safran becomes the sole shareholder in Technofan.

1.1.2 Organization and position of the issuer in the Group

Organization

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

The organizational structure is based on:

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

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

Role of the issuer within the Group

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

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

- it holds and manages shares in the Group subsidiaries;
- it steers and develops the Group, determining: Group strategy; research and technology (R&T) policy; sales policy; legal and financial policy; human resources policy; personnel training, retraining and skills matching by Safran University; communications; and oversight of operations;

■ it provides:

- support services on legal, taxation and financial matters, and in particular:
 - centralized cash pooling to govern the terms and conditions of advances and investments between Safran and each Group company,
 - foreign currency management policy to reduce uncertainty factors and protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly USD),
 - tax consolidation, in jurisdictions such as France where Safran is liable for the entire income tax charge, additional income tax contributions and the minimal tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, and
- services through Shared Services Centers (SSCs) in the following areas: payroll administration and management, recruitment, non-production purchases, materials purchases, IT and some transaction accounting (customers, suppliers and fixed assets).

The list of consolidated companies is presented in section 3.1, Note 34.

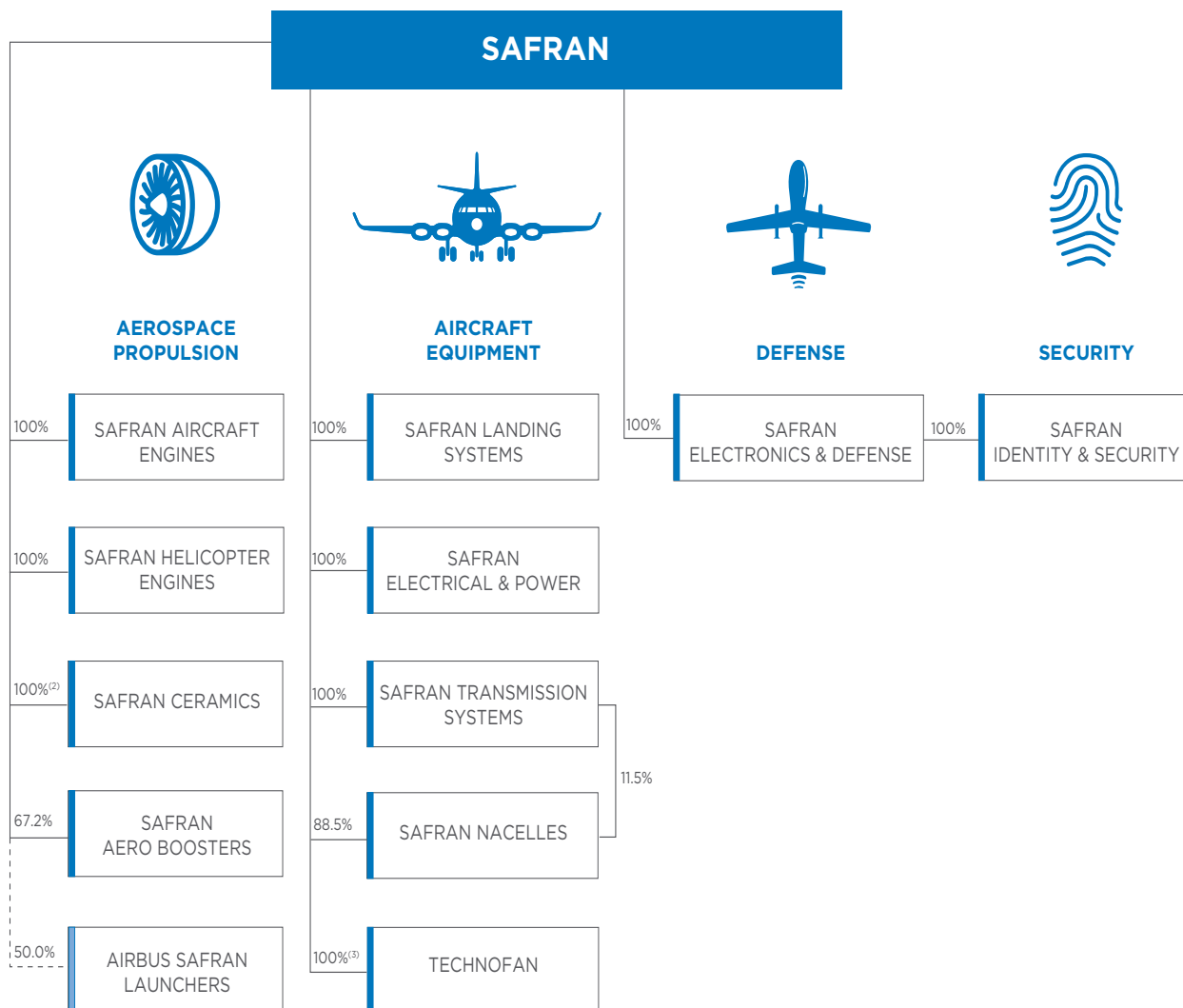
Financial flows between the issuer and Group companies

Safran receives dividends paid by its subsidiaries compliant with applicable regulations (see section 3.3, Note 4.3).

It receives payment for services provided to Group companies, and invoices them for services provided through the Shared Services Centers (see section 3.3, Note 4.1).

1.1.3 Simplified organization chart

Safran, the issuer, is the parent company of the Group. The simplified organization chart⁽¹⁾ as of December 31, 2016 is as follows:



The list of consolidated companies is presented in section 3.1, Note 34.

(1) First-tier operating companies.

(2) Less one share held by the French State.

(3) Following a public repurchase offer initiated by Safran, followed by a compulsory buyout, finalized on July 4, 2016, Safran acquired the totality of Technofan shares. These shares were delisted from compartment C of the Euronext Paris regulated market and are no longer traded on a regulated market.

1.1.4 Main Group companies by business sector

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

Aerospace Propulsion

SAFRAN AIRCRAFT ENGINES

Engines for commercial and military aircraft, maintenance, repair and overhaul (MRO) and related services. Electric propulsion and propulsion systems for satellites and orbital vehicles.

SAFRAN HELICOPTER ENGINES

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

SAFRAN CERAMICS

Safran center of excellence in high-temperature composite materials from research groundwork through to production. Development of ceramic technologies for Group products.

SAFRAN AERO BOOSTERS

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

AIRBUS SAFRAN LAUNCHERS

Design, development, production and sales and marketing of commercial and military space launchers, propulsion systems and related equipment, products and services.

Aircraft Equipment

SAFRAN LANDING SYSTEMS

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

SAFRAN ELECTRICAL & POWER

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

SAFRAN TRANSMISSION SYSTEMS

Mechanical power transmission systems for commercial and military airplane and helicopter engines. Maintenance, repair, overhaul and related services. Mechanical components for airplane and helicopter propulsion systems.

SAFRAN NACELLES

Complete nacelle systems for aircraft engines (civil aircraft and business jets through to the largest airliners), support and related services, composite materials for aerostructures.

TECHNOFAN

Ventilation equipment for civil and military aircraft. Support and related services.

Defense

SAFRAN ELECTRONICS & DEFENSE

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

Security

SAFRAN IDENTITY & SECURITY

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

1.2 GROUP STRATEGY

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

In 2016, Safran refocused its activities on the Aerospace and Defense markets and finalized the strategic review of the Safran Identity & Security businesses announced at its Capital Markets Day in March 2016. Given the sharp turn to digital technologies needed in Security markets, substantial investments are called for, with a risk profile different from that of the rest of Safran's business portfolio. Following an in-depth review of the options open for developing Safran Identity & Security businesses, the decision was made to seek front-line players who were more capable of giving these activities the necessary priority. In April 2016, Safran signed an agreement to sell its Detection businesses to Smiths Group and, in September 2016, announced the start of exclusive negotiations with Advent International on the sale of its Identity and Security businesses. These transactions should be finalized in 2017.

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

- in short- and medium-haul commercial aviation, CFM International, a 50-50 joint venture between Safran and GE, is developing the LEAP® engine (successor to the best-selling CFM56) that will power the Airbus A320neo⁽¹⁾ (-1A version), the Boeing 737 MAX (-1B version, exclusive source) and the COMAC C919 (-1C version, sole Western source). All three versions of LEAP are now certified by the authorities, and following successful release in July, LEAP-1A was in operation at seven airlines by the end of 2016;
- in long-haul commercial aviation, Safran partners GE on development of the GE9X engine, chosen as the sole source for the forthcoming Boeing 777X;
- in business aviation, Safran is developing the Silvercrest® engine, selected by Dassault Aviation for its Falcon 5X and by Cessna for the Hemisphere in November 2016;
- in helicopters, Safran is developing a range of high-power engines (3,000 shp) for medium-to-heavy-lift helicopters, following the 2013 acquisition of Rolls-Royce's share in the RTM322 program;
- in space vehicles, two decisive milestones were reached in the Ariane 6 program: the first design review in June 2016 confirmed maturity of the launch vehicle; then Airbus Safran Launchers (ASL) and the European Space Agency (ESA) signed an amendment to the initial contract that would open access to the funds needed to finalize development and industrial release.

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

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

Safran's development is guided by four main focuses:

- technological innovation, driving long-term growth. In addition to the research programs run by individual Safran companies, two Group-wide structures have been running since 2015 to develop technological synergies and step up innovation: Safran Tech, a Group-wide R&T center, intensifies research and technology efforts in major technological breakthrough areas, and Safran Corporate Ventures manages highly selective investment through minority stakes in startups holding high technological potential for the Group;
- front-line positions in its various businesses;
- strong positions on high-growth markets with a substantial after-sales component bringing recurrent revenue potential; and
- consistently sound financial position.

To back its strategy, Safran continues to forge alliances and long-term partnerships, as with GE on engines for short- and medium-haul aircraft (partnership dating back to 1974, then renewed in 2008 through to 2040). ASL, the joint venture with Airbus Group finalized on July 1, 2016, is a further illustration of this long-term alliance strategy.

Safran also executes targeted external growth operations, chiefly to round out its coverage of key technologies and to access new markets. Where compliant with its financial discipline criteria, Safran is especially attentive to opportunities that will enable it to strengthen its positions in aviation markets and that are consistent with the Group's DNA (high technology, tier-1 supplier, and recurrent after-sales revenue). Following the consolidation of Goodrich Electrical Power Systems in 2013, the 2014 acquisition of two Eaton Aerospace businesses broadened the scope of Safran Electrical & Power to cover aircraft electrical distribution and complemented Safran Electronics & Defense's cockpit solution positioning.

After closure of the 2016 fiscal year, an announcement was made on January 19, 2017 on exclusive negotiations with a view to acquiring Zodiac Aerospace, an operation that is in line with the above-mentioned criteria (see sections 2.5 and 3.1, Note 33).

(1) neo: new engine option.

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

Safran takes up positions in long-term markets on which sustained demand contributes to growth and profitability. Growth opportunities are found in the strong development potential of emerging countries, and in mature US and European markets, where aircraft fleets are under renewal. Safran estimates that the world fleet of commercial aircraft (36 passengers or more) will double over the next 20 years, in response to a two-fold

increase in passenger traffic in the next 15 years. This is the global Aerospace market in which Safran asserts its sustainable growth and profitability strategy.

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

Safran implements its development strategy in accordance with a firm commitment to sustainability (see section 5, "Corporate social responsibility") and strong ethical principles, as set out in its guidelines on Group values and ethical conduct (see section 5.2.1).

1.3 GROUP BUSINESSES

1.3.1 Aerospace Propulsion

Safran designs, develops, manufactures and sells engines for aircraft, helicopters and satellites, either alone or in partnership with other companies.

Prior to June 30, 2016, Safran had its own business line of launch vehicle propulsion systems (liquid-propellant and solid-propellant engines). To boost competitive performance and safeguard the future of the European launch vehicle sector, which is faced with increasing international competition, Safran and Airbus Group finalized the merger of their launch vehicle operations through the Airbus Safran Launchers joint venture on June 30, 2016.

AIRCRAFT ENGINES AND SATELLITE PROPULSION SYSTEMS	
Civil aircraft engines	Business jets Regional jets Short- to medium-haul aircraft Long-haul aircraft
Military aircraft engines	Fighters Training and support aircraft Patrol, tanker and transport aircraft
Space vehicle propulsion systems	Satellites

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

LAUNCH VEHICLES	
Propulsion systems for launch vehicles	Liquid-propellant engines Solid-propellant engines
Launch vehicles	Civil space industry Military industry

1.3.1.1 Aircraft engines and satellite propulsion systems

CIVIL AIRCRAFT ENGINES

Key characteristics of the business sector

The civil aviation sector comprises four main segments:

- business jets powered with engines each delivering between 5,000 and 18,000 pounds of thrust;
- regional jets (36 to 100 seats) powered by engines each delivering between 8,000 and 18,000 pounds of thrust;
- short- and medium-haul aircraft (100 to 200 seats) powered by engines each delivering between 18,500 and 50,000 pounds of thrust;
- high-capacity long-haul aircraft (more than 200 seats) powered by engines each delivering over 50,000 pounds of thrust (currently up to 115,000 pounds).

In 2016, there were around 21,000 business jets in service worldwide⁽¹⁾. To meet expected demand in this market, some 8,100 aircraft of this type will be delivered over the next 10 years⁽¹⁾.

There were around 21,800 commercial aircraft (regional, short-, medium- and long-haul) in service in 2016⁽¹⁾. In response to the expected two-fold increase in this number, and the need to replace aircraft that will be scrapped or dismantled over the period⁽¹⁾, some 36,700 commercial aircraft will be manufactured over the next 20 years.

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

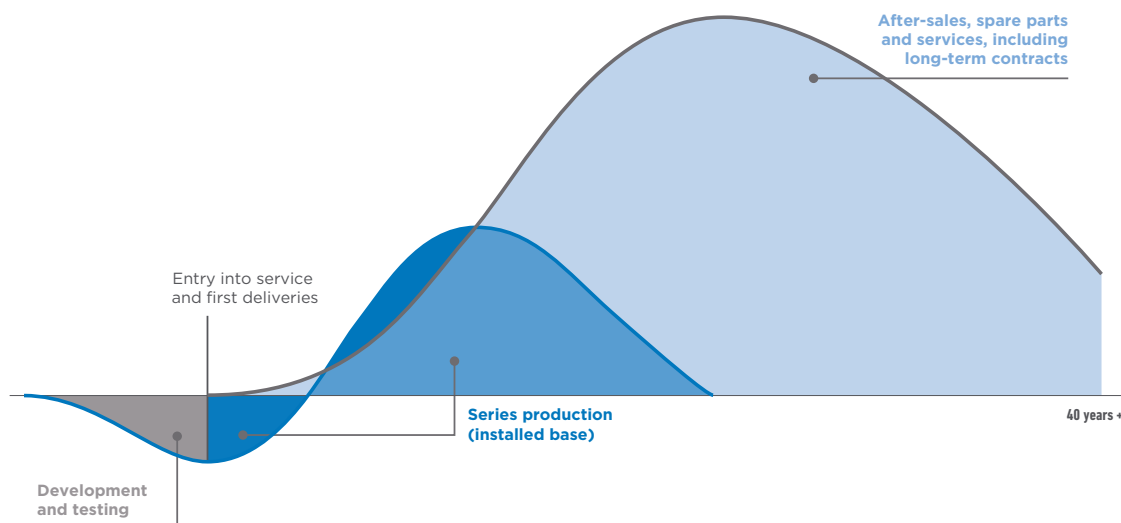
- original equipment activity, involving the sale of engines installed on new aircraft; and
- service activity, comprising the sale of spare parts and service contracts entered into on a case-by-case or long-term basis with operators and approved maintenance centers.

(1) Source: Safran.

1 PRESENTATION OF THE GROUP

Group businesses

ECONOMIC LIFECYCLE OF AN AIRCRAFT ENGINE⁽¹⁾



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

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

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

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

Alliances and partnerships

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

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

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

Group products and programs

The Group's operations in the civil aircraft engines segment mainly involve Safran Aircraft Engines and Safran Aero Boosters.

Low-thrust engines for civil aircraft

This engine family powers regional transport jets and business jets.

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

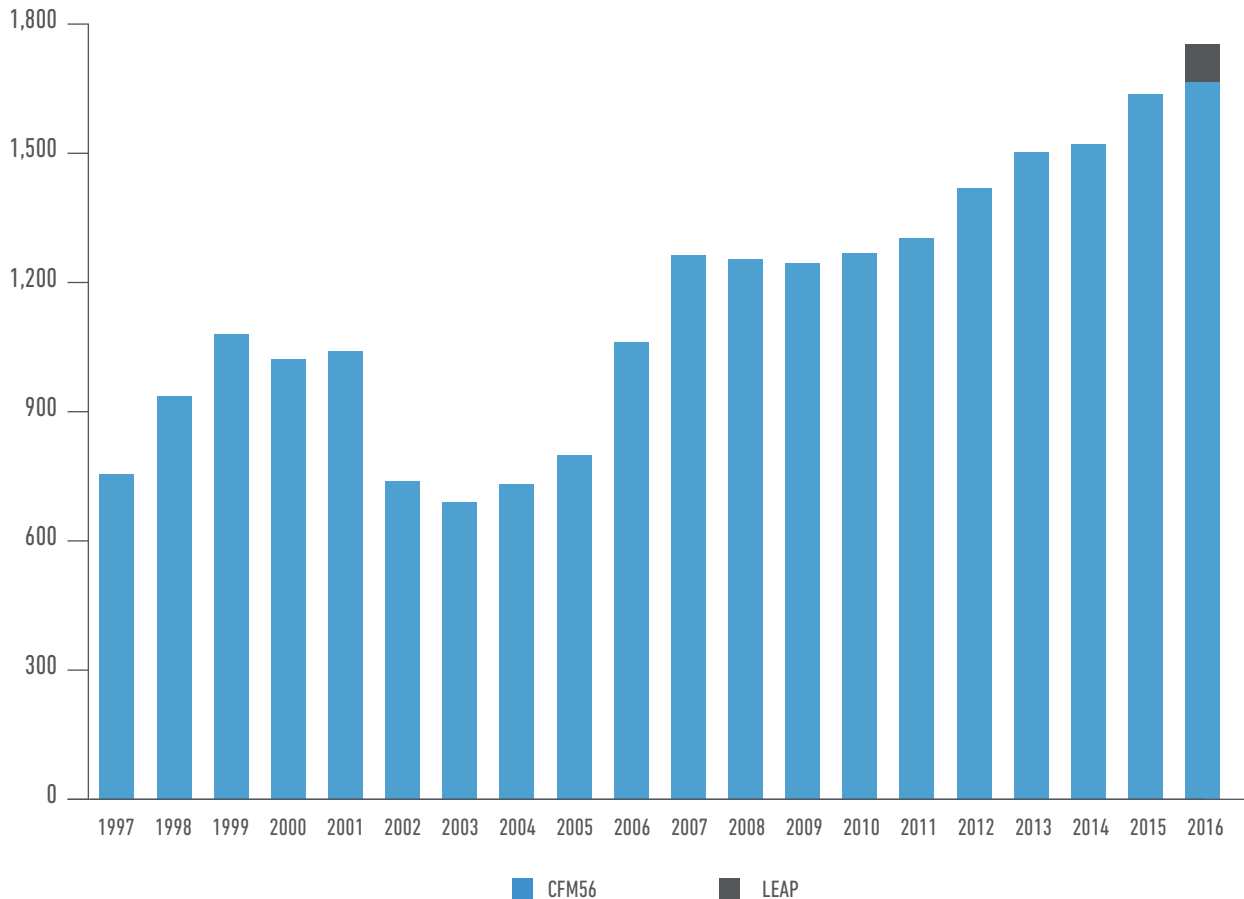
Safran also invests in engines for business jets through its Silvercrest program, in the category of engines delivering 10,000 pounds of thrust. This engine has been selected by Dassault Aviation for its Falcon 5X and by Cessna for its Citation Hemisphere.

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

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

⁽¹⁾ For illustrative purposes only.

Mid-thrust engines for civil aircraft

NUMBER OF PRODUCTION-STANDARD CFM56 AND LEAP ENGINES MANUFACTURED⁽¹⁾

The CFM56 and LEAP engine programs (including spare parts, maintenance and repair sales) generate 50% of Safran's Aerospace Propulsion revenue. These engines are developed under equitable joint cooperation agreements by CFM International, a 50-50 joint venture between Safran and GE.

The majority of short- and medium-haul aircraft with more than 100 seats delivered over the last 20 years are powered by CFM56 engines. These engines power 58% of the Airbus A320ceo (current engine option) range⁽¹⁾. Competition to power the Airbus range comes from the V2500 engine made by the IAE consortium (Pratt & Whitney, MTU Aero Engines and Japanese Aero Engines Corp).

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

The success of this program with airlines has led to a steady rise in the fleet of CFM56 engines delivered over the past 35 years. This engine currently represents the world's largest engine fleet; more than 30,500 units have been delivered and more than 29,400 are in operation⁽¹⁾.

CFM International's new-generation LEAP engine achieves significant reductions in fuel consumption and CO₂ emissions

compared with the latest generation of CFM56 engines. The new engine will also significantly reduce nitrogen oxide emissions and noise levels, with limited effect on the reliability or competitive cost of ownership of CFM56 engines.

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

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

By the end of 2016, purchase intention and firm order agreements for the highly innovative LEAP engine approached 11,600 units. The LEAP-1A engine came into service in 2016, further advancing the engine's market success. In line with aircraft manufacturers' schedules, the LEAP-1B will be coming into commercial operation in 2017 and the LEAP-1C in 2018.

(1) Source: Safran.

1 PRESENTATION OF THE GROUP

Group businesses

High-thrust engines for civil aircraft

The Group operates in this engine range as a risk and revenue sharing partner, primarily with GE. Participation rates vary between 7% and 24% across several engine programs in series production, including the CF6 powering the A330 (19.4%) and the Boeing 767 (10%), and the GE90 powering the Boeing 777 (23.7%). Safran is a partner on the GENx engine program: 7.7% for the 1B version powering the Boeing 787 Dreamliner long-haul aircraft and 7.3% for the 2B version powering the Boeing 747-8. Safran also partners with GE, at 11.2%, on the program for the forthcoming GE9X engine, the sole source for Boeing's new 777X long-haul aircraft. Finally, as part of its cooperative arrangements with the Engine Alliance consortium partners (GE, Pratt & Whitney, MTU Aero Engines), Safran has a 17.5% stake in the GP7200 engine which powers the A380.

Spare parts and services for civil aircraft engines

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

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

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

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

MILITARY AIRCRAFT ENGINES

Key characteristics of the business sector

The military aviation sector comprises three main segments:

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

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

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

As in the civil aviation sector, military engine programs generally involve two types of activities, namely original equipment and

after-sales service, the latter comprising the sale of spare parts, maintenance and repair activities, as well as other customer services.

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

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

The key Western participants in the fighter jet engine sector, apart from Safran, are North American and British: Pratt & Whitney, GE and Rolls-Royce. The main European participants are: Safran, whose M53 engine powers the Mirage 2000 and whose M88 engine equips the Rafale; Rolls-Royce, whose Pegasus engine powers the Harrier; and the European Turbo-Union consortium comprising Rolls-Royce, MTU Aero Engines (Germany) and Avio (Italy), for the RB199 engine powering the Tornado fighter. In addition, the European Eurojet consortium, comprising Rolls-Royce, MTU Aero Engines, Avio and Industria de Turbo Propulsores - ITP (Spain), develops the EJ200 engine that powers the Eurofighter Typhoon.

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

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

Group products and programs

Safran's operations in the military aircraft engines segment mainly involve Safran Aircraft Engines, Safran Helicopter Engines and Safran Aero Boosters.

Fighter engines

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

- the Atar engine (4.5 to 7.1 metric tons of thrust), which powers the Super-Étendard Marine jets and the Mirage III, IV, 5, F1 and 50 family. A total of 380 engines remain in service with 5 customers;
- the M53 engine (9.5 metric tons of thrust), which powers the Mirage 2000. There are 578 of these engines in service with 8 customers; and
- the M88 engine (7.5 metric tons of thrust), which powers the Rafale. There are 371 of these engines in service with 2 customers.

Training and support aircraft engines

Activity in this segment is based on the following programs:

- the Larzac engine (1.4 metric tons of thrust), which powers Dassault Aviation's Alpha Jet training aircraft. At the end of 2016, there were 484 engines in service with 8 customers;
- the Adour engine, which delivers thrust of 3.7 metric tons (with afterburner) or 2.9 metric tons (without afterburner). Made in cooperation with Rolls-Royce, it powers support and attack aircraft such as the Jaguar aircraft produced by Dassault Aviation and BAe Systems, and training aircraft such as the Hawk produced by BAe Systems and the Goshawk T-45A produced by Boeing. There are currently 1,100 Adour engines in service.

Patrol, tanker and transport aircraft engines

Activity in this segment is based on the following programs:

- the CFM56 engine powering military versions of the Boeing 707 (CFM56-2), the KC135 tanker aircraft and the Boeing 737 (CFM56-7), the C-40 transport aircraft, the P-8 Poseidon MMA (Multimission Maritime Aircraft) and the AEW&C (Airborne Early Warning & Control) aircraft;
- the 4,550 kW Tyne turboprop engine, developed by Rolls-Royce and manufactured under license by Tyne Consortium. This engine powers C-160 Transall transport aircraft and Breguet Atlantic and Atlantique 2 maritime patrol aircraft. Series production of this program has ceased but it continues to generate revenue through spare parts and repairs; and
- the 8,203 kW TP400 turboprop engine powering the Airbus A400M European military transport aircraft, with 152 engines in service.

Spare parts and services for military aircraft engines

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

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

(1) Source: Safran.

SPACE VEHICLE PROPULSION SYSTEMS

Key characteristics of the business sector

This business sector covers satellite engines.

Plasma propulsion has emerged as the preferred solution for satellite orbit raising and attitude and orbit control. This technology, also referred to as Hall-effect or stationary plasma propulsion, has a considerable advantage over traditional chemical propulsion systems as regards take-off mass.

The main participants in the plasma propulsion market, besides Safran, are OKB Fakel (Russia) and Aerojet Rocketdyne (US).

Group products and programs

Safran's operations in plasma propulsion systems for satellites and space exploration probes involve Safran Aircraft Engines.

The Group has been developing, integrating, testing and marketing plasma thrusters and plasma propulsion systems with power ratings from 300 W to 20 kW for more than 30 years. They can be found on the telecommunication platforms Eurostar 3000 EOR (Airbus Defence and Space), Alphabus (Thales Alenia Space and Airbus Defence and Space), Spacebus (Thales Alenia Space) and Small Geo (OHB - Orbitale Hochtechnologie Bremen, Germany). Safran plasma thrusters have also been selected for the SSL telecommunication platforms (US) and under the European Space Agency's Neosat program for the Airbus Defence and Space Eurostar Neo and the Thales Alenia Space Spacebus Neo platforms.

1.3.1.2 Helicopter turbine engines and auxiliary power units

Key characteristics of the business sector

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

Some 47,000 helicopters were in service worldwide in 2016⁽¹⁾. To meet growing demand and replace helicopters scheduled for dismantling or decommissioning, a total of around 34,000 helicopters are expected to be delivered over the next 20 years⁽¹⁾.

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

The Group serves:

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

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

1 PRESENTATION OF THE GROUP

Group businesses

The helicopter turbine engine market, like the civil aviation market, has two components:

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

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

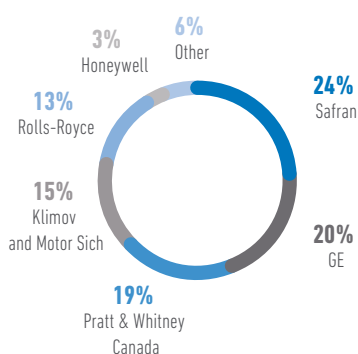
The airframe/engine pairing is often unique and at the origin of a new model. However, there is a trend toward multiple engine sizes among some helicopter manufacturers (offering a choice between two engines). This can also be seen where a helicopter is adapted for a specific purpose, thereby reintroducing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

There are fewer partnerships between engine manufacturers than in the civil aviation engine sector. The main partnership is MTR1 (MTU Aero Engines, Safran Helicopter Engines, Rolls-Royce and Industria de Turbo Propulsores - ITP), on the 1,450 shp⁽¹⁾ MTR390-E engine powering the Tiger. The growth of the helicopter market in emerging markets has also led Safran to develop other types of partnerships with consortiums of helicopter manufacturers claiming a role in the propulsion sector. This is the case with HAL (Hindustan Aeronautics Ltd.) in India and AVIC in China, which are becoming both customers and partners.

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

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

MARKET SHARE: SALES OF HELICOPTER ENGINES, 2012-2016⁽²⁾



Group products and programs

Most of Safran's helicopter engines are modular turbine units adaptable to civil and military helicopters. Modularity makes for more efficient maintenance programs. Safran Helicopter Engines

are designed with a large additional power potential (up to 15%), which means they address a broad application spectrum. Through Safran Helicopter Engines, Safran covers all of the helicopter engine categories described below.

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

Turbine engines for light helicopters

For single- and twin-engine light helicopters, Safran offers two types of engine: Arrius (450 to 750 shp) and Arriel (650 to 950 shp).

These engines and their derivatives power many civil helicopters from Airbus Helicopters (H120, H135, Écureuil, H145, Dauphin, etc.), Sikorsky (S76), Kamov (Ka-226T) and Bell Helicopter (Bell 505 Jet Ranger X), along with the military versions of helicopters from Airbus Helicopters (Fennec, Lakota and Panther), Leonardo-Finmeccanica (A109 Power) and AVIC (AC311A, Z-9).

Turbine engines for medium-weight helicopters

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

For helicopters from 5 to 7 metric tons, Safran is present in the military market for combat helicopters, with the MTR390 (1,250 to 1,450 shp), developed jointly with Rolls-Royce and MTU, that powers the Airbus Helicopters Tiger, and the TM333 (900 to 1,100 shp) that powers HAL's Dhruv. A special development contract has been signed with Spain (including ITP as an additional engine partner) for a more powerful version of the MTR390 for the Tiger.

For helicopters from 5 to 8 metric tons, Safran's Ardiden range of engines covers power ratings from 1,400 to 2,000 shp. The Ardiden 1H1/Shakti powers the Dhruv and twin-engine light combat helicopters (LCHs) from Indian helicopter manufacturer HAL. HAL selected the Ardiden 1U variant to power its light utility helicopters (LUHs). The Ardiden 3G currently under development is designed for helicopters of up to 8 metric tons, and has already won orders from Kamov (Russian Helicopters) for the Ka-62. In China, tests are continuing on the Ardiden 3C/WZ16 for use with the AC352/Z-15 helicopter.

Turbine engines for heavy-lift helicopters

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

The RTM322 turbine engine powers the NHIndustries NH90 helicopter, the Leonardo-Finmeccanica AW101 Merlin helicopter and the Apache UK fighter helicopter.

(1) shp: shaft horsepower.

(2) Source: Safran.

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

Spare parts and services for helicopter turbine engines

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

Auxiliary power units

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

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

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

1.3.1.3 Propulsion systems for launch vehicles

Key characteristics of the business sector

On June 30, 2016, Safran's launch vehicle businesses were transferred to Airbus Safran Launchers (ASL).

This business sector covers two types of propulsion system – liquid-propellant and solid-propellant – for civil and military launch vehicles.

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

In the solid-propellant engine market for civil and military applications, the main participants, besides ASL, are Aerojet Rocketdyne, Orbital ATK (US) and Avio.

Group products and programs

Prior to June 30, 2016 Safran had operations in:

- the liquid-propellant engine segment, mainly through Safran Aircraft Engines; and
- the solid-propellant engine segment, through Herakles and Roxel, a 50-50 joint venture between Safran and MBDA (France).

These businesses are now run independently by ASL and its subsidiaries, except for Roxel's tactical missile propulsion business, in which Safran still holds 50%.

Liquid-propellant engines

This segment features the following activities:

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

Solid-propellant engines

The segment of solid-propellant engines for civil applications comprises:

- series production, with:
 - manufacture of the nozzle for the solid-propellant engines on Ariane 5, and manufacture of these engines through Europropulsion (France) and Regulus (France), joint subsidiaries held by ASL and Avio,
 - production of fuel materials for solid propellants and elastomers for thermal linings, and
 - manufacture of the nozzle for the P80 solid-propellant engine on the Vega launch vehicle;
- development activities, with:
 - production of nozzle systems (divergents) in advanced composite materials for US space engines,
 - co-responsibility, with Avio, for development of the P120C solid propulsion engines common to the future Ariane 6 and Vega-C launch vehicles through Europropulsion, and
 - responsibility for the development of the P120C engine nozzle.

The segment of solid propulsion for military applications comprises:

- propulsion systems for ballistic missiles, with:
 - production of the propulsion system for the missiles of France's ocean-going strategic nuclear force, in particular for the fourth-generation program (M51), and
 - clean dismantling of the thrusters of the M45;
- propulsion systems for tactical missiles, with:
 - production of propulsion systems for the Mistral missile and the MdCN acceleration and tip-up (SAB) system⁽¹⁾ for MBDA, and supply of components for manufacturing interception missiles in anti-missile defense programs, and
 - through Roxel, development and production of a substantial range of engines for tactical missiles of international renown (including Milan, MICA⁽²⁾, AASM⁽³⁾, Exocet, Aster and Meteor).

(1) MdCN: naval cruise missile.

(2) MICA: interception, combat and self-defense missile.

(3) AASM: modular air-to-ground weapon.

1.3.1.4 Launch vehicles

Key characteristics of the business sector

To boost competitive performance and safeguard the future of the European launch vehicle sector, faced with increasing international competition, Safran finalized transfer of its launch-vehicle businesses to ASL, a 50-50 joint venture with Airbus Group, in 2016. This business sector comprises three main segments:

- the civil space industry, which includes satellite engines and launch vehicle propulsion to place satellites in orbit;
- the military industry, comprising propulsion for ballistic and tactical missiles; and
- products, equipment and services for launch vehicles and satellites as well as production of critical infrastructure (satellite integration center, remediation units, etc.), gas generators for car airbag systems and production of parts for the aerospace industry.

In the first two segments, development and engineering programs tend to be long and financed by institutional budgets, such as ESA for civil space activities in Europe or national defense budgets for strategic operations. Tactical missile development is also financed by customer governments.

In the civil space industry, competition is quite intense. The main competitors of Arianespace (an ASL subsidiary) in the market for commercial launch services are the US company Space X, with its Falcon 9 launch vehicle, and the Russian Proton launch vehicle marketed by ILS (International Launch Services), which have aggressive pricing policies. The relevance of the forthcoming Ariane 6 launch vehicle becomes clear when considering that competition is set to intensify from 2020 due to the number of new launch vehicles currently under development. These new projects are run by other players, in the United States (New Glenn and Vulcan), Russia (Angara), India (GSLV), China (Long March5) and Japan (H3).

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

The third segment is purely commercial. ASL currently sells products, equipment and services in more than 50 countries, and supplies the main satellite manufacturers. It also supplies a quarter of the European market and around 7% of the world market for gas generators in car airbag systems⁽¹⁾. This makes ASL one of Europe's leading equipment vendors.

Group products and programs

ASL addresses civil and military markets.

Civil space industry

ASL is the prime contractor for the Ariane 5 launch vehicles developed by ESA, which involves coordinating an industrial network of more than 550 companies in 12 European countries. ASL manages the whole of the industrial chain, which covers plant and equipment, engine manufacture, integration of the individual stages, then integration of the whole launch vehicle in French Guiana. ASL is also prime contractor on the program for the forthcoming Ariane 6 launch vehicles, the development contract for which was signed in 2016. ASL contributes to the solid propulsion component of the Vega program, and to prime contractorship for the Russian Soyuz launch vehicle in French Guiana. Its Arianespace subsidiary, a front-line world player, takes charge of marketing and operation of these launch vehicles.

Through its Eurockot subsidiary, ASL markets and operates the Rocket light launch vehicle.

Ballistic missile propulsion

In the military market, ASL takes part in the missiles program for France's fourth-generation ocean-going strategic nuclear force (M51). Following the M51.1 version, which came into operation in 2010, and M51.2, in 2016, the next development phase, M51.3, will adapt the M51 missile to the geopolitical context of the coming years.

Tactical missile propulsion

ASL assembles thrusters for the Mistral missile and the acceleration and tip-up system (SAB) on the MdCN missile, for MBDA. It also develops technologies for forthcoming high-performance propulsion systems (modular propulsion, DACS⁽²⁾, etc.) under national and international R&T contracts.

Through Roxel, in which Safran holds a 50% stake, Safran develops and assembles a substantial range of engines for tactical missiles of international renown (including Milan, MICA, AASM, Exocet, Aster and Meteor).

Products, equipment and services

Through its Pyroalliance subsidiary, ASL provides pyrotechnic equipment on a broad range of missiles including MdCN, SCALP, Aster, Exocet, MICA, IRIS-T⁽³⁾, Crotale, Otomat, Marte and Eryx.

Through its CILAS (Compagnie Industrielle des Lasers) subsidiary, ASL develops, engineers and manufactures systems coupling laser and precision optics technologies in high-tech military and civil applications.

ASL's Sodern subsidiary fields cutting-edge expertise in space instrumentation, optics and neutronics.

ASL's Nuclétudes subsidiary provides prime expertise in tests and engineering on ruggedization, for the protection of electronic systems and mechanical structures in harsh radiative and electromagnetic environments.

(1) Source: ASL.

(2) DACS: Divert and Attitude Control System.

(3) IRIS-T: Infra Red Imaging System Tail/Thrust Vector-Controlled.

1.3.2 Aircraft Equipment

Safran's Aircraft Equipment business operates in three sectors:

LANDING AND BRAKING SYSTEMS

Landing gear
Wheels and brakes
Landing and braking systems
Services for landing gear, wheels and brakes and related systems

ENGINE SYSTEMS AND EQUIPMENT

Nacelles and thrust reversers
Power transmissions

ELECTRICAL SYSTEMS AND ENGINEERING

Wiring and electrical connection systems
Electricity distribution and generation
Engineering

This business covers the design, manufacture, sale, maintenance and repair of aircraft equipment, provision of related services and sale of spare parts.

The Group enjoys leading positions in each of its sectors in recent and prospective major short-, medium- and long-haul commercial aircraft programs by Boeing (787, 777X and 737 MAX), Airbus (A350, A330neo, A330ceo and A320neo) and COMAC (C919).

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

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

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

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

1.3.2.1 Landing and braking systems

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

Safran has combined these operations within Safran Landing Systems. This organization is in response to market shifts toward more tightly integrated offerings, addressing both aircraft manufacturers and airlines.

LANDING GEAR

Key characteristics of the business sector

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

Group products and programs

Safran addresses the landing gear segment through Safran Landing Systems, which holds around half the market⁽¹⁾ for commercial aircraft landing gear.

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

Safran is worldwide leader⁽¹⁾ for landing gear structural units, having equipped a fleet of some 27,000 aircraft. The Group supplies the world's major aircraft manufacturers (including Airbus, Boeing, Bombardier and Dassault Aviation) and military and civil operators. Among the main commercial aircraft programs are the entire Airbus range, including the A350, and Boeing's 787 Dreamliner.

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

WHEELS AND BRAKES

Key characteristics of the business sector

The present-day wheels and brakes market for commercial aircraft with 100 or more seats splits into two segments: aircraft with steel brakes (first-generation brakes), which account for 23%⁽¹⁾ of commercial aircraft of 100 or more seats, and aircraft with

(1) Source: Safran.

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carbon brakes, invented by Safran, which account for 77%⁽¹⁾. The market for carbon brakes has developed rapidly since the 1980s, with the increase in air traffic and the gradual phase-out of steel brakes, replaced by carbon units. The wheels and brakes market is currently shared among four major global participants: Safran, UTC Aerospace Systems, Honeywell and Meggitt.

Group products and programs

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

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

With almost 8,200 aircraft fitted with Safran wheels and carbon brakes, the Group holds more than half of the market⁽¹⁾ for aircraft having over 100 seats and fitted with carbon brakes. Given the size of the fleet equipped by Safran, 39% of which is less than five years old, the business model underpinning this activity contributes to strong revenue streams.

ELECTRIC TAXIING

Electric taxiing enables aircraft to taxi at airports without having to use their main engines or call upon airport towing services. It primarily addresses economic and environmental challenges, such as reduction in kerosene consumption and CO₂ emissions, and enables more fluid aircraft ground movements.

Three companies are currently working on electric taxiing systems: Safran, Israel Aerospace Industry (IAI) (Israel) and WheelTug (Gibraltar).

LANDING AND BRAKING SYSTEMS

Key characteristics of the business sector

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

Group products and programs

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

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

SERVICES FOR LANDING GEAR, WHEELS AND BRAKES AND RELATED SYSTEMS

Safran provides maintenance services for its own products and for competitor products on commercial aircraft with more than 100 seats, and, alone or in partnership, for regional jets and business jets.

To provide maintenance services for landing gear and landing and braking systems, Safran has developed regional repair centers in Mexico, the UK, France, Singapore and the USA, and will shortly be opening a center in China. Some of these repair centers are managed as joint ventures with partners such as Singapore Airlines Engineering Company, China Eastern Airlines and Dassault Aviation Falcon Jet.

1.3.2.2 Engine systems and equipment

NACELLES AND THRUST REVERSERS

Key characteristics of the business sector

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

Today's market for aircraft engine nacelles splits into two main segments, addressed by:

- nacelle component manufacturers; and
- nacelle integrators such as Safran, capable of supplying engine and aircraft manufacturers with complete nacelles. Nacelle research requires specific technical expertise in areas such as achieving acoustic, aerodynamic, thermal and mechanical performance through the intensive use of composite material and titanium technologies. Specifications vary with engine power and location (under the wings for airliners and regional jets, or at the rear of the fuselage for business jets).

Safran's main competitor on the integrated nacelles market is UTC Aerospace Systems, the market leader.

Group products and programs

As a nacelle integrator, Safran designs, manufactures and provides after-sales support for aircraft engine nacelles through Safran Nacelles. On this market, the Group ranks second worldwide, with market share of more than 20%⁽¹⁾.

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

(1) Source: Safran.

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

Services for nacelles and thrust reversers

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

MECHANICAL POWER TRANSMISSION SYSTEMS

Key characteristics of the business sector

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

Group products and programs

Safran’s operations in the mechanical power transmission sector involve Safran Transmission Systems.

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

Aero Gearbox International (AGI), a 50-50 joint venture formed by Safran and Rolls-Royce in 2015, specializes in the design, development and production of accessory drive train transmission systems as well as after-sales services. This company has exclusive coverage of the whole range of Rolls-Royce’s forthcoming civil aircraft engines, and strengthens Safran’s position among the leading participants in this field.

1.3.2.3 Electrical systems and engineering

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

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

These external growth operations, coupled with a substantial internal research and technology effort, enable Safran to assert a strong legitimacy in aircraft electrical systems. Safran Electrical & Power brings together all of Safran’s electrical systems operations under a single dedicated unit:

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

ELECTRICAL POWER GENERATION AND DISTRIBUTION SYSTEMS

Key characteristics of the business sector

The electrical systems market mostly covers power generation and distribution functions. This market is currently commanded by major participants such as Safran, UTC Aerospace Systems, Esterline (US) and Zodiac Aerospace. Only UTC Aerospace Systems and Safran field a comprehensive offering covering main and backup power generation, conversion, and primary and secondary distribution.

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

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

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

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

ELECTRICAL CONNECTION SYSTEMS

Key characteristics of the business sector

The Group is a leading worldwide supplier⁽¹⁾ in this market. Wiring and electrical connection systems mainly comprise electrical harnesses as well as main and secondary transformer stations and other electrical cabinets.

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

Group products and programs

Safran's operations in the wiring and electrical connection system segment involve Safran Electrical & Power.

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

VENTILATION SYSTEMS AND ELECTRIC MOTORS

Key characteristics of the business sector

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

High-performance ventilation systems perform the following functions:

- management of air circulation in the cabin and cockpit;
- cooling of aircraft brakes on landing; and

- cooling of avionics bays, which house systems including the main aircraft controllers (flight control systems, digital cockpit screens, etc.).

Safran, UTC Aerospace Systems and Honeywell are the main participants with expertise in this field.

Group products and programs

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

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

ENGINEERING SERVICES

Key characteristics of the business sector

The engineering market is dependent on major development programs, some of which have reached completion (Airbus A350 and Boeing 787). This means that major aircraft and equipment manufacturers experience fewer needs for prime engineering competence.

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

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

The Group's main competitors are leading French full-service engineering groups such as Alten and Altran, and French niche aviation engineering suppliers including Assystem and Aeroconseil.

Group products and programs

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

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

(1) Source: Safran.

1.3.3 Defense

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

OPTRONICS Soldier modernization Optronic and sights Drones High-performance optics
AVIONICS Navigation and sensors Seekers and guidance systems Flight control systems Onboard information systems/data management
ELECTRONICS AND CRITICAL SOFTWARE Onboard electronic equipment Onboard critical software

Safran is involved in major civil and defense programs, and Safran Electronics & Defense is one of the world's leading providers of solutions and services in optronics, inertial navigation, avionics, electronics and critical software. Prime expertise in these technologies enables Safran to offer armed forces, security forces and civil customers optimally cost-effective solutions matched closely to their needs, in land, sea and air applications. Safran Electronics & Defense also draws upon the expertise of its subsidiaries, located on all continents.

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

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

1.3.3.1 Optronics

Key characteristics of the business sector

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

The optronics sector covers a wide range of equipment and systems for air, land and sea applications: soldier modernization systems, combat vehicle digitization, drone systems, night vision goggles and target identification systems, thermal cameras, gyro-stabilized sighting and monitoring systems, periscopes and optronic masts for submarines, and high-performance optics.

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

Group products and programs

Safran's expertise and ability to innovate have enabled it to develop a comprehensive product portfolio and to become a global reference in several platforms: surface ships, submarines, combat vehicles, aircraft and drones and dismounted combatants. Safran is active in the optronics industry through Safran Electronics & Defense and its subsidiaries Safran Vectronix, Optics 1 and Safran Reosc, and through its stake, along with Thales, in Optrolead and Sofradir (a world leader⁽¹⁾ in infrared detectors).

Soldier modernization

Safran harnesses experience from the FELIN⁽²⁾ program on soldier modernization in the French armed forces to offer innovative and modular solutions addressing the needs of various armed and security forces in France and further afield. It builds on this know-how to offer capacity kits focused on the key infantry combat functions of command, observation, protection and engagement.

Safran' innovation and R&T efforts also extend to mobility assistance systems, in the form of a biomechanical and electronic exoskeleton that interfaces with the human body to provide motion assistance or help with mobility recovery. These technologies, developed under a partnership with Canadian company B-Temia Inc., hold considerable potential in the military, civil security and industry sectors.

Optronics and sights

PORTABLE OPTRONIC EQUIPMENT

Safran is a trailblazer in, and a leading European producer⁽¹⁾ of, portable optronics. It offers a full range of hardware and systems for surveillance, detection, pointing, identification and target designation, day or night. Its multi-purpose night-vision imagers, such as the JIM LR long-range multifunction imager, are widely used in overseas operations by French and allied forces and are considered a global market reference.

ONBOARD SYSTEMS

Safran equipment provides protection for land combat vehicles (tanks and light vehicles). Stabilized sighting is a key part of the performance of target identification and fire direction, under day or night conditions, including ambulant firing capability. Safran equips more than 7,000 land vehicles in France and other countries (Leclerc, VBCI, BMP3, etc.) with its range of land vehicle sights, which includes PASEO.

In airborne optronics, Safran participates in major combat helicopter programs: Tiger, NH90, Cougar, Panther and Caracal. The STRIX and OSIRIS sighting systems meet requirements on exceptionally demanding operational conditions and guarantee the performance of the weapons systems. Euroflir gyro-stabilized

(1) Source: Safran.

(2) FELIN: Fantassin à équipements et liaisons intégrés (infantrymen with integrated equipment and links).

1 PRESENTATION OF THE GROUP

Group businesses

electro-optical systems provide valuable service in long-range observation and target location. They feature on new airborne intelligence systems including the Patroller drone, the Diamond-42 twin-engine aircraft (in cooperation with DCI) and the T-C350 aerostat from A-NSE.

In the naval field, Safran offers a full range of optronic surveillance, fire direction and self-protection systems for surface vessels, and holds recognized expertise in optronic masts and periscopes for conventional and nuclear submarines. Safran contributes to many platforms, including the Charles-de-Gaulle aircraft carrier, the ANZAC, FREMM & Horizon frigates, and the Scorpène and Agosta submarines. The new generation of nuclear combat submarines, the Barracuda class, will be equipped with Safran's periscope system using non-penetrative optronic masts.

Drones

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

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

In early 2016, Safran was awarded the contract for the French Army's tactical drone system with Patroller.

High-performance optics

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

CUSTOMER SUPPORT

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

1.3.3.2 Avionics

Key characteristics of the business sector

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

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

Safran's main competitors in these businesses (French and international) include: Thales, BAe Systems, Leonardo, Rockwell Collins (US), Northrop Grumman (US), Honeywell, and Liebherr.

Group products and programs

Safran is present in the avionics sector through Safran Electronics & Defense, through its US subsidiary (automatic pilot systems for aircraft, actuators and onboard data acquisition and processing modules), and through its European subsidiaries and Safran Colibrys.

Safran is the European market leader for inertial navigation systems⁽¹⁾, with leading expertise in all the technologies involved (mechanics, laser, fiber optics, vibrational systems and MEMS⁽²⁾), and more than 70 years' experience in civil and military navigation systems for land, air, sea and space applications. Through Safran Electronics & Defense and its subsidiary Safran Colibrys, which specializes in high-performance micro-movement (acceleration and vibration) sensors, Safran is a front-line player in MEMS technology. With its Montluçon facility in France, Safran has world-class industrial capabilities for making inertial sensors and systems.

In 2016, Safran continued its program of investments in France, extending operations at the Fougères site to cover production of systems such as controllers for LEAP engines, and developing a new R&D center at its Eragny site, a leading design and research center in Europe in the fields of inertial navigation and tactical drones.

Navigation and sensors

Safran offers a wide range of inertial and stabilization systems for all land, sea, air and space platforms and all performance classes. This equipment offers high reliability, high precision and extreme robustness, for dependable operation in the toughest environments. Safran's recognized expertise lies behind its involvement in programs such as Rafale, A400M Atlas, Ariane 6 and nuclear-powered ballistic missile submarines.

Flight control systems

As a worldwide leader⁽¹⁾ in civil and military helicopter flight control, Safran offers systems, including autopilots, onboard computers, flight control actuators and navigation systems, designed to aid the pilot while maintaining a maximum level of security. Safran contributes to several ongoing programs in this segment, including Airbus Helicopters' next-generation X6 helicopter, Embraer's KC390 and the MA700 aircraft made by Chinese manufacturer AVIC.

(1) Source: Safran.

(2) MEMS: Micro Electro Mechanical Systems.

Onboard information systems/data management and services

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

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

Seekers and guidance systems

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

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

Safran has also been selected to supply infrared seekers for the French army's MMP⁽¹⁾ missiles and for the future French-British light anti-ship missile, the FASGW⁽²⁾.

CUSTOMER SUPPORT

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

1.3.3.3 Electronics and critical software

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

Safran Electronics & Defense provides all Group companies with world-leading electronic equipment and critical software. It develops, produces, and maintains electronic circuit boards and certified onboard computers for numerous systems, particularly in aviation (FADEC⁽³⁾, thrust reversers, nacelles, landing gear, braking systems and flight control systems). With its partners it has woven strong, balanced links through FADEC International (joint venture with BAe Systems) and FADEC Alliance (joint venture between GE and FADEC International).

ELECTRONIC EQUIPMENT

Safran Electronics & Defense specializes in increasingly integrated electronic systems for harsh environments (temperature, vibration, etc.). It designs and produces onboard computers used in engine, flight, braking and landing gear control systems. Safran designs and installs electronic control systems for electromechanical actuators and for Safran Electrical & Power power converters⁽⁴⁾. In the space segment, Safran is conducting work on the electronic propellant flow-rate regulation demonstrator for the future Ariane 6 engines, and on electronic control systems for plasma thrusters. Safran's expertise in the production of electronic circuit boards and complex computers is maintained through a strong core of industrial excellence, particularly at its Fougères plant.

ONBOARD CRITICAL SOFTWARE

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

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

Computer maintenance and repair

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

(1) MMP: medium-range missile.

(2) FASGW: Future Anti-Surface Guided Weapon.

(3) FADEC: Full Authority Digital Engine Control.

(4) See section 1.3.2.3, "Electrical systems and engineering".

1.3.4 Security

In 2016, Safran announced an agreement to sell its Detection businesses, with Smiths Group (UK). At the end of 2016, it also entered an agreement to sell its Identity and Security businesses, with Advent International (US), the owner of Oberthur Technologies (France), which addresses various segments of the security market.

Safran's Security activities cover two key areas:

IDENTITY AND SECURITY

Governmental solutions

Commercial solutions

Public safety

DETECTION

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

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

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

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

Safran is present in the Security sector through Safran Identity & Security, whose operations are mainly located outside France. The main subsidiaries of Safran Identity & Security are:

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

1.3.4.1 Identity and Security

Key characteristics of the business sector

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

Identity

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

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

Safran serves the highly competitive civil identification market, where its main industrial competitors include Gemalto (Netherlands), Giesecke & Devrient (Germany) and HID Global/ Assa Abloy (Sweden).

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

Safran is a major participant on the digital identity market. Safran's main competitors in this business (French and international) include: Gemalto, Oberthur Technologies, Giesecke & Devrient, ATOS (France) and HID Global/ Assa Abloy.

Security

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

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

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

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

Group products and programs

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

Governmental solutions

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

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

Commercial solutions

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

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

Safran also provides banks with support on the ongoing transition toward digital practices; this typically concerns security in applications such as online banking, e-commerce, online contract signing, etc. The Group's digital identity management solutions

help prevent the fraudulent use of personal information online. Specifically, customers can tighten authentication and security settings at all the stages in the mobile payment process: identification, electronic signature and multi-factor authentication, including biometric authentication, which is increasingly in demand due to its high level of security and ease of use.

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

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

Public safety

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

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

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

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

1 PRESENTATION OF THE GROUP

Competitive position

1.3.4.2 Detection

Key characteristics of the business sector

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

Safran holds a share of close to 50%⁽¹⁾ of the market for X-ray tomography hold-luggage control systems. Safran's main competitors are L3 Communications (US), Leidos/Reveal (US), Smiths Detection, OSI/Rapiscan (US) and Nuctech (China). Safran fields one of the fullest and highest-performance offerings in the explosive trace analysis sector, where its main competitors are Smiths Detection, Thermo Fisher Scientific (US), Bruker (US) and Implant Sciences (US).

Group products and programs

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

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

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

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

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

1.4 COMPETITIVE POSITION

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

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

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

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

(1) Source: Safran.

1.5 RESEARCH AND DEVELOPMENT

Safran operates in a high-technology and high value-added arena. In aircraft engines and equipment, as in defense and security systems, technology and reliability requirements are high, consistent with the highly critical nature of the applications concerned. To meet these requirements, Safran harnesses highly specialized advanced expertise in many fields: mechanics, metals, composite materials, fuel and propulsion systems, aerodynamics, combustion, thermodynamics, electrics, electronics, sensors, signal processing, digital technologies, modeling and simulation. Research and technology (R&T) comprises all studies, research and technological demonstrations needed to develop expertise for a given product at the lowest possible risk and cost and within the shortest possible timeframe.

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

Spanning the R&T and R&D stages, the Innovation Department nurtures the emergence of new developments using innovative concepts, helping Group companies identify, produce and validate proof-of-concept demonstrators, thereby shortening development leadtimes to meet time-to-market targets.

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

1.5.1 Major technological focuses

1.5.1.1 Propulsion performance

Propulsion performance objectives and acceptability requirements for future aircraft engines derive from work carried out through ACARE⁽¹⁾. Relative to 2000, objectives are set for two dates: 2020 and 2050. For 2020, aircraft propulsion systems are to cut fuel consumption by 20%, pollutant emissions by 60% and noise levels by 50%. The Flightpath 2050 publication specifies reductions of 75% in greenhouse-gas emissions, 90% in nitrogen oxides (NO_x) and 65% in noise levels by 2050.

The Group's roadmap for the aircraft propulsion systems of the future, through its subsidiary Safran Aircraft Engines, incorporates two technology stages:

- the LEAP turbofan engine, with a very high bypass ratio. For those modules under the responsibility of Safran Aircraft Engines in CFM International, this stage covers advanced technologies such as a highly innovative lightweight fan made from composite materials and a high-efficiency low-pressure

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

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

In 2015, the Group opened the Safran Tech R&T center at the Saclay high-tech cluster, France's largest science and technology campus, near Paris. Initial teams have been formed for the new center, which is to employ a research workforce of around 300 in six units, covering energy & propulsion, materials & processes, sensor technologies & applications, electrical and electronic systems, signal & information processing, and modeling & simulation. Safran Tech also runs platforms specially equipped for developing next-generation materials and processes: Safran Composites, Safran Advanced Turbine Airfoils, Fabrication Additive and Safran Ceramics.

The Safran Tech center underlines the Group's resolve to intensify and mutualize R&T endeavors on major technological breakthroughs. Safran Tech opens a new dimension to the Group's R&T operations, with an emphasis on open innovation. Universities, public organizations, industrial partners and innovative startups work with Safran Tech teams in joint laboratories or on shared platforms, forming a creative, connected, top-level scientific campus open to the outside world.

turbine. The LEAP engine, which came into commercial operation in 2016, brings major improvements in line with the ACARE 2020 objective, particularly in terms of fuel consumption. It has been selected by Airbus for its A320neo, by Boeing for its 737 MAX and by COMAC for its C919, and has obtained all three required certifications. R&T work is in progress on long-term continuous improvement in engine performance;

- the second stage is more ambitiously innovative, in line with Flightpath 2050, whose objectives call for breakthroughs in engine architecture through the exploration of developments such as the open rotor concept and faired architectures with very high bypass ratios. These have been addressed by advanced research under national and European programs outlined in the seventh FPRTD⁽²⁾, and are to continue under the eighth FPRTD – Horizon 2020 (H2020). Specific initiatives here include the Clean Sky Joint Technology Initiative.

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

(2) FPRTD: Framework Program for Research and Technological Development.

1 PRESENTATION OF THE GROUP

Research and development

Safran also cooperates with scientific and academic institutions on groundwork in future aircraft propulsion configurations. To this end, Safran founded the AEGIS chair with the ISAE-SupAero engineering school.

Helicopter turbine engines are subject to similar imperatives requiring reductions in fuel consumption and environmental impacts. Through its subsidiary Safran Helicopter Engines, Safran has undertaken ambitious technology programs to address future market needs. A number of technologies developed under the TECH800 program have been adopted on the Arrano engine, selected by Airbus Helicopters as the sole source for its new H160. In 2016, the TECH 3000 demonstrator underwent tests on its high-pressure systems under a test program to validate new concepts and technologies specific to the range of 3,000 shp engines for helicopters from 11 to 14 metric tons. The Group's technological progress strategy is backed by work in close liaison with all its customers to come up with innovative new engine integration developments such as hybrid power architecture concepts in drive systems.

The need to lighten planes, helicopters and their equipment has led to increased use of composite materials. Safran engines and equipment (whether nacelles, landing gear or brakes) are characterized by heavy mechanical loads and a more difficult environment than for other aircraft sections such as airframes. To develop its composite materials solutions, Safran set up the Safran Composites Center, now part of Safran Tech, with resources and expertise in organic matrix composites. Safran Ceramics, the Group's center of competence for these technologies, provides core expertise in thermostructural composites for aircraft engines, a major technological challenge addressed by substantial research efforts. This research, along with work on new metal alloys, and on high-performance coatings compliant with European REACh⁽¹⁾ regulations, is coordinated by the Safran Materials and Processes Department. Two platforms are being set up, one for developing the new monocrystalline casting techniques needed for engine development, and one for additive manufacturing, which offers promising openings in design, production and repair of mechanical components.

To boost competitive performance and safeguard the future of the European launch vehicle sector, Safran finalized transfer of its launch-vehicle businesses to ASL in June 2016. Safran's rocket propulsion research over the last ten years proved a determining factor in ESA's award of the Ariane 6 contract to ASL in 2016. This major program will be renewing Europe's independent space capabilities over the coming decades.

1.5.1.2 The more electric aircraft

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

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

Optimization involves investigation into all forms of electricity generation, from mechanical engine motion to auxiliary power units (APUs) in hybrid solutions combining turbines, fuel cells and batteries. This work involves several Group companies: Safran Electrical & Power, Safran Power Units, Safran Aircraft Engines and Safran Helicopter Engines. One of the units of the Safran Tech innovation center is dedicated to developing simulation systems for evaluating advanced global energy and propulsive architectures.

Safran is involved in several technology programs alongside aircraft manufacturers in a European or French context. Work benefits from numerous academic alliances with around 15 laboratories of the French National Center for Scientific Research (CNRS), and from technology projects undertaken with partners at the cutting-edge of electrical engineering in their sector, such as Alstom (France), Schlumberger (US), Schneider Electric (France) and Valeo (France).

1.5.1.3 Avionics

NAVIGATION

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

ELECTRONIC SOLUTIONS AND CRITICAL SOFTWARE

Given that onboard electronics technologies for harsh environments are a central feature of many Group products, Safran Electronics & Defense runs ambitious projects on controller architectures featuring more efficient processors, and on component packaging capable of withstanding the higher temperature environments of future aircraft systems. On systems engineering, Safran is working on process harmonization: a modern software development workshop has been set up for Group-wide rollout.

(1) REACh: Registration, Evaluation and Authorization of Chemicals.

(2) HRG: Hemispherical Resonator Gyro.

1.5.1.4 New services

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

"Big data" information extraction techniques offer promising development opportunities. Here, the Safran Analytics teams at the Safran Tech site will be stepping up rollout of more agile services, better oriented to value creation for aircraft operators.

1.5.1.5 Dual-use technologies

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

In its infrared sensors, Safran uses technologies from Sofradir, a joint venture with Thales. Interchange of infrared sensor technologies across the two partners enables Sofradir to offer one of the world's largest product ranges in this field. To extend its technological sources to other types of sensor and their integration in intelligent systems, Safran is working in partnership with Valeo on autonomous vehicle technologies. The two partners also fund a chair in this subject at the École des Mines engineering school in Paris.

1.5.2 Technical and scientific partnerships

In implementing its R&T strategy, Safran draws on partnerships providing it with scientific and technological expertise. Safran thereby meets the two prerequisites for success: it identifies known and latent market needs through customer contact, and it adopts an open approach to what is an increasingly complex and multidisciplinary scientific and technological environment.

In 2009, Safran created a scientific council, currently chaired by Professor Mathias Fink, which comprises eight leading international scientists bringing expertise in all the scientific disciplines underlying Group businesses. This council meets every three months and issues recommendations on the structure and quality of the Group's scientific partnerships.

For the first R&T levels, Safran has developed a network of scientific partners in France in the university and applied research sectors. Safran implements framework agreements with ONERA⁽¹⁾, CEA⁽²⁾ and CNRS⁽³⁾, which offer access to the best in French scientific research. The Group has long-term partnerships with many research and higher education organizations, some of whose laboratories form valuable external research hubs. These partnerships also help Safran recruit leading talents: Safran finances the work of around 186 students on CIFRE and DRT postgraduate research programs, runs several international thematic networks on key issues (such as aerodynamics, combustion, noise reduction,

mechanical engineering and digital systems), and provides support for five university chairs. Safran was actively involved in the foundation of three IRT centers⁽⁴⁾. It is also a major participant in several competitiveness hubs, including System@tic, Aerospace Valley and ASTech.

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

Safran takes part in many international cooperative research initiatives, with university laboratories in Europe, the US, Singapore and India. Initiatives to support the Group's international development are also run in a number of countries investing in aerospace technologies, such as Brazil and Morocco.

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

(1) ONERA: French National Aerospace Research Office.

(2) CEA: French Atomic Energy Commission.

(3) CNRS: French National Center for Scientific Research.

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

1.5.3 Innovation and intellectual property

Innovation is at the heart of Safran's strategy. The competitiveness of its products is largely based on the successful integration of technological innovation or adjustments, providing the customer with industry-leading performances. Safran's ability to produce breakthrough technological innovations is amply demonstrated across a huge breadth of sectors, such as electric taxiing, composite fan blades and hemispheric resonator gyros (HRGs). A proof-of-concept approach involving close liaison across Group companies affords an efficient and high-performance organizational structure for managing innovation, typified by the high-potential projects run by the Innovation Department. Safran also develops cooperative innovation with its suppliers and with startups working with the Group. The capacity to identify then implement efficient cooperative operations with outside partners helps Safran integrate best practices in order to offer innovative and mature solutions within short leadtimes.

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

Intellectual property is of increasing importance amid globalized markets and ever-fiercer competition. It responds to operational imperatives while strengthening and securing Safran's commercial positions. The creative and innovative ability of teams is demonstrated by the number of patents filed: more than 850 worldwide in 2016, down slightly on the 2015 figure owing to the change of scope in the space sector. This places the

Group among the front-runners in French patent filing⁽¹⁾. Thomson Reuters also ranks Safran among the one hundred most innovative research organizations worldwide. Overall, the Group's portfolio comprises more than 30,000 intellectual property rights around the world, bolstering its position in its areas of business.

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

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

Dependence

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

There are risks of production delays and cost penalties for Safran in the event of supplier or partner shortcomings, as set out in section 4.2.2.1, "Supplier and partner risks".

1.5.4 Safran Corporate Ventures and relations with startups

Safran Corporate Ventures is a Safran subsidiary responsible for financing innovative startups. In line with the Group's strategy on innovation and transformation, Safran Corporate Ventures seeks primarily to support innovative startups in the following fields:

- onboard aircraft systems (electronics, software, connectivity, sensors, onboard energy, electric hybridization, onboard cybersecurity);
- advanced materials (nanotechnologies, innovative manufacturing processes, composite materials, ceramics, non-destructive testing);
- industry of the future (additive manufacturing, augmented reality, virtual reality, internet of things for industry, robotics); and
- new services and new airborne platforms (low-cost maintenance services, data analysis, personal aviation on demand, drones).

In September 2016, Safran announced it was taking a stake in Diotasoft, a startup specializing in augmented-reality solutions for industry (automotive, aviation and energy/chemicals), with a software suite for optimizing production, repair and quality control operations. The stake in Diotasoft is Safran's third in a startup.

In 2016, the Group increased the minority stake that it acquired in 2015 in Krono Safe.

Throughout 2016, some 10 partnerships were signed between Safran companies and startups.

In 2016, Safran was also one of the partners in the Hello Tomorrow international summit of innovative technology startups.

(1) Third in INPI ranking, April 2017 (for patents filed in France in 2016).

1.5.5 Research and development expenditure

Including the portion funded by customers, the total expenditure on Research, Technology and Development (RTD) was approximately €1.7 billion in 2016, representing 11% of revenue. RTD operations in France amounted to €1.5 billion, representing 88% of overall RTD expenditure. Some 65% of RTD expenditure is self-funded, and can be broken down as follows:

- Aircraft programs (including LEAP and A350): 43%;
- Helicopter engines: 8%;
- Defense: 9%;
- R&T: 36%;
- Other: 4%.

<i>(in € millions)</i>	2015 ⁽¹⁾	2016
Total R&D	(1,909)	(1,708)
External financing	686	602
Self-funded RTD	(1,223)	(1,106)
<i>% of revenue</i>	7.9%	7.0%
Research tax credit	149	139
Self-funded RTD after research tax credit	(1,074)	(967)
Capitalized expenditure	479	343
Amortization and impairment of R&D expenditure ⁽²⁾	(88)	(104)
Impact on recurring operating income⁽³⁾	(683)	(728)
<i>% of revenue</i>	4.4%	4.6%

(1) The data published for 2015 have been restated to reflect the impact of applying IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" (see section 3.1, Note 3 and Note 28).

(2) Excluding non-recurring items.

(3) Impact on operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

The variation in the total R&D figure (€201 million, down by 10.5%) reflects the combined reductions in self-funded RTD and external funding.

One of the reasons for the decrease in external funding is that the figure covers six months of space-related operations in 2016, owing to the transfer of Safran assets and liabilities to ASL on June 30, 2016 (see section 3.1, Note 4), compared to 12 months in 2015.

The decrease in self-funded R&D is mainly explained by the successful start to operational service for LEAP-1A in 2016, to be followed by LEAP-1B in 2017 and LEAP-1C in 2018 (see section 1.3.1.1).

1.6 INDUSTRIAL INVESTMENTS

1.6.1 Industrial policy and the Factory of the Future

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

This demand for performance and innovation, which is central to the success of Safran's products and services worldwide, is also present at the level of the Group's plants. The Group's companies, working with the Industrial Management Department, focus their investments and organization on adapting production sites, preparing for tomorrow's industrial challenges and developing competitive advantages: expertise in new production technologies, supply chain upgrades and talent development.

Through its constant drive for innovation and excellence, the Group stands at the forefront of Factory of the Future technologies and processes, in France and the rest of Europe. In recognition of this, the Alliance pour l'Industrie organization included two Safran achievements among their twenty industry showcases:

- the Safran Aircraft Engines LEAP assembly line in Villaroche (Seine-et-Marne, France), for its many innovations, such as engine rotation along the horizontal axis (an exclusive Safran patent), touch-screen control, augmented reality systems and connected tools; and
- the Safran Helicopter Engines turbine blade line in Bordes (Pyrénées-Atlantiques, France), for its systematic improvement approach and substantial development prospects involving innovations such as integrated manufacturing units to perform all transformation operations.

Additive manufacturing, a good example of new technologies for the Factory of the Future, derives from close cooperation between the Safran teams that develop and fine-tune these technologies. It has matured to the in-plant implementation stage in a series production context at Safran Aircraft Engines, Safran Helicopter

Engines and Safran Power Units. Cooperation extends beyond Safran to include the development of partnerships such as:

- the agreement signed in March 2016 with the MetaFensch research platform and the Eramet metallurgical group on development of the French titanium industry of the future; and
- participation in the SOFIA research program, run by Five Michelin Additive Solutions, begun in late November 2016 with a view to contributing to the development of a new and more productive French machine family.

As well as targeting the development of additive manufacturing technologies as such, these efforts also extend to the organization of Safran's future production system and management of the associated digital line.

Safran's steadfast stance on innovation and excellence is also apparent in its supply chain transformation endeavor. Control over physical flows of parts and subassemblies is a key factor in production ramp-up for new products, and calls for considerable agility under high production output conditions. For this reason, Safran is involved in the supply chain management chair at the Centrale Supélec engineering school, which contributes to developing managers' supply chain skills.

Workforce support throughout the supply chain transformation process is essential, and requires skills development for employees and future talents. With this in mind, Safran is participating in the foundation of a new training center in Bondoufle (France), specializing in the industrial mechanical engineering of the future. Work on the new center began in November 2016. In May 2016, Safran also signed a framework agreement with the French Education Ministry on education in emerging industry careers, with a view to attracting future talent. Under this ambitious program, Safran undertakes to host at least 700 secondary school students on internships or training courses across its sites in France.

1.6.2 Main industrial investments

Safran's industrial investments, excluding Safran Identity & Security, totaled €704 million in 2016, a level comparable with 2015.

These investments are intended to prepare the Group for substantial growth in business, and the industrial upgrades needed for new programs.

Geographical zone (in € millions)	2015 ⁽¹⁾	2016
France	554	483
Europe (excluding France)	62	79
Americas	34	88
Asia & Oceania	45	46
Africa & Middle East	10	8
TOTAL	705	704

(1) The data published for 2015 have been restated to reflect the impact of applying IFRS 5.

In 2016, most of Safran's industrial investments (69%) were made in France, primarily for the following projects:

- Safran Electronics & Defense's new technology center in Eragny (France), which opened on October 5, 2016;
- construction of future Safran Ceramics infrastructure at the Haillan (France) site, near Bordeaux;
- new logistics platform for Safran Aircraft Engines in Villaroche (France); and
- launch of REACH investments across all Safran Landing Systems sites.

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

- production ramp-up for LEAP, with investments at Gennevilliers (France) on manufacture of titanium fan-blade leading edges and the forge for rotating parts, and on machining equipment at the Evry-Corbeil site (France) and the Creusot site (France);
- production ramp-up for the A320 at Safran Nacelles and Safran Landing Systems;
- development of R&T capacity (additive manufacturing, analytics, composites, experimental castings); and
- upgrade and modernization of industrial equipment and sites.

Safran's main investments outside of France were:

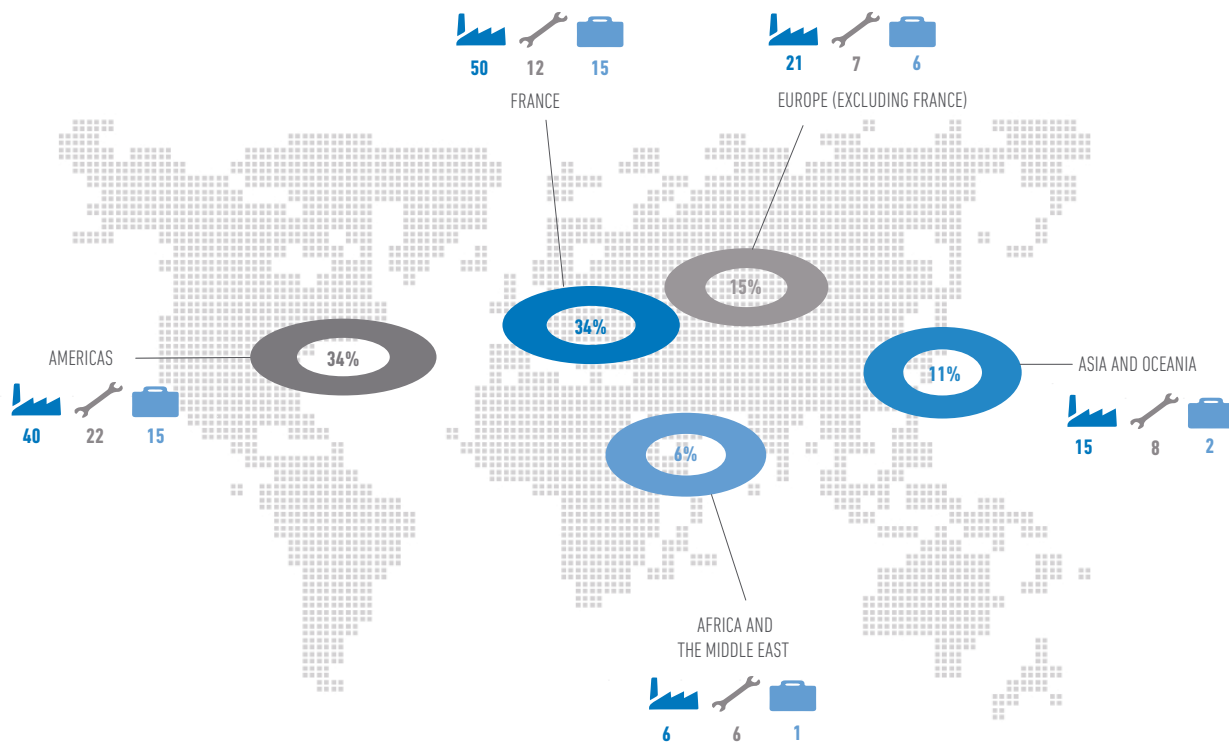
- construction work on a new production facility in Sedziszow Malopolski (Poland), specializing in the manufacture of low-pressure turbine blades for LEAP and Silvercrest engines;
- construction of a third composite fan-blade plant in Querétaro (Mexico), following those in Rochester (New Hampshire, US) and Commercy (France);
- extension to the Safran Landing Systems site in Walton (Kentucky, US) to increase carbon brake production capacity;
- extension to the Safran Electrical & Power plant in Temara (Morocco);
- construction of a logistics platform for Safran Aero Boosters at the Milmort site (Belgium); and
- studies for the extension to the Safran Aircraft Engines industrial site in Suzhou (China), specializing in machining and assembly of low-pressure modules and parts.

1.7 SITES AND PRODUCTION PLANTS

Safran's headquarters are located in Paris, France.

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

The map below shows the Group's sites in each geographical region, broken down by the main type of site activity. Figures and locations shown correspond to companies consolidated under the Group, as defined in section 3.1, Note 34.



Key: number of sites

 R&D sites and production facilities

 Service/maintenance sites

 Commercial and administrative sites

	Main activities at Safran sites				Occupancy	
	Total sites	R&D/production	Service/ maintenance	Commercial/ administrative	Owner*	Tenant
Safran Aircraft Engines	27	12	12	3	10	17
Safran Helicopter Engines	16	6	9	1	7	9
Safran Ceramics	7	6	-	1	-	7
Safran Aero Boosters	2	2	-	-	1	1
Safran Landing Systems	17	11	5	1	11	6
Safran Electrical & Power	37	26	10	1	8	29
Technofan	2	1	1	-	1	1
Safran Transmission Systems	2	2	-	-	2	-
Safran Nacelles	9	6	2	1	5	4
Safran Electronics & Defense	24	19	1	4	8	16
Safran Identity & Security**	72	38	15	19	4	68
Safran	6	2	-	4	4	2
Other	5	1	-	4	-	5
TOTAL	226	132	55	39	61	165

* Including seven sites under financial lease.

** Businesses pending sale at December 31, 2016.

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

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

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

Four major sites opened in 2016:

In France

- The Safran Andromède site in Blagnac, bringing together the Group's various businesses in the Blagnac and Toulouse region.
- The Safran Electronics & Defense R&D center in Eragny.

Elsewhere

- The Sames Rep site in Querétaro (Mexico), handling repair of CFM56 engine parts.
- The Safran Helicopter Engines site in Singapore, handling regional support for engines in service.

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

1.8 GROUP PURCHASING POLICY

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

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

The policy has four main objectives:

- to build a supplier panel that:
 - enables Safran to meet its current and future needs as regards performance (cost, quality, delivery times), expertise and technological innovation, and
 - enables Safran to roll out its CSR strategy upstream through the supply chain;
- to involve suppliers early on in product development programs so that they can meet all customer demands, allowing them to propose innovations and harness the full extent of their expertise on obtaining the best possible cost and performance for products, and full compliance with HSE requirements;
- to promote common procedures, management tools and metrics across all Group companies to improve its operation and performance with suppliers; and
- to support key suppliers on measures to adapt their organizations and industrial configurations to expectations and shifts in market demand.

The purchasing policy draws upon:

- compliance by all personnel involved in supplier relations with the Group's Ethical Guidelines (see section 5.2.1) and with the best practices set out in the Responsible Supplier Relations Charter of the business mediation unit of the French Ministry of Industry and the National Purchasing Council;
- implementation of tools to assess the maturity of the purchasing process and purchasing organization and enable the creation and deployment of continuous improvement plans with a view to mastering best practices; and
- a contractual supplier guide that incorporates CSR principles, including:
 - the Responsible Purchasing Charter, drawing on the six strategic focuses of the Group's CSR program, and
 - the General Purchasing Conditions, which seek to offer suppliers a fair contractual framework open to negotiation to take account of each specific situation;

- a process for identifying minerals (tin, tantalum, tungsten, gold) from conflict zones;
- a collaborative innovation approach with suppliers, enabling Safran to reinforce its role as a responsible participant in this field;
- a process to boost competitive performance based on long-term supplier relations, with suppliers putting forward cost reduction proposals and benefiting accordingly from consolidated medium- and long-term market shares. This approach is implemented in programs including LEAP Together, which takes advantage of the very high volumes for the LEAP engine;
- the creation of a special relationship with around 10 suppliers that allows them to participate in various strategic projects from the research and technology (R&T) phase through to production. By the end of 2016, there were around 80 projects running, bringing a two-fold increase in annual value creation, to the benefit of both Safran and the suppliers concerned;
- improvement plans implemented by suppliers liaising closely with Safran:
 - some hundred "supplier development" projects instigated by Group companies, and
 - active involvement in the Industrial Performance program of GIFAS (Groupement des Industries Françaises Aéronautiques et Spatiales). Safran is in charge of rolling out this program across three regions (Eastern France, Paris region and Normandy) and manages 56 suppliers directly. Quality and logistics non-performance across the panel concerned has been reduced by 40% on average to date.

These improvement plans take into account feedback from the various organizations to which Safran has made commitments:

- Responsible Supplier Relations label: each year, the assessor issues comments and the Label Committee can do likewise,
- Defense SME Pact: the Ministry of Defense issues recommendations during the annual evaluation, and
- SME Pact: the monitoring committee (with equal representation of SMEs and key accounts) issues an opinion based on the results of the SME Pact survey (to date, Safran has always received a favorable opinion). This 48-question survey on key topics sent to 410 French suppliers gives Safran an effective tool for measuring suppliers' perceptions of its supplier relationship; and
- a training organization accessible to buyers that seeks to guarantee the application of professional and responsible purchasing practices within the Group. This organization includes training programs (e-learning and classroom-based) devoted to incorporating CSR issues into purchasing.

1.9 SAFRAN QUALITY PERFORMANCE AND POLICY

Safran pursues an ambitious quality policy targeting two main goals:

- customer satisfaction; and
- continuous progress in performance.

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

In 2016, customers continued to express confidence and satisfaction with regard to Safran teams' customer relations, attention and response times. The upward trend in internal quality performance continued, driven, among other things, by the rollout of QRQC⁽¹⁾, an effective method for tackling problems as and where they occur.

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

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

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

To this end, the One Safran initiative includes a review of the Safran Quality System along with an operational excellence initiative seeking Group-wide process standardization and management.

Other permanent, cross-Group initiatives include:

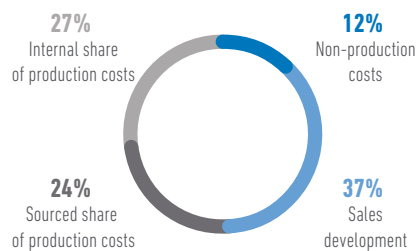
- participative innovation initiatives offering all employees a chance to improve the Company in their particular sectors: close to 100,000 field ideas were applied in workshops and offices in 2016;
- Lean Sigma, with Green Belts, Black Belts and Master Black Belts driving the Group's transformation through a structured and standardized project management approach. Practically the whole of the Safran workforce has now been familiarized with Lean Sigma;
- management by sight, coupled with rollout of Lean R&D; and
- QRQC, which has been rolled out across industrial and technical operations throughout all Group companies. Rollout of this method is continuing.

Most projects target at least one of the following objectives:

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

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

The savings achieved by the Safran+ initiative in 2016 break down as follows:



(1) QRQC: Quick-Response Quality Control, a fast problem-solving management method that emphasizes constant vigilance and immediate response.



B787-8 Landing gear. Safran on board: GENx-1B engine low-pressure compressor (Safran Aero Boosters). EBAC control units (Safran Electrical & Power). Wiring (Safran Electrical & Power). FADEC GENx-1B engines (within FADEC International) (Safran Electronics & Defense). Wheels and carbon brakes (dual-sourcing) (Safran Landing Systems). Landing gear (Safran Landing Systems). Braces (Composite) (Safran Nacelles). GENx-1B engine oil filter (Sofrance). Fans (Technofan).

2016 ADJUSTED KEY FIGURES

(in € millions)	Aerospace Propulsion		Aircraft Equipment		Defense		Holding co. and other		Total ⁽¹⁾	
	2015	2016	2015	2016	2015	2016	2015	2016	2015 ⁽¹⁾	2016
Revenue	9,319	9,391	4,943	5,145	1,266	1,238	8	7	15,536	15,781
Recurring operating income (loss) ⁽²⁾	1,833	1,786	466	567	64	76	(82)	(25)	2,281	2,404
Profit (loss) from operations	1,214	1,789	423	562	54	69	(90)	(34)	1,601	2,386
Free cash flow ⁽³⁾	727	929	153	165	-	17	49	(20)	929	1,091
Acquisitions of property, plant and equipment ⁽⁴⁾	432	401	181	218	71	60	21	25	705	704
Self-funded R&D	875	775	229	218	119	113	N/A	N/A	1,223	1,106

(1) The adjusted data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see section 3.1, Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

(2) For the purposes of readability, "operating income before capital gains or losses on disposals/impacts of changes in control, impairment charges, transaction and integration costs and other items" is referred to as "recurring operating income" throughout this document and in all other financial communications.

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

(4) Net of proceeds from disposals.

BUSINESS HIGHLIGHTS IN 2016

Aerospace Propulsion

- Record deliveries of CFM56 engines, up 5% at 1,693 units (versus 1,612 units in 2015). Over 13,800 CFM56/LEAP engines in the backlog (firm orders and commitments), representing close to eight years of production at current production rates.
- Successful entry-into-service of the LEAP-1A engine for the Airbus' A320neo. Continued development of LEAP-1B and LEAP-1C engines, respectively designed for the Boeing 737 MAX and the COMAC C919, with dual certification by the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in the US.
- Silvercrest engine chosen by Cessna (Textron Aviation) for its new Citation Hemisphere business jet.
- Signature of the third export contract with India for Rafale aircraft fitted with M88 engines.
- Maiden flight of the Chinese helicopter AC352/Z-15 fitted with Ardiden 3C/WZ-16 engines.
- Finalization of the merger of the space launcher activities of Safran and Airbus Group within the 50/50 Airbus Safran Launchers (ASL) joint venture.

Aircraft Equipment

- Continued ramp-up in deliveries of power transmissions, landing gear and wiring shipsets for the Airbus A350.
- Delivery of the first nacelles and batch power transmissions for the A320neo.
- Record deliveries of wiring shipsets and landing gear for the A320 family (A320ceo and A320neo).
- Continued leadership in carbon brakes.
- Inauguration of Aero Gearbox International's new power transmissions plant in Ropczyce (Poland).

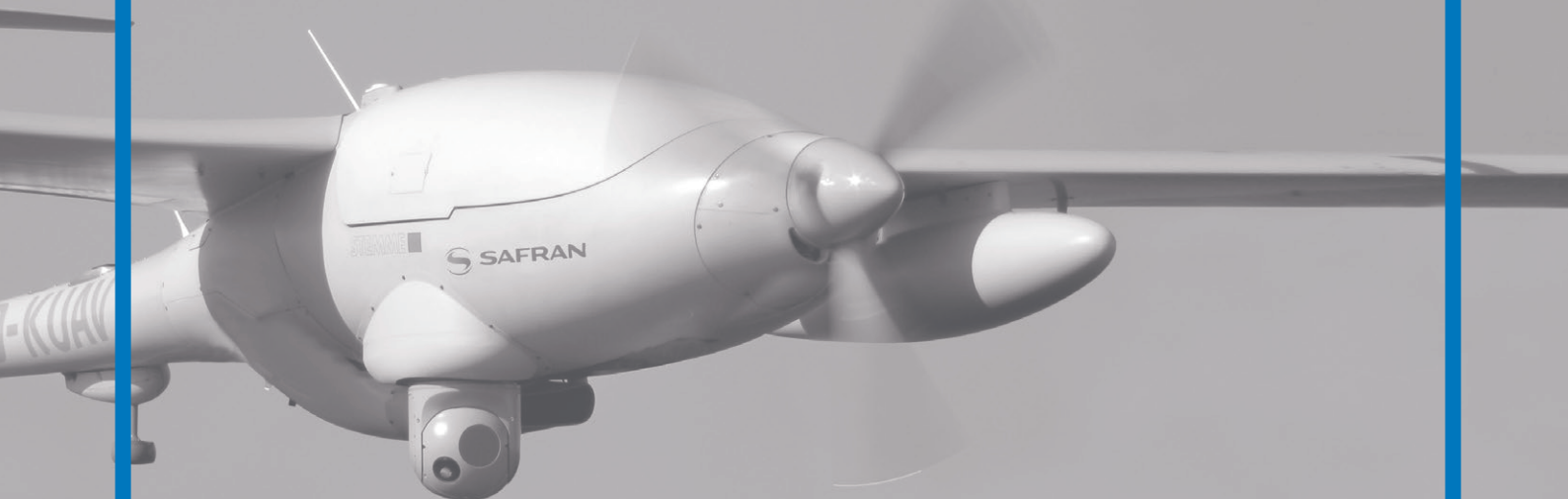
Defense

- Orders for modular AASM air-to-ground weapons systems for the French air force and navy.
- Patroller selected as the new tactical drone for the French army.
- Laser Target Locator Module II (LTLM II) night sights selected by the US army.
- SpaceNaute® navigation system selected by ASL for the future Ariane 6 launch vehicle.
- Launch of JIM Compact light long-range multifunction infrared goggles.

Security - business classified within discontinued operations and assets held for sale, restated in accordance with IFRS 5 (see section 3.1, Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

- Number of Indian residents with a unique identification number hits the 1 billion mark (Aadhaar project).
- Over 70 million driver's licenses delivered in the US, covering around 85% of the US population.
- TSA Pre✓® program extended in the US.
- Supply of ID solutions for elections in Chad and Côte d'Ivoire.
- Involvement in a digital ID project in the UK and selection by Nepal for its national identity system.
- Biometric systems rolled out at Terminal 4 of Singapore's Changi airport.

REVIEW OF OPERATIONS IN 2016 AND OUTLOOK FOR 2017



2

Through **Patroller™**, Safran Electronics & Defense is developing a family of 1-ton class long-endurance surveillance systems that can be adapted to growing needs in both civil security and military air surveillance. Developing the Patroller required perfect mastery of key technologies for drone systems that can be applied to many types of aircraft, such as avionics, navigation, image chain, gyrostabilized optronic sensors, data transmission, ground station and mission preparation. It is the result of 15 years experience in the field of tactical drones, an area in which Safran Electronics & Defense is the leader in Europe. The Patroller also incorporates Safran's extensive experience in supporting its drone systems in operations with armed forces and security forces and the related customer support.

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2.1 COMMENTS ON THE GROUP'S PERFORMANCE IN 2016 BASED ON ADJUSTED DATA

2.1.1 Reconciliation of consolidated data with adjusted data

Foreword

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement in addition to its consolidated financial statements.

Readers are reminded that Safran:

- is the result of the May 11, 2005 merger of Sagem and Snecma, accounted for in accordance with IFRS 3, "Business Combinations", in its consolidated financial statements;
- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting (see section 3.1, "Accounting policies", Note 1.f).

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

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programs revalued at the time of the Sagem/Snecma merger. With effect from the 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 acquisition 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 interest in the event of step acquisitions or transfers made 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)	2016 consolidated data	Currency hedges		Business combinations		2016 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	16,482	(701)	-	-	-	15,781
Other recurring operating income and expenses	(13,579)	(21)	10	70	44	(13,476)
Share in profit from joint ventures	87	-	-	-	12	99
Recurring operating income⁽⁵⁾	2,990	(722)	10	70	56	2,404
Other non-recurring operating income and expenses	349	-	-	-	(367)	(18)
Profit from operations	3,339	(722)	10	70	(311)	2,386
Cost of debt	(51)	-	-	-	-	(51)
Foreign exchange gains (losses)	(943)	722	186	-	-	(35)
Other financial income and expense	(58)	-	-	-	-	(58)
Financial income (loss)	(1,052)	722	186	-	-	(144)
Income tax benefit (expense)	(398)	-	(58)	(32)	(10)	(498)
Profit (loss) from continuing operations	1,889	-	138	38	(321)	1,744
Profit (loss) from discontinued operations and assets held for sale	74	-	-	-	43	117
Profit (loss) for the period attributable to non-controlling interests	(55)	-	-	(2)	-	(57)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	1,908	-	138	36	(278)	1,804

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows for the period.

(2) Changes in the fair value of instruments hedging future cash flows of €186 million excluding tax, and the positive impact of taking into account hedges when measuring provisions for losses on completion (€10 million).

(3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem/Snecma merger (€70 million).

(4) Cancellation of amortization/impairment of assets identified during business combinations (€56 million) and cancellation of the capital gain on contributions to ASL (negative impact of €367 million).

(5) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

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

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

2.1.2 Overview of the Group's performance in 2016

Adjusted income statement

<i>(in € millions)</i>	2015 Adjusted data ⁽¹⁾	2016 Adjusted data
Revenue	15,536	15,781
Other income	285	277
Income from operations	15,821	16,058
Change in inventories of finished goods and work-in-progress	257	308
Capitalized production	946	624
Raw materials and consumables used	(9,294)	(9,347)
Personnel costs	(4,524)	(4,420)
Taxes	(277)	(286)
Depreciation, amortization, and increase in provisions, net of use	(629)	(516)
Asset impairment	(182)	(231)
Other recurring operating income and expenses	118	115
Share in profit from joint ventures	45	99
Recurring operating income⁽²⁾	2,281	2,404
Other non-recurring operating income and expenses	(680)	(18)
Profit from operations	1,601	2,386
Cost of net debt	(29)	(51)
Foreign exchange gains (losses)	(80)	(35)
Other financial income and expense	(109)	(58)
Financial income (loss)	(218)	(144)
Profit before tax	1,383	2,242
Income tax benefit (expense)	(371)	(498)
Share in profit from equity-accounted companies	-	-
Gain on disposal of Ingenico Group shares	421	-
PROFIT FROM CONTINUING OPERATIONS	1,433	1,744
Profit from discontinued operations and assets held for sale	99	117
PROFIT FOR THE PERIOD	1,532	1,861
Attributable to:		
<ul style="list-style-type: none"> ■ owners of the parent <ul style="list-style-type: none"> <i>continuing operations</i> <i>discontinued operations and assets held for sale</i> ■ non-controlling interests <ul style="list-style-type: none"> <i>continuing operations</i> <i>discontinued operations and assets held for sale</i> 	1,482 1,386 96 50 47 3	1,804 1,689 115 57 55 2
Earnings per share from continuing operations attributable to owners of the parent <i>(in €)</i>		
Basic earnings per share	3.33	4.06
Diluted earnings per share	3.33	3.99
Earnings per share from discontinued operations and assets held for sale attributable to owners of the parent <i>(in €)</i>		
Basic earnings per share	0.23	0.28
Diluted earnings per share	0.23	0.27

(1) The adjusted data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see section 3.1, Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

Review of operations

ADJUSTED REVENUE

Safran's adjusted revenue was €15,781 million for 2016, up 1.6% compared to €15,536 million in 2015⁽¹⁾. This €245 million increase reflects growth in the Aerospace business (propulsion and equipment).

As expected, from July 1, 2016, the space launcher business no longer contributes to revenue, whereas it had contributed €410 million in the second half of 2015. On an organic basis, Group revenue increased by 3.9%, or €603 million, driven by Aerospace (propulsion and equipment). Organic revenue was determined by applying constant exchange rates and by excluding the effects of changes in the scope of consolidation.

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defense	Holding co and other	Total ⁽¹⁾
2015	9,319	4,943	1,266	8	15,536
2016	9,391	5,145	1,238	7	15,781
Reported growth	0.8%	4.1%	-2.2%	N/A	1.6%
Impact of changes in the scope of consolidation	-4.4%	0.1%	N/S	N/A	-2.6%
Currency impact	0.3%	0.5%	N/S	N/A	0.3%
Organic growth	4.9%	3.5%	-2.2%	N/A	3.9%

Currency variations favorably impacted revenue in an amount of €48 million in 2016. The average USD/EUR spot rate during 2016 was USD 1.11 to the euro, stable compared to 2015. The Group's hedge rate improved to USD 1.24 to the euro for 2016 from USD 1.25 to the euro one year ago.

up €123 million, or 5.4%, compared to €2,281 million in 2015⁽¹⁾. On an organic basis, the improvement was €92 million, with a positive €33 million impact from currency variations and a negative €2 million impact from changes in the scope of consolidation.

ADJUSTED RECURRING OPERATING INCOME

Adjusted recurring operating margin reached 15.2% of revenue. Safran's adjusted recurring operating income⁽²⁾ was €2,404 million,

The increase in recurring operating income was primarily driven by Aircraft Equipment, which reported strong growth in aftermarket activities, particularly wheels and brakes. Defense also contributed to growth. Non-recurring items represented an expense of €18 million in 2016.

(in € millions)	2015 ⁽¹⁾	2016
Adjusted recurring operating income⁽²⁾	2,281	2,404
% of revenue	14.7%	15.2%
Capital gains and losses on disposals of assets	-	-
Impairment net of reversals on intangible assets	(637)	-
Other non-recurring items	(43)	(18)
ADJUSTED PROFIT FROM OPERATIONS	1,601	2,386
% of revenue	10.3%	15.1%

ADJUSTED PROFIT FROM OPERATIONS

Adjusted profit from operations climbed 49.0% to €2,386 million in 2016, or 15.1% of revenue, versus €1,601 million (10.3% of revenue) in 2015. Non-recurring items represented an expense of €18 million in 2016 compared to an expense of €680 million in 2015 owing to charges booked in relation to the Silvercrest program: these included write-downs taken against all intangible assets of the program and against other certain specific assets.

ADJUSTED FINANCIAL INCOME (LOSS)

The Group reported an adjusted financial loss of €144 million in 2016, compared to a loss of €218 million in 2015. The financial loss chiefly reflects the cost of net debt, up to €51 million from €29 million in 2015 owing to the rise in interest rates and fall in the return on cash investments. The financial loss also includes the cost of unwinding discounts on certain assets and liabilities, mainly provisions and repayable advances and the impact of any changes in the discount rates used. The cumulative impact

(1) The adjusted data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see section 3.1, Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

2 REVIEW OF OPERATIONS IN 2016 AND OUTLOOK FOR 2017

Comments on the Group's performance in 2016 based on adjusted data

of these non-cash items was an expense of €71 million in 2016 versus an expense of €62 million in 2015. The interest cost on post-employment benefit obligations amounted to €16 million in 2016 versus €19 million one year earlier. The financial loss also includes a non-cash charge totaling €27 million arising on the translation of provisions denominated in US dollars (non-cash charge of €84 million in 2015).

ADJUSTED INCOME TAX EXPENSE

Adjusted income tax expense increased from €371 million in 2015 to €498 million in 2016, representing an effective tax rate of 22.2% (26.8% in 2015). The decrease in the effective tax rate was due to

a drop in the applicable corporate tax rate in France in 2016 and the positive impacts of adjustments to deferred taxes reflecting the gradual decline in future corporate tax rates provided for in the French Finance Act in 2017.

ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Adjusted profit attributable to owners of the parent was up 21.7% year-on-year, to €1,804 million or €4.34 per share, compared to €1,482 million (€3.56 per share) in 2015.

2.1.3 Adjusted key figures by business

SUMMARY OF ADJUSTED KEY FIGURES BY BUSINESS

On the basis of continuing operations, new order intake in 2016 was €17.8 billion, reflecting robust market demand. The total backlog at December 31, 2016 was €62.3 billion, compared with €58.7 billion at December 31, 2015 after restating for certain

contracts identified in the backlog at end-2015 but which did not meet the Group's criteria to be included in the backlog at that time. This does not include future business relating to aircraft engine parts and services provided on a "time and materials" basis which will provide significant high-margin revenue streams in future decades.

(in € millions)	Aerospace Propulsion		Aircraft Equipment		Defense		Holding co and other		Total ⁽¹⁾	
	2015	2016	2015	2016	2015	2016	2015	2016	2015 ⁽¹⁾	2016
Backlog ⁽²⁾	36,675	39,169	19,653	20,235	2,389	2,916	N/A	N/A	58,718	62,320
Orders recorded during the year ⁽³⁾	9,852	11,127	4,296	4,928	1,446	1,768	N/A	N/A	15,594	17,823
Revenue	9,319	9,391	4,943	5,145	1,266	1,238	8	7	15,536	15,781
Recurring operating income (loss) ⁽⁴⁾	1,833	1,786	466	567	64	76	(82)	(25)	2,281	2,404
Profit (loss) from operations	1,214	1,789	423	562	54	69	(90)	(34)	1,601	2,386
Free cash flow ⁽⁵⁾	727	929	153	165	-	17	49	(20)	929	1,091
Acquisitions of property, plant and equipment ⁽⁶⁾	432	401	181	218	71	60	21	25	705	704
Self-funded R&D	875	775	229	218	119	113	N/A	N/A	1,223	1,106
Headcount ⁽⁷⁾	26,268	23,210	25,569	24,721	7,389	7,356	2,194	2,255	61,420	57,542

(1) The adjusted data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see section 3.1, Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

(2) The backlog corresponds to orders recorded and not yet recognized in revenue. The backlog at end-2015 was restated in an amount of €7,527 million, breaking down as:

- Aerospace Propulsion: €7,506 million;
- Aircraft Equipment: €21 million.

(3) Orders recorded represent orders received during the year. Orders recorded at end-2015 were restated in an amount of €283 million, breaking down as:

- Aerospace Propulsion: €220 million;
- Aircraft Equipment: €63 million.

(4) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

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

(6) Net of proceeds from disposals.

(7) Headcount at December 31.

2.1.3.1 Aerospace Propulsion

KEY FIGURES (ADJUSTED DATA)

	2015	2016	Year-on-year change
Quantities delivered			
CFM56 engines	1,612	1,693	5.0%
LEAP engines	0	77	N/A
<i>(in € millions)</i>			
Backlog ⁽¹⁾	36,675	39,169	7%
Orders recorded during the year ⁽¹⁾	9,852	11,127	13%
Revenue	9,319	9,391	1%
Recurring operating income ⁽²⁾	1,833	1,786	-3%
Profit from operations	1,214	1,789	47%
Free cash flow	727	929	28%
Acquisitions of property, plant and equipment	432	401	-7%
Research and development			
Self-funded R&D	(875)	(775)	-11%
% of revenue	9.4%	8.3%	-1.1 pts
Research tax credit	66	59	-11%
Self-funded R&D after research tax credit	(809)	(716)	-11%
Capitalized expenditure	357	218	-39%
Amortization and impairment of R&D expenditure	(27)	(46)	70%
Impact on profit from operations	(479)	(544)	14%
% of revenue	5.1%	5.8%	+0.7 pts
Headcount	26,268	23,210	-12%

(1) The backlog and orders recorded for Aerospace Propulsion at end-2015 were restated in an amount of €7.5 billion and €220 million, respectively (see section 2.1.3, "Summary of adjusted key figures by business").

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

Aerospace Propulsion activities operate in four key sectors:

Sector	% of business line revenue	
	2015	2016
Civil aviation	70%	73%
Military aviation	9%	11%
Helicopter turbine engines	13%	12%
Ballistics and space	8%	4%

REVIEW OF AEROSPACE PROPULSION OPERATIONS IN 2016

Aerospace Propulsion recorded revenue of €9,391 million, up 0.8% compared to €9,319 million in 2015. Excluding the scope effect related to the equity-accounting of Safran's 50% share of Airbus Safran Launchers (space propulsion had contributed €410 million to OE propulsion revenue in second-half 2015), growth would have been 5.4%. On an organic basis, revenue rose 4.9%, driven by deliveries of civil aircraft engines and services for both civil and military programs.

OE revenue from civil engines grew 5% organically, buoyed by the delivery of 77 LEAP engines and by the record number of CFM56 deliveries (1,693 units, 5% more than in 2015). OE revenue from military engines was also up due to increased deliveries of TP400 engines. A total of 11 M88 engine deliveries were recognized in 2016, including seven for Egypt. OE helicopter turbine revenue declined by around 8%, affected by a decrease in volumes of heavy helicopter turbines, partially offset by increased deliveries of lower-unit-value, light helicopter turbines.

2 REVIEW OF OPERATIONS IN 2016 AND OUTLOOK FOR 2017

Comments on the Group's performance in 2016 based on adjusted data

Overall service revenue in Propulsion was up 7.3% in euro terms and represented 57% of Propulsion revenue in the year. Civil aftermarket revenue grew by 6.9% in USD terms compared to 2015, and continued to be driven by parts for CFM56 and GE90 engines as well as by services. Military aftermarket revenue recorded strong growth. Helicopter turbine services declined by around 5%, impacted by a fall in flight hours particularly at oil and gas customers, and the grounding of part of the H225 Super Puma fleet.

Recurring operating income, at 19.0% of revenue, was €1,786 million compared to €1,833 million (19.7% of revenue) in 2015. Strong service activity and increased deliveries of CFM56 engines made a positive contribution to this result. Profitability was impacted by LEAP production start-up costs, which were expensed either through recognition of a negative margin on engines delivered or through impairment of inventory and work-in-progress for engines under production. A higher level of R&D than in 2015 was a headwind as R&D costs relating to the LEAP-1A have been expensed since May 2016 and amortization of capitalized R&D has commenced. The improvement in the EUR/USD hedge rate had a positive impact on profitability.

As previously announced, in 2016 Safran rolled out its plan to drive down LEAP production costs to achieve breakeven at gross margin level before the end of the decade.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Civil aviation

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

SILVERCREST (9,500 – 12,000 POUNDS OF THRUST)

During the year, the Silvercrest engine was selected by Cessna (Textron Aviation) to power its new Citation Hemisphere. This large-cabin business jet, expected to make its maiden flight in 2019, will have a range of 4,500 nautical miles (8,300 km). Silvercrest was also chosen by Dassault Aviation in 2013 to power the company's Falcon 5X twin-engine business jet, featuring a large cabin and long range (5,200 nautical miles, or more than 9,600 km). The Falcon 5X is expected to enter into service as from 2020.

In late 2016, Silvercrest had completed more than 6,000 hours of tests, including over 600 hours in flight and over 200 flights in all from a testbed. At the end of the year, a first prototype for the engine's standard entry into service was tested on a ground testbench. The first flight tests on a Falcon 5X are expected to take place in 2017, before the flight envelope is opened. The Silvercrest engine should be certified in spring 2018, in line with the schedule for the engine's development drawn up in late 2015.

SAM146 (13,500 – 17,800 POUNDS OF THRUST)

The SaM146 engine, developed in partnership with Russian engine manufacturer NPO Saturn and with the participation of Italian engine manufacturer Avio Aero, powers Sukhoi's Superjet 100. PowerJet is a joint venture set up by Safran Aircraft Engines and NPO Saturn to manage the engine program in terms of development, production, marketing and sales, and to provide customer support, maintenance, repair and overhaul services.

A total of 52 SaM146 engines were delivered in 2016 (compared to 55 in 2015), and at the end of the year SaM146 engines powering in-service Superjet 100 aircraft had clocked up over 523,000 flying hours.

PowerJet has also been awarded service contracts for 55 aircraft operated by airline companies Aeroflot, Interket and Cityjet.

PASSPORT (13,000 – 18,000 POUNDS OF THRUST)

Through Safran Aero Boosters, Safran has a 7.4% share in Passport, the new GE engine program designed for the future Bombardier Global 7000 business jet.

The engine was certified during the first half of 2016 and has begun flight-testing on a Global 7000. Flight tests of the Passport engine on this long-range business jet (7,400 nautical miles, or 13,705 km) will continue until the Global 7000 comes into operation in 2018 in line with the aircraft manufacturer's schedule.

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

CFM56 – LEAP

At 1,693 units delivered, up 5% on 2015 (1,612 units), CFM56 engine production reached a new high in the year. Over 30,500 CFM56 engines have been delivered since the start of the program and in 2016 the in-service fleet used by 571 customers and operators topped the 846 million flying hours mark.

The LEAP engine reported further commercial success throughout the year, with 1,801 firm orders and purchase commitments in 2016. The backlog for LEAP stood at 11,563 orders and purchase commitments at the end of the year for the A320neo, Boeing 737 MAX and COMAC C919 programs. LEAP-1A is competing with Pratt & Whitney's PurePower PW1100G for the A320neo program. The LEAP-1B model was chosen as the sole engine for the Boeing 737 MAX. The LEAP-1C model is the sole Western source for the propulsion system (engine plus nacelle) on COMAC's C919 aircraft.

LEAP-1A successfully entered into service for the Pegasus airline company in July and 77 engines were delivered during the year in line with aircraft manufacturers' schedules.

The first flight of the Boeing 737 MAX powered by LEAP-1B engines took place in late January 2016 at the airport of Renton (Washington State, US). Flight tests on four Boeing 737 MAX continued during the year. As part of preparations for LEAP-1B's entry into commercial service in 2017 in line with Boeing's schedule, in early May the engine was awarded dual certification from the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in the US.

At the end of 2016, the LEAP-1C integrated propulsion system (engine and nacelle) was awarded dual certification from the EASA and the FAA.

Taking into account the 876 firm orders and purchase commitments received for CFM56 engines in 2016, the overall backlog (CFM56 + LEAP) represents more than 13,800 engines at December 31, 2016, or over eight years of production at current output rates. This success confirms CFM International as leader in the market for 100+ seater aircraft.

Lastly, a new maintenance training program for LEAP-1C engines in Asia was unveiled at the Aero Engine Maintenance and Training Center (AEMTC) in Guanghan (China): a LEAP-1C training engine will be delivered to the facility in 2017.

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

Deliveries of high-thrust engines were down slightly in 2016, with 686 modules delivered compared to 695 modules in 2015.

GE90

Safran has an interest of 23.7% in this GE program that currently enjoys a sole-source position on the Boeing 777, for which it delivered 214 modules in 2016 versus 221 modules in 2015.

GE9X

Since 2014, Safran has participated in the development of GE's high-thrust GE9X engine that was chosen by Boeing as the exclusive powerplant on its new 777X long-haul aircraft. The GE9X completed its initial ground testing during the year at the testbed in Peebles (Ohio, US), accumulating 167 hours, 213 cycles and 89 starts. The engine met expectations and the results of the tests were highly satisfactory, with the GE9X design confirmed. The engine is expected to complete its first flights tests in 2017.

Safran has a stake of 11.2% in this program through Safran Aircraft Engines and Safran Aero Boosters. Safran Aircraft Engines manufactures several critical parts of the engine. Composite fan blades are manufactured by CFAN, its joint venture with GE based in San Marcos (Texas, US). Forward fan casings using 3D woven composite parts are produced through its partnership with Albany International. Lastly, Safran Aircraft Engines' French plants, and particularly the plant operated by FAMAT, its joint venture with GE based in Saint-Nazaire, will manufacture the turbine rear frame. The low-pressure compressor and the fan disk are made by Safran Aero Boosters.

The GE9X engine should be certified in 2018 and is expected to come into commercial operation on the Boeing 777X in 2020.

GP7200

Safran delivered 74 high- and low-pressure compressor modules in 2016 compared to 91 in 2015, and has a 17.5% interest in this engine program, which powers the A380. In 2016, 75% of the A380 aircraft delivered in the year were fitted with the GP7200 engine.

GENX

Safran is a partner on the two GENx engine programs, with a 7.7% interest in the GENx-1B version powering the long-haul Boeing 747-8 and a 7.3% interest in the GENx-2B version powering the Boeing 787 Dreamliner. To meet the needs of the US aircraft manufacturer, Safran delivered 281 modules in 2016, 13 modules more than in 2015.

CF6 FAMILY - LM6000

A total of 117 modules for the CF6 engine family (powering certain A330 and Boeing 767 aircraft) and LM6000 gas turbines were delivered in 2016. Safran's interest ranges from 10% to 19.4% in the CF6 engine program and from 8.6% to 12% in the LM6000 gas turbine program.

SERVICE AGREEMENTS

Safran has been awarded service agreements signed by GE for the GP7200, GE9X and GE90 high-thrust engines in respect of which new contracts were signed in the year by GE with several airline companies. Safran is sole-supplier of maintenance and repair services for GE90's high- and low-pressure compressors under support-by-the-hour contracts signed by GE, as well as the bulk of maintenance services for the GP7200's high-pressure compressor. The Group leverages its expertise, industrial strength and global network to offer operators continuous worldwide support and a comprehensive range of services.

Industrial operations

In early 2016, Safran inaugurated a new facility in Querétaro (Mexico) specializing in the repair of CFM56 engine parts. The SAMES⁽¹⁾ maintenance center spanning over 10,000 sq.m. enables Safran to directly offer its services to customers based in the Americas including on-site repairs of high-tech parts (rings, high-pressure turbine rings and supports, low-pressure guide vanes). The new plant will help Safran maintain its competitive edge in repair services and consolidate its presence on the American market.

Military aviation

M88

A total of 11 M88 engines were delivered for the Rafale in 2016 (one less than in 2015). The worldwide in-service fleet topped the 495,000 flying hours mark during the year.

France signed a contract with India in the year to supply the country with 36 Rafale aircraft. After Egypt and Qatar, India is the third export contract for this fighter jet developed by Dassault Aviation for which Safran supplies its M88 engines. Other prospective customers are also being canvassed, particularly in Malaysia and the United Arab Emirates.

TP400

The TP400 is the Western world's most powerful ever turboprop engine.

A total of 84 engines were delivered in 2016 (compared to 59 in 2015) and the backlog at the end of the year stood at 489 engines for the A400M aircraft ordered from Airbus Defence & Space.

ADOUR

A total of 14 Adour engines were delivered in 2016 for the BAE Hawk trainer aircraft. The backlog at the end of 2016 stood at 25 engines.

Helicopter turbines and Auxiliary Power Units

Safran Helicopter Engines delivered 714 helicopter engines in 2016.

Light helicopters

Developments in this segment continued apace throughout the year, with the first flight of the new AC312E Chinese helicopter powered by two Arriel 2H (new version of Arriel 2+) engines. This maiden flight took place in Harbin (China) at the facilities of aircraft manufacturer Harbin Aircraft Industry Group (HAIG), an AVIC group subsidiary⁽²⁾.

(1) SAMES: Safran Aircraft Engine Services Americas.

(2) AVIC: Aviation Industry Corporation of China.

2 REVIEW OF OPERATIONS IN 2016 AND OUTLOOK FOR 2017

Comments on the Group's performance in 2016 based on adjusted data

At the end of first-half 2016, it was announced that the Arriel 2C2 and 2L2 engines had been selected to respectively power the future South Korean Light Civil Helicopter (LCH) and Light Armed Helicopter (LAH), respectively. Jointly developed and marketed by Airbus Helicopters and Korean Aerospace Industries (KAI), these new helicopters are expected to enter into service in 2020 (LCH) and 2022 (LAH).

The first Arrius 2R engine assembled in Safran's Grand Prairie plant (Texas, US) was delivered in early September. Designed to power the new Bell 505 Jet Ranger X helicopter, the delivery heralds an important milestone in the Arrius 2R program.

Lastly, during the year the Arrius 2B2+ and Arriel 2E engines were also selected to equip the new trainer helicopters that will be used to train British military pilots under the United Kingdom Military Flying Training System (UKMFTS) program. The Arrius 2B2+ engines will be fitted on to the H135s, while the Arriel 2E will power the H145 helicopters.

Medium-weight helicopters

Throughout the year the Arrano 1A engine underwent particularly demanding flight tests, enabling it to demonstrate its performance as well as deliver a reduction of up to 15% in fuel savings compared to existing engines. Arrano was selected as the sole powerplant on Airbus Helicopter's new H160 model. In line with its development schedule, Arrano 1A is expected to come into service in 2019.

In the first half of the year, Russian Helicopters' multi-purpose Ka-62 helicopter took to the air for the first time, powered by two Ardiden 3G engines. The lift in hover mode took place at the helicopter manufacturer's facilities in Arseniev (Russia). Its first official flight is scheduled for the first half of 2017.

During the second half of 2016, the Ardiden 1U engine completed its first flight onboard India's three-ton, single-engine Light Utility Helicopter (LUH) developed by India-based HAL (Hindustan Aeronautics Limited). This first flight marks further success for Safran in the context of its 50-year partnership with HAL. Ardiden 1U is slated for certification in 2018.

In December, the new French-Chinese AC352/Z-15 helicopter powered by its two Ardiden 3C/WZ16 engines completed its first flight. The engine met all the performance targets set for this maiden flight. The result of close cooperation with China-based CAPI and Dongan, members of the AECC⁽¹⁾ consortium, this program will allow Safran to benefit from opportunities offered by the growing Chinese helicopter market over the next decade. The Ardiden 3C/WZ16 will be the first helicopter engine to be certified in parallel in both China and Europe: EASA certification as Ardiden 3C is scheduled for 2017, while CAAC⁽²⁾ certification as WZ16 is expected in 2018.

Heavy-lift helicopters

An order for 30 twin-turbine Caracal helicopters was announced by Kuwait during the year. Fitted with Makila 2A1 engines, the first deliveries to Kuwait will begin in 2019. A total of 24 helicopters will be operated by the Kuwaiti army and six by the National Guard.

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

Helicopter turbine engine services

Faced with a decline of some 40% in flying hours in the oil and gas industry⁽³⁾ compared to 2015, and the grounding of the H225 Super Puma heavy-lift helicopter fleet, maintenance services for Safran's turbine helicopter engines were down in 2016.

However, new SBH⁽⁴⁾ contracts were signed in 2016: at the end of the year, 4,800 engines were covered by services agreements for 450 civil and military customers compared to 4,350 engines were covered by service agreements for 410 civil and military customers at end-2015.

A new system for managing maintenance services on Safran's various helicopter engines came into operation in 2016: BOOST (Bank Of Online Services & Technologies) is a secure online application that was developed in partnership with IBM and gives operators real-time access to customized engine data allowing them to optimize fleet maintenance in direct connection with Safran. BOOST was rolled out to various operators throughout the year.

Industrial operations

In May 2016, Safran opened a new facility in Singapore to provide local support for Safran's in-service helicopter engines. The new facility enables Safran to continue its commitment to providing aftersales support for in-service engines in the region, particularly for customers with which it works under SBH-type contracts.

In late October, Safran and HAL unveiled their Helicopter Engine MRO Limited (HE-MRO) joint venture in Goa (India). This maintenance center will provide maintenance, repair and overhaul (MRO) services for TM333 and Shakti engines fitted on HAL-built helicopters. The facility will start up operations in 2017, initially manufacturing 50 engines per year and later targeting 150 units per annum.

In early December, Safran inaugurated its Bordes plant (France), home to its first automated production line dedicated to turbine blade manufacturing. This "factory of the future", which will have an annual production capacity of 100,000 turbine blades, cuts the time taken to build each blade by half, and also offers superior quality and tighter cost control.

Auxiliary Power Units

Safran manufactures the leading-edge SPU150[DA] and SPU300[BA] auxiliary power units. The SPU150[DA] is especially designed for midsize to super midsize business jets, and will power Dassault Aviation's future Falcon 5X. The SPU300[BA] is designed for long-haul business jets and will be fitted on Bombardier's Global 7000.

(1) AECC: Aero Engine Corporation of China.

(2) CAAC: Civil Aviation Administration of China.

(3) Source: Safran.

(4) Support-by-the-hour.

These new business jet APUs continued to be developed throughout the year in line with the schedule. The SPU300[BA] APU successfully completed its first flight on Bombardier's Global 7000 business jet.

Changes in the APU for the Rafale are in progress in order to meet new operating requirements in harsh environments for export markets.

Satellite propulsion

Confirming its position as baseline supplier to Thales Alenia Space and Airbus Defence and Space, Safran Aircraft Engines' PPS*5000 was chosen as the plasma (electric) thruster for their new-generation telecommunications satellite platforms being developed through the Neosat program. The aim of ESA's Neosat program is to develop and qualify a family of robust, modular platforms that will meet the needs of telecom satellite operators.

Launch vehicles

Faced with greater international competition and in order to increase their competitiveness and guarantee the viability of the European space industry over the long term, in 2016 Safran and Airbus Group completed the merger of their space launcher activities within ASL.

The merger took place in two phases:

- in Phase 1, ASL was created in January 2015 as a 50/50 joint venture between Airbus Group and Safran and its wholly owned subsidiary Airbus Safran Launchers SAS. The groups then transferred their respective civil programs and main shareholdings in civil launcher activities to the venture;
- in Phase 2, which was completed on June 30, 2016, the industrial assets and military launcher activities were transferred to the venture, following which ASL became a fully operational integrated company.

With around 8,400 employees in France and Germany, ASL is a global company with 11 subsidiaries and affiliates, which are among the leading players in their respective fields: APP (70%), Arianespace (subsidiary in which ASL's shareholding increased from 39% to 74% at the end of the year following the purchase of shares held by CNES⁽¹⁾), CILAS (63%), Eurockot (51%), Eurocryospace (45%), Europropulsion (50%), Nuclétudes (98.9%), Pyroalliance (90%), Regulus (40%), Sodern (90%) and Starsem (subsidiary in which ASL's shareholding increased from 41% to 46% at the end of the year following the purchase of shares of Arianespace). ASL also inherits a broad spectrum of products, equipment and services able to offer innovative and competitive solutions for a variety of customers across the globe.

Through its subsidiary Arianespace, ASL can therefore offer a comprehensive range of launch services through its Ariane, Vega and Soyuz launch vehicles. Through its subsidiary Eurockot, ASL also markets and operates the light space launcher Rockot.

Ariane, Vega and Soyuz launchers

ASL is prime contractor for Ariane European space launchers and also contributes to the Vega launcher.

Its world-leading subsidiary Arianespace is responsible for marketing and operating these three launch vehicles. Arianespace signed over half⁽²⁾ of all commercial launcher contracts open on the global market in 2016, giving the company an order backlog worth €5.2 billion at the end of the year, covering 36 customers and 55 launches: 20 Ariane 5 launches, 27 Soyuz launches and 8 Vega launches.

Since 1996, Arianespace has marketed the Russian Soyuz launcher through its subsidiary Starsem on the international market. Since 2011, following the agreement between the ESA and the Russian space agency Roskosmos, Arianespace is also responsible for the launch of Soyuz rockets from the Kourou Space Center (French Guiana).

Arianespace had an excellent year in 2016, with 11 launches from Kourou:

- the Ariane 5 heavy launcher successfully performed seven launches during the year. This marks the European launch vehicle's seventy-sixth straight successful launch and confirms Ariane's excellent reliability;
- Vega launchers successfully performed two launches, the seventh and eighth successful launches for Vega since its first flight in 2012;
- Soyuz performed two successful launches one month apart.

2016 also saw ESA confirm the Ariane 6 program after ASL had completed its initial design review for the future European launch vehicle. A new test series on the Vinci engine was also completed during the year. Qualification of this new engine, designed to power the upper stage of the Ariane 6 launcher, is expected in 2017, and the first lift-off is slated for 2020.

Rockot launcher

Eurockot is responsible for marketing and operating the light space launcher Rockot. The Russian MV Khrunichev State Research and Production Space Center is the prime contractor for this rocket, which performed two commercial satellite launches during the year from the Plessetsk Space Center north of Moscow (Russia).

Military industry

Regarding the naval component of France's nuclear deterrent force, the first bench test for the thruster representing the fourth stage of the future M51.3 strategic missile was completed successfully in 2016. This test was chiefly designed to validate the technological developments of the engine and sub-assemblies used for this new thruster.

With the success of the M-51 missile launch from a French nuclear-powered ballistic missile submarine, the vessel's weapons system along with the new version of the M-51.2 missile were validated in operating conditions.

(1) CNES: Centre national d'études spatiales, the French national agency for space research.

(2) Source: ASL.

2.1.3.2 Aircraft Equipment

ADJUSTED KEY FIGURES

(in € millions)	2015	2016	Year-on-year change
Backlog ⁽¹⁾	19,653	20,235	3%
Orders recorded during the year ⁽¹⁾	4,296	4,928	15%
Revenue	4,943	5,145	4%
Recurring operating income ⁽²⁾	466	567	22%
Profit from operations	423	562	33%
Free cash flow	153	165	8%
Acquisitions of property, plant and equipment	181	218	20%
Research and development			
Self-funded R&D	(229)	(218)	-5%
% of revenue	4.6%	4.2%	-0.4 pts
Research tax credit	46	44	-4%
Self-funded R&D after research tax credit	(183)	(174)	-5%
Capitalized expenditure	98	82	-16%
Amortization and impairment of R&D expenditure	(40)	(41)	2%
Impact on profit from operations	(125)	(133)	6%
% of revenue	2.5%	2.6%	+0.1 pts
Headcount	25,569	24,721	-3%

(1) The backlog and orders recorded for Aircraft Equipment for 2015 were restated in an amount of €21 million and €63 million, respectively (see section 2.1.3, "Summary of adjusted key figures by business").

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

Safran's Aircraft Equipment business operates in three sectors:

Sector	% of business line revenue	
	2015	2016
Landing and aircraft systems	48%	48%
Engine systems and equipment	23%	24%
Electrical systems and engineering	29%	28%

REVIEW OF AIRCRAFT EQUIPMENT OPERATIONS IN 2016

The Aircraft Equipment segment reported revenue of €5,145 million, up 4.1% compared to 2015. On an organic basis, revenue was up 3.5%. Service revenue represented 31.8% of sales, almost 2 percentage points more than in 2015.

Equipment OE revenue increased by 1.4%, driven by a rise in deliveries of A350 wiring and landing gear shipsets, LEAP nacelles for the A320neo, and wiring and landing gear for the A320ceo and A320neo, as well as by an increased contribution from A400M, notably in landing gear. Headwinds included lower A330 and A380 volumes. Deliveries to Boeing on the 787 program were broadly stable compared to the prior year.

Services grew 10.5% thanks to good momentum in carbon brakes and increased nacelle service activity (including initial provisioning of parts for A320neo-LEAP airline customers).

Recurring operating income was €567 million, an increase of 21.7% compared to €466 million in 2015. The operating margin improved 160 basis points, at 11.0%. Increased volume, notably in aftermarket activities, coupled with strong cost reduction and productivity efforts, drove profitability improvements. The improved EUR/USD hedged rate also contributed positively. The rise of expensed R&D had a slight negative impact on profitability.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Landing and aircraft systems

Landing gear

In all, 1,281 landing gear units were delivered by Safran in 2016 (compared to 1,370 in 2015).

A total of 559 units were delivered for the A320 family including the A320neo (compared to 515 in 2015), while 56 units were delivered for the A350 (compared to 32 in 2015). A further, 128 units were delivered for the Boeing 787 (compared to 127 in 2015), including those designed specifically for the flight test program of the new Boeing 787-10.

Safran signed landing gear maintenance and repair contracts, notably for fleets operated by Southwest Airlines, Singapore Airlines, Vietnam Airlines and Garuda Indonesia.

The Group boosted its presence on the Chinese market by joining forces with China Eastern Airlines in a world-class center of excellence for MRO services for landing gear on Airbus A320 and Boeing 737 airplanes. The joint venture, operating as Xi'an Eastern Safran Landing Systems Services, will be based in Xi'an (China), already the main maintenance hub for China Eastern's fleet, in an area that offers an outstanding pool of talent. The company will primarily provide services for the Chinese domestic market. China's fleets of single-aisle commercial jets are reaching maturity, which means that they will require general overhauls of their landing gear. The construction of the company's new plant, spanning some 10,000 sq.m., will begin in 2017, with operations expected to start up in 2018.

Wheels and brakes

At the end of 2016, with almost 8,200 aircraft equipped with Safran carbon brakes, the Group has a share of over 50% of the market⁽¹⁾ for 100+ seater civilian aircraft equipped with carbon brakes.

Safran's market share on Airbus A320neo aircraft fitted with carbon brakes represented 68%⁽¹⁾ at December 31, 2016. Safran was selected by Airbus to supply carbon brakes meeting the requirements of its new A320neo single-aisle aircraft. At end-2016, 11 airline companies representing a total of 625 aircraft have selected Safran carbon brakes, while 32 in-service A320neo aircraft are currently fitted with the brakes.

Safran's market share on Boeing 737NG aircraft fitted with carbon brakes represents 66%⁽¹⁾. A long-standing partner of Boeing, Safran was selected by the US aircraft manufacturer in 2014 to supply wheels and carbon brakes for all models of the Boeing 737 MAX (new engine option). At December 31, 2016, nine airline companies had chosen Safran carbon brakes for the Boeing 737 MAX, representing a cumulative total of 299 aircraft.

At end-2016, electric brakes orders for the Boeing 787 Dreamliner related to 328 aircraft operated by 40 airline companies. At the end of the year, Safran electric brakes were fitted on 271 in-service Boeing 787 Dreamliners and the Group had a 55% market share⁽¹⁾.

(1) Source: Safran.

Electric taxiing

In the first half of 2016, Safran and Honeywell agreed to discontinue their joint electric green taxiing system (EGTS™) project and to wind up EGTS™ International, their joint venture. Safran has since resumed its work independently on electric taxiing systems for single-aisle A320 and Boeing 737 aircraft. Important technical milestones were met in the year, allowing Safran to continue its studies and tests. Several Group companies are now involved and take an active role in all aspects of the project, including electrics, systems, reduction drives and software.

Landing and braking control systems

In all, 2,900 landing and braking control systems and associated systems equipment were delivered by Safran in 2016.

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

In the field of innovation, Safran continues to offer its customers services that draw on the analysis of data from equipment and control systems so that it can offer preventive maintenance and therefore increase operational fleet availability, particularly for Airbus, in order to address the shift to more integrated equipment offers, for both aircraft manufacturers and airline companies.

Engine systems and equipment

Nacelles and thrust reversers

A number of decisive advances were made in 2016:

- the nacelle for the LEAP-1A engine powering the A320neo came into service in line with the manufacturer's schedule. Together with its partner, GE subsidiary Middle River Aircraft System (MRAS), Safran demonstrated its ability throughout the year to meet the ramp-up of the engine and to offer the support and services needed by airline companies;
- the LEAP-1C thrust reverser was certified and tests were carried out on the entire integrated propulsion system (nacelle and engine) of the C919 aircraft;
- Safran delivered on schedule the first titanium exhaust systems for GE9X engines that will equip the future Boeing 777X family. These exhaust systems offer Boeing the benefits of lower mass along with increased resistance to heat thanks to Safran's processes for titanium high-temperature applications. The systems, among the biggest ever made in the world for civil aircraft, also offer acoustically-treated areas for a reduced noise level signature;
- in the context of the A330neo program (Airbus A330 new engine option), Safran delivered the first nacelle intended for the ground tests of the Rolls-Royce Trent 7000 engine;
- Bombardier's Global 7000 long-range business jet began its flight tests fitted with Safran Nacelles.

2 REVIEW OF OPERATIONS IN 2016 AND OUTLOOK FOR 2017

Comments on the Group's performance in 2016 based on adjusted data

Services

In 2016, AMES⁽¹⁾ in Dubai (UAE) introduced additional services and capabilities for repairs of nacelles and radomes for commercial aircraft. These additional capabilities are built on a new FAA certificate along with a new autoclave for composites.

Mechanical power transmission systems

Safran Transmission Systems is responsible for the development and production of three versions of ADT accessory drive trains⁽²⁾ for the LEAP engine. Following certification of the LEAP-1A engine in 2015, Safran Transmission Systems successfully met several important milestones for its products during the year, with certification of the LEAP-1B and LEAP-1C engines in 2016.

At the end of the year, Aero Gearbox International⁽³⁾ unveiled its new plant in Ropczyce (Poland). The first accessory gearbox for the Trent XWB program was assembled for Safran at Ropczyce. This facility will primarily manufacture accessory gearboxes for future Rolls-Royce programs, starting with the Trent 7000 engine that will power the A330. Aero Gearbox International delivered the first power transmission systems for the Trent 7000 engine during the year.

To meet the growing needs of the new LEAP program, Safran started construction of a new plant in Sędziszów (Poland) during the year. Sędziszów will manufacture components and sub-assemblies for the LEAP engine as from 2017.

Electrical systems and engineering

Power generation and distribution systems

In 2016, Safran was selected by Honeywell to supply the ram air turbine (RAT) for the Boeing 777X and the contract was signed for the duration of the program.

Safran also entered into an agreement with SAAB to restart production of the Gripen's Auxiliary and Emergency Power System (AEPS) for deliveries to Sweden and Brazil. This contract covers industrialization, handling of obsolete equipment and partial requalification.

In November, Safran signed a letter of intent with the Nanjing Engineering Institute of Aircraft Systems (NEIAS) to supply RAT power generation sub-systems designed for AVIC's future MA700 aircraft. This contract was signed at the Zhuhai air show in China.

Safran launched a plan to optimize its industrial facilities in the US, with the aim of transferring the repair operations resulting from its acquisition of Aerosource in 2011 to Sarasota (Florida). In this context, Aerosource obtained FAA certification for its maintenance and services activities, marking an important milestone before the transfer.

Lastly, Safran finalized capacity adjustment plans for sites in France (Réau), the UK (Pitstone) and the US (Twinsburg) in 2016. These will provide significant profitability gains after years of large-scale development.

Electrical wiring interconnection systems (EWIS)

After Embraer's Phenom aircraft family, Safran was chosen to supply part of the wiring harnesses under the Brazilian manufacturer's Legacy 450 and 500 programs. The contract, signed in mid-2016, covers the period 2016 through 2023.

Saifei (a joint venture between COMAC and Safran) delivered all wiring harnesses for the first prototype of China's C919 aircraft, which COMAC will take to the air for the first time in early 2017.

Safran was selected by Airbus Helicopters to supply the cockpit and rear avionics bays for the new H160 helicopter. These bays are complex cabled structures made of metallics and composite materials that will integrate the helicopter's cockpit electronics and avionics equipment.

Safran's efforts in terms of quality, service and on-time delivery were recognized and rewarded when it was named "Supplier of the Year" by Boeing in late April in the Production and Design category. Four Safran facilities also picked up the "Boeing Performance Excellence Silver Award": Denton (Texas, US), Chihuahua (Mexico), Everett (Washington, US), and Matis Aerospace, the Safran/Boeing joint venture based in Casablanca (Morocco). These plants supply wiring harnesses for the Boeing 737, 747, 767, 777, 787 and KC-46 (military refueler) programs.

Safran signed a technical and commercial cooperation agreement with France's WiN MS, which aims to offer aircraft manufacturers and airline companies combined solutions for the monitoring and diagnosis of aeronautical wiring. WiN MS is a start-up that specializes in monitoring wiring. It uses reflectometry, a technology that analyzes the condition of wiring and locates any malfunctions.

MATIS Aerospace celebrated its fifteenth anniversary in early November. The company supplies 140,000 wiring units per year for the Boeing 737, 777, 787 and 737 MAX family, the Airbus 320 family, and Dassault's Falcon 900, 2000 and 5X business jets, along with engine harnesses for the CFM56, GE90 and LEAP programs.

Lastly, at the end of 2016 Safran finalized the restructuring of its operations in North America, a project that had begun in early 2015. All of Safran's US electrical wiring interconnection systems have been transferred to a single facility at Denton. The restructuring also included a new plant opened in Chihuahua (Mexico) to accommodate certain activities transferred from Denton.

Ventilation systems and electrical engines

In early February, Safran signed a memorandum of understanding with the airline company Emirates to provide in-service support for all ventilation systems on its Airbus A380 fleet – a first for Safran on this program.

Technofan confirmed its presence on the A350 program, for which it has already delivered over 2,000 ventilators and valves. This contract confirms Technofan's leadership in variable-frequency ventilator technology originally developed for the A380.

Lastly, in 2016 Safran launched a public tender offer followed by a squeeze-out on all outstanding Technofan shares not held by the Group, at a price of €245 per share. Safran is now sole shareholder of Technofan.

(1) AMES (Aerostructures Middle-East Services) is a joint venture between Safran and AFI KLM E&M (Air France Industries KLM Engineering & Maintenance).

(2) The LEAP Accessory Drive Train (ADT) includes:

- Accessory Gearbox (AGB);
- Transfer Gearbox (TGB);
- Radial Drive Shaft (RDS).

(3) 50/50 joint venture between Safran and Rolls-Royce specializing in the design, development and production of accessory drive train transmission systems and in aftermarket services.

Engineering services

During the year, Safran Engineering Services and its French partner Sonovision (Ortec group) were renewed as engineering services suppliers (E2S) by Airbus, testifying to the importance Safran places on continuing its development engineering with Airbus.

Faced with the decline in traditional development engineering activities (A350 and Boeing 787), Safran Engineering Services stepped up its adjustment plan by reducing costs and headcount, primarily in France and Germany. In line with its plan to diversify its businesses and explore new markets outside the Aerospace

sector, the Group landed its first contracts in the energy segment during the year:

- with Areva TA (France) for technical assistance and support relating to electrotechnical activities for nuclear power and nuclear reactors used in research;
- with Enedis (France) to manage and audit electronics suppliers for the new Linky electricity counters.

Lastly, in the automotive segment, Safran Engineering Services kicked off a partnership with automaker PSA Peugeot Citroën covering various technical aspects of driverless vehicles.

2.1.3.3 Defense

ADJUSTED KEY FIGURES

<i>(in € millions)</i>	2015	2016	Year-on-year change
Backlog	2,389	2,916	22%
Orders recorded during the year	1,446	1,768	22%
Revenue	1,266	1,238	-2%
Recurring operating income ⁽¹⁾	64	76	19%
Profit from operations	54	69	28%
Free cash flow	-	17	N/A
Acquisitions of property, plant and equipment	71	60	-15%
Research and development			
Self-funded R&D	(119)	(113)	-5%
% of revenue	9.4%	9.1%	-0.3 pts
Research tax credit	37	36	-3%
Self-funded R&D after research tax credit	(82)	(77)	-6%
Capitalized expenditure	24	43	79%
Amortization and impairment of R&D expenditure	(21)	(17)	-19%
Impact on profit from operations	(79)	(51)	-35%
% of revenue	6.2%	4.1%	-2.1 pts
Headcount	7,389	7,356	-

(1) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

The Defense business operates in three key sectors:

Sector	% of business line revenue	
	2015	2016
Optronics	41%	40%
Avionics	49%	49%
Electronics and critical software	10%	11%

REVIEW OF DEFENSE OPERATIONS IN 2016

Revenue was down 2.2% at €1,238 million in 2016 compared to €1,266 million in 2015. As expected, the decline is principally due to the run-off of several optronics contracts, not yet fully offset by the increasing contribution of recently awarded contracts for France and export markets.

In Optronics, the end of the FELIN program and lower sales of sighting systems were partially offset by higher volumes of infrared goggles and the start-up of the Patroller tactical UAV program. Avionics revenue was impacted by a drop in volumes of helicopter flight control systems, partially offset by increased deliveries of guidance kits, notably for export. Increased Electronics sales were driven by FADEC, notably for CFM56 and LEAP engines.

2 REVIEW OF OPERATIONS IN 2016 AND OUTLOOK FOR 2017

Comments on the Group's performance in 2016 based on adjusted data

Commercial activity was particularly strong in 2016, with order intake of €1.8 billion for the year. Notable contracts include the Patroller tactical UAV program for the French army, LTLM II⁽¹⁾ portable optronics equipment for the US army, and another order for AASM guidance kits for the French Directorate General of Weapons Procurement. The good level of new orders in the year supports the growth outlook.

Recurring operating income was up at €76 million in 2016 compared to €64 million in 2015. The operating margin increased 100 basis points to 6.1% of revenue in 2016. The investments made to improve industrial performance and the tight cost control measures put in place yielded their first benefits. The level of capitalized R&D rose compared to 2015. Self-funded R&D intensity was sustained, at 9.1% of revenue, in order to maintain technological leadership and support the development of newly awarded contracts, including the Patroller program.

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Optronics

Thermal goggles and imagers

A host of commercial success stories in portable optronics in 2016 confirms the front-ranking position of Safran technology.

The industry-leading JIM LR multifunction goggles have been adopted by the armed forces of over 40 countries. New orders were booked in 2016, bringing the number of goggles in service or on order across the globe to over 9,000, including more than 2,000 for the French armed forces.

Capitalizing on the success of the JIM family and positive feedback on the ground, Safran unveiled its new Compact JIM goggles at the Eurosatory defense fair in 2016. These goggles are more compact, lightweight (2kg with batteries), hardwearing, and offer intuitive ergonomic features.

Safran won a number of major international contracts in 2016, particularly in the US:

- Safran was selected to manufacture future LTLM II night sights for the US army. This IDIQ-type contract (Indefinite-Delivery, Indefinite-Quantity) is capped at USD 305 million over five years. An order has been placed for the first USD 23 million tranche, with the first equipment slated for delivery in 2018;
- as part of US forces' JETS⁽²⁾ program to develop and manufacture new targeting systems, DRS Technologies (US) selected Safran to supply PAVAM north seekers, inertial measurement units based on hemispherical resonator gyro (HRG) technology.

Onboard optronic equipment

Land: In the context of the tender to upgrade the UK's Challenger 2 battle tanks (CR2 LEP⁽³⁾), Safran was selected by BAE Systems to supply the commander's sight during the program's evaluation phase.

Several orders were recorded for optronic sights in France and for export, and the first batch examples of the PASEO sight were delivered to CMI in Belgium.

Air: Safran was awarded the contract for the French army's tactical drone system with Patroller. Euroflir®, Safran's gyrostabilized airborne surveillance system, will be a critical optronics component of the future drone.

Safran received a new order for STRIX sights fitted on French Tiger helicopters, and will provide life-cycle support for the sights already delivered.

Sea: The French Directorate General of Weapons Procurement (DGA) asked for Safran's assistance in maintaining surveillance periscopes on nuclear-powered ballistic missile submarines in working order. A memorandum of understanding has been signed with DCNS in order to define how the maintenance services will be shared. Safran will also provide training and other types of services.

In 2016, Safran also booked a record volume of orders (250 units) for its Vigy Observer shipborne observation system, with 10 navies across the globe now using the Vigy Observer.

Drones

PATROLLER TACTICAL DRONES

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

The Patroller system crystallizes the industrial drone expertise developed by Safran over the past 25 years and draws on a network of French SMEs. The contract will enable Safran to boost employment and the skills available in its plants, where the drone's final integration and the ground station will be completed. The Patroller system has aroused considerable international interest thanks chiefly to its versatility and dual positioning in both civil security and military air surveillance.

TACTICAL LAND-BASED ROBOT

At the Eurosatory 2016 defense fair, Safran unveiled eRider, its new land-based smart robot. Incorporating drone capabilities into multi-mission four-wheel drive vehicles, eRider offers a broad spectrum of autonomy functions. As well as supporting logistics operations, it can transport a combat group or can be used as a robot with partial or total autonomy to carry out different intelligence-gathering or combat missions. Consistent with the development of airborne drones, Safran's eRider leverages the Group's expertise in guidance and navigation systems, all-weather vision (rain, fog, smoke, night, etc.), embedded electronics and mission preparation.

(1) Laser Target Locator Module II.

(2) Joint Effects Targeting System.

(3) Challenger 2 Life Extension Project.

To develop the new eRider platform, Safran worked closely alongside several companies and institutions in the civil sector. The concept draws on the research undertaken with the automotive equipment manufacturer Valeo within the framework of a partnership created in 2013. This partnership was reinforced through the creation of a joint research chair and laboratory – devoted to the subject of mobility in the future – with the automotive group PSA, the *École des Mines* and the French National Research Institute for Computing and Applied Mathematics (INRIA). The collaboration also extended to innovative French SMEs such as Technical Studio for the platform of the eRider system, Effidence for the robotization and 4D Virtualiz for the imaging.

High-performance optics

Safran REOSC was selected by the European Southern Observatory (ESO), the European institution for astronomy research, to polish, measure and test the M2 mirror (the largest secondary mirror ever made in the world) on the European Extremely Large Telescope (E-ELT). This contract marks Safran's second success in the E-ELT program after it was awarded the contract to manufacture optical segments for the adaptive M4 mirror unit in 2015. Installed in Chile and expected to be operational as from 2024, the E-ELT will be the biggest telescope ever built.

Avionics

Navigation systems and sensors

Inaugurated in 2016 by the French President, Safran's new R&D center at Eragny-sur-Oise (France) is the leading research center in Europe for inertial navigation and tactical drones. Launched in 2013, this project represents investments of over €35 million.

Combined with previous investments made in the Coriolis plant in Montluçon (France), these investments enable Safran to sharpen its competitive edge in technologies of national importance and to prepare for the future by developing new solutions adapted to the critical needs of its customers.

Land: As part of the French army's infantry modernization program (Scorpion), Safran will supply the Epsilon 10 navigation system for Griffon multi-role armored vehicles, along with a system based on hemispherical resonating gyro (HRG) technology for the artillery observation version.

Sea: The French Directorate General of Weapons Procurement asked Safran to develop and manufacture an improved version of its global navigation system for the "Triumphant" class of nuclear-powered ballistic missile submarines currently in service.

Safran also delivered the navigation system to DCNS for the Gowind corvette intended for Egypt, including the inertial units and the navigation computer.

Air: In a call for tenders, Safran was chosen by ASL to supply the SpaceNaute inertial reference system for Ariane 6, the new-generation launch vehicle being developed by the ESA. The system is based on hemispherical resonator gyro (HRG) technology, which offers superior performance in a reduced volume under the extreme environmental conditions required for this type of application.

Flight control and actuation systems

Safran continued its work on the computers for the electric flight control system on the Airbus Helicopters' future X6 model, and on the flap controls system for Dassault Aviation's Falcon 5X (computer and actuators). The airworthiness of a first configuration of the actuator system was validated and the technical reference adopted for the entry into service of the Falcon 5X jet.

Onboard information systems/Data management and services

Safran was selected by Airbus to upgrade all data loading systems for the avionics suites on its A320 family (A319, A320, A321). This selection gives Safran access to a market of thousands of airplanes already in service or on order, especially the new A320neo family, which incorporates this system.

Seekers and guidance systems

In addition to ongoing deliveries for France and the export market, Safran received an order from the French Directorate General of Weapons Procurement for modular AASM air-to-ground weapons for the French air force and navy, with deliveries starting as from 2019.

This order requires the Group to:

- develop a new standard of the weapon, so as to very significantly reduce cost while maintaining identical performance;
- double production capacity in France.

At the end of 2016, over 1,700 AASM units had been delivered to the French armed forces since the beginning of the program.

Electronics and critical software

GE and FADEC International⁽¹⁾ signed an agreement for the exclusive supply of GE engine controls.

(1) Joint venture between Safran and BAE Systems.

2.1.3.4 Security

The Security business is now shown within discontinued operations and assets held for sale. The financial statements for this business are presented in section 3.1, Note 28 of this Registration Document.

The Security business operates in two sectors:

Sector	% of business line revenue	
	2015	2016
Identity and Security	85%	86%
Detection	15%	14%

COMMERCIAL AND INDUSTRIAL DEVELOPMENTS

Identity and Security

Government solutions

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

In the field of population data collection and listing:

- in Colombia in 2016, Safran signed an extension to its contract with Registraduria Nacional del Estado Civil, a long-term customer of the Group since 1997. Under this contract, Safran will manage the routine maintenance operations planned for 2016, as well as the first stage of the nationwide technology upgrade (around 2,200 units across over 1,000 sites);
- in September 2016, Nepal's National Identity Management Commission (NIDMC) selected Safran to develop its national ID system;
- in Benin in December 2016, Safran signed an agreement for the creation of a national population census register.

India's Aadhaar program made history in April 2016 as its one billionth resident was enrolled in its biometric database and assigned a UIDAI unique identification number.

In identity documents, Safran's electronic ID cards in Chile topped the 10 million mark in October 2016. A total of 57% of Chileans now have an electronic ID card, which protects their identity and facilitates access to online public services. In Slovakia in mid-July, Safran was again chosen to supply 1.35 million passports equipped with electronic chips.

In digital identity solutions, since February 2016, UK citizens and residents can use Safran's new SecureIdentity digital identity service via the UK government's GOV.UK Verify platform among six other rival solutions. This mobile application enables citizens to prove and protect their identities online.

In the US, Safran is the only supplier of enrollment services for the TSA Pre✓® program run by the US Transportation Security Administration (TSA). The TSA Pre✓® program is an expedited security screening program that allows passengers considered as low-risk to receive expedited security screening when departing from over 150 US airports. At end-2016, over 4 million US passengers were enrolled in the program. Safran also delivered over 70 million driver's licenses to 41 States in the US in 2016, covering around 85% of the US population.

In the field of electoral assistance, Safran was active in Chad for the presidential elections held on April 10, 2016, for which it supplied 2,300 enrollment stations, a biometric deduplication system and 6.3 million documents. In Côte d'Ivoire, Safran continued to revise electoral lists and provided assistance during the referendum of October 30, 2016 and the legislative elections of December 18, 2016. Safran rolled out MorphoTablet secure biometric tablets to record residents' biometric data and verify their identity on voting day. Safran was also awarded a five-year contract with the National Electoral Institute of Mexico (INE) for its multi-biometric identification system and related services. This new contract confirms INE's trust in Safran to update its national voter registry.

Business solutions

Safran sold 218 million bank cards to financial institutions in 2016, 59 million more than in 2015. Syscom, one of Safran's Indian subsidiaries, landed the biggest contract in India to produce the country's EMV (Europay, MasterCard and Visa) debit cards with the State Bank of India (SBI), India's most important financial institution.

In biometric authentication, Safran signed two contracts with Brazil's Banco Itaú in the first half of 2016. These contracts round out its fingerprint recognition solution that allows customers to withdraw cash without a bank card or PIN code. The first contract concerns the addition of face recognition as a second proof of identity. The second contract covers the creation of a biometric identity database of employees designed to step up the fight against internal fraud. Safran will also supply French banks BPCE and Crédit Agricole with strong biometric authentication solutions for mobiles. In early 2016, Safran teamed up with Visa to develop new secure payment solutions such as biometric recognition and

to meet the development needs of mobile banking and payment services. Safran's face recognition technology was also chosen by Samsung SDS for its new online authentication solution.

In telecommunications, Safran sold 658 million SIM cards and secure devices to operators in 2016, 60 million more than in the previous year.

Public security

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

Regarding work with police forces, Safran landed several contracts on the strength of its biometric expertise. In Australia, the police in the State of Victoria chose Safran to supply biometric identification systems under a ten-year contract. Safran will provide a full service as part of this contract, which includes upgrading existing equipment and supplying new biometric enrollment stations. In the US, MorphoTrak carried out a major upgrade of the automated fingerprint identification system (AFIS) for the Albuquerque Police Department (New Mexico). The Albuquerque Police Department chose to house MorphoBIS in Morpho Cloud, a multi-biometric identification-as-a-service (IaaS) solution. Safran was also awarded a contract with Oman to supply an integrated multi-biometric system, the world's first system able to simultaneously manage fingerprint, iris, portrait and DNA recognition.

The Group won a major contract in the field of border controls, selected by Singapore's Changi airport to roll out a biometric control system at Terminal 4. The French government announced that as from early 2017, it would be gradually introducing Safran's API-PNR (Advanced Passenger Information/Passenger Name Record) system, which allows the authorities to compile data collected on passengers traveling to and from France.

In the field of radars, Safran signed two major contracts in the Middle East for the operation of the first Mesta Fusion radars in Dubai and Qatar.

Detection

Computed tomography and X-ray diffraction detection systems

Ahead of the EU Regulation requiring the use of explosives detection systems compliant with Standard 3 of the European Civil Aviation Conference (ECAC), Safran was awarded contracts in the UK for the delivery, installation and support of CTX™ explosives detection systems. In 2016, the compact CTX 5800 and high-throughput CTX 9800 systems were selected by Bristol, Cardiff, Glasgow and Manchester airports in the UK for hold baggage inspections.

Spectrometry-based trace detection equipment

After having carved out a position as leading supplier to European airports in 2015, further orders were received for the Itemiser® 4DX throughout 2016 from airports in Denmark, Germany, Italy, Hungary, Poland, Switzerland and the UK.

2.2 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

2.2.1 Consolidated income statement

(in € millions)	2015 ⁽¹⁾	2016	Year-on-year change
Revenue	16,222	16,482	+1.6%
Other operating income and expenses	(13,412)	(13,579)	
Share in profit from joint ventures	44	87	
Recurring operating income⁽²⁾	2,854	2,990	+4.8%
Other non-recurring operating income and expenses	(778)	349	
Profit from operations	2,076	3,339	+60.8%
Financial income (loss)	(3,408)	(1,052)	
Income tax benefit (expense)	505	(398)	
Share in profit from equity-accounted companies	-	-	
Gain on disposal of Ingenico Group shares	421	-	
Profit (loss) from continuing operations	(406)	1,889	
Profit from discontinued operations and assets held for sale	29	74	
Profit (loss) for the period attributable to non-controlling interests	(47)	(55)	
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	(424)	1,908	

Consolidated revenue

Consolidated revenue climbed 1.6% year-on-year to €16,482 million in 2016 from €16,222 million in 2015.

The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures (see section 2.1.1). Neutralizing the impact of foreign currency hedging in 2016 increased consolidated revenue by €701 million. This year-on-year change in the revenue impact of foreign currency hedging results from movements in average exchange rates with regard to the effective hedged rates for the period on the portion of foreign currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate in 2016 was 1.24, against an annual average rate of 1.11, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is higher than adjusted consolidated revenue.

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

Recurring operating income

Recurring operating income⁽²⁾ was €2,990 million in 2016 versus €2,854 million in 2015. The difference between recurring operating income and adjusted recurring operating income (see section 2.1.2), which came in at €2,404 million, reflects:

- amortization charged against intangible assets measured when allocating the purchase price for business combinations,

representing €70 million in relation to the May 2005 Sagem/Snecma business combination;

- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €56 million;
- a positive €712 million impact resulting from foreign currency hedging transactions.

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

Profit from operations

Profit from operations came in 60.8% higher at €3,339 million for the year, compared to €2,076 million in 2015. Profit from operations includes recurring operating income of €2,990 million in 2016 (€2,854 million in 2015) and non-recurring income of €349 million (€778 million non-recurring loss in 2015).

Consolidated other non-recurring items in 2016 differ from adjusted other non-recurring items, representing a non-recurring loss of €18 million, since they include the remeasurement gain on the Group's contributions to ASL of €367 million.

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

(1) The adjusted data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see section 3.1, Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

Financial income (loss)

The Group reported a financial loss of €1,052 million in 2016 versus a financial loss of €3,408 million in 2015.

Two items account for the difference between consolidated and adjusted financial loss for 2016 (see section 2.1.2):

- changes in the fair value of currency instruments hedging future cash flows, which had a negative impact of €186 million in 2016. This amount is recognized in full in financial income (loss) in the consolidated financial statements. However, the impact of changes in financial instruments hedging future cash flows is neutralized in the adjusted financial statements. These changes relate to volatility in the EUR/USD exchange rate, since the currency hedging portfolio was priced based on a year-end exchange rate of 1.05 at December 31, 2016 and 1.09 at end-2015;
- the impact of foreign currency hedging on the portion of foreign exchange denominated flows hedged by the Group, representing a negative €722 million in 2016. This impact is recognized in financial income (loss) in the consolidated financial statements and within profit from operations (mostly in revenue) in the adjusted income statement.

Income tax benefit (expense)

The Group reported income tax expense of €398 million in 2016 compared to an income tax benefit of €505 million in 2015.

Changes in the tax effect are primarily due to changes in the fair value of currency instruments hedging future cash flows, representing a negative impact of €186 million in 2016 recorded in financial income (loss) compared to a loss of €2,485 million in 2015.

Consolidated profit (loss) attributable to owners of the parent

This caption represented profit of €1,908 million for 2016 compared to a loss of €424 million for 2015 and includes €74 million in profit from discontinued operations and assets held for sale, versus €29 million in 2015.

2.2.2 Simplified consolidated balance sheet

The simplified consolidated balance sheet at December 31, 2016 presented below is taken directly from the consolidated financial statements included in section 3.1 of this document.

<i>(in € millions)</i>	2015	2016
Assets		
Goodwill	3,590	1,864
Property, plant and equipment and intangible assets	8,593	8,347
Investments in equity-accounted companies	765	2,175
Other non-current assets	1,403	1,733
Derivatives (positive fair value)	408	620
Inventories and work-in-progress	4,518	4,247
Trade and other receivables	6,515	6,252
Other current assets	870	660
Cash and cash equivalents	1,845	1,926
Discontinued operations and assets held for sale	-	3,234
TOTAL ASSETS	28,507	31,058
Equity and liabilities		
Share capital	5,893	6,809
Provisions	3,456	3,264
Borrowings subject to specific conditions	708	699
Interest-bearing financial liabilities	2,628	3,337
Derivatives (negative fair value)	4,108	4,385
Other non-current liabilities	703	992
Trade and other payables	10,602	10,242
Other current liabilities	409	536
Discontinued operations and assets held for sale	-	794
TOTAL EQUITY AND LIABILITIES	28,507	31,058

2.2.3 Change in consolidated net debt

The year-on-year change in the Group's net debt for 2015 and 2016 breaks down as follows:

(in € millions)	2015 ⁽¹⁾	2016
Cash flow from operations	2,626	2,651
Change in working capital	5	(168)
Acquisitions of property, plant and equipment	(705)	(704)
Acquisitions of intangible assets	(495)	(324)
Capitalization of R&D expenditure	(502)	(364)
Free cash flow	929	1,091
Net debt at December 31 – discontinued operations and assets held for sale	-	(167)
Dividends paid	(540)	(642)
Divestments/acquisitions of securities and other	366	(917)
NET CHANGE IN CASH AND CASH EQUIVALENTS	755	(635)
Net debt at January 1	(1,503)	(748)
Net debt at December 31	(748)	(1,383)

(1) The data for 2015 have been restated to reflect the impact of applying IFRS 5 (see section 3.1, Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

Cash flow from operations is calculated by taking profit or loss before tax and adjusting for income and expenses with no cash impact, for example net charges to depreciation, amortization and provisions, and changes in the fair value of financial instruments hedging future cash flows⁽¹⁾. The Group's ability to finance working capital needs, acquisitions of property, plant and equipment and intangible assets and dividends out of operating activities rose by €25 million over the year, from €2,626 million in 2015 to €2,651 million in 2016.

Operations generated €1,091 million of free cash flow (45% of adjusted recurring operating income in 2016 compared to 41% in 2015), a rise of €162 million compared to the previous year. Free cash flow generation of €1,091 million results from cash from operations of €2,651 million, an increase in working capital needs of €168 million (related to the Group's businesses and necessary efforts to meet output rates) and a fall in R&D expenses (impact of future or successful entry-into-service of LEAP programs, see section 1.3.1.1).

Dividends paid in the year include the final dividend payment of €0.78 per share in respect of 2015 and an interim dividend of €0.69 per share in respect of 2016.

Divestments/acquisitions of securities and other primarily relate to €750 million subscribed in reserved capital increases carried out by ASL (see section 3.1, Note 4).

The net debt position was €1,383 million at December 31, 2016 compared to €748 million at December 31, 2015.

At December 31, 2016, Safran had €1,926 million of cash and cash equivalents and €2,520 million of secured and undrawn facilities.

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

2.3 COMMENTS ON THE PARENT COMPANY FINANCIAL STATEMENTS

2.3.1 Safran income statement

<i>(in € millions)</i>	2015	2016
Revenue	563	525
Other operating income and expenses	(640)	(601)
Loss from operations	(77)	(76)
Financial income	1,645	523
Non-recurring items	(19)	323
Income tax benefit	99	200
PROFIT FOR THE PERIOD	1,648	970

Revenue came in at €525 million in 2016 versus €563 million in 2015 and chiefly includes billings of general assistance services provided by the parent company to its subsidiaries, as well as specific amounts billed to certain subsidiaries (rent, employees, IT services) and miscellaneous services related to projects (research projects for example) managed by the parent company on behalf of all of its subsidiaries. The €38 million year-on-year decline in revenue in 2016 results primarily from the decrease in centralized research projects, IT services and services provided by Shared Services Centers on behalf of subsidiaries and rebilled to those companies.

Other operating income and expenses represented a net expense of €601 million in 2016 and a net expense of €640 million in 2015, reflecting a tight rein on external costs.

Loss from operations totaled €76 million in 2016 and €77 million in 2015.

Safran reported financial income of €523 million in 2016 and €1,645 million in 2015. This 2016 figure includes net interest income of €7 million (€8 million in 2015), foreign exchange losses of €15 million (€2 million in 2015), and net reversals of provisions for impairment of financial assets or exchange losses totaling €17 million (net additions of €22 million in 2015). It also includes dividends received from subsidiaries (€514 million in 2016 compared to €1,661 million in 2015), hit mainly by weak distribution in 2016 as a result of an interim dividend paid in 2015 on behalf of Safran Aircraft Engines (€380 million) and Safran Electronics & Defense (€427 million).

Safran reported non-recurring income of €323 million in 2016, compared to a non-recurring loss of €19 million in 2015. Non-recurring items for 2016 mainly relate to:

- the derecognition of the portion of the merger deficit allocated to Herakles shares (€143 million), following the transfers of Herakles industrial assets to Airbus Safran Launchers SAS;
- the contribution of shares in Airbus Safran Launders SAS to Airbus Safran Launchers Holding that generated a net capital gain of €374 million;
- the sale of shares in Morpho USA to the US subsidiary Safran USA that generated a net capital gain of €61 million.

Income tax represented a benefit of €53 million under the Group's tax consolidation regime in 2016 (€103 million in 2015). This benefit also includes a net charge to the provision for the transfer of the tax saving relating to the French tax group from Safran to its loss-making subsidiaries in an amount of €147 million (net charge of €4 million in 2015).

On account of the above, profit for the year came in at €970 million, compared to €1,648 million in 2015.

2.3.2 Safran simplified balance sheet

(in € millions)	2015	2016
Assets		
Non-current assets	10,131	10,821
Cash equivalents and marketable securities	1,489	1,820
Other current assets	3,314	3,904
TOTAL ASSETS	14,934	16,545
Equity and liabilities		
Share capital	6,927	7,274
Provisions	746	570
Borrowings	2,327	3,040
Other payables	4,934	5,661
TOTAL EQUITY AND LIABILITIES	14,934	16,545

The increase in share capital in 2016 reflects profit for the year of €970 million, dividends paid in 2016 for a total of €612 million (€325 million for the remaining 2015 dividend balance and €287 million in 2016 interim dividends paid in December 2016), and a net reversal from tax-driven provisions amounting to €11 million.

Changes in non-current assets mainly reflect changes in shareholdings in ASL, Technofan and Morpho USA (respectively €1,125 million, €7 million and a negative €315 million).

The increase in borrowings results mainly from Safran's issue of bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") for a total nominal amount of €650 million.

2.3.3 Other information

Supplier payment periods

(in € millions)	Amounts due	Amounts not yet due		Total trade payables
		Amounts due in 0-30 days	Amounts due in 30-60 days	
December 31, 2016	4	1	104	109
December 31, 2015	2	10	88	100

Non-deductible expenses

Non-deductible expenses (Article 223 *quater* and Article 39.4 of the French Tax Code) amounted to €69,249 and gave rise to a tax charge of €23,842. They relate to the non-deductible portion of vehicle lease payments and depreciation.

Dividends

Dividends that have not been claimed within five years are time-barred and paid over to the French State in accordance with the applicable legislation.

Future dividends will depend on Safran's ability to generate profits, its financial position and any other factors deemed relevant by the Company's corporate governance bodies.

The details of dividend payments are included in the proposed appropriation of profit for 2016 and the five-year financial summary of the Company set out below.

Proposed appropriation of 2016 profit

The Board of Directors recommends appropriating profit for 2016 as follows:

Profit for 2016	€969,870,637.75
Retained earnings ⁽¹⁾	€1,457,860,822.84
Profit available for distribution	€2,427,731,460.59
Appropriation:	
Dividend	€633,884,969.20
Retained earnings	€1,793,846,491.39

(1) Including €863,202.90 corresponding to the 2015 dividend due on shares held in treasury at the dividend payment date.

Accordingly, the dividend paid will be €1.52 per share.

An interim dividend of €0.69 per share was paid on December 21, 2016. The ex-dividend date for the remaining payout of €0.83 per share will be June 19, 2017 and the dividend will be paid on June 21, 2017.

Individual shareholders domiciled for tax purposes in France are eligible for 40% tax relief on the full amount of their interim dividend and the remainder of the dividend, as provided for under Article 158, 3-2° of the French Tax Code.

The dividends not payable on shares held in treasury will be credited to retained earnings.

The dividends paid for the past three years were as follows:

Year	Number of shares carrying dividend rights ⁽¹⁾	Net dividend per share	Total payout ⁽⁵⁾
2015	416,410,610 ⁽²⁾	€1.38	€574,637,624.40
2014	416,459,463 ⁽³⁾	€1.20	€499,711,590.56
2013	416,450,981 ⁽⁴⁾	€1.12	€466,423,898.72

(1) Total number of shares making up the Company's capital (417,029,585) less the number of Safran shares held in treasury at the dividend payment date.

(2) An interim dividend (€0.60) was paid on 416,395,581 shares and the remainder of the dividend (€0.78) was paid on 416,410,610 shares.

(3) An interim dividend (€0.56) was paid on 416,388,454 shares and the remainder of the dividend (€0.64) was paid on 416,459,463 shares.

(4) An interim dividend (€0.48) was paid on 416,448,481 shares and the remainder of the dividend (€0.64) was paid on 416,450,981 shares.

(5) Fully eligible for the 40% tax relief provided for under Article 158, 3-2° of the French Tax Code.

Five-year financial summary of the Company

(in €)	2012	2013	2014	2015	2016
Capital at December 31					
Share capital	83,405,917	83,405,917	83,405,917	83,405,917	83,405,917
Number of ordinary shares outstanding	417,029,585	417,029,585	417,029,585	417,029,585	417,029,585
Financial results					
Profit before tax, statutory employee profit-sharing, depreciation, amortization and provisions	583,002,487	351,489,419	218,114,906	1,564,574,645	767,391,743
Income tax expense (benefit)	(190,424,330)	(49,857,914)	(135,606,853)	(102,700,757)	(52,805,019)
Statutory employee profit-sharing for the fiscal year	-	-	-	-	-
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	764,947,485	327,839,113	654,303,872	1,648,209,397	969,870,638
Dividend payment	400,348,402	467,073,135	500,435,502	575,500,827	633,884,969
Per share data					
Profit after tax, statutory employee profit-sharing, but before depreciation, amortization and provisions					
▣ divided by the number of shares outstanding	1.85	0.96	0.85	4.00	1.97
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions					
▣ divided by the number of shares outstanding	1.83	0.79	1.57	3.95	2.33
Net dividend					
▣ per ordinary share outstanding	0.96	1.12	1.20	1.38	1.52
Employees					
Average number of employees during the fiscal year	1,085	1,211	1,370	1,519	1,577
Total payroll	99,864,352	109,929,617	124,923,990	133,628,961	140,807,877
Social security and other social welfare contributions	56,713,929	71,358,273 ⁽¹⁾	75,609,338	88,424,113 ⁽²⁾	88,550,754 ⁽³⁾

2.4 OUTLOOK FOR 2017

All the businesses comprising the Security activities are classified as discontinued operations and assets held for sale. As a result, the 2017 outlook and the 2016 comparison are based on continuing operations: Propulsion, Aircraft Equipment, Defense, Holding co and other.

In addition, July 1, 2016, Safran started accounting for its share in Airbus Safran Launchers using the equity method and no longer records revenue from space activities. In 2017, the change is expected to impact revenue by around €312 million compared to 2016, in the first half of the year.

Safran expects for 2017 on a full-year basis:

- ▣ adjusted revenue to grow in the range of 2% to 3%. Excluding the effect of the equity accounting of ASL from July 1, 2016, revenue growth is expected to be between 2% and 4%;
- ▣ adjusted recurring operating income⁽⁴⁾ close to the 2016 level;
- ▣ free cash flow representing more than 45% of adjusted recurring operating income, with uncertainty as to the timing of payments by government customers.

(1) Including €3.7 million in respect of the international free share plan, of which the full amount of €3.7 million was rebilled to the European subsidiaries employing the beneficiaries.

(2) Including €7.4 million in contributions paid to the insurer that manages the defined benefit pension plan.

(3) Including €5.0 million in contributions paid to the insurer that manages the defined benefit pension plan.

(4) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

The outlook is based notably on the following assumptions:

- increase in Aerospace OE deliveries;
- civil aftermarket growth in line with 2016;
- CFM56 - LEAP transition: overall impact on the change in Propulsion adjusted recurring operating income in the range of €300 million to €350 million;
 - lower CFM56 OE volumes,
 - negative margin on LEAP deliveries and impairment of inventory and work-in-progress related to future deliveries;
- reduction of self-funded R&D by around €100 million related to lower spending on LEAP and A320neo engines;
- decrease in capitalized expenses and increase in amortization of capitalized R&D: impact on recurring operating income of €50 million to €100 million;

- sustained level of tangible capex, including expansions, new production capacity and tooling, representing around €850 million, to support production transitioning and ramp-up;
- continued benefits from productivity improvements.

Factors with a potential impact on results

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

2.5 SUBSEQUENT EVENTS

EXCLUSIVE NEGOTIATIONS FOR THE ACQUISITION OF ZODIAC AEROSPACE

On January 19, 2017, Safran and Zodiac Aerospace announced that they had entered into exclusive negotiations for the acquisition of Zodiac Aerospace by Safran through an agreed public offer of €29.47 per share and a subsequent merger on the basis of 0.485 Safran share for one Zodiac Aerospace share. Prior to and conditional upon the merger, Safran would distribute a special dividend of €5.50 per share to its existing shareholders.

Safran's Board of Directors and Zodiac Aerospace's Supervisory Board each unanimously approved the principle of the planned transaction. The finalization of a binding agreement is subject to the completion of ongoing procedures with Safran's and Zodiac Aerospace's employees representative bodies under applicable laws and regulations. The finalization of the transaction would be subject to the approval of Safran's and Zodiac Aerospace's shareholders, relevant antitrust clearances, regulatory approvals and other customary conditions. The completion of the tender offer is expected by the end of the fourth quarter 2017 and completion of the merger is expected early 2018. Safran and Zodiac Aerospace will inform the market as required of any significant change in the transaction terms and conditions.

The terms of the proposed transaction were published in a press statement and commented by Safran management during a conference call on January 19, 2017. Furthermore, Safran

announced that the cash portion of the transaction and a special dividend would be financed with a combination of cash on hand, including future proceeds from the disposals of Safran Identity & Security, existing committed undrawn facilities and a €4 billion fully underwritten bridge loan.

On March 13, 2017, Safran confirmed that the syndication of the €4 billion bridge loan was successfully closed on March 6, 2017.

On March 14, 2017, Safran reviewed the information communicated to the market by Zodiac Aerospace. This publication reflects new developments compared with the information available prior to the announcement on January 19, 2017 of the intended acquisition of Zodiac Aerospace by Safran. Safran confirmed both the strategic interest for the acquisition of Zodiac and its confidence in its own ability to restore the operating profitability of the businesses currently in difficulty. Safran also stated that the two companies are continuing their exclusive negotiations and will take into account the consequences of these developments in their discussions.

The press statements and presentation related to the announcement are available on Safran's website: <http://www.safran-group.com>, "Finance".

SHARE REPURCHASE AGREEMENT

The agreement for a second repurchase tranche was signed on February 27, 2017 and is detailed in section 7.2.7.1 of this Reference Document.



LEAP-1B: the sole engine for the Boeing 737 MAX. Safran on board: CFM LEAP-1B low pressure compressor and forward sump (Safran Aero Boosters). CFM LEAP-1B engine lubrication system equipment (Safran Aero Boosters) LEAP-1B engines (within CFM International) (Safran Aircraft Engines). Wiring (Safran Electrical & Power). FADEC 4 for CFM LEAP engines (within FADEC Alliance JV) (Safran Electronics & Defense). Wheels and carbon brakes (dual-sourcing) (Safran Landing Systems). Power transmission system for CFM LEAP-1B engines (Safran Transmission Systems). Fans (Technofan).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

Simplified consolidated income statement

(in € millions)	2015 ⁽¹⁾	2016
Revenue	16,222	16,482
Recurring operating income ⁽²⁾	2,854	2,990
Profit from operations	2,076	3,339
Profit (loss) for the period	(424)	1,908

(1) Consolidated data for 2015 have been restated to reflect the reclassification of the "Security" operating segment within discontinued operations in accordance with IFRS 5.

(2) For the purposes of readability, "operating income before capital gains or losses on disposals/impacts of changes in control, impairment charges, transaction and integration costs and other items" is referred to as "recurring operating income" throughout this document and in all other financial communications.

PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

The parent company financial statements for the year ended December 31, 2016 have been prepared in accordance with the rules and regulations applicable in France pursuant to Regulation 2016-07 of November 4, 2016 amending Regulation 2014-03 issued by the French accounting standards-setter (*Autorité des Normes Comptables* - ANC) on June 5, 2014, as well as the subsequent opinions and recommendations issued by the ANC.

Simplified parent company income statement

(in € millions)	2015	2016
Revenue	563	525
Profit from ordinary activities before tax	1,568	447
Profit for the year	1,648	970

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

- the consolidated and parent company financial statements for the year ended December 31, 2014 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2014 Registration Document filed with the AMF on March 19, 2015 under number D. 15-0172; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union;
- the consolidated and parent company financial statements for the year ended December 31, 2015 and the corresponding audit reports as presented in sections 3.2 and 3.4 of the 2015 Registration Document filed with the AMF on March 30, 2016 under number D. 16-0225; the consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union.

Those sections of the 2014 and 2015 Registration Documents that are not incorporated by reference in this document are either considered no longer pertinent for investors or are dealt with in another section of the 2016 Registration Document.

FINANCIAL STATEMENTS

3

Overbraiding. Villemur-sur-Tarn facility produces electrical assemblies (wiring and electrical cabinets) for commercial and military aircraft and offers customer support and configuration management for its clients Airbus and Airbus Helicopters.

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3.1 GROUP CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2016

Consolidated income statement

<i>(in € millions)</i>	Note	Dec. 31, 2015*	Dec. 31, 2016
Revenue	6	16,222	16,482
Other income	6	285	277
Income from operations		16,507	16,759
Change in inventories of finished goods and work-in-progress		257	308
Capitalized production		946	624
Raw materials and consumables used	6	(9,275)	(9,340)
Personnel costs	6	(4,524)	(4,406)
Taxes		(277)	(286)
Depreciation, amortization and increase in provisions, net of use	6	(763)	(634)
Asset impairment	6	(179)	(237)
Other recurring operating income and expenses	6	118	115
Share in profit from joint ventures	14	44	87
Recurring operating income⁽¹⁾		2,854	2,990
Other non-recurring operating income and expenses	6	(778)	349
Profit from operations		2,076	3,339
Cost of net debt		(29)	(51)
Foreign exchange losses		(3,270)	(943)
Other financial income and expense		(109)	(58)
Financial loss	7	(3,408)	(1,052)
Profit (loss) before tax		(1,332)	2,287
Income tax benefit (expense)	8	505	(398)
Share in profit from associates	14	-	-
Gain on disposal of Ingenico Group shares	4	421	-
Profit (loss) from continuing operations		(406)	1,889
Profit from discontinued operations	28	29	74
PROFIT (LOSS) FOR THE PERIOD		(377)	1,963
Attributable to:			
■ owners of the parent		(424)	1,908
<i>continuing operations</i>		(450)	1,836
<i>discontinued operations</i>		26	72
■ non-controlling interests		47	55
<i>continuing operations</i>		44	53
<i>discontinued operations</i>		3	2
Earnings per share from continuing operations attributable to owners of the parent (in €)	9		
Basic earnings (loss) per share		(1.08)	4.41
Diluted earnings (loss) per share		(1.08)	4.33
Earnings per share from discontinued operations attributable to owners of the parent (in €)	9		
Basic earnings per share		0.06	0.17
Diluted earnings per share		0.06	0.17

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

(1) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

Consolidated statement of comprehensive income

(in € millions)	Note	Dec. 31, 2015*	Dec. 31, 2016
Profit (loss) for the period		(377)	1,963
Other comprehensive income			
Items to be reclassified to profit		248	12
Available-for-sale financial assets	13	(9)	(6)
Foreign exchange differences and net investment hedges		176	(9)
Income tax related to components of other comprehensive income to be reclassified to profit		31	8
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	14	37	11
Items related to discontinued operations to be reclassified to profit (net of tax)	28	13	8
Items not to be reclassified to profit		41	(109)
Actuarial gains and losses on post-employment benefits	21.c	50	(131)
Income tax related to components of other comprehensive income not to be reclassified to profit		(9)	24
Share in other comprehensive income of equity-accounted companies (net of tax) not to be reclassified to profit		-	(1)
Items related to discontinued operations not to be reclassified to profit (net of tax)	28	-	(1)
Other comprehensive income (expense) for the period		289	(97)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD		(88)	1,866
Attributable to:			
■ owners of the parent		(138)	1,811
<i>continuing operations</i>		(177)	1,730
<i>discontinued operations</i>		39	81
■ non-controlling interests		50	55
<i>continuing operations</i>		47	53
<i>discontinued operations</i>		3	2

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

In 2016:

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

- €7 million in foreign exchange gains (gains of €3 million in 2015) arising during 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;
- €36 million in foreign exchange losses (losses of €114 million in 2015) arising during 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;

- €20 million in foreign exchange gains (gains of €287 million in 2015) arising during 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" and Note 14.b, "Joint ventures") €11 million in foreign exchange gains arising in the period on foreign joint ventures (gains of €37 million in 2015) and €1 million in actuarial losses arising on employee benefit obligations (zero actuarial gains/losses in 2015).

Consolidated balance sheet

Assets

<i>(in € millions)</i>	Note	Dec. 31, 2015	Dec. 31, 2016
Goodwill	10	3,590	1,864
Intangible assets	11	5,321	5,178
Property, plant and equipment	12	3,272	3,169
Non-current financial assets	13	419	382
Investments in equity-accounted companies	14	765	2,175
Non-current derivatives (positive fair value)	27	35	28
Deferred tax assets	8	984	1,351
Non-current assets		14,386	14,147
Current financial assets	13	247	147
Current derivatives (positive fair value)	27	373	592
Inventories and work-in-progress	15	4,518	4,247
Trade and other receivables	16	6,515	6,252
Tax assets	8	623	513
Cash and cash equivalents	17	1,845	1,926
Current assets		14,121	13,677
Discontinued operations	28	-	3,234
TOTAL ASSETS		28,507	31,058

Equity and liabilities

<i>(in € millions)</i>	Note	Dec. 31, 2015	Dec. 31, 2016
Share capital	19	83	83
Consolidated retained earnings	19	5,927	4,495
Net unrealized gains on available-for-sale financial assets	19	41	35
Profit (loss) for the period		(424)	1,908
Equity attributable to owners of the parent		5,627	6,521
Non-controlling interests		266	288
Total equity		5,893	6,809
Provisions	20	1,802	1,706
Borrowings subject to specific conditions	22	708	699
Non-current interest-bearing financial liabilities	23	1,752	2,392
Non-current derivatives (negative fair value)	27	-	-
Deferred tax liabilities	8	677	987
Other non-current financial liabilities	25	26	5
Non-current liabilities		4,965	5,789
Provisions	20	1,654	1,558
Current interest-bearing financial liabilities	23	876	945
Trade and other payables	24	10,602	10,242
Tax liabilities	8	287	179
Current derivatives (negative fair value)	27	4,108	4,385
Other current financial liabilities	25	122	357
Current liabilities		17,649	17,666
Liabilities related to discontinued operations	28	-	794
TOTAL EQUITY AND LIABILITIES		28,507	31,058

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 Jan. 1, 2015	83	3,360	(19)	50	296	2,872	(410)	(126)	160	6,266	225	6,491
Comprehensive income (expense) for the period	-	-	-	(9)	226	-	47	(424)	22 ⁽¹⁾	(138)	50	(88)
Dividends	-	-	-	-	-	(267)	-	-	-	(267)	(23)	(290)
2015 interim dividend	-	-	-	-	-	(250)	-	-	-	(250)	-	(250)
Other movements	-	-	-	-	-	(126)	-	126	16	16	14	30
At Dec. 31, 2015	83	3,360	(19)	41	522	2,229	(363)	(424)	198	5,627	266	5,893
Comprehensive income (expense) for the period	-	-	-	(6)	8	-	(131)	1,908	32 ⁽¹⁾	1,811	55	1,866
Acquisitions/disposals of treasury shares	-	-	(38)	-	-	-	-	-	-	(38)	-	(38)
Dividends	-	-	-	-	-	(325)	-	-	-	(325)	(30)	(355)
2016 interim dividend	-	-	-	-	-	(287)	-	-	-	(287)	-	(287)
OCEANE 2016-2020 bond	-	-	-	-	-	44	-	-	-	44	-	44
Share buyback program	-	-	(42)	-	-	(208)	-	-	-	(250)	-	(250)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(6)	(6)	(1)	(7)
Other movements	-	-	-	-	-	(439)	15	424	(55)	(55)	(2)	(57)
AT DEC. 31, 2016	83	3,360	(99)	35	530	1,014	(479)	1,908	169	6,521	288	6,809

(1) See table below:

(in € millions)	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for 2015 (attributable to owners of the parent)	(9)	31	22
Comprehensive income (expense) for 2016 (attributable to owners of the parent)	24	8	32

Consolidated statement of cash flows

<i>(in € millions)</i>	Note	Dec. 31, 2015*	Dec. 31, 2016
I. Cash flow from operating activities			
Profit (loss) attributable to owners of the parent		(424)	1,908
Depreciation, amortization, impairment and provisions ⁽¹⁾		1,848	927
Share in loss from equity-accounted companies (net of dividends received)	14	(20)	(63)
Change in fair value of currency and commodity derivatives ⁽²⁾	27	2,475	81
Capital gains and losses on asset disposals ⁽³⁾		(453)	(364)
Pre-tax profit (loss) from discontinued operations		(26)	(110)
Profit attributable to non-controlling interests		47	55
Other ⁽⁴⁾		(821)	217
Cash flow from operations, before changes in working capital		2,626	2,651
Change in inventories and work-in-progress	15	(280)	(347)
Change in operating receivables and payables ⁽⁵⁾	16, 24, 27	210	219
Change in other receivables and payables	16, 24	75	(40)
Change in working capital		5	(168)
	TOTAL I⁽⁶⁾	2,631	2,483
II. Cash flow used in investing activities			
Capitalization of R&D expenditure ⁽⁷⁾	11	(502)	(364)
Payments for the purchase of intangible assets, net of proceeds ⁽⁸⁾		(495)	(324)
Payments for the purchase of property, plant and equipment, net of proceeds ⁽⁹⁾		(705)	(704)
Payments for the purchase of investments or businesses, net ⁽¹⁰⁾		(39)	(810)
Proceeds arising from the sale of investments or businesses, net ⁽¹¹⁾		622	2
Proceeds (payments) arising from the sale (acquisition) of investments and loans		(61)	5
	TOTAL II	(1,180)	(2,195)
III. Cash flow used in financing activities			
Change in share capital - owners of the parent		-	-
Change in share capital - non-controlling interests		(5)	(9)
Acquisitions and disposals of treasury shares	19.b	-	(38)
Repayment of borrowings and long-term debt	23	(79)	(73)
Increase in borrowings	23	12	682
Change in repayable advances	22	(14)	(24)
Change in short-term borrowings	23	(631)	10
Dividends and interim dividends paid to owners of the parent	19.e	(517)	(612)
Dividends paid to non-controlling interests		(23)	(30)
	TOTAL III	(1,257)	(94)
Cash flows from operating activities of discontinued operations	TOTAL IV	121	171
Cash flows used in investing activities of discontinued operations	TOTAL V	(88)	(111)
Cash flows used in financing activities of discontinued operations	TOTAL VI	(21)	(8)
Effect of changes in foreign exchange rates	TOTAL VII	6	15
Net increase in cash and cash equivalents	I+II+III+IV+V+VI+VII	212	261
Cash and cash equivalents at beginning of period		1,633	1,659
Cash and cash equivalents of discontinued operations at beginning of period		-	186
Cash and cash equivalents at end of period	17	1,659	1,926
Cash and cash equivalents of discontinued operations at end of period		186	180
Net increase in cash and cash equivalents		212	261

- (*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").
- (1) Including in 2016 €726 million in depreciation and amortization (€741 million in 2015), €243 million in impairment (€993 million in 2015) and €42 million in provision writebacks (€114 million provision expense in 2015).
- (2) Including in 2016 gains of €131 million arising on currency derivatives (gains of €2,438 million in 2015) (see Note 27, "Management of market risks and derivatives").
- (3) Including in 2016 €367 million in revaluation gains relating to contributions made to Airbus Safran Launchers (including in 2015 €446 million in pre-tax gains, or €421 million in post-tax gains on the disposal of the interest in Ingenico Group).
- (4) Including in 2016 a deferred tax expense of €54 million arising on changes in the fair value of currency derivatives (deferred tax expense of €856 million in 2015).
- (5) Including in 2016 premiums for €20 million paid on currency options (see Note 27, "Management of market risks and derivatives"), shown on the balance sheet under current derivatives with a negative fair value (€3 million in premiums collected in 2015).
- (6) Including in 2016 taxes paid amounting to €292 million (€361 million in 2015), of which €50 million in interest paid (€65 million in 2015) and €20 million in interest received (€32 million in 2015).
- (7) Including in 2016 capitalized interest of €20 million (€26 million in 2015).
- (8) Including in 2016 €313 million in disbursements for acquisitions of intangible assets (€469 million in 2015), zero proceeds from disposals (€4 million in 2015) and adverse changes in amounts payable on acquisitions of non-current assets representing €11 million (adverse changes of €30 million in 2015).
- (9) Including in 2016 €738 million in disbursements for acquisitions of property, plant and equipment (€752 million in 2015), adverse changes in amounts payable on acquisitions of non-current assets representing €5 million (positive changes of €14 million in 2015) and €39 million in proceeds from disposals (€33 million in 2015).
- (10) Including in 2016 €750 million in reserved capital increases carried out by ASL Holding SAS (see Note 4, "Scope of consolidation").
- (11) Including in 2015 €606 million in proceeds from the disposal of Ingenico Group shares (see Note 4, "Scope of consolidation").

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Safran (2, boulevard du Général-Martial-Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (joint-stock corporation) incorporated in France and continuously listed on Compartment A of the Euronext Paris Eurolist market.

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

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

The Board of Directors’ meeting of February 23, 2017 adopted and authorized the publication of the 2016 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders’ Meeting.

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union (available from http://ec.europa.eu/finance/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

Changes in accounting principles and policies

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2016

- Amendments to IAS 1, “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income and Disclosure Initiative.
- Amendments to IAS 16, “Property, Plant and Equipment” and IAS 38, “Intangible Assets” – Clarification of Acceptable Methods of Depreciation and Amortization.
- Amendments to IAS 19, “Employee Benefits” – Defined Benefit Plans: Employee Contributions.
- Amendments to IFRS 10, “Consolidated Financial Statements”, IFRS 12, “Disclosure of Interests in Other Entities”; and IAS 28, “Investments in Associates and Joint Ventures” – Investment Entities: Applying the Consolidation Exception.
- Amendments to IFRS 11, “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations.
- Annual Improvements to IFRSs published in December 2013 (2010-2012 cycle).
- Annual Improvements to IFRSs published in September 2014 (2012-2014 cycle).

These standards, interpretations and amendments effective for reporting periods beginning on or after January 1, 2016 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, 2016

None.

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

- IFRS 9, “Financial Instruments”.
- IFRS 15, “Revenue from Contracts with Customers”.
- IFRS 16, “Leases”.
- Amendments to IAS 7, “Statement of Cash Flows” – Disclosure Initiative.
- Amendments to IAS 12, “Income Taxes” – Recognition of Deferred Tax Assets for Unrealized Losses.
- Amendments to IAS 28, “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture.
- Amendments to 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”.

Except for IFRS 9 and IFRS 15, which are effective at 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 if early adoption were permitted by the texts concerned.

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

The analyses carried out to date on the hedging provisions of IFRS 9 indicate that most of the derivative instruments used by the Group as part of its hedging policy will not be eligible as hedging instruments within the meaning of the standard.

3 FINANCIAL STATEMENTS

Group consolidated financial statements at December 31, 2016

The Group will not therefore be able to apply hedge accounting in managing its foreign currency risk on future foreign currency cash flows. Analyses are currently in progress regarding the classification, measurement and impairment provisions of IFRS 9 (trade receivables, loans, etc.). The Group does not expect these provisions to have a material impact on its financial statements.

Regarding the application of IFRS 15, the Group has also analyzed its current accounting policies in light of the provisions of new IFRS 15. This analysis was performed on the different types of contract existing within the Group.

The findings were as follows:

Contract type/Contractual clause	Current accounting treatment	IFRS 15 accounting treatment
Original equipment product and spare part sales contracts (all segments)	Revenue is recognized on delivery of the goods	Unchanged
Time and materials service agreements (Aerospace Propulsion and Aircraft Equipment segments)	Revenue is recognized on delivery of the service	Unchanged
Maintenance contract based on flying hours/landings (Aerospace Propulsion and Aircraft Equipment segments)	Revenue is recognized in line with billings (flying hours/landings)	Revenue is recognized on a percentage-of-completion basis (cost-to-cost method)
Performance warranties and extended warranties (mainly Aerospace Propulsion and Aircraft Equipment segments)	Recognized in expenses	Recognized as a deduction from revenue on delivery of the goods
Development financed by the customer up front and/or on serial production (mainly Aircraft Equipment segment)	Revenue is recognized either as billing milestones are met or on a percentage-of-completion basis (cost-to-cost method)	<ol style="list-style-type: none"> 1) Development is a separate performance obligation: revenue is recognized on a percentage-of-completion basis (cost-to-cost method) or on completion in line with the transfer of control over the development work 2) Development cannot be separated from serial production: revenue corresponding to development is recognized on each serial product delivery
Contracts with multiple elements (e.g., development + serial product) with milestones representing contractual completion (mainly Defense and Security segments)	Revenue is recognized either as milestones are achieved or on a percentage-of-completion basis (cost-to-cost method)	<ol style="list-style-type: none"> 1) Identification of any performance obligations incorporated into contracts 2) Transfer of control of goods and services over time: revenue is recognized on a percentage-of-completion basis (cost-to-cost method) 3) Transfer of control of goods and services at a point in time: revenue is recognized on delivery

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, and will have no impact on the associated cash flows.

The impacts will primarily relate to the deferred recognition (relative to current practices) of revenue on certain service contracts or contracts with multiple elements and to reclassifications of expenses on certain warranties as a deduction from revenue.

IFRS 15 will be applied by the Group with effect from January 1, 2018 based on the "full retrospective approach". Accordingly, comparable data for 2017 presented in the 2018 consolidated financial statements will be restated and opening equity at January 1, 2017 will be adjusted for the impacts of the first-time application of this standard.

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

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

b) Consolidation

BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

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

INTRAGROUP TRANSACTIONS

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

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

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

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

c) Business combinations

The Group applies the revised IFRS 3.

ACQUISITION METHOD

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

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

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

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

GOODWILL

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

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

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

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

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

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

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

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

In accordance with IFRS 5, a discontinued operation represents a separate major line of business or geographic area of operations for the Group that either has been disposed of, or is classified as held for sale. The income, expenses and cash flows attributable to the operations disposed of or held for sale are presented on separate lines of the consolidated financial statements for all periods presented. The assets and liabilities attributable to the operations disposed of or held for sale are presented on separate lines of the consolidated balance sheet for the last period presented only.

In accordance with IFRS 5, on classifying activities as discontinued operations:

- the activities are measured at the lower of their carrying amount and their fair value less estimated costs to sell;
- depreciation/amortization of the non-current assets relating to the activities ceases;
- the non-current assets included in the discontinued operations are no longer tested for impairment;
- symmetrical positions on the balance sheet between continuing operations and discontinued operations continue to be eliminated.

e) Translation methods

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

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

On disposal of a foreign operation, cumulative foreign exchange differences are recognized in profit or loss as a component of the gain or loss on disposal. For any disposal, the foreign exchange differences recognized in profit or loss are determined based on direct consolidation of the foreign operation in the Group's financial statements.

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

f) Translation of foreign currency transactions and foreign currency derivatives

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

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

Long-term monetary assets held by a Group entity on a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, represent an investment in a foreign operation. In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", foreign exchange differences arising on these items are recorded in other comprehensive income (OCI) up to the date on which the investment is sold, when they are recognized as part of the gain or loss on disposal. If the transaction does not qualify as a net investment in a foreign operation, the corresponding exchange differences are recognized in the income statement.

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency-denominated purchases. The Group's forex hedging policy along with the forward currency contracts and options it uses are described in Note 27, "Management of market risks and derivatives".

Pursuant to IAS 39, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem/Snecma business combination, the Group decided that none of its foreign currency derivatives qualified for hedge accounting. Accordingly, any changes in the fair value of these derivatives are recognized in "Financial income (loss)".

g) Revenue

The main types of contracts identified in the Group are serial product and spare part sales contracts, installed base maintenance and/or support contracts, and design sales contracts.

If a payment deferral has a material impact on the calculation of the fair value of the consideration to be received, the future payments are discounted in order to calculate the fair value. This reduces the revenue recognized in proportion to the financial component inherent to the payment deferral.

Conversely, when the Group receives payments on account from customers, the revenue recognized is not increased by the financial component inherent to prepayments.

SERIAL PRODUCT AND SPARE PART SALES CONTRACTS

Revenue is only recognized if the Group has transferred to the buyer the significant risks and rewards of ownership of the goods

and if it is probable that the economic benefits associated with the transaction will flow to the entity. Revenue on serial product and spare part sales contracts is generally recognized on delivery of the goods, net of any discounts granted. If there is a risk that the transaction will be canceled or that the receivable identified at the inception of the contract will not be collected, no revenue is recognized. When this is no longer the case, revenue is recorded.

Under certain serial product sales contracts, customers are explicitly required to fund development:

- when the Group collects the financing from the customer during the development phase, the associated revenue is recognized on a percentage-of-completion basis by reference to the costs incurred to complete the development, or as and when the contractually defined technical milestones are met. In this last case, the development costs incurred are first recognized in "Inventories and work-in-progress". These costs are then expensed as and when the technical milestones defined upstream are met, at which time a portion of the financing received is recognized in revenue;
- when the financing for these contracts is contractually guaranteed by the customer for a specific number of units to be produced and delivered during the serial production phase, the design and development costs incurred are first recognized in "Inventories and work-in-progress". On delivery of each unit, a portion of these costs is expensed and the related guaranteed financing is booked in revenue.

SERVICE CONTRACTS (INCLUDING DESIGN SALES CONTRACTS, INSTALLED BASE MAINTENANCE AND SUPPORT CONTRACTS)

Under service contracts, revenue may only be recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred in respect of the contract and the costs to complete the contract can be measured reliably.

Revenue from Group service contracts is chiefly recorded as and when billings are made, which in turn is based on units of labor such as flying hours (for installed base maintenance and support contracts, for example), or on technical milestones formally set down in such contracts (for example in the case of multiple-element Defense contracts which include the sale of both the development and the serial production). Revenue earned on certain design sales contracts is recognized based on the percentage of costs incurred.

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

If revenue billed to the customer is representative of the contractual stage of completion, the costs to be recognized are measured on the basis of the margin set forth in the contract. If calculated costs are less than actual costs, the temporarily excess costs are maintained in inventories and work-in-progress. If calculated costs are greater than actual costs, a provision for services to be rendered is recognized for the difference.

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable.

h) Current and deferred tax

Tax expense (tax income) is the aggregate of current tax and deferred tax recorded in the income statement.

Current tax expense is the amount of income tax payable for a period, calculated in accordance with the rules established by the relevant tax authorities on the basis of taxable profit for the period. Current tax expense also includes any penalties recognized in respect of tax adjustments recorded in the period. The tax expense is recognized in profit or loss unless it relates to items recognized directly in equity, in which case the tax expense is recognized directly in equity.

Deferred tax assets and liabilities are calculated for each entity on temporary differences arising between the carrying amount of assets and liabilities and their corresponding tax base. The tax base depends on the tax regulations prevailing in the countries where the Group manages its activities. Tax losses and tax credits that can be carried forward are also taken into account.

Deferred tax assets are recognized in the balance sheet if it is likely that they will be recovered in subsequent years. The value of deferred tax assets is reviewed at the end of each annual reporting period.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when tax is levied by the same tax authority and offsetting is permitted by the local tax authorities.

The liability method is applied and the impact of changes in tax rates is recognized in profit or loss for the period in which the corresponding tax law was enacted and the change in tax rate decided, unless the transactions concerned are recognized directly in equity.

The 3% tax on dividend distributions applicable in France is recognized as a tax expense in the period in which the related dividends were paid.

Research tax credits in France, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development expenses incurred during the period. Accordingly, they are classified under the heading "Other income" in the income statement, and not as a decrease in income tax expense. The recognition of all or part of research tax credits received in the year as revenue can be deferred over several periods provided the tax credits relate to development expenditures capitalized in the Group's consolidated financial statements.

The CICE tax credit introduced to boost competitiveness and employment in France is also recognized in "Other income" as it is treated as an operating subsidy.

i) Earnings per share

Basic earnings per share is calculated by dividing profit by the weighted average number of ordinary shares issued and outstanding during the period, less the average number of ordinary shares purchased and held as treasury shares.

Diluted earnings per share is calculated by dividing profit by the weighted average number of shares issued or to be issued at the end of the reporting period, excluding treasury shares

and including the impact of all potentially dilutive ordinary shares, particularly those resulting from convertible bonds or an outstanding share buyback program. The dilutive impact of convertible bonds results from the shares that may be created if all bonds issued were to be converted. The dilutive impact of share buyback programs is calculated using the reverse treasury stock method which compares the closing share price with the average share price for the period concerned.

j) Intangible assets

Intangible assets are recognized on the balance sheet at fair value, historical cost or production cost, depending on the method of acquisition. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset are included in the cost of that asset when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months). The initial amount recorded on the balance sheet is reduced by accumulated amortization and impairment losses, where appropriate.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

These assets are recognized at fair value at the date control was acquired and are amortized on a straight-line basis, as described below:

- intangible assets recognized at the time of the 2005 Sagem/Snecma merger and on the acquisition of Rolls Royce's stake in the RTM322 program and classified under "Aircraft programs" are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;
- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangible assets acquired) are amortized over the estimated useful life of each identified intangible asset (3 to 23 years).

SEPARATELY ACQUIRED INTANGIBLE ASSETS

Software is recognized at acquisition cost and amortized on a straight-line basis over its useful life (between one and five years).

Patents are capitalized at acquisition cost and amortized over their useful life, i.e., the shorter of the period of legal protection and their economic life.

Contributions paid to third parties in connection with aircraft programs (participation in certification costs, etc.) are considered as acquired intangible assets and are therefore capitalized unless the program proves unprofitable.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are recognized as expenses in the period in which they are incurred. However, internally

financed development expenditures are capitalized if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset and the intention and ability (availability of technical, financial and other resources) to complete the intangible asset and use or sell it;
- the probability that future economic benefits will flow from the asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

In the Group's businesses, all criteria for capitalizing development expenditures are met when the decision to launch the development concerned is taken by management and program/project profitability as validated by relevant internal or external sources can be demonstrated. Development expenditures cannot be capitalized before this time.

Capitalization of development expenditures ceases as soon as the product to which the expenditures relate is brought into service.

Capitalized development expenditures are stated at production cost and amortized using the straight-line method as from the initial delivery of the product, over a useful life not exceeding 20 years.

Intangible assets are tested for impairment in accordance with the methods set out in Note 1.1.

k) Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical purchase cost or production cost less accumulated depreciation and impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are included in the cost of that item when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months).

Replacement and major overhaul costs are identified as components of property, plant and equipment. Other repair and maintenance costs are expensed as incurred.

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.

During the lease period, payments are apportioned between the finance cost and the reduction of the debt in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

The gross amount of items of property, plant and equipment is depreciated over the expected useful life of their main components, mainly using the straight-line method.

If the transfer of ownership at the end of a finance lease term is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the item of property, plant and equipment is depreciated over the shorter of its useful life and the term of the lease.

The main useful lives applied are as follows:

■ buildings	15-40 years
■ technical facilities	5-40 years
■ equipment, tooling and other	5-15 years

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.1.

l) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units (CGUs). Two types of CGUs are defined within the Group:

- CGUs corresponding to programs, projects, or product families associated with specific assets: development expenditures, property, plant and equipment used in production;
- CGUs to which goodwill is allocated, corresponding to the business segments monitored by Group management and relating chiefly to the Group's main subsidiaries.

In the event of a sale or restructuring of the Group's internal operations which affects the composition of one or more of the CGUs to which goodwill has been allocated, the allocations are revised using a method based on relative value. This method takes the proportion represented by the business sold or transferred in the cash flows and terminal value of the original CGU at the date of sale or transfer.

Impairment tests are performed at least once a year (in the first half of the year) on assets with indefinite useful lives or on non-amortizable assets such as goodwill. Impairment tests are also carried out on amortizable assets, where the amortization/depreciation period has not yet begun. Impairment testing is carried out whenever there is an indication of impairment irrespective of whether the assets are amortizable/depreciable.

At the end of each reporting period, the Group's entities assess whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes which in the long-term impact the economic environment (commercial prospects, procurement sources, index or cost movements, etc.) or the Group's assumptions or objectives (medium-term plan, profitability analyses, market share, backlog, regulations, disputes and litigation, etc.).

If such events or circumstances exist, the recoverable amount of the asset is estimated. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered as impaired and its carrying amount is reduced to its recoverable amount by recognizing an impairment loss under "Profit from operations".

Recoverable amount is defined as the higher of an asset's or group of assets' fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, determined using a benchmark discount rate that reflects the Group's weighted average cost of capital (WACC). This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

Future cash flows are calculated differently depending on the assets tested:

- assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group's operating cycles (aircraft and defense), where assets tend to have a long useful life and slow product development;
- goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years five to ten (or beyond year ten for certain activities with a longer development and production cycle), and are discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years five to ten (or beyond year ten for certain activities), taking into account a perpetual growth rate.

Should a test on a CGU's assets indicate an impairment loss, the Group first establishes the recoverable amount of the assets considered separately. Any impairment loss is initially allocated to goodwill and then to the assets of the CGU prorata to their carrying amount.

In the event of an identified loss in value, any impairment loss recognized against goodwill cannot be reversed. For other assets, indications of impairment loss are analyzed at the end of each subsequent reporting period, and if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed through profit or loss.

m) Equity investments, loans and receivables

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", equity investments in non-consolidated companies are classified as available-for-sale and therefore measured at fair value. For listed securities, fair value corresponds to market price. If fair value cannot be measured reliably, investments are recognized at cost, less any impairment losses. Changes in fair value are recognized directly in equity, unless there is an objective indication that the financial asset is impaired (see below). In this case, an impairment loss is recognized in profit or loss. The impairment loss is reversed through profit or loss only on the disposal of the investments.

Loans and receivables are carried at historical cost and may be written down if there is an objective indication of impairment. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount, and is recognized in profit or loss. It may be reversed if the recoverable amount subsequently increases to above the carrying amount.

An objective indication of impairment is a significant or prolonged reduction in the value of the asset:

- for assets available for sale, an objective indication results from a significant drop in the estimated future cash flows associated with these assets, major difficulties of the issuer, a substantial drop in the expected return on these assets, or a significant or prolonged fall in the fair value of listed financial assets;
- for loans and receivables, an objective indication results from the Group's awareness that the debtor is in financial difficulty (payment default, liquidation, etc.).

n) Inventories and work-in-progress

Inventories and work-in-progress are measured at the lower of cost determined using the weighted average cost formula, and net realizable value.

Cost is calculated based on normal production capacity and therefore excludes any idle capacity costs.

Net realizable value represents the estimated selling price less the costs required to complete the asset or make the sale.

Borrowing costs incurred during the production phase are included in the value of inventories when the eligibility conditions are met.

o) Cash and cash equivalents

Cash and cash equivalents include available funds, highly liquid short-term investments (three months or less) and term deposits with exit options exercisable at no penalty within less than three months that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

These assets are recognized at market value (fair value) or amortized cost, as appropriate.

p) Treasury shares

All treasury shares held by the Group are deducted from consolidated equity based on their acquisition price, regardless of whether they were repurchased in connection with a liquidity agreement or under a share buyback program initiated by the Group. Gains and losses on the disposal of treasury shares are recorded directly in equity and do not impact profit or loss for the period.

For share buyback programs outstanding at the end of the reporting period, the firm obligation to repurchase shares is recognized in the form of a liability for the acquisition of shares, against a reduction in consolidated retained earnings. This liability,

which is not included in calculations of the Group's net financial position, is cleared as and when the disbursements relating to the share buybacks are made.

q) Share-based payment

The Group occasionally grants various share-based payments to its employees, including free shares, long-term variable compensation and leveraged or unleveraged savings plans.

In accordance with IFRS 2, "Share-based Payment", these arrangements are measured at fair value taking into account any lock-up period for shares granted. The fair value of equity-settled instruments is determined at the grant date. The fair value of cash-settled instruments is revised up to the date of payment. These employee benefits represent personnel costs and are recognized on a straight-line basis over the period during which the rights vest, with an offsetting entry to consolidated retained earnings for equity-settled plans and to liabilities for cash-settled plans.

r) Provisions

The Group records provisions when it recognizes a present probable or potential (in the event of a business combination) legal or constructive obligation as a result of a past event for which an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

For taxes levied by public authorities, the liability is recognized at the date of the obligating event for each levy, such as that defined by applicable local regulations.

PROVISIONS FOR LOSSES ON COMPLETION AND LOSSES ARISING ON DELIVERY COMMITMENTS

A provision for losses on completion is recognized for contracts managed on a percentage-of-completion basis, and a provision for losses arising on delivery commitments is recognized for sales contracts, when:

- a contract (or combination of contracts), signed before the end of the reporting period, gives rise to obligations for the Group in the form of the delivery of goods, the provision of services or the payment of termination indemnities;
- the Group's obligation and the expected economic benefits can be measured reliably;
- it is highly probable that the contract (or combination of contracts) will be onerous (the unavoidable costs of meeting the obligations under the contract [or combination of contracts] exceed the expected economic benefits).

Unavoidable costs for which a provision is recognized represent the lower of the net cost of executing the contract (i.e., the forecast loss on the contract) and the cost of failing to execute the contract (e.g., withdrawal costs in the event of early termination).

In the case of original equipment sales contracts, the expected economic benefits correspond to the contract cash flows associated with the highly probable cash flows from the spare part activities provided under the contracts.

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

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

PROVISIONS FOR FINANCIAL GUARANTEES ON SALES

As part of its civil engine sales campaigns, the Group grants two types of guarantees to its customers:

- financial guarantees under which it provides a guarantee to the lending institutions that finance its customer;
- guarantees covering the value of assets, under which Safran grants the customer an option to return the aircraft at a given date for an agreed price.

These commitments are undertaken by the Group together with its partner General Electric, and form part of financing packages proposed by aircraft manufacturers to airline companies. They generally correspond to the share represented by Group engines in the financing of the aircraft.

Financial commitments are generally granted on signature of the sales agreement, but do not actually take effect until the customer so requests.

These guarantees generate risks. However, the total gross amount of the guarantees does not reflect the net risk to which the Group is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, i.e., the aircraft pledged.

A provision is recognized in respect of these guarantees, reflecting events likely to generate a future outflow of resources for the Group.

PROVISIONS FOR OPERATING WARRANTIES, PERFORMANCE WARRANTIES, AND STANDARD WARRANTY EXTENSIONS

These provisions are recorded to cover the Group's share of probable future disbursements with respect to operating and performance warranties on deliveries of engines and equipment and standard warranty extensions that may be granted. Operating warranties generally cover a period of one to three years depending on the type of equipment delivered. Performance warranties are generally granted for longer periods. These provisions are calculated as appropriate based on technical files or statistics, particularly with respect to the return of

parts covered by operating warranties, and standard warranty extensions or performance tracking indicators (consumption, noise, emissions, etc.) for performance warranties.

s) Post-employment benefits

In compliance with the laws and practices of each country in which it operates, the Group grants its employees post-employment benefits (pensions, termination payments, early retirement plans, etc.) as well as other long-term benefits including long-service awards, jubilee benefits and loyalty premiums.

For its basic plans and other defined contribution plans, the contribution paid in the period is recognized in expenses when due. No provision is recorded.

Provisions recognized for obligations under defined benefit plans are measured using the projected unit credit method. This determines, for each employee, the present value of the benefits to which the employee's current and past services will grant entitlement on retirement. The actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial (discount rate, salary increase rate, etc.) assumptions, and are performed at the end of each reporting period for which accounts are published.

When plans are funded, the plan assets are placed with entities that are responsible for paying the benefits in the countries concerned. These assets are measured at fair value. Provisions are recorded to cover shortfalls in the fair value of plan assets compared with the present value of the Group's obligations.

An asset surplus is only recognized in the balance sheet when it represents future economic benefits effectively available to the Group.

In accordance with the revised IAS 19, changes in actuarial gains and losses arising on defined benefit plans are recognized in "Other comprehensive income" within equity and not subsequently reclassified to profit.

The Group distinguishes between operating components and financial components when presenting defined benefit expense:

- service cost for the period is shown in profit from operations, along with past service costs arising on the introduction of a new plan or curtailments or settlements of an existing plan, which are recognized immediately in this caption;
- the cost relating to unwinding the discount on the net pension liability (asset) is shown in financial income (loss).

t) Borrowings subject to specific conditions

The Group receives public financing in the form of repayable advances to develop aircraft and defense projects. These advances are repaid based on the revenue generated by future sales of engines or equipment.

Repayable advances are treated as sources of financing and are recognized in liabilities in the consolidated balance sheet under the heading "Borrowings subject to specific conditions".

At inception, they are measured at the amount of cash received or, when acquired, at the value of probable future cash flows discounted at market terms at the acquisition date. They are subsequently measured at amortized cost at the end of each reporting period, taking into account the most recent repayment estimations.

The present value of estimated repayments, based on management's best estimates, is regularly compared with the net carrying amount of repayable advances, defined as the sum of amounts received, plus any interest capitalized at the end of the reporting period, less repayments made. If as a result of this analysis the present value of estimated repayments is durably more or less than the carrying amount of the repayable advances over three consecutive years, that unrecognized portion of the present value of the advance which is higher or lower than the carrying amount is taken to profit or loss.

For certain contracts, the Group has to pay a fee based on replacement sales realized under the program once the advance has been fully repaid. This fee is not considered as repayment of an advance but as an operating expense.

u) Interest-bearing financial liabilities

On initial recognition, interest-bearing financial liabilities are measured at the fair value of the amount received, less any directly attributable transaction costs. Besides the specific conditions applicable to hedge accounting (Note 1.v), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

v) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates. The derivatives used can include forward currency contracts and currency options or interest rate swaps. The Group's market risk management policy is described in Note 27, "Management of market risks and derivatives".

Most derivatives are traded over-the-counter and no quoted prices are available. Consequently, they are measured using models commonly used by market participants to price such instruments (discounted cash flow method or option pricing models). Counterparty risk and proprietary credit risk are taken into account when measuring derivatives.

For a derivative or non-derivative hedging instrument to be eligible for hedge accounting, the hedging relationship must be formally designated and documented at inception and its effectiveness

must be demonstrated throughout the life of the instrument using documented effectiveness tests.

The accounting principles applicable to foreign currency derivatives used to hedge foreign exchange risk are set out in Note 1.f.

The Group contracted a net investment hedge of some of its US operations using USD debt. Changes in the fair value of the debt attributable to the hedged foreign exchange risk are recognized within other comprehensive income for the effective portion of the hedge. Changes in fair value attributable to the ineffective portion of the hedge are taken to profit or loss. Amounts carried in equity are taken to profit or loss when the hedged investment is sold or unwound. The interest rate component of the hedging instrument is shown in "Financial income (loss)".

Certain derivatives used to hedge interest rate risk on fixed-rate financial assets and liabilities may be designated as hedging instruments in a fair value hedging relationship. In this case, the borrowings hedged by the interest rate derivatives (mainly interest rate swaps) are adjusted to reflect the change in fair value attributable to the hedged risk. Changes in the fair value of hedged items are taken to profit or loss for the period and offset by symmetrical changes in the fair value of the interest rate swaps (effective portion).

The Group may use derivative instruments to hedge the risk of fluctuations in the price of certain listed commodities. This price risk affects its purchases of semi-finished products with a high commodity component. The Group's commodity price hedging strategy is described in Note 27, "Management of market risks and derivatives". Pursuant to IAS 39, these commodity derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. Given the difficulty in documenting hedging relationships between these derivatives and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

w) Sale of receivables

The Group sells some of its trade receivables to financial institutions, generally within the scope of confirmed factoring facilities. The related assets may only be removed from the balance sheet if the rights to the future cash flows from the receivables are transferred, along with substantially all of the associated risks and rewards (payment default, late-payment risk, etc.).

x) Structure of the consolidated balance sheet

The Group is engaged in a variety of activities, most of which have long operating cycles. Consequently, assets and liabilities generally realized or unwound within the scope of the operating cycle (inventories and work-in-progress, receivables, advances and downpayments received from customers, trade and other payables, and foreign currency and commodity derivatives, etc.) are presented with no separation between current and non-current portions. However, other financial assets and liabilities as well as provisions are considered as current if they mature within 12 months of the end of the reporting period. All other financial assets, liabilities and provisions are considered non-current.

y) Recurring operating income

To make the Group's operating performance more transparent, it includes an intermediate operating indicator known as "Recurring operating income⁽¹⁾" in its reporting.

This sub-total includes the share of profit from joint ventures accounted for under the equity method, since all joint ventures are involved in businesses directly related to the Group's core activities.

This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature, such as:

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., significant decrease in forecast volumes, difficulties encountered during the development phase, renegotiated sales agreements, changes in the production process, etc.);
- capital gains and losses on disposals of operations;
- gains on remeasuring any previously held equity interests in the event of step acquisitions or transfers made to joint ventures;
- other unusual and/or material items not directly related to the Group's ordinary operations.

(1) For the purposes of readability, "operating income before capital gains or losses on disposals/impacts of changes in control, impairment charges, transaction and integration costs and other items" is referred to as "recurring operating income" throughout this document and in all other financial communications.

NOTE 2 MAIN SOURCES OF ESTIMATES

The preparation of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) described above requires management to make certain estimates and assumptions that affect the reported amounts of consolidated assets, liabilities, income and expenses.

The assumptions used vary from one business to the next, but are considered reasonable and realistic in all cases. The resulting estimates are based on the Group's past experience and factor in the economic conditions prevailing at the end of the reporting period and any information available as of the date of preparation of the financial statements, in particular of a contractual or commercial nature.

Estimates and underlying assumptions are reviewed on an ongoing basis.

When unforeseen developments in events and circumstances occur, particularly as regards global economic trends and the Group's own business environment, actual results may differ from these estimates. In such cases, the assumptions, and where appropriate the reported amounts of assets and liabilities concerned, are adjusted accordingly.

The Group also tests its sensitivity to changes in the assumptions underlying its main estimates in order to anticipate the impact of volatility and lack of visibility in the global economic environment and particularly in certain Group segments. These analyses are regularly reviewed by management.

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

a) Estimates relating to programs and contracts

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

The assumptions applied and resulting estimates used for programs and contracts cover periods that are sometimes very long (up to several decades), and take into account the technological, commercial and contractual constraints of each such program and contract.

These estimates primarily draw on assumptions about the volumes, output and selling prices of products sold, associated production costs, exchange rates for foreign currency-denominated sales and purchases as well as normal risks and uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each contract. Where such information is available, particularly for major civil aviation programs and contracts, volume and output assumptions used by the Group for products sold are analyzed in light of the assumptions published by major contractors.

Cash flow forecasts, which may or may not be discounted, are used to determine the following:

- **impairment of non-current assets:** Goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.I. 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. 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 in respect of 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 price. However, the fair value of other items such as intangible assets or contingent liabilities may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

f) Disputes and litigation

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 32, "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 2015 COMPARATIVE INFORMATION

In accordance with IFRS 5, the activities of the Security operating segment are shown in discontinued operations and assets held for sale in the Group's 2016 consolidated financial statements (see Note 4, "Scope of consolidation").

Consequently, the income statement, statement of cash flows and segment information published for 2015 have been restated in line with IFRS 5.

The resulting impacts on the financial statements are shown below.

INCOME STATEMENT

<i>(in € millions)</i>	Dec. 31, 2015 (published)	IFRS 5 impact	Dec. 31, 2015 (restated)
Revenue	18,100	(1,878)	16,222
Other income	304	(19)	285
Income from operations	18,404	(1,897)	16,507
Change in inventories of finished goods and work-in-progress	261	(4)	257
Capitalized production	964	(18)	946
Raw materials and consumables used	(10,208)	933	(9,275)
Personnel costs	(5,061)	537	(4,524)
Taxes	(297)	20	(277)
Depreciation, amortization and increase in provisions, net of use	(956)	193	(763)
Asset impairment	(187)	8	(179)
Other recurring operating income and expenses	(92)	210	118
Share in profit from joint ventures	45	(1)	44
Recurring operating income⁽¹⁾	2,873	(19)	2,854
Other non-recurring operating income and expenses	(796)	18	(778)
Profit from operations	2,077	(1)	2,076
Cost of net debt	(28)	(1)	(29)
Foreign exchange losses	(3,248)	(22)	(3,270)
Other financial income and expense	(111)	2	(109)
Financial loss	(3,387)	(21)	(3,408)
Loss before tax	(1,310)	(22)	(1,332)
Income tax benefit (expense)	508	(3)	505
Share in profit from associates	4	(4)	-
Gain on disposal of Ingenico Group shares	421	-	421
Loss from continuing operations	(377)	(29)	(406)
Profit (loss) from discontinued operations	-	29	29
LOSS FOR THE PERIOD	(377)	-	(377)
Attributable to:			
■ owners of the parent	(424)	-	(424)
<i>continuing operations</i>	(424)	(26)	(450)
<i>discontinued operations</i>	-	26	26
■ non-controlling interests	47	-	47
<i>continuing operations</i>	47	(3)	44
<i>discontinued operations</i>	-	3	3
Earnings (loss) per share from continuing operations attributable to owners of the parent (in €)			
Basic loss per share	(1.02)	(0.06)	(1.08)
Diluted loss per share	(1.02)	(0.06)	(1.08)
Earnings (loss) 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

(1) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	Dec. 31, 2015 (published)	IFRS 5 impact	Dec. 31, 2015 (restated)
Loss for the period	(377)	-	(377)
Other comprehensive income			
Items to be reclassified to profit	248	-	248
Available-for-sale financial assets	(9)	-	(9)
Foreign exchange differences and net investment hedges	189	(13)	176
Income tax related to components of other comprehensive income to be reclassified to profit	31	-	31
Share in other comprehensive income of equity-accounted companies to be reclassified to profit (net of tax)	37	-	37
Items related to discontinued operations to be reclassified to profit (net of tax)	-	13	13
Items not to be reclassified to profit	41	-	41
Actuarial gains and losses on post-employment benefits	50	-	50
Income tax related to components of other comprehensive income not to be reclassified to profit	(9)	-	(9)
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)	-	-	-
Other comprehensive income for the period	289	-	289
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	(88)	-	(88)
Attributable to:			
■ owners of the parent	(138)	-	(138)
<i>continuing operations</i>	(138)	(39)	(177)
<i>discontinued operations</i>	-	39	39
■ non-controlling interests	50	-	50
<i>continuing operations</i>	50	(3)	47
<i>discontinued operations</i>	-	3	3

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	Dec. 31, 2015 (published)	IFRS 5 impact	Dec. 31, 2015 (restated)
I. Cash flow from operating activities			
Loss attributable to owners of the parent	(424)	-	(424)
Depreciation, amortization, impairment and provisions	2,057	(209)	1,848
Share in profit (loss) from equity-accounted companies (net of dividends received)	(8)	(12)	(20)
Change in fair value of currency and commodity derivatives	2,475	-	2,475
Capital gains and losses on asset disposals	(452)	(1)	(453)
Pre-tax profit (loss) of discontinued operations	-	(26)	(26)
Profit (loss) attributable to non-controlling interests	47	-	47
Other	(883)	62	(821)
Cash flow from operations, before changes in working capital	2,812	(186)	2,626
Change in inventories and work-in-progress	(287)	7	(280)
Change in operating receivables and payables	157	53	210
Change in other receivables and payables	70	5	75
Change in working capital	(60)	65	5
TOTAL I	2,752	(121)	2,631
II. Cash flow used in investing activities			
Capitalization of R&D expenditure	(521)	19	(502)
Payments for the purchase of intangible assets, net of proceeds	(500)	5	(495)
Payments for the purchase of property, plant and equipment, net of proceeds	(758)	53	(705)
Payments for the purchase of investments or businesses, net	(51)	12	(39)
Proceeds arising from the sale of investments or businesses, net	624	(2)	622
Proceeds (payments) arising from the sale (acquisition) of investments and loans	(62)	1	(61)
TOTAL II	(1,268)	88	(1,180)
III. Cash flow used in financing activities			
Change in share capital - owners of the parent	-	-	-
Change in share capital - non-controlling interests	(5)	-	(5)
Repayment of borrowings and long-term debt	(78)	(1)	(79)
Increase in borrowings	9	3	12
Change in repayable advances	(14)	-	(14)
Change in short-term borrowings	(650)	19	(631)
Dividends and interim dividends paid to owners of the parent	(517)	-	(517)
Dividends paid to non-controlling interests	(23)	-	(23)
TOTAL III	(1,278)	21	(1,257)
Cash flows from operating activities of discontinued operations	TOTAL IV	-	121
Cash flows used in investing activities of discontinued operations	TOTAL V	-	(88)
Cash flows used in financing activities of discontinued operations	TOTAL VI	-	(21)
Effect of changes in foreign exchange rates	TOTAL VII	5	1
Net increase (decrease) in cash and cash equivalents	I+II+III+IV +V+VI+VII	212	-
Cash and cash equivalents at beginning of period	1,633		1,633
Cash and cash equivalents of discontinued operations at beginning of period	-		-
Cash and cash equivalents at end of period	1,845	(186)	1,659
Cash and cash equivalents of discontinued operations at end of period	-	186	186
Net increase in cash and cash equivalents	212		212

SEGMENT INFORMATION AT DECEMBER 31, 2015

<i>(in € millions)</i>	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	17,406	(1,878)	15,528	8	15,536	686	-	16,222
Recurring operating income⁽²⁾	2,514	(151)	2,363	(82)	2,281	704*	(131)**	2,854
Other non-recurring operating income and expenses	(690)	18	(672)	(8)	(680)	-	(98)	(778)
Profit from operations⁽¹⁾	1,824	(133)	1,691	(90)	1,601	704*	(229)**	2,076
Free cash flow	925	(45)	880	49	929	-	-	929
Gross operating working capital	1,590	(217)	1,373	(123)	1,250	-	-	1,250
Segment assets	23,664	(2,829)	20,835	939	21,774	-	-	21,774
<i>(1) of which depreciation, amortization and increase in provisions, net of use</i>	<i>(673)</i>	<i>87</i>	<i>(586)</i>	<i>(43)</i>	<i>(629)</i>	<i>2</i>	<i>(136)**</i>	<i>(763)</i>
<i>of which impairment</i>	<i>(189)</i>	<i>8</i>	<i>(181)</i>	<i>(1)</i>	<i>(182)</i>	<i>3</i>	<i>-</i>	<i>(179)</i>

(*) A negative amount of €27 million concerning the Security segment was restated at December 31, 2015.

(**) A negative amount of €105 million concerning the Security segment was restated at December 31, 2015.

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

<i>(in € millions)</i>	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)	3,965	3,554	6,147	2,427	1,321	17,414	686	18,100
IFRS 5 impact	(185)	(281)	(1,049)	(157)	(206)	(1,878)		(1,878)
Revenue by location of customers (restated)	3,780	3,273	5,098	2,270	1,115	15,536	686	16,222

NOTE 4 SCOPE OF CONSOLIDATION

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 preliminary allocation of the purchase price to the acquired entity's amortizable intangible assets is currently in progress and generated an amortization expense net of the deferred tax effect of €12 million in second-half 2016. The purchase price allocation will be finalized within 12 months of the transaction.

SALE OF THE DETECTION BUSINESS

Safran announced on April 21, 2016 that it had reached an agreement to sell Morpho Detection LLC, Morpho Detection International LLC and other detection assets to Smiths Group Plc for an enterprise value of USD 710 million. The assets and liabilities concerned, along with the income statement and statement of cash flow items for this business, are shown within "discontinued operations" (see Note 28).

Safran's detection businesses offer solutions for the detection and identification of explosives made from bio-, radiological or nuclear materials or chemicals or any other illicit substances to strengthen security at airports and border crossings and at sensitive sites or events.

The acquisition, which is awaiting regulatory clearance and must meet other conditions precedent usually applicable in such circumstances, is due to be finalized during the first half of 2017. The European Commission approved the transaction on January 19, 2017, contingent on Smiths Group selling its explosives detection business.

SALES OF SAFRAN'S IDENTITY AND SECURITY SOLUTIONS BUSINESS

Following an extensive review of the different strategic options to ensure the development of its Identity and Security activities, on September 29, 2016 Safran announced that it had received a firm and irrevocable offer from Advent International to acquire its Identity and Security activities for €2,425 million, and that it had entered into exclusive negotiations on this basis.

A definitive binding agreement between the two parties was signed on December 20, 2016, subject to obtaining regulatory clearance (the US anti-trust authorities approved the transaction on December 8, 2016), and the transaction should be finalized during the first half of 2017.

The assets and liabilities concerned, along with the income statement and statement of cash flow items for these businesses, are shown within discontinued operations (see Note 28).

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.

Main changes in the scope of consolidation in 2015

DISPOSAL OF SHARES IN INGENICO GROUP

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

At the same time, Safran mandated a financial institution to sell Morpho's remaining 3.6% stake in Ingenico Group. The sale was hedged by a tunnel which enabled Morpho to sell the remaining 2.2 million shares on July 29, 2015 at €110.8 per share, representing a total amount of €242 million and bringing the gross proceeds from these share sales to €606 million.

Following these two sales, the Group recognized a gain of €421 million net of tax in the 2015 financial statements, shown on a separate line of the consolidated income statement.

NOTE 5 SEGMENT INFORMATION

Segments presented

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

The Group's operating segments reflect the organization of subsidiaries around tier-one entities ("consolidation sub-groups"). These consolidation sub-groups are organized based on the type of products and services they sell. Four operating segments have been identified based on these criteria. Since the Security segment is classified within "discontinued operations" at December 31 (see Notes 3 and 28), only three segments are analyzed in the segment information presented in this note.

AEROSPACE PROPULSION

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

AIRCRAFT EQUIPMENT

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

DEFENSE

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

Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods,

periscopes, infrared cameras, multifunction binoculars, air surveillance systems), as well as defense equipment and systems.

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

The assessment of each business segment's performance by the Chief Executive Officer is based on adjusted contribution figures as explained in the Foreword (see section 2.1).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, "Accounting policies"), except for the restatements made in respect of adjusted data (see Foreword, section 2.1).

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

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

Gross operating working capital represents the gross balance of trade receivables, inventories and trade payables.

Segment assets represent the sum of goodwill, intangible assets, property, plant and equipment, investments in joint ventures and all current assets except cash and cash equivalents and tax assets.

Non-current assets comprise goodwill, property, plant and equipment, intangible assets and investments in equity-accounted associates and joint ventures.

Quantified segment information for 2015 and 2016 is presented below.

Segment information

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

AT DECEMBER 31, 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	9,391	5,145	1,238	15,774	7	15,781	701	-	16,482
Recurring operating income (loss)⁽²⁾	1,786	567	76	2,429	(25)	2,404	712	(126)	2,990
Other non-recurring operating income and expenses	3	(5)	(7)	(9)	(9)	(18)	-	367	349
Profit (loss) from operations⁽¹⁾	1,789	562	69	2,420	(34)	2,386	712	241	3,339
Free cash flow	929	165	17	1,111	(20)	1,091	-	-	1,091
Gross operating working capital	(92)	1,215	392	1,515	(67)	1,448	-	-	1,448
Segment assets	14,463	6,088	2,011	22,562	1,062	23,624	-	-	23,624
(1) of which depreciation, amortization and increase in provisions, net of use	(248)	(191)	(46)	(485)	(31)	(516)	(4)	(114)	(634)
of which impairment	(207)	(18)	(9)	(234)	3	(231)	(6)	-	(237)

AT DECEMBER 31, 2015*

(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	9,319	4,943	1,266	15,528	8	15,536	686	-	16,222
Recurring operating income (loss)⁽²⁾	1,833	466	64	2,363	(82)	2,281	704	(131)	2,854
Other non-recurring operating income and expenses	(619)	(43)	(10)	(672)	(8)	(680)	-	(98)	(778)
Profit (loss) from operations⁽¹⁾	1,214	423	54	1,691	(90)	1,601	704	(229)	2,076
Free cash flow	727	153	-	880	49	929	-	-	929
Gross operating working capital⁽³⁾	(174)	1,142	405	1,373	(123)	1,250	-	-	1,250
Segment assets⁽⁴⁾	13,040	5,940	1,855	20,835	939	21,774	-	-	21,774
(1) of which depreciation, amortization and increase in provisions, net of use	(372)	(163)	(51)	(586)	(43)	(629)	2	(136)	(763)
of which impairment	(176)	(2)	(3)	(181)	(1)	(182)	3	-	(179)

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

(3) An amount of €217 million concerning the Security segment was restated at December 31, 2015.

(4) An amount of €2,829 million concerning the Security segment was restated at December 31, 2015.

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

Revenue (adjusted data)

<i>(in € millions)</i>	Dec. 31, 2015*	Dec. 31, 2016
Aerospace Propulsion		
Original equipment and related products and services	3,922	3,801
Services	4,985	5,350
Sales of studies	323	204
Other	89	36
Sub-total	9,319	9,391
Aircraft Equipment		
Original equipment and related products and services	3,129	3,182
Services	1,479	1,635
Sales of studies	236	199
Other	99	129
Sub-total	4,943	5,145
Defense		
Sales of equipment	802	799
Services	326	325
Sales of studies	134	111
Other	4	3
Sub-total	1,266	1,238
Holding company and other		
Sales of equipment	-	-
Other	8	7
Sub-total	8	7
TOTAL	15,536	15,781

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 28, "Discontinued operations").

Information by geographic area

AT DECEMBER 31, 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	3,262	3,439	5,345	2,368	1,367	15,781	701	16,482
%	21%	22%	34%	15%	8%			
Non-current assets by location ⁽¹⁾	9,580	1,515	991	236	64			12,386
%	77%	12%	8%	2%	1%			

(1) Excluding financial assets, derivatives and deferred tax assets.

AT DECEMBER 31, 2015

(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*	3,780	3,273	5,098	2,270	1,115	15,536	686	16,222
%	24%	21%	33%	15%	7%			
Non-current assets by location ⁽¹⁾	8,241	1,749	2,607	234	117			12,948
%	64%	14%	19%	2%	1%			
<i>o/w continuing operations</i>	<i>8,124</i>	<i>1,470</i>	<i>846</i>	<i>210</i>	<i>64</i>			
%	<i>76%</i>	<i>14%</i>	<i>8%</i>	<i>2%</i>	<i>1%</i>			

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

(1) Excluding financial assets, derivatives and deferred tax assets.

As in the previous year, the Group carried out sales with three major customers during 2016:

- Airbus Group: sales of original equipment engines for aircraft and helicopters for the Aerospace Propulsion operating segment; landing and braking systems, wiring and electrical connection systems and nacelles for the Aircraft Equipment operating segment; and navigation systems, flight control systems and flight-data recording systems for the Defense operating segment;
- Boeing Group: sales of original equipment engines for aircraft for the Aerospace Propulsion operating segment; and landing and braking systems, wiring and electrical connection systems for the Aircraft Equipment operating segment;
- General Electric Group: sales of fleet maintenance spare parts for the Aerospace Propulsion operating segment.

NOTE 6 BREAKDOWN OF THE MAIN COMPONENTS OF PROFIT FROM OPERATIONS

Revenue

<i>(in € millions)</i>	Dec. 31, 2015*	Dec. 31, 2016
Original equipment and related products and services	7,373	7,305
Sales of defense equipment	813	811
Services	7,104	7,648
Sales of studies	723	535
Other	209	183
TOTAL	16,222	16,482

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

Other income

<i>(in € millions)</i>	Dec. 31, 2015*	Dec. 31, 2016
Research tax credit ⁽¹⁾	149	139
Competitiveness and employment tax credit (CICE)	39	37
Other operating subsidies	80	81
Other operating income	17	20
TOTAL	285	277

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

(1) Of which €5 million in connection with additional research tax credits in respect of 2015, included in 2016 income (€6 million in respect of 2014 included in 2015 income).

Raw materials and consumables used

This caption breaks down as follows for the period:

<i>(in € millions)</i>	Dec. 31, 2015*	Dec. 31, 2016
Raw materials, supplies and other	(2,458)	(2,531)
Bought-in goods	(171)	(118)
Changes in inventories	24	36
Sub-contracting	(3,969)	(4,179)
Purchases not held in inventory	(479)	(479)
External service expenses	(2,222)	(2,069)
TOTAL	(9,275)	(9,340)

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

Personnel costs

(in € millions)	Dec. 31, 2015*	Dec. 31, 2016
Wages and salaries	(2,800)	(2,720)
Social security contributions	(1,185)	(1,141)
Statutory employee profit-sharing	(136)	(142)
Optional employee profit-sharing	(155)	(165)
Additional contributions	(56)	(54)
Corporate social contribution	(73)	(74)
Other employee costs	(119)	(110)
TOTAL	(4,524)	(4,406)

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

The decline in wages and salaries primarily relates to the transfer of the space business to the Airbus Safran Launchers joint venture in first-half 2016.

Full-time equivalent employees of the Group's continuing operations comprised 57,495 people on average in 2016 (59,015 people on average in 2015). A total of 3,500 employees were transferred to the Airbus Safran Launchers joint venture in first-half 2016.

The Group profit-sharing agreement was modified in 2016 to increase the Group profit available for distribution to employees. An improvement in Group earnings also led to an increase in statutory and optional employee profit-sharing expenses.

Depreciation, amortization and increase in provisions, net of use

(in € millions)	Dec. 31, 2015*	Dec. 31, 2016
Net depreciation and amortization expense		
▣ intangible assets	(309)	(333)
▣ property, plant and equipment	(432)	(393)
Total net depreciation and amortization expense⁽¹⁾	(741)	(726)
Net increase in provisions	(22)	92
DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE	(763)	(634)

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem/Snecma merger: €70 million in 2016 and €89 million in 2015; and during recent acquisitions: €44 million in 2016 and €47 million in 2015.

Asset impairment

(in € millions)	Impairment expense		Reversals	
	Dec. 31, 2015*	Dec. 31, 2016	Dec. 31, 2015*	Dec. 31, 2016
Property, plant and equipment and intangible assets	(41)	(40)	5	4
Financial assets	(9)	(9)	-	10
Inventories and work-in-progress	(362)	(506)	271	324
Receivables	(86)	(55)	43	35
TOTAL	(498)	(610)	319	373

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

Other recurring operating income and expenses

(in € millions)	Dec. 31, 2015*	Dec. 31, 2016
Capital gains and losses on asset disposals	29	2
Royalties, patents and licenses	(17)	(23)
Losses on irrecoverable receivables	(15)	(11)
Other operating income and expenses	121	147
TOTAL	118	115

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

Other non-recurring operating income and expenses

(in € millions)	Dec. 31, 2015*	Dec. 31, 2016
Gains on remeasuring previously held equity interests	35	367
Impairment net of reversals on intangible assets	(771)	-
Other non-recurring items	(42)	(18)
TOTAL	(778)	349

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

In 2016, the revaluation gain relating to the loss of control in the activities and the investments transferred during the second phase of the creation of the Airbus Group-Safran joint venture ASL were 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 include transaction and integration costs incurred in connection with business combinations (€18 million).

In 2015, the revaluation gain relating to the assets contributed on the creation of the Airbus Group-Safran joint venture ASL was included within "Other non-recurring operating income and expenses" for €35 million (see Note 4, "Scope of consolidation").

The Group decided to analyze the situation of the assets associated with the Silvercrest program further to:

- additional developments and the changes to the development schedule drawn up with Dassault, which selected the engine for its Falcon F5X program; and
- Cessna's November 2015 announcement that it was to reposition its Citation Longitude program, leading it to change its choice of engine in favor of another manufacturer.

These analyses led the Group to write down all of the intangible assets specifically relating to the development of this engine for a total amount of €617 million (see Note 11, "Intangible assets") and to write down other specific assets committed by the Group to this program for an amount of €37 million. This second impairment charge was recognized in other non-recurring items.

Following the Group's decision to capitalize on the strength of the Safran brand name, the brands valued individually at the time of the Sagem/Snecma merger in 2005 were written down in the 2015 financial statements in an amount of €133 million.

Write-downs were also recognized against intangible assets relating to a helicopter engine program for €16 million and a defense program for €5 million (see Note 11, "Intangible assets").

Following the 2015 closure of Aircelle Ltd's contracted-out pension fund, which was replaced by a defined contribution plan, a curtailment gain was recognized in other non-recurring items for an amount of €12 million. Besides this gain, other non-recurring items in 2015 chiefly included €8 million in transaction and integration costs arising on business combinations.

NOTE 7 FINANCIAL INCOME (LOSS)

(in € millions)	Dec. 31, 2015*	Dec. 31, 2016
Financial expense on interest-bearing financial liabilities	(61)	(71)
Financial income on cash and cash equivalents	32	20
Cost of net debt	(29)	(51)
Gain (loss) on foreign currency hedging instruments	(2,485)	(186)
Foreign exchange gains and losses	(701)	(730)
Net foreign exchange gains (losses) on provisions	(84)	(27)
Foreign exchange losses	(3,270)	(943)
Gain or loss on interest rate and commodity hedging instruments	(40)	15
Capital gains or losses on financial asset disposals	6	-
Impairment of available-for-sale financial assets	(2)	(3)
Dividends received	4	2
Other financial provisions	(3)	4
Interest component of IAS 19 expense	(19)	(16)
Impact of discounting	(62)	(71)
Other	7	11
Other financial income and expense	(109)	(58)
FINANCIAL LOSS	(3,408)	(1,052)
of which financial expense	(3,457)	(1,104)
of which financial income	49	52

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

In 2016, the €186 million loss 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 loss results chiefly from the fall in the EUR/USD closing exchange rate (1.05 at December 31, 2016 versus 1.09 at December 31, 2015).

The €730 million foreign exchange loss includes €722 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 1.24, which proved less favorable than the actual exchange rate observed during the period.

NOTE 8 INCOME TAX

Income tax expense

Income tax expense breaks down as follows:

(in € millions)	Dec. 31, 2015*	Dec. 31, 2016
Current income tax benefit (expense)	(315)	(348)
Deferred tax benefit (expense)	820	(50)
TOTAL TAX BENEFIT (EXPENSE)	505	(398)

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

Effective tax rate

The effective tax rate breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2015*	Dec. 31, 2016
Profit (loss) before tax	(1,332)	2,287
Standard tax rate applicable to the parent company	38.00%	34.43%
Tax expense at standard rate	505	(787)
Impact of permanent differences	6	86
Impact of research and CICE tax credits	83	59
Impact of different tax rates (France/international)	37	28
Impact of unrecognized tax	(2)	1
Positive impact of tax reassessments	-	31
Impact of tax on dividends paid by Safran	(15)	(18)
Impact of changes in tax rates on deferred taxes	(125)	172
Impact of other items	16	30
Current income tax benefit (expense) recognized in profit or loss	505	(398)
EFFECTIVE TAX RATE	N/A	17.40%

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

The 10.7% surtax introduced by the amending French Finance Law for 2013, applicable to French companies with over €250 million in revenue, was not renewed in 2016. Accordingly, the tax rate used to calculate deferred taxes decreased from 38% at December 31, 2014 to 34.43% at December 31, 2015, representing a negative amount of €125 million recorded on the "Impact of changes in tax rates on deferred taxes" line in 2015. A tax rate of 34.43% has been applicable to the parent company since January 1, 2016.

The French Finance Law for 2017, adopted on December 20, 2016, provides for a decrease in the income tax rate to 28%, to be phased in gradually for all companies through to 2020. Consequently,

since deferred tax assets and liabilities are measured using the liability method, those items expected to reverse in 2020 and beyond were calculated at a rate of 28% plus the additional contribution, i.e., a tax rate of 28.92% versus 34.43% previously. The Group recognized net deferred tax income of €172 million in 2016, including €23 million in deferred tax liabilities associated with intangible assets identified within the scope of business combinations.

The 3% tax on dividend distributions introduced by the amending French Finance Law for 2012 is recognized as a tax expense in the period in which the related dividends are paid.

Deferred tax assets and liabilities

DEFERRED TAX ASSETS (LIABILITIES) IN THE BALANCE SHEET

<i>(in € millions)</i>	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2015	984	677	307
Deferred taxes recognized in profit or loss ⁽¹⁾	(22)	28	(50)
Deferred taxes recognized directly in equity	4	(20)	24
Reclassifications	399	383	16
Reclassification within discontinued operations	(13)	(100)	87
Foreign exchange differences	(1)	(4)	3
Changes in scope of consolidation	-	23	(23)
NET DEFERRED TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2016	1,351	987	364

(1) Including €36 million relating to financial instruments (IAS 39).

DEFERRED TAX ASSET BASES

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(4,636)	(4,585)
Inventories	132	184
Current assets/liabilities	456	390
Financial assets/liabilities	3,706	3,870
Provisions	1,686	1,417
Tax adjustments	(485)	(447)
Losses carried forward and tax credits	640	366
TOTAL DEFERRED TAX ASSET BASES	1,499	1,195
Total gross deferred tax balance (A)	431	470
Total unrecognized deferred tax assets (B)	124	106
TOTAL NET DEFERRED TAXES RECOGNIZED (A)-(B)	307	364

Current tax assets and liabilities

Current tax assets and liabilities break down as follows:

<i>(in € millions)</i>	Assets	Liabilities	Net
Net tax assets (liabilities) at December 31, 2015	623	287	336
Movements during the period	11	81	(70)
Current taxes recognized directly in equity	-	(8)	8
Changes in scope of consolidation	10	-	10
Foreign exchange differences	3	10	(7)
Reclassification within discontinued operations	21	(23)	44
Other movements	(155)	(168)	13
NET TAX ASSETS (LIABILITIES) AT DECEMBER 31, 2016	513	179	334

NOTE 9 EARNINGS PER SHARE

	Index	Dec. 31, 2015*	Dec. 31, 2016
Numerator (in € millions)			
Profit (loss) for the period attributable to owners of the parent	(A)	(424)	1,908
Profit (loss) from continuing operations attributable to owners of the parent	(I)	(450)	1,836
Profit from discontinued operations attributable to owners of the parent	(J)	26	72
Denominator (in shares)			
Total number of shares	(B)	417,029,585	417,029,585
Number of treasury shares held	(C)	605,704	1,838,487
Number of shares excluding treasury shares	(D)=(B-C)	416,423,881	415,191,098
Weighted average number of shares (excluding treasury shares)	(D')	416,428,144	416,325,118
Potentially dilutive ordinary shares	(E)	-	7,293,830
Weighted average number of shares after dilution	(F)=(D'+E)	416,428,144	423,618,948
Ratio: earnings (loss) per share from continuing operations (in €)			
Basic earnings (loss) per share	(K)=(I*1 million)/(D')	(1.08)	4.41
Diluted earnings (loss) per share	(L)=(I*1 million)/(F)	(1.08)	4.33
Ratio: earnings per share from discontinued operations (in €)			
Basic earnings per share	(M)=(J*1 million)/(D')	0.06	0.17
Diluted earnings per share	(N)=(J*1 million)/(F)	0.06	0.17

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

At December 31, 2016, virtually all potentially dilutive ordinary shares comprise shares that may be created if all of the options issued by the Group on January 5, 2016 as part of the issue of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE - see Note 19.c, "Convertible bond issues") are converted.

NOTE 10 GOODWILL

Goodwill breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2015 Net	Changes in scope of consolidation	Reclassification within discontinued operations	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	Dec. 31, 2016 Net
Safran Aircraft Engines - (formerly Snecma)	405	(13)	-	-	-	-	392
Safran Helicopter Engines - (formerly Turbomeca)	306	-	-	-	-	-	306
Safran Aero Boosters - (formerly Techspace)	47	-	-	-	-	-	47
Herakles	186	(186)	-	-	-	-	-
Other	1	-	-	-	-	-	1
Aerospace Propulsion	945	(199)	-	-	-	-	746
Safran Nacelles - (formerly Aircelle)	213	-	-	-	-	-	213
Safran Engineering Services	78	-	-	-	-	-	78
Safran Landing Systems - (formerly Messier Bugatti Dowty)	188	-	-	-	-	-	188
Technofan - Ventilation systems	10	-	-	-	-	-	10
Safran Electrical & Power - (formerly Labinal Power System)	502	-	-	-	-	(11)	491
Aircraft Equipment	991	-	-	-	-	(11)	980
Safran Electronics & Defense - (formerly Sagem Defense)	134	-	-	-	-	4	138
Defense	134	-	-	-	-	4	138
Morpho - Detection	369	-	(369)	-	-	-	-
Safran Identity & Security - (formerly Morpho - Identity and Security Solutions)	1,151	-	(1,151)	-	-	-	-
Security	1,520	-	(1,520)	-	-	-	-
TOTAL	3,590	(199)	(1,520)	-	-	(7)	1,864

Movements in the period

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

- asset contributions at December 31, 2016 related to the second phase of the creation of the Airbus Group and Safran joint venture ASL (see Note 4, "Scope of consolidation"). These contributions resulted in a €13 million decrease in the Safran Aircraft Engines CGU goodwill and a €186 million decrease in the Herakles CGU goodwill;
- classification of goodwill relating to the "Morpho - Detection" and "Safran Identity & Security" CGUs for €1,520 million within discontinued operations (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

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 2015) and at 2% for the Aerospace Propulsion and Aircraft Equipment CGUs (unchanged from 2015);
- the average USD exchange rate adopted is 1.19 for years 2017 to 2019 and 1.35 thereafter (2015: 1.22 for years 2016 to 2018 and 1.35 thereafter). These exchange rate assumptions were used

for forecasting during the first half of the year, and take into account the foreign currency hedging portfolio (see Note 27, "Management of market risks and derivatives");

- the benchmark post-tax discount rate used is 7.5% (unchanged from 2015) 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 2015.

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 2016 as in 2015, 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:

<i>(in € millions)</i>	Dec. 31, 2015			Dec. 31, 2016		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,408	(1,280)	1,128	2,367	(1,326)	1,041
Development expenditures	3,726	(1,237)	2,489	3,946	(1,265)	2,681
Commercial agreements and concessions	786	(264)	522	973	(312)	661
Software	548	(450)	98	523	(452)	71
Commercial relationships	823	(445)	378	227	(90)	137
Technology	438	(207)	231	93	(22)	71
Other	616	(141)	475	642	(126)	516
TOTAL	9,345	(4,024)	5,321	8,771	(3,593)	5,178

3 FINANCIAL STATEMENTS

Group consolidated financial statements at December 31, 2016

Movements in intangible assets break down as follows:

<i>(in € millions)</i>	Gross	Amortization/ impairment	Net
At December 31, 2015	9,345	(4,024)	5,321
Capitalization of R&D expenditure ⁽¹⁾	364	-	364
Capitalization of other intangible assets	141	-	141
Acquisitions of other intangible assets	172	-	172
Disposals and retirements	(7)	7	-
Depreciation	-	(333)	(333)
Impairment losses recognized in profit or loss	-	(1)	(1)
Reclassification within discontinued operations	(1,076)	621	(455)
Reclassifications	(7)	4	(3)
Changes in scope of consolidation	(130)	117	(13)
Foreign exchange differences	(31)	16	(15)
AT DECEMBER 31, 2016	8,771	(3,593)	5,178

(1) Including €20 million in capitalized interest on R&D expenditure at December 31, 2016 (€26 million in 2015).

Research and development expenditure recognized in recurring operating income for the period totaled €867 million including amortization (€832 million in 2015, 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 €114 million relating to the revaluation of aircraft programs pursuant to IFRS 3 to the Sagem/Snecma merger (€70 million), and to assets identified as part of other business combinations (€44 million).

2016 impairment tests

The main assumptions used to determine the recoverable amount of intangible assets relating to programs, projects and product families are as follows:

- the average USD exchange rate adopted is 1.19 for years 2017 to 2019 and 1.35 thereafter (2015: 1.22 for years 2016 to 2018 and 1.35 thereafter). These exchange rate assumptions correspond to the assumptions updated during the second half of the year;
- the benchmark discount rate used is 7.5% (unchanged from 2015). Depending on the intangible asset concerned, the discount rate may be increased by a specific risk premium to take account of any technological or product/market risks. Discount rates therefore range from 7.5% to 9.5%.

No impairment losses were recognized as a result of the impairment tests carried out in 2016.

A sensitivity analysis was carried out in respect of the Group's main intangible assets relating to programs, projects and product families, by introducing the following changes to the main assumptions:

- a 5% increase or decrease in the USD/EUR exchange rate;
- a 1% increase or decrease in the benchmark discount rate;
- a 10% increase or decrease in the standard sales contract volumes.

In 2016 as in 2015, the above changes in the main assumptions taken individually do not result in a material risk with respect to the recoverable amounts of intangible assets relating to other programs, projects and product families.

2015 impairment tests

As a result of the impairment tests carried out in 2015, intangible assets relating specifically to the development of the Silvercrest engine were written down in full for a total amount of €617 million.

Write-downs were also recognized against intangible assets relating to a helicopter engine program for €16 million and a defense program for €5 million. The Security segment was also written down in an amount of €3 million.

These write-downs were recognized within non-recurring operating expenses for the period (see Note 6, "Breakdown of the main components of profit from operations"), with the exception of €3 million in write-downs relating to the Security segment, included in profit (loss) from discontinued operations (see Note 28, "Discontinued operations").

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2015			Dec. 31, 2016		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	243	-	243	209	-	209
Buildings	1,685	(810)	875	1,559	(687)	872
Technical facilities, equipment and tooling	4,738	(3,361)	1,377	4,416	(3,028)	1,388
Assets in progress, advances	733	(56)	677	690	(78)	612
Site development and preparation costs	60	(37)	23	50	(28)	22
Buildings on land owned by third parties	81	(50)	31	92	(34)	58
Computer hardware and other equipment	475	(429)	46	369	(361)	8
TOTAL	8,015	(4,743)	3,272	7,385	(4,216)	3,169

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2015	8,015	(4,743)	3,272
Internally produced assets	139	-	139
Additions ⁽¹⁾	624	-	624
Disposals and retirements	(189)	152	(37)
Depreciation	-	(393)	(393)
Impairment losses recognized in profit or loss	-	(35)	(35)
Reclassification within discontinued operations	(557)	349	(208)
Reclassifications	(31)	12	(19)
Changes in scope of consolidation	(596)	434	(162)
Foreign exchange differences	(20)	8	(12)
AT DECEMBER 31, 2016	7,385	(4,216)	3,169

(1) Including €25 million in assets held under finance leases.

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

(in € millions)	Dec. 31, 2015			Dec. 31, 2016		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	14	-	14	16	-	16
Buildings	236	(50)	186	236	(58)	178
Technical facilities, equipment and tooling	13	(6)	7	18	(7)	11
Site development and preparation costs	7	(1)	6	7	(2)	5
Buildings on land owned by third parties	-	-	-	18	-	18
Computer hardware and other equipment	20	(20)	-	20	(20)	-
TOTAL	290	(77)	213	315	(87)	228

NOTE 13 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets include:

(in € millions)	Dec. 31, 2015			Dec. 31, 2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments ⁽¹⁾	497	(192)	305	488	(188)	300
Other financial assets ⁽²⁾	452	(91)	361	316	(87)	229
TOTAL	949	(283)	666	804	(275)	529

(1) Of which Embraer listed securities for €39 million at December 31, 2016 (€58 million at end-December 2015), classified in level 1 of the IFRS 13 fair value hierarchy (as at December 31, 2015).

(2) Including the contribution to Airbus Safran Launchers at June 30, 2016 of the €32 million net receivable in respect of the warranty for environmental liabilities agreement signed as part of the SME acquisition (€34 million at December 31, 2015) (see Note 31.b, "Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation" and Note 4, "Scope of consolidation").

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

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 2016.

Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Loans to non-consolidated companies	234	152
Loans to employees	31	32
Deposits and guarantees	8	7
Loans linked to sales financing	16	1
Other	72	37
TOTAL	361	229
Non-current	114	82
Current	247	147

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2015	361
Increase	22
Decrease	(27)
Impairment (reversals/additions)	2
Reclassification within discontinued operations	(5)
Reclassifications	(11)
Changes in scope of consolidation	(113)
AT DECEMBER 31, 2016	229

The decrease in other financial assets in 2016 is mainly due to changes in scope (new companies joining the consolidation scope and contributions to the Airbus Safran Launchers joint venture).

NOTE 14 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

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

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Airbus Safran Launchers	64	1,484
Other joint ventures	701	691
TOTAL	765	2,175

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

<i>(in € millions)</i>	
At December 31, 2015	765
Share in profit from Airbus Safran Launchers	38
Share in profit from other joint ventures	49
Dividends received from joint ventures	(24)
Changes in scope of consolidation	1,398
Reclassification within discontinued operations	(52)
Foreign exchange differences	18
Other movements	(17)
AT DECEMBER 31, 2016	2,175

The main change to the scope of consolidation relating to investments in equity-accounted companies concerns the contributions made in first-half 2016 to Airbus Safran Launchers (see Note 4, "Scope of consolidation").

There were no off-balance sheet commitments relating to the Group's joint ventures at either December 31, 2016 or December 31, 2015.

a) Associates

The Group disposed of its entire interest in Ingenico Group in 2015 (see Note 4, "Scope of consolidation").

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

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Profit from discontinued operations*	4	-
Other comprehensive income	1	-
TOTAL COMPREHENSIVE INCOME	5	-

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

b) Joint ventures

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

- Airbus Safran Launchers: 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;
 - EIMASS: identification (its share is presented in profit (loss) from discontinued operations).
- Airbus Safran Launchers is the Group's sole material joint venture.

Financial information for Airbus Safran Launchers can be summarized as follows:

(in € millions)	Dec. 31, 2016
Non-current assets	1,093
Current assets	5,518
<i>including: Cash and cash equivalents</i>	797
Non-current liabilities	(526)
<i>of which: non-current financial liabilities</i>	(35)
Current liabilities	(6,511)
<i>of which: current financial liabilities</i>	(333)
Non-controlling interests	8
Net assets of ASL (excl. goodwill and PPA) – attributable to owners of the parent (based on a 100% interest)	(434)
Equity share in net assets of ASL (excl. goodwill and PPA) (based on a 50% interest)	(217)
Purchase price allocation, net of deferred taxes ⁽¹⁾	350
Safran equity share – Net assets of ASL (excl. goodwill)⁽¹⁾	133
Goodwill⁽¹⁾	1,351
Carrying amount of investment in Airbus Safran Launchers	1,484

(1) Provisional allocation of the purchase price.

(in € millions)	Dec. 31, 2016
Revenue	2,227
Depreciation, amortization and impairment	(38)
Cost of borrowings	(3)
Interest income	-
Income tax expense	(40)
Profit attributable to owners of the parent	100
Other comprehensive income (expense)	(4)
TOTAL COMPREHENSIVE INCOME	96
Attributable to owners of the parent (50%)	
Profit attributable to owners of the parent	50
Amortization of purchase price allocation, net of deferred taxes ⁽¹⁾	(12)
Safran equity share in profit of ASL	38
Other comprehensive income (expense)	(2)
Safran equity share in comprehensive income of ASL	36

(1) Provisional allocation of the purchase price.

Airbus Safran Launchers did not pay any dividends in 2016.

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

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Profit from continuing operations	44	49
Profit from discontinued operations*	1	1
Other comprehensive income	37	11
TOTAL COMPREHENSIVE INCOME	82	61

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

NOTE 15 INVENTORIES AND WORK-IN-PROGRESS

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

(in € millions)	Dec. 31, 2015 Net	Dec. 31, 2016 Net
Raw materials and supplies	602	519
Finished goods	2,140	1,995
Work-in-progress	1,756	1,721
Bought-in goods	20	12
TOTAL	4,518	4,247

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

(in € millions)	Gross	Impairment	Net
At December 31, 2015	5,197	(679)	4,518
Movements during the period	347	-	347
Net impairment expense	-	(182)	(182)
Reclassification within discontinued operations	(192)	35	(157)
Reclassifications	24	(1)	23
Changes in scope of consolidation	(291)	8	(283)
Foreign exchange differences	(22)	3	(19)
AT DECEMBER 31, 2016	5,063	(816)	4,247

NOTE 16 TRADE AND OTHER RECEIVABLES

<i>(in € millions)</i>	Dec. 31, 2015 Net	Movements during the period	Impairment/ reversal	Changes in scope of consolidation	Reclassifications	Reclassification within discontinued operations	Translation adjustments	Dec. 31, 2016 Net
Operating receivables	5,882	783	(23)	(566)	(1)	(376)	(3)	5,696
Debit balances on trade payables/ advance payments to suppliers	336	(31)	-	(76)	5	(10)	-	224
Trade receivables	5,533	813	(23)	(490)	(6)	(362)	(3)	5,462
Current operating accounts	4	-	-	-	-	(3)	-	1
Employee-related receivables	9	1	-	-	-	(1)	-	9
Other receivables	633	46	-	(59)	(3)	(61)	-	556
Prepayments	62	(2)	-	-	-	(30)	-	30
VAT receivables	502	31	-	(50)	-	(22)	-	461
Other State receivables	13	4	-	-	-	(6)	-	11
Other receivables	56	13	-	(9)	(3)	(3)	-	54
TOTAL	6,515	829	(23)	(625)	(4)	(437)	(3)	6,252

In both 2016 and 2015, the Group sold trade receivables under an agreement requiring derecognition under IFRS. The terms and conditions of this agreement are presented in Note 23, "Interest-bearing financial liabilities".

The table below provides a breakdown of trade receivables by maturity:

<i>(in € millions)</i>	Carrying amount at Dec. 31	Neither past due nor impaired	Past due but not impaired at Dec. 31 <i>(in days)</i>					Total past due but not impaired	Past due and impaired
			< 30	31-90	90-180	181-360	> 360		
At December 31, 2015									
Trade receivables	5,533	4,902	176	206	76	59	81	598	33
AT DECEMBER 31, 2016									
Trade receivables	5,462	4,962	117	140	64	75	83	479	21

NOTE 17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows at December 31, 2016:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Money-market funds	15	21
Short-term investments	863	1,113
Sight deposits	967	792
TOTAL	1,845	1,926

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:

<i>(in € millions)</i>	
At December 31, 2015	1,845
Movements during the period	258
Changes in scope of consolidation	(1)
Foreign exchange differences	10
Reclassification within discontinued operations	(186)
AT DECEMBER 31, 2016	1,926

NOTE 18 SUMMARY OF FINANCIAL ASSETS

The table below presents the carrying amount of the Group's financial assets at December 31, 2015 and December 31, 2016:

At December 31, 2015 (in € millions)	Carrying amount				Total = A+B+C+D
	At amortized cost		At fair value		
	Loans and receivables (A)	Assets held to maturity (B)	Financial assets at fair value (through profit or loss) (C)	Financial assets available for sale (through equity) (D)	
Non-current financial assets					
Non-consolidated investments				305	305
Non-current derivatives (positive fair value)			35		35
Other non-current financial assets	114				114
Sub-total non-current financial assets	114	-	35	305	454
Other current financial assets	247				247
Current derivatives (positive fair value)			373		373
Trade receivables	5,533				5,533
Current operating accounts and other receivables	60				60
Cash and cash equivalents	1,830		15		1,845
Sub-total current financial assets	7,670	-	388	-	8,058
TOTAL FINANCIAL ASSETS	7,784	-	423	305	8,512

At December 31, 2016 (in € millions)	Carrying amount				Total = A+B+C+D
	At amortized cost		At fair value		
	Loans and receivables (A)	Assets held to maturity (B)	Financial assets at fair value (through profit or loss) (C)	Financial assets available for sale (through equity) (D)	
Non-current financial assets					
Non-consolidated investments				300	300
Non-current derivatives (positive fair value)			28		28
Other non-current financial assets	82				82
Sub-total non-current financial assets	82	-	28	300	410
Other current financial assets	147				147
Current derivatives (positive fair value)			592		592
Trade receivables	5,462				5,462
Current operating accounts and other receivables	55				55
Cash and cash equivalents	1,905		21		1,926
Sub-total current financial assets	7,569	-	613	-	8,182
TOTAL FINANCIAL ASSETS	7,651	-	641	300	8,592

The Group did not reclassify any financial assets between the amortized cost and fair value categories in 2015 or 2016.

Fair value of financial assets

The fair value of financial assets recorded at amortized cost is close to their carrying amount.

Safran uses the fair value hierarchy set out in IFRS 13 to determine the classification of financial assets at fair value:

- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets;

- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets;

- Level 3: unobservable inputs.

The Group's financial assets carried at fair value at December 31, 2015 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments*	58	-	-	58
Derivatives (positive fair value)	-	408	-	408
Cash and cash equivalents	15	-	-	15
TOTAL	73	408	-	481

(*) Excluding investments at cost.

The Group's financial assets carried at fair value at December 31, 2016 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Non-consolidated investments*	39	-	-	39
Derivatives (positive fair value)	-	620	-	620
Cash and cash equivalents	21	-	-	21
TOTAL	60	620	-	680

(*) Excluding investments at cost.

In 2016 and 2015, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

Offsetting of financial assets and financial liabilities

At December 31, 2015 (in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet ⁽¹⁾ (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (positive fair value)	408	-	408	402	6

(1) See Note 27, "Management of market risks and derivatives".

At December 31, 2016 (in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet ⁽¹⁾ (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (positive fair value)	620	-	620	617	3

(1) See Note 27, "Management of market risks and derivatives".

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

At both December 31, 2016 and December 31, 2015, the Group did not offset any financial assets and liabilities on its balance sheet, since it did not meet the conditions specified in IAS 32. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off

only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offset agreement but not offset comprise a portion of the Group's derivatives with a negative fair value, since amounts can only be offset if they relate to the same counterparty.

NOTE 19 CONSOLIDATED SHAREHOLDERS' EQUITY

a) Share capital

At December 31, 2016, Safran's share capital was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20.

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

b) Breakdown of share capital and voting rights

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

DECEMBER 31, 2015

Shareholders	Number of shares	% share capital	Number of voting rights*	% voting rights*
Private investors ⁽¹⁾	319,130,580	76.52%	348,337,015	65.01%
French State	64,193,131	15.39%	128,386,262	23.96%
Employees ⁽²⁾	33,100,170	7.94%	59,107,656	11.03%
Treasury shares	605,704	0.15%	-	-
TOTAL	417,029,585	100.00%	535,830,933	100.00%

(*) Exercisable voting rights.

(1) Including 23,484,443 Club Sagem and Current and former employee shareholder shares that do not fall within the definition of Article L.225-102 of the French Commercial Code (Code de Commerce) and that represent 46,958,515 voting rights.

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

DECEMBER 31, 2016

Shareholders	Number of shares	% share capital	Number of voting rights*	% voting rights*
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 ⁽¹⁾	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%

(*) Exercisable voting rights.

(1) 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 1,838,487 treasury shares have no voting rights.

On March 3, 2015, the French State finalized the sale of a 3.96% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. On December 1, 2015, the French State carried out a similar operation on 2.64% of Safran's share capital.

On November 23, 2016, the French State finalized the sale of a 1.39% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. As for the placement of December 1, 2015, the French State indicated that it complied with the law on growth, business and equal economic opportunities by offering 644,444 additional shares (0.15% of the share capital) to the Group's current and former employees at a later date. These shares are therefore in addition to the 1,222,222 shares (or 0.29%

of the share capital) that will be offered by the French State to the Group's current and former employees in connection with the divestment carried out on December 1, 2015.

The French State's interest in Safran stood at 14.0% at December 31, 2016.

TREASURY SHARES

The number of treasury shares has increased since December 31, 2015 following:

- the purchase of 11,308 shares under the Group's liquidity agreement, net of shares sold;
- the purchase of 600,000 shares for remittance under employee stock ownership plans;
- the purchase of 621,475 shares in connection with the implementation of the share buyback program.

On May 31, 2012, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.

This authorization was renewed by the Shareholders' Meeting of May 19, 2016.

In 2012, the Group signed a liquidity agreement with Oddo aimed at enhancing the liquidity for the market in Safran shares. A total of €16 million was assigned to this agreement at December 31, 2016. Pursuant to these authorizations and the liquidity agreement, the Company purchased 2,645,456 shares for €162 million, and sold 2,634,148 shares for €161 million. At December 31, 2016, 98,408 shares were held in connection with the liquidity agreement.

On November 21, 2016, the Group purchased 600,000 of its own shares in connection with the share buyback program authorized by the Shareholders' Meeting of May 19, 2016. These shares are to be remitted under share plans for employees and/or corporate officers of the Company or of other Group companies, particularly performance share plans.

On December 8, 2016, Safran also signed a share purchase agreement with an investment services provider with the aim of neutralizing the dilutive impact of equity instruments on its balance sheet. Under the terms of this agreement, Safran agrees to purchase a maximum amount of €250 million in shares, by April 7, 2017 at the latest. At December 31, 2016, 621,475 shares were held in connection with this agreement.

d) Total equity

Movements in equity are as follows:

<i>(in € millions)</i>	
Equity attributable to owners of the parent prior to profit at December 31, 2015	6,051
Appropriation of 2015 profit	(424)
Payment of the outstanding dividend for 2015	(325)
Payment of the 2016 interim dividend	(287)
Change in translation adjustments and net investment hedges	8
Current taxes on net investment hedges recognized in equity	8
Change in actuarial gains and losses on post-employment benefits	(131)
Deferred taxes on changes in actuarial gains and losses recognized in equity	24
Acquisitions of treasury shares, net of disposals	(38)
Available-for-sale financial assets	(6)
Option component of the OCEANE convertible bond	44
Buyback of non-controlling interests	(6)
Share buyback program	(250)
Other	(55)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT PRIOR TO PROFIT AT DECEMBER 31, 2016	4,613

c) Convertible bond issues

On January 5, 2016, Safran issued 7,277,205 bonds convertible into 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 canceled, the bonds are redeemable at par on December 31, 2020.

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

After deducting issuance fees, a total of €603 million is recognized under interest-bearing financial liabilities, which corresponds to the discounted value of cash flows from a similar bond with no Conversion Rights (see Note 23, "Interest-bearing financial liabilities"). The effective annual interest rate on the liability component is 1.5% including issuance fees.

The option component recognized in equity was valued at €67 million on the issue date (see Note 19.d, "Total equity"), or €44 million stripping out the deferred tax impact.

e) Dividend distribution

A dividend payout of €1.38 per share was approved in respect of 2015 and partially paid in that year in the form of an interim dividend of €0.60 per share, representing a payout of €250 million. The remaining €0.78 dividend per share was paid in first-half 2016, representing a total payout of €325 million.

The Board of Directors' meeting of December 15, 2016 approved payment of an interim dividend of €0.69 per share in respect of 2016, representing a payout of €287 million.

At the Shareholders' Meeting to be called on June 15, 2017, to approve the financial statements for the year ended December 31, 2016, the Board of Directors will recommend payment of a dividend of €1.52 per share in respect of 2016, representing a total payout of €634 million (before deducting the interim dividend paid). Taking account of the interim dividend already paid, the amount still to be distributed totals €347 million.

NOTE 20 PROVISIONS

Provisions break down as follows:

(in € millions)	Dec. 31, 2015	Reversals				Changes in scope of consolidation	Reclassification within discontinued operations	Other	Dec. 31, 2016
		Additions	Utilizations	Reclassifications	Surplus				
Performance warranties	809	243	(103)	-	(140)	(1)	(23)	(5)	780
Financial guarantees	21	1	-	-	(9)	-	-	1	14
Services to be rendered	918	504	(358)	-	(31)	-	(40)	(144)	849
Post-employment benefits	855	66	(77)	-	-	(70)	(23)	116	867
Sales agreements and long-term receivables	171	49	(25)	-	(40)	(2)	(2)	150	301
Provisions for losses on completion and losses arising on delivery commitments	293	40	(88)	(5)	(91)	(1)	(9)	(1)	138
Disputes and litigation	47	20	(11)	-	(5)	(4)	(8)	-	39
Other ⁽¹⁾	342	86	(46)	-	(22)	(73)	(12)	1	276
TOTAL	3,456	1,009	(708)	(5)	(338)	(151)	(117)	118	3,264
Non-current	1,802								1,706
Current	1,654								1,558

(1) Of which the contribution to Airbus Safran Launchers of a provision of €72 million (December 31, 2015: €74 million) for environmental liabilities and contingent liabilities subject to a specific warranty granted by SNPE to Safran; the benefit of this warranty has also been transferred to Airbus Safran Launchers (see Note 4, "Scope of consolidation", Note 13, "Current and non-current financial assets", and Note 31, "Off-balance sheet commitments and contingent liabilities").

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 can be analyzed as follows:

(in € millions)	Dec. 31, 2016
Net reversals recognized in profit from operations ⁽¹⁾	83
Net additions recognized in financial loss	(41)
TOTAL REVERSALS, NET	42

(1) Including €92 million recognized in recurring operating items (see Note 6, "Breakdown of the main components of profit from operations").

Before reversals of utilized provisions and reclassifications which have a contra entry to expenses, net additions to provisions break down as follows: €627 million recognized in operating items and €44 million in financial items.

NOTE 21 POST-EMPLOYMENT BENEFITS

The Group has various commitments in respect of defined benefit pension plans, retirement termination benefits and other commitments, mainly in France and the United Kingdom. The accounting treatment applied to these commitments is detailed in Note 1.s.

a) Presentation of post-employment benefits

FRANCE

Defined benefit pension plans

In late 2013, the Board of Directors approved a new supplementary pension plan in France for Group executive managers.

The plan, effective as of January 1, 2014, provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to ten years are taken into account in determining entitlement) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement).

The additional benefits payable are capped at three times the annual social security ceiling ("PASS") in France. Total benefits under all regimes cannot exceed 35% of the benchmark compensation.

Retirement termination benefits

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry.

b) Financial position

(in € millions)	Dec. 31, 2015	Dec. 31, 2016	France	United Kingdom	Rest of the world
Gross obligation	1,457	1,513	636	621	256
Fair value of plan assets	602	646	11	488	147
Provision recognized in the accounts	855	867	625	133	109
▀ Defined benefit pension plans	212	268	49	133	86
▀ Retirement termination benefits	599	559	538	-	21
▀ Long-service bonuses and other employee benefits	44	40	38	-	2
RECOGNIZED NET PLAN ASSETS	-	-	-	-	-

(in € millions)	Dec. 31, 2015	Dec. 31, 2016	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,457	1,513	914	559	40
Fair value of plan assets	602	646	646	-	-
Provision recognized in the accounts	855	867	268	559	40
RECOGNIZED NET PLAN ASSETS	-	-	-	-	-

Other long-term benefits

In France, other long-term benefits mainly comprise obligations in respect of long-service awards and bonuses.

UNITED KINGDOM

Defined benefit pension plans

There are three pension funds in place at Safran Landing Systems UK Ltd/Safran Landing Systems Services UK Ltd, Safran Nacelles Ltd and Safran UK. These pension funds have been contracted out, which means they replace the mandatory supplementary pension plan. The plans are managed by trusts. Employees participate in the funding through salary-based contributions. With the exception of the Safran UK pension fund, the average breakdown of contributions between the employer and the employee is 98% and 2%, respectively. The Safran UK pension fund only covers pensions for retired employees of a business sold in 2009.

REST OF THE WORLD

The Group offers its other employees post-employment benefits and long-service bonuses in accordance with local laws and practices. The main regions concerned in relation to continuing operations are:

- ▀ Americas: pension funds in Canada; retirement termination benefits in Mexico;
- ▀ Europe: pension funds in Switzerland; pension funds and retirement termination benefits in Belgium, retirement termination benefits and long-service bonuses in Poland.

3 FINANCIAL STATEMENTS

Group consolidated financial statements at December 31, 2016

The sharp rise in the gross obligation results from the following factors:

- increase in the obligation due to changes in the actuarial assumptions used to measure post-employment benefits (decrease of 0.70 points in the discount rate for the eurozone, and decrease of 1.00 point for the UK);
- decrease in the obligation due to foreign exchange differences arising on subsidiaries in the UK;
- contribution of the space business to the Airbus Safran Launchers joint venture;
- classification of the Security segment within discontinued operations.

The value of plan assets also rose due to the return generated by the investment strategies adopted by pension funds in the UK, despite foreign exchange losses arising on the translation of GBP-denominated assets.

The cost of the Group's pension obligations in 2015 and 2016 can be analyzed as follows:

(in € millions)	Dec. 31, 2015*	Dec. 31, 2016
Current service cost	(57)	(48)
Actuarial gains and losses (on other long-term benefits)	1	(2)
Change in retirement plans (implementation, curtailment and settlement) ⁽¹⁾	14	1
Plan administration costs	(1)	-
Total operating component of the pension expense	(43)	(49)
Interest cost on the net benefit obligation	(19)	(16)
Total financing component of the pension expense	(19)	(16)
TOTAL	(62)	(65)

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

(1) Including in 2015, €12 million recognized in other non-recurring income following the closure of the pension fund operated by Safran Nacelles Ltd, replaced by a defined contribution plan (see Note 6, "Breakdown of the main components of profit from operations").

The Group expects to pay a total of €48 million into its defined benefit pension plans in 2017.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	Dec. 31, 2015	2.00%	3.75%
	Dec. 31, 2016	1.30%	2.75%
Inflation rate	Dec. 31, 2015	1.75%	3.05%
	Dec. 31, 2016	1.75%	3.35%
Rate of annuity increases	Dec. 31, 2015	1.50%	3.05%
	Dec. 31, 2016	1.00%	3.35%
Rate of future salary increases	Dec. 31, 2015	1.12%-5.00%	N/A
	Dec. 31, 2016	1.12%-5.00%	N/A
Retirement age	Dec. 31, 2015	Managerial: 64/65 years	
		Non-managerial: 62/65 years	
	Dec. 31, 2016	Managerial: 64/65 years	
		Non-managerial: 62/65 years	
		65 years	65 years

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

SENSITIVITY ANALYSIS

A 0.5% increase or decrease in the main actuarial assumptions would have the following impacts on the gross value of the projected benefit obligation at December 31, 2016:

<i>(in € millions)</i>		
Sensitivity (basis points)	-0.50%	+0.50%
Discount rate	125	(106)
Inflation rate	(46)	51
Rate of future salary increases	(42)	54

For the purpose of the analysis, it was assumed that all other variables remained the same.

The change in the value of the gross projected benefit obligation would have mainly affected actuarial gains and losses recognized in other comprehensive income.

c) Change in the gross benefit obligation and plan assets

CHANGE IN GROSS BENEFIT OBLIGATION

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
GROSS BENEFIT OBLIGATION AT BEGINNING OF PERIOD	1,460	1,457	814	599	44
A. Pension expense					
Current service cost*	59	48	11	33	4
Actuarial gains and losses (on other long-term benefits)	(1)	2	-	-	2
Change in retirement plans (implementation, curtailment and settlement)	(14)	(1)	(1)	-	-
Interest cost	38	35	24	11	-
Total expense recognized in the income statement*	82	84	34	44	6
B. Actuarial gains and losses arising in the period on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	1	1	-	1	-
Actuarial gains and losses resulting from changes in financial assumptions	(44)	230	185	45	-
Experience adjustments	4	-	(4)	4	-
Total revaluation recognized in other comprehensive income for the period	(39)	231	181	50	-
C. Other items					
Employee contributions	3	2	2	-	-
Benefits paid	(86)	(83)	(33)	(47)	(3)
Changes in scope of consolidation	-	(70)	-	(67)	(3)
Other movements	(2)	(1)	-	(1)	-
Foreign exchange differences	39	(83)	(83)	-	-
Reclassification within discontinued operations	-	(24)	(1)	(19)	(4)
Total other items	(46)	(259)	(115)	(134)	(10)
GROSS BENEFIT OBLIGATION AT END OF PERIOD	1,457	1,513	914	559	40
Average weighted term of pension plans	14	16	18	12	9

(*) In 2015, this caption includes €2 million in service cost relating to the Security segment shown in discontinued operations (see Note 28, "Discontinued operations").

CHANGE IN FAIR VALUE OF PLAN ASSETS

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	542	602	602	-	-
A. Income					
Interest income on plan assets	19	19	19	-	-
Plan administration costs	(1)	(1)	(1)	-	-
Total income recognized in the income statement	18	18	18	-	-
B. Actuarial gains and losses arising in the period on post-employment plans					
Return on plan assets (excluding interest income component)	11	100	100	-	-
Total revaluation recognized in other comprehensive income for the period	11	100	100	-	-
C. Other items					
Employee contributions	3	2	2	-	-
Employer contributions	33	27	27	-	-
Benefits paid	(31)	(33)	(33)	-	-
Changes in scope of consolidation	-	-	-	-	-
Other movements	(2)	-	-	-	-
Foreign exchange differences	28	(69)	(69)	-	-
Reclassification within discontinued operations	-	(1)	(1)	-	-
Total other items	31	(74)	(74)	-	-
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	602	646	646	-	-

d) Asset allocation

	United Kingdom % allocation at		Other European countries % allocation at	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Shares	31.30%	31.79%	19.19%	18.79%
Bonds and debt instruments	24.87%	30.04%	59.74%	60.67%
Property	8.23%	7.13%	7.53%	7.76%
Mutual funds and other diversified funds	29.69%	26.93%	0.00%	0.00%
Cash and cash equivalents	5.91%	4.11%	2.59%	3.17%
Other	0.00%	0.00%	10.95%	9.61%

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

In the United Kingdom, the Group's long-term aim is to limit its exposure to defined benefit plans and ultimately endeavor to contract out these obligations to insurance firms under favorable market conditions. In the meantime, the Group is committed to ensuring that its pension obligations are adequately funded.

The Group's investment policy for pension funds in the UK combines safe harbor investments (in monetary funds, government bonds, bond funds), to secure the medium-term funding of obligations, with riskier investments such as in equity funds and real estate funds, whose expected profitability over the long term guarantees the financial stability of the plans.

e) Contributions to defined contribution plans

The expense for 2016 in respect of defined contribution plans amounts to €217 million (€214 million in 2015).

The expense is broken down into contributions paid into standard retirement plans and contributions paid into Article 83 supplementary retirement plans which have been set up within the Group's main French companies.

NOTE 22 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption mainly includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

<i>(in € millions)</i>	
At December 31, 2015	708
New advances received	11
Advances repaid	(35)
Cost of borrowings and discounting	29
Foreign exchange differences	2
Other	(7)
Adjustments to the probability of repayment of advances	(9)
AT DECEMBER 31, 2016	699

Estimates as to the repayable amounts and the timing of repayments are made regarding borrowings subject to specific conditions. No reliable estimate can be made of the fair value of such borrowings.

NOTE 23 INTEREST-BEARING FINANCIAL LIABILITIES

Breakdown of interest-bearing financial liabilities

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Bond issue	210	215
OCEANE convertible bond	-	613
Senior unsecured notes in USD	1,127	1,154
Finance lease liabilities	159	165
Other long-term borrowings	256	245
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	1,752	2,392
Finance lease liabilities	28	25
Other long-term borrowings	226	223
Accrued interest not yet due	12	15
Current interest-bearing financial liabilities, long-term at inception	266	263
Commercial paper	415	250
Short-term bank facilities and equivalent	195	432
Current interest-bearing financial liabilities, short-term at inception	610	682
Total current interest-bearing financial liabilities (less than 1 year)	876	945
TOTAL INTEREST-BEARING FINANCIAL LIABILITIES	2,628	3,337

Movements in this caption break down as follows:

<i>(in € millions)</i>	
At December 31, 2015	2,628
Increase in borrowings ⁽¹⁾	707
Accrued interest	3
Decrease in borrowings	(73)
Change in short-term borrowings	10
Changes in scope of consolidation	83
Reclassification within discontinued operations	3
Foreign exchange differences	40
Option component of the OCEANE convertible bond ⁽²⁾	(67)
Reclassifications and other	3
AT DECEMBER 31, 2016	3,337

(1) Including €25 million in finance lease liabilities.

(2) See Note 19.c, "Convertible bond issues".

Analysis by maturity:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Maturing in:		
1 year or less	876	945
More than 1 year and less than 5 years	487	1,101
Beyond 5 years	1,265	1,291
TOTAL	2,628	3,337

Analysis by currency:

<i>(in millions of currency units)</i>	Dec. 31, 2015		Dec. 31, 2016	
	Currency	EUR	Currency	EUR
EUR	1,360	1,360	1,811	1,811
USD	1,365	1,254	1,596	1,515
CAD	4	3	2	1
Other	N/A	11	N/A	10
TOTAL		2,628		3,337

Analysis by type of interest rate:

■ analysis by type of interest rate (fixed/floating), before hedging:

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015		Dec. 31, 2016		Dec. 31, 2015		Dec. 31, 2016	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,477	2,405	1,377	4.10%	2,044	3.27%	100	1.00%	361	0.33%
Floating rate	1,151	932	375	0.92%	348	0.89%	776	0.35%	584	0.29%
TOTAL	2,628	3,337	1,752	3.42%	2,392	2.92%	876	0.42%	945	0.31%

■ analysis by type of interest rate (fixed/floating), after hedging:

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015		Dec. 31, 2016		Dec. 31, 2015		Dec. 31, 2016	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	282	1,183	182	4.12%	822	2.04%	100	1.00%	361	0.33%
Floating rate	2,346	2,154	1,570	2.11%	1,570	2.41%	776	0.35%	584	0.29%
TOTAL	2,628	3,337	1,752	2.32%	2,392	2.28%	876	0.42%	945	0.31%

The Group's net debt position is as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Cash and cash equivalents (A)	1,845	1,926
Interest-bearing financial liabilities (B)	2,628	3,337
Fair value of interest rate derivatives hedging borrowings (C)	35	28
TOTAL (A) - (B) + (C)	(748)	(1,383)

Safran's issue of USD 1.2 billion in senior unsecured notes on the US private placement market on February 9, 2012 was maintained in US dollars and no currency swaps were taken out in this respect. Changes in the euro value of this issue had a negative impact

of €36 million on the Group's net debt at December 31, 2016. Since this issue classified as a net investment hedge, the offsetting entry was a reduction in consolidated equity (see the consolidated statement of comprehensive income).

The Group's gearing ratio is shown below:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Net debt	(748)	(1,383)
Total equity	5,893	6,809
GEARING RATIO	12.69%	20.31%

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 3.25% in 2016 after taking account of interest rate derivatives.

- Bonds convertible into 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 canceled, 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 19.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 1.21% in 2016 after taking account of interest rate derivatives.

- European Investment Bank (EIB) borrowings: €150 million (€187.5 million at December 31, 2015). These borrowings bear floating-rate interest indexed to 3-month Euribor plus 0.73% and are repayable in equal yearly installments between December 17, 2013 and December 17, 2020.
- Employee savings financing under the Group employee savings plan: €305.7 million (€286 million at December 31, 2015).

The maximum maturity is five years and the amount falling due within one year is €180 million. The interest rate is set annually and indexed to the five-year French treasury bill rate (BTAN), i.e., 0.87% for 2016 and 1.15% for 2015.

- Turbomeca real estate lease financing contract: €30 million (€35 million at December 31, 2015), 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: €43 million (€47 million at December 31, 2015), 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 (€42 million at December 31, 2015), 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: €250 million (€415 million at December 31, 2015). This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.
- Financial current accounts with subsidiaries: €87 million (€52 million at December 31, 2015). Interest is indexed to Euribor.

Other short-term borrowings are not material taken individually.

SALE OF RECEIVABLES WITHOUT RECOURSE

Net debt at both December 31, 2016 and December 31, 2015 does not include the CFM Inc. trade receivable assigned without recourse.

This confirmed 364-day facility for USD 2,350 million, renewed in December 2016 by a syndicate of nine banks led by Bank of Tokyo - Mitsubishi UFJ (USD 2,150 million at December 31, 2015), on which USD 1,768 million (USD 884 million at 50%) had been drawn at December 31, 2016, versus USD 1,623 million (USD 811.5 million at 50%) at December 31, 2015.

NOTE 24 TRADE AND OTHER PAYABLES

<i>(in € millions)</i>	Dec. 31, 2015	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassification with discontinued operations	Reclassifications	Dec. 31, 2016
Operating payables	9,358	1,021	(916)	3	(308)	85	9,243
Credit balances on trade receivables	1,677	326	-	-	-	(2)	2,001
Advance payments from customers	3,845	641	(707)	(1)	(34)	88	3,832
Trade payables	2,497	48	(125)	3	(171)	(2)	2,250
Current operating account	3	-	-	-	(1)	-	2
Employee-related liabilities	1,336	6	(84)	1	(102)	1	1,158
Other liabilities	1,244	37	(151)	(5)	(118)	(8)	999
State aid, accrued payables	17	2	-	-	-	-	19
State, other taxes and duties	286	(16)	(63)	-	(26)	-	181
Deferred income	789	48	(96)	(2)	(71)	(7)	661
Other	152	3	8	(3)	(21)	(1)	138
TOTAL	10,602	1,058	(1,067)	(2)	(426)	77	10,242

Deferred income primarily concerns revenue billed on a percentage-of-completion basis and revenue deferred.

Trade and other payables fall due as shown below:

<i>(in € millions)</i>	Total	Less than 12 months	More than 12 months
Operating payables	9,243	7,595	1,648
Other liabilities	999	847	152
TOTAL	10,242	8,442	1,800

NOTE 25 OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

<i>(in € millions)</i>	Dec. 31, 2015	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassification within discontinued operations	Dec. 31, 2016
Payables on purchases of property, plant and equipment and intangible assets	128	(16)	(3)	-	(1)	108
Payables on purchases of investments	20	250	-	-	(16)	254
TOTAL	148	234	(3)	-	(17)	362
Non-current	26				-	5
Current	122				-	357

The increase in payables on purchases of investments in the period relates to the firm commitment under the share buyback program launched on December 8, 2016 (see Note 19.b, "Breakdown of share capital and voting rights"). This €250 million payable is not included in the Group's net financial position at December 31, 2016.

NOTE 26 SUMMARY OF FINANCIAL LIABILITIES

The table below presents the carrying amount of the Group's financial liabilities at December 31, 2015 and December 31, 2016:

AT DECEMBER 31, 2015

<i>(in € millions)</i>	Carrying amount		Total
	Financial liabilities at amortized cost ⁽¹⁾	Financial liabilities at fair value	
Borrowings subject to specific conditions	708		708
Non-current interest-bearing financial liabilities	1,752		1,752
Current interest-bearing financial liabilities	876		876
Trade payables	2,497		2,497
Payables on purchases of investments	20	-	20
Payables on purchases of property, plant and equipment and intangible assets	128		128
Current operating accounts	3		3
Current derivatives (negative fair value)		4,108	4,108
TOTAL FINANCIAL LIABILITIES	5,984	4,108	10,092

⁽¹⁾ Including financial liabilities hedged by fair value hedging instruments.

AT DECEMBER 31, 2016

(in € millions)	Carrying amount		Total
	Financial liabilities at amortized cost ⁽¹⁾	Financial liabilities at fair value	
Borrowings subject to specific conditions	699		699
Non-current interest-bearing financial liabilities	2,392		2,392
Current interest-bearing financial liabilities	945		945
Trade payables	2,250		2,250
Payables on purchases of investments	254	-	254
Payables on purchases of property, plant and equipment and intangible assets	108		108
Current operating accounts	2		2
Current derivatives (negative fair value)		4,385	4,385
TOTAL FINANCIAL LIABILITIES	6,650	4,385	11,035

(1) Including financial liabilities hedged by fair value hedging instruments.

The fair value of financial liabilities is determined by reference to the future cash flows associated with each liability, discounted at market interest rates at the end of the reporting period, with

the exception of borrowings subject to specific conditions, whose fair value cannot be estimated reliably given the uncertainties regarding the amounts to be repaid and the timing of repayment.

At December 31, 2016 and December 31, 2015, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

(in € millions)	2015		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	708	N/A	699	N/A
Interest-bearing financial liabilities ⁽¹⁾	2,628	2,644	3,337	3,424

(1) This fair value measurement relates to level 2 in the fair value hierarchy (see Note 18, "Summary of financial assets").

Safran uses the fair value hierarchy described in Note 18 to determine the classification of financial liabilities at fair value.

The Group's financial liabilities carried at fair value at December 31, 2015 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	4,108	-	4,108
TOTAL	-	4,108	-	4,108

The Group's financial liabilities carried at fair value at December 31, 2016 are shown below:

(in € millions)	Level 1	Level 2	Level 3	Total
Derivatives (negative fair value)	-	4,385	-	4,385
TOTAL	-	4,385	-	4,385

In 2016 and 2015, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

Offsetting of financial liabilities and financial assets

AT DECEMBER 31, 2015

(in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet ⁽¹⁾ (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (negative fair value)	4,108	-	4,108	402	3,706

(1) See Note 27, "Management of market risks and derivatives".

AT DECEMBER 31, 2016

(in € millions)	Gross carrying amount (A)	Amount offset (B)	Net amount on the balance sheet ⁽¹⁾ (C)	Amount subject to offset agreement but not offset (D)	Net (C) - (D)
Derivatives (negative fair value)	4,385	-	4,385	617	3,768

(1) See Note 27, "Management of market risks and derivatives".

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

At both December 31, 2016 and December 31, 2015, the Group did not offset any financial liabilities and financial assets on its balance sheet, since it did not meet the conditions specified in IAS 32. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of

set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.

The amounts subject to an offsetting agreement but not offset comprise a portion of the Group's derivatives with a positive fair value, since amounts can only be offset if they relate to the same counterparty.

NOTE 27 MANAGEMENT OF MARKET RISKS AND DERIVATIVES

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

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

(in € millions)	Dec. 31, 2015		Dec. 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	35	-	28	-
Fixed-for-floating interest rate swaps	35	-	28	-
Foreign currency risk management	373	(4,055)	592	(4,385)
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	153	(2,072)	97	(2,065)
Currency option contracts	220	(1,983)	495	(2,320)
Commodity risk management	-	(53)	-	-
Forward purchases of commodities	-	(53)	-	-
TOTAL	408	(4,108)	620	(4,385)

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 expenses for these activities totaled USD 7.5 billion for 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 a volatile monetary environment.

HEDGING POLICY

Two basic principles underscore the foreign currency risk management policy defined by Safran for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance (first principle).

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

<i>(in millions of currency units)</i>	Dec. 31, 2015				Dec. 31, 2016			
	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	(1,919)				(1,967)			
Short USD position	(1,980)	16,460	16,260	200	(1,962)	14,266	12,516	1,750
<i>of which against EUR</i>	<i>(1,948)</i>	<i>15,915</i>	<i>15,915</i>	<i>-</i>	<i>(1,918)</i>	<i>13,678</i>	<i>11,978</i>	<i>1,700</i>
Long USD position	58	(324)	(164)	(160)	82	(632)	(247)	(385)
<i>of which against EUR</i>	<i>43</i>	<i>(214)</i>	<i>(114)</i>	<i>(100)</i>	<i>82</i>	<i>(632)</i>	<i>(247)</i>	<i>(385)</i>
Short CAD position against CHF	4	30	30	-	-	-	-	-
Short EUR position against GBP	54	350	200	150	(2)	(210)	(210)	-
Short EUR position against CAD	15	240	120	120	9	-	40	(40)
Long SGD position against USD	(4)	(200)	(100)	(100)	-	-	-	-
Long PLN position against EUR	1	(360)	(120)	(240)	-	(195)	(75)	(120)
Long MXN position against USD	(67)	(6,800)	(2,500)	(4,300)	(94)	(5,850)	(3,050)	(2,800)
Currency option contracts	(1,763)				(1,826)			
USD put purchased	91	7,700	6,100	1,600	149	10,350	8,550	1,800
USD put sold	60	(2,300)	(500)	(1,800)	178	(4,720)	(3,260)	(1,460)
USD call sold	(1,940)	24,150	16,500	7,650	(2,215)	25,910	19,360	6,550
USD call purchased	(43)	(5,200)	(1,600)	(3,600)	(45)	(9,440)	(6,520)	(2,920)
EUR call sold	-	-	-	-	(20)	210	210	-
Accumulators - sell USD ⁽²⁾	-	-	-	-	(27)	1,790	1,790	-
Accumulators - buy USD ⁽²⁾	69	(3,309)	(868)	(2,441)	154	(4,122)	(552)	(3,570)
TOTAL	(3,682)				(3,793)			

(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.

corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly over a four-year timeframe.

MANAGEMENT POLICY

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and the combination of optional instruments with or without barriers.

Optimization measures are also used with a view to improving the minimum exchange rate parity, and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators and the combination of optional instruments with or without barriers.

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In the balance sheet, the €111 million decrease in the fair value of foreign currency derivatives between December 31, 2015 and December 31, 2016 reflects a decrease of €131 million in the fair value of currency hedging instruments not yet settled at December 31, 2016, and premiums paid in an amount of €20 million.

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 December 31, 2016 (decrease of €131 million) along with

changes in the fair value of derivatives settled in 2016 (decrease of €29 million) following the collection of advances from customers in foreign currency, representing a negative amount of €160 million, are included in "Financial income (loss)" for the period, as follows:

- a negative €186 million in "Gain (loss) on foreign currency hedging instruments", corresponding to derivatives hedging revenue net of future purchases;
- a negative €37 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.

EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

The exposure of the Group's financial instruments to EUR/USD foreign currency risk can be summarized as follows:

<i>(in USD millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Total assets excluding derivatives	1,589	1,662
Total liabilities excluding derivatives	(2,605)	(2,714)
Derivatives hedging balance sheet positions ⁽¹⁾	(191)	(507)
NET EXPOSURE AFTER THE IMPACT OF DERIVATIVES HEDGING BALANCE SHEET POSITIONS	(1,207)	(1,559)

(1) Notional amount.

Assets and liabilities excluding derivatives primarily consist of operating receivables and payables denominated in USD in the balance sheets of Group subsidiaries whose functional currency is the euro, and unsecured notes issued by Safran on the US private placement market for USD 1.2 billion.

In addition to this net exposure, the Group has EUR/USD currency derivatives hedging revenue net of future purchases. These had a negative fair value of USD 3,765 million, compared to a total negative fair value of USD 3,821 million for EUR/USD currency derivatives at December 31, 2016 (negative fair value of USD 3,975 million and USD 3,994 million, respectively, at December 31, 2015).

The sensitivity of financial instruments to a 5% increase or decrease in the EUR/USD exchange rate is as follows:

<i>Impact on balance sheet positions (in € millions)</i>	Dec. 31, 2015		Dec. 31, 2016	
	USD	USD	USD	USD
Closing rate	1.09		1.05	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.03	1.14	1.00	1.11
Impact recognized through profit or loss (before tax)	(1,761)	1,364	(1,810)	1,399
Impact recognized through equity (before tax)	(60)	54	(61)	56

Interest rate risk management

The Group's exposure to fluctuations in interest rates covers two types of risk:

- fair value risk in respect of fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of these assets and liabilities;

- cash flow risk in respect of floating-rate financial assets and liabilities. Interest rate fluctuations have a direct impact on the Group's profit or loss.

Within the framework of its interest rate risk management policy, the Group arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

EXPOSURE TO EURO INTEREST RATE RISK

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

These swaps are eligible for fair value hedge accounting.

(in € millions)	Dec. 31, 2015					Dec. 31, 2016				
	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	11	200	-	-	200	17	200	-	-	200
TOTAL	11					17				

For the €200 million bond issue, changes in the fair value of the hedging instrument and the hedged item within the scope of this hedge are recognized in "Financial income (loss)" as follows:

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Change in fair value of hedging instrument	(2)	5
Change in fair value of hedged item	2	(5)
IMPACT OF FAIR VALUE INTEREST RATE HEDGES ON PROFIT	-	-

Exposure to euro interest rate risk before and after hedging:

Dec. 31, 2015 (in € millions)	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	19	725	247	369	266	1,094
Other financial assets	-	114	-	67	-	181
Cash and cash equivalents	40	1,420			40	1,420
Net exposure before hedging	(21)	(809)	247	302	226	(507)
Derivatives ⁽¹⁾	-	-	(200)	200	(200)	200
Net exposure after hedging	(21)	(809)	47	502	26	(307)

(1) Notional amount.

Dec. 31, 2016 (in € millions)	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	16	567	887	341	903	908
Other financial assets	35	103	-	74	35	177
Cash and cash equivalents	25	1,628			25	1,628
Net exposure before hedging	(44)	(1,164)	887	267	843	(897)
Derivatives ⁽¹⁾	-	-	(200)	200	(200)	200
Net exposure after hedging	(44)	(1,164)	687	467	643	(697)

(1) Notional amount.

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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.

(in € millions)	Dec. 31, 2015					Dec. 31, 2016				
	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	24	1,045	-	-	1,045	11	1,245	200	-	1,045
Floating-for-fixed	-	-	-	-	-	-	400	400	-	-
TOTAL	24					11				

Changes in the fair value of the hedging instrument and hedged item within the scope of the hedge of the senior unsecured notes issued on the US market are recognized in "Financial income (loss)" as follows:

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Change in fair value of hedging instrument	9	(13)
Change in fair value of hedged item	(9)	13
IMPACT OF FAIR VALUE INTEREST RATE HEDGES ON PROFIT	-	-

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2015 (in USD millions)	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	81	53	1,231	-	1,312	53
Other financial assets	40	102	11	-	51	102
Cash and cash equivalents	176	64			176	64
Net exposure before hedging	(135)	(113)	1,220	-	1,085	(113)
Derivatives ⁽¹⁾	-	-	(1,045)	1,045	(1,045)	1,045
Net exposure after hedging	(135)	(113)	175	1,045	40	932

(1) Notional amount.

Dec. 31, 2016 (in USD millions)	Current		Non-current		Total	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	361	16	1,219	-	1,580	16
Other financial assets	2	6	9	-	11	6
Cash and cash equivalents	76	61	-	-	76	61
Net exposure before hedging	283	(51)	1,210	-	1,493	(51)
Derivatives ⁽¹⁾	200	(200)	(1,045)	1,045	(845)	845
Net exposure after hedging	483	(251)	165	1,045	648	794

(1) Notional amount.

SENSITIVITY TO INTEREST RATE RISK

The aggregate sensitivity of net exposures to EUR and USD interest rate risk after the impact of hedging is shown below:

Impact of changes in interest rates (in € millions)	Dec. 31, 2015	Dec. 31, 2016
Interest rate assumptions used	+1%	+1%
Impact on profit or loss (before tax)	(5)	0
Impact on equity (before tax)	-	-

Management of commodity risk

Since 2009, the Group's policy had been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel, platinum and oil). The policy sought to protect the Group's economic performance from commodity price volatility.

The Group decided to discontinue this policy at the end of 2016 as the risk was not deemed material for the Group. Accordingly, all commodity derivatives were unwound ahead of maturity.

Equity risk management

Safran is exposed to fluctuations in the stock market price of the Embraer share, which is the only listed security held by the Group.

A 5% decrease in the price of this share would have a net negative pre-tax impact of €2 million on equity at end-2016 and of €3 million at end-2015.

Counterparty risk management

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or over-the-counter with top-tier intermediaries.

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

Note 16 provides a breakdown of trade receivables by maturity.

Liquidity risk management

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

Since the Group has an undrawn, confirmed liquidity line at December 31, 2016, 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.

A number of financial covenants apply to the EIB borrowings set up in 2010 (see Note 23). The following two ratios apply:

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

The “net debt/EBITDA <2.5” covenant also applies to the senior unsecured notes issued on the US private placement market (see Note 23).

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

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

NOTE 28 DISCONTINUED OPERATIONS

The Security business is now shown in “assets held for sale”. The business includes a worldwide offering of solutions that bring enhanced safety and convenience for citizens, consumers and employees, that protect critical infrastructures and that ensure the safety of transportation systems. The Security businesses offer identification solutions based on multibiometric technologies (fingerprint, iris and face recognition) including transaction security and authentication solutions (identity and security solutions), as well as tomographic systems for the detection of dangerous or illicit substances in baggage.

The entire Security business is presented within discontinued operations 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;
- the announcement on September 29, 2016 of the start of exclusive negotiations with Advent International to sell the Identity and Security businesses.

Full-time equivalent employees of the Security business comprised 8,609 people on average in 2016 (8,414 people on average in 2015).

The financial statements of discontinued operations are as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Revenue	1,878	1,972
Recurring operating income ⁽¹⁾	19	91
Profit before tax	22	110
Income tax benefit (expense)	3	(36)
Profit from discontinued operations	29	74
Attributable to:		
■ owners of the parent	26	72
■ non-controlling interests	3	2

⁽¹⁾ Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

Amortization and depreciation were no longer charged against intangible assets and property, plant and equipment (i) as of April 30, 2016 for Morpho Detection LLC and other detection businesses, and (ii) as of September 30, 2016 for Identity and Security businesses. Discontinuing amortization and depreciation had an overall positive impact of €60 million on pre-tax profit (€38 million on net profit) of discontinued operations in 2016.

Other comprehensive income relating to discontinued operations in 2015 and 2016 are identified in the consolidated statement of comprehensive income.

At December 31, 2016, the total amount recognized in other comprehensive income relating to discontinued operations was €245 million before tax (€271 million net of tax). This corresponds to translation adjustments which, when calculated on the basis of the exchange rate prevailing on the effective disposal date, will be recognized in profit or loss at that date. Based on the exchange rate in force at December 31, 2016, this increases the disposal gain by €245 million and decreases income tax expense by €26 million in the Group's consolidated financial statements.

The main assets and related liabilities classified as discontinued operations are as follows:

<i>(in € millions)</i>	Dec. 31, 2016
Goodwill	1,563
Non-current assets	775
Current assets	716
Cash and cash equivalents	180
TOTAL DISCONTINUED OPERATIONS	3,234
Non-current liabilities	161
Current liabilities	633
TOTAL LIABILITIES RELATED TO DISCONTINUED OPERATIONS	794

The disposal value for each of the two planned sale transactions will exceed the carrying amount of the net assets of the discontinued operations.

Cash flows related to discontinued operations are as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Cash flow from operating activities	121	171
Cash flow used in investing activities	(88)	(111)
Cash flow used in financing activities	(21)	(8)

Cash flow used in investing activities primarily includes acquisitions of property, plant and equipment and intangible assets for €106 million in 2016 (€77 million in 2015).

NOTE 29 INTERESTS IN JOINT OPERATIONS

The Group has interests in a number of joint operations whose contribution is recognized line-by-line in the financial statements. The joint operations are:

- CFM International Inc. and CFM International SA: coordination of the CFM56 engine program with General Electric and program marketing;
- Famat: manufacture of large casings subcontracted by Safran Aircraft Engines and General Electric;
- Matis: manufacture of aircraft wiring;
- CFAN: production of composite fan blades for turbo engines;
- Propulsion Technologies International: engine repair and maintenance.

The table below shows the Group's share in the various financial indicators of these joint operations, which is included in the consolidated financial statements:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Current assets	143	125
Non-current assets	175	185
Current liabilities	198	178
Non-current liabilities	6	11
Operating income	84	79
Operating expenses	(56)	(51)
Financial loss	(4)	(7)
Income tax expense	(2)	(2)
Profit for the period	22	18
Other comprehensive income	9	3
Comprehensive income	31	21
Cash flow from operating activities ⁽¹⁾	1	12
Cash flow used in investing activities	(6)	(12)
Cash flow used in financing activities ⁽¹⁾	(7)	(11)

(1) See Note 23, "Interest-bearing financial liabilities" – trade receivables factoring programs at CFM Inc.

NOTE 30 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.

Since transactions with associates were not material in 2015 and did not exist in 2016 owing to the sale of the interest in Ingenico Group, they are not included in the table below.

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

<i>(in € millions)</i>	Dec. 31, 2015*	Dec. 31, 2016
Sales to related parties other than joint ventures	3,246	2,982
Purchases from related parties other than joint ventures	(98)	(78)

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Amounts receivable from related parties other than joint ventures	1,767	1,371
Amounts payable to related parties other than joint ventures	1,200	1,661

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Guarantees granted to related parties other than joint ventures (off-balance sheet commitments) ⁽¹⁾	2,025	2,408

(1) See Note 31.a, "Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities".

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

The following transactions were carried out with joint ventures:

<i>(in € millions)</i>	Dec. 31, 2015*	Dec. 31, 2016
Sales to joint ventures	405	255
Purchases from joint ventures	(86)	(108)

(*) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations").

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Amounts receivable from joint ventures	203	35
Amounts payable to joint ventures	300	64

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Guarantees granted to joint ventures (off-balance sheet commitments) ⁽¹⁾	-	-

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

Management compensation

Management executives comprise members of the Board of Directors and Executive Management, as well as any persons with the power to take management decisions with regard to Safran's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Group.

Management executives comprise the 17 members of the Board of Directors, including the Chairman of the Board and the Chief

Executive Officer, as well as the five officers considered as having the power to take management decisions with regard to Safran's strategy and future development, or with regular access to privileged information concerning Safran.

All compensation and benefits awarded to members of the Board of Directors and to members of Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Short-term benefits ⁽¹⁾	8.9	8.9
Post-employment benefits	1.1	1.1
Other long-term benefits	-	-
Termination benefits	-	0.6
Share-based payment	0.3	1.0

(1) Compensation, social security contributions, attendance fees and benefit payments, where applicable.

The Group's total post-employment benefit commitments and other long-term benefit commitments in respect of management executives amounted to €11.4 million at December 31, 2016 and €11.6 million at December 31, 2015.

NOTE 31 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

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

COMMITMENTS GIVEN AND CONTINGENT LIABILITIES

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

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Purchase commitments on intangible assets	317	245
Purchase commitments on property, plant and equipment	322	368
Guarantees given in connection with the performance of operating agreements	3,708	4,269
Operating lease commitments	395	429
Financial guarantees granted on the sale of Group products	46	29
Other commitments given	393	262
TOTAL*	5,181	5,602

() Including the Security segment for €377 million in 2015 and €395 million in 2016.*

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 30, "Related parties".

Operating lease commitments

Commitments under operating leases can be analyzed as follows:

(in € millions)	Dec. 31, 2015	Dec. 31, 2016	Period to maturity		
	Total	Total	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	395	429	97	237	95
TOTAL*	395	429	97	237	95

(*) Including the Security segment for €91 million in 2015 and €125 million in 2016.

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 31 million at December 31, 2016 (USD 50 million at December 31, 2015), or €29 million (€46 million at December 31, 2015). 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 25 million at December 31, 2016 (USD 32 million at December 31, 2015), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 20, "Provisions").

Financing commitments granted in principle to clients alongside aircraft manufacturers in connection with certain civil engine sales campaigns form part of financing packages proposed by aircraft manufacturers to airline companies and generally correspond to the share represented by Group engines in the financing of the relevant aircraft. 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 20, "Provisions"). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized.

In the absence of an agreement between the parties, certain of these claims may give rise to litigation, the most significant of which is indicated in Note 32, "Disputes and litigation".

COMMITMENTS RECEIVED

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

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Commitments received from banks on behalf of suppliers	11	33
Completion warranties	22	30
Endorsements and guarantees received	56	3
Other commitments received	9	9
TOTAL*	98	75

(*) Including the Security segment for €7 million in 2015 and €9 million in 2016.

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

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

VENDOR WARRANTIES GIVEN

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Vendor warranties given ⁽¹⁾	5	5

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

VENDOR WARRANTIES RECEIVED

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Vendor warranties received*	46	3

(*) Including the Security segment for €3 million in 2015 and in 2016.

Warranties received from SNPE

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

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

At June 30, 2016, the benefit of this warranty, based on the original terms granted to Safran, was transferred to Airbus Safran Launchers as part of the businesses contributed to the joint venture as outlined in Note 4, "Scope of consolidation".

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

Commitments received in respect of financing relate to:

- the unused portion of the trade receivables factoring facility requiring deconsolidation of the receivables concerned (see Note 23, "Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit line (see Note 27, "Management of market risks and derivatives").

NOTE 32 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 evaluate any potential financial risk. Consequently, Safran has not recognized a provision. The proceedings are still ongoing.

- On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim with Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings for reimbursement of overcharges against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. At the date of this report, it is not possible to evaluate any potential financial risk.

Tax litigation and contingencies

■ Morpho do Brazil is accused of not having levied a value added tax known as ICMS in the period 2010-2011 when selling products to its customers. Following the different decisions handed down at first instance and the first appeal rulings, the risk now represents BRL 244 million, or around €71 million (including BRL 216 million in late-payment interest at December 31, 2016). The Company continues to challenge these reassessments, relying primarily on a legal opinion and on Brazilian Supreme Court case law. No provision has therefore been set aside in this respect and the Company retained the same tax treatment for subsequent years. The Brazilian tax authorities also began an inspection of fiscal years 2012 to 2015. The risk for the period is estimated at BRL 334 million, or around €97 million (including BRL 245 million in late-payment interest at December 31, 2016).

■ Owing to the appeals filed and arguments put forward by Safran in 2016, three tax disputes were definitively settled in favor of the Group. This led to the cancellation of three reassessments:

- reassessment notified by the French tax authorities in 2007 for €14 million, relating to the income tax expense allocation between SNECMA and its subsidiaries;
- reassessment notified by the French tax authorities in 2006 for €11.7 million, concerning the deductible nature of certain expenses relating to 2003;
- reassessment notified by the Canadian tax authorities in 2015 for CAD 26 million (around €17 million), concerning transfer pricing.

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 33 SUBSEQUENT EVENTS

Tender offer for Zodiac Aerospace

On January 18, 2017, Safran's Board of Directors approved a friendly tender offer for Zodiac Aerospace. Zodiac Aerospace's Supervisory Board had approved this transaction a few hours before Safran's announcement.

The acquisition is to be submitted to the employee representative bodies of Safran and Zodiac Aerospace before being finalized. It will then be subject to the customary regulatory and financial clearance.

From a financial perspective, Safran would launch a public tender offer on the share capital of Zodiac Aerospace, it being understood that Zodiac Aerospace's leading shareholders undertake not to take part in the offer and to tender their shares at a later date to the merger of the two companies, subject to the approval of an Extraordinary Meeting of Safran's shareholders to be convened on the matter of the merger.

Prior to the merger, and subject to the success of the public tender offer and approval of the merger by Safran and Zodiac Aerospace shareholders, Safran would pay a one-off dividend of €5.50 per share to its shareholders, representing a total payout of around €2.3 billion.

Combined with the Group's other businesses, the new company would represent over €21 billion in revenue and some 92,000 employees.

Finalization of the 2016 share buyback program

The share buyback program launched in December 2016 for a total of €250 million (see Note 19.b, "Breakdown of share capital and voting rights") was finalized in January 2017. The program resulted in the acquisition of 3,135,023 additional shares, on top of the 621,475 shares previously purchased in December 2016. In all, a total of 3,756,498 shares were purchased under the program, for a total amount of €250 million.

NOTE 34 LIST OF CONSOLIDATED COMPANIES

	Country	2015		2016	
		Consolidation method	% interest	Consolidation method	% interest
Safran SA	France	Parent company			
Aerospace Propulsion					
Safran Aircraft Engines	France	FC	100.00	FC	100.00
CFAN Company	United States	JO	50.00	JO	50.00
CFM International SA	France	JO	50.00	JO	50.00
CFM International, Inc.	United States	JO	50.00	JO	50.00
CFM Materials LP	United States	EQ	50.00	EQ	50.00
Famat	France	JO	50.00	JO	50.00
Fan Blade Associates, Inc.	United States	FC	100.00	FC	100.00
Safran Aero Composite	France	FC	100.00	FC	100.00
Safran Aero Composites, LLC	United States	FC	100.00	FC	100.00
Shannon Engine Support Ltd	Ireland	EQ	50.00	EQ	50.00
Safran Aircraft Engine Mexico ⁽¹⁾	Mexico	-	-	FC	100.00
Safran Aircraft Engine Services Americas	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engine Services Morocco	Morocco	FC	51.00	FC	51.00
Safran MDS SA de CV ⁽¹⁾	Mexico	-	-	FC	100.00
Snecma Participations	France	FC	100.00	FC	100.00
Snecma Participations, Inc.	United States	FC	100.00	FC	100.00
Safran Aircraft Engine Services Brussels	Belgium	FC	100.00	FC	100.00
Snecma Suzhou Co., Ltd	China	FC	100.00	FC	100.00
Safran Aircraft Engines Guiyang	China	FC	90.00	FC	90.00
Propulsion Technologies International, LLC	United States	JO	50.00	JO	50.00
Safran Aero Boosters SA	Belgium	FC	67.19	FC	67.19
Safran Test Cells, Inc.	United States	FC	67.19	FC	67.19
Safran Aero Boosters Programs, LLC ⁽¹⁾	United States	-	-	FC	67.19
Safran Aero Boosters, Inc.	United States	FC	67.19	FC	67.19
Safran Helicopter Engines	France	FC	100.00	FC	100.00
Safran Power Units	France	FC	100.00	FC	100.00
Safran Power Units San Diego, LLC ⁽¹⁾	United States	-	-	FC	100.00
Turbomeca Africa	South Africa	FC	51.00	FC	51.00
Turbomeca America Latina	Uruguay	FC	100.00	FC	100.00
Safran Helicopter Engines Asia Pte Ltd	Singapore	FC	100.00	FC	100.00
Safran Helicopter Engines Australia Pty Ltd	Australia	FC	100.00	FC	100.00
Safran Helicopter Engines Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Helicopter Engines Brasil Industria e Comercio Ltda	Brazil	FC	100.00	FC	100.00
Safran Helicopter Engines Germany GmbH	Germany	FC	100.00	FC	100.00
Turbomeca Manufacturing, LLC ⁽²⁾	United States	FC	100.00	-	-

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(1) First-time consolidation in 2016.

(2) Left the Group in 2016.

(3) Contributed to Airbus Safran Launchers in 2016.

(4) Merged into Optics 1, Inc. in 2016.

(*) Classified under discontinued operations at December 31, 2016 (see Note 28, "Discontinued operations").

	Country	2015		2016	
		Consolidation method	% interest	Consolidation method	% interest
Safran Helicopter Engines Tianjin Co Ltd	China	FC	100.00	FC	100.00
Safran Helicopter Engines UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Helicopter Engines USA, Inc.	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Safran Ceramics	France	FC	100.00	FC	100.00
Pyroalliance ⁽³⁾	France	FC	85.00	-	-
Roxel France	France	EQ	50.00	EQ	50.00
Roxel Ltd	United Kingdom	EQ	50.00	EQ	50.00
Roxel	France	EQ	50.00	EQ	50.00
Structil	France	FC	80.00	FC	80.00
Airbus Safran Launchers Holding	France	EQ	50.00	EQ	50.00
Aircraft Equipment					
Safran Nacelles	France	FC	100.00	FC	100.00
Safran Nacelles Limited	United Kingdom	FC	100.00	FC	100.00
Safran Nacelles Morocco	Morocco	FC	100.00	FC	100.00
Aircelle Europe Services ⁽⁴⁾	France	-	-	FC	100.00
Safran System Aerostructures	France	FC	100.00	FC	100.00
Safran Landing Systems SAS	France	FC	100.00	FC	100.00
A-Pro	United States	EQ	50.00	EQ	50.00
Safran Landing Systems Services Dinard	France	FC	100.00	FC	100.00
Safran Landing Systems Kentucky, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Malaysia Sdn. Bhd.	Malaysia	FC	100.00	FC	100.00
Safran Landing Systems Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Landing Systems UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems Mexico S.A. de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Americas S.A. de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Singapore Pte. Ltd	Singapore	FC	60.00	FC	60.00
Safran Landing Systems Services Miami, Inc.	United States	FC	100.00	FC	100.00
Safran Landing Systems Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems Services Queretaro S.A. de CV	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Holdings Singapore Pte. Ltd	Singapore	FC	100.00	FC	100.00
Safran Filtration Systems	France	FC	100.00	FC	100.00
Safran Landing Systems Suzhou Co., Ltd	China	FC	100.00	FC	100.00
Safran Electrical Power	France	FC	100.00	FC	100.00
Aerosource Inc	United States	FC	100.00	FC	100.00
Safran Electrical & Power Chihuahua S.A. de CV	Mexico	FC	100.00	FC	100.00
Safran Engineering Services GmbH	Germany	FC	100.00	FC	100.00
Labinal Investments, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power USA LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power Morocco SA	Morocco	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(1) First-time consolidation in 2016.

(2) Left the Group in 2016.

(3) Contributed to Airbus Safran Launchers in 2016.

(4) Merged into Optics 1, Inc. in 2016.

(*) Classified under discontinued operations at December 31, 2016 (see Note 28, "Discontinued operations").

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Group consolidated financial statements at December 31, 2016

	Country	2015		2016	
		Consolidation method	% interest	Consolidation method	% interest
Safran Electrical & Power Mexico S.A. de CV	Mexico	FC	100.00	FC	100.00
Labinal Salisbury, LLC	United States	FC	100.00	FC	100.00
Matis Aerospace	Morocco	JO	50.00	JO	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India Pvt Ltd	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Safran Engineering Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Electrical & Power UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Power USA, LLC	United States	FC	100.00	FC	100.00
Technofan	France	FC	95.15	FC	100.00
Technofan, LLC	United States	FC	100.00	FC	100.00
SAIFEI	China	EQ	49.00	EQ	49.00
Safran Transmission Systems	France	FC	100.00	FC	100.00
Safran Transmission Systems Poland	Poland	FC	100.00	FC	100.00
Safran Martin-Baker France	France	EQ	50.00	EQ	50.00
Defense					
Safran Electronics & Defense	France	FC	100.00	FC	100.00
Optics 1, Inc.	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Services Asia Pte Ltd	Singapore	FC	51.00	FC	60.00
Safran Electronics & Defense Canada Inc	Canada	FC	100.00	FC	100.00
Safran Electronics & Defense, Avionics USA, LLC	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Germany GmbH	Germany	FC	100.00	FC	100.00
Sofradir	France	EQ	50.00	EQ	50.00
ULIS	France	EQ	50.00	EQ	50.00
Vectronix AG	Switzerland	FC	100.00	FC	100.00
Safran Electronics Defense Optronics USA, Inc. ⁽⁴⁾	United States	FC	100.00	-	-
Sagem USA, Inc. ⁽³⁾	United States	-	-	FC	100.00
Safran Reosc	France	FC	100.00	FC	100.00
Safran Colibrays AGs	Switzerland	FC	100.00	FC	100.00
Security*					
Safran Identity & Security	France	FC	100.00	FC	100.00
Aleat	Albania	FC	75.00	FC	75.00
Bioscrypt Canada Inc.	Canada	FC	100.00	FC	100.00
EIMASS, LLC	United Arab Emirates	EQ	40.00	EQ	40.00
L-1 Secure Credentialing, LLC	United States	FC	100.00	FC	100.00
Morpho Australasia Pty Ltd	Australia	FC	100.00	FC	100.00
Morpho BV	Netherlands	FC	100.00	FC	100.00
Morpho Canada, Inc.	Canada	FC	100.00	FC	100.00
Morpho Maroc	Morocco	FC	100.00	FC	100.00
Morpho South Africa (Pty) Ltd	South Africa	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(1) First-time consolidation in 2016.

(2) Left the Group in 2016.

(3) Contributed to Airbus Safran Launchers in 2016.

(4) Merged into Optics 1, Inc. in 2016.

(*) Classified under discontinued operations at December 31, 2016 (see Note 28, "Discontinued operations").

	Country	2015		2016	
		Consolidation method	% interest	Consolidation method	% interest
MorphoTrak LLC	United States	FC	100.00	FC	100.00
MorphoTrust USA LLC	United States	FC	100.00	FC	100.00
Morpho UK Ltd	United Kingdom	FC	100.00	FC	100.00
Morpho USA Inc.	United States	FC	100.00	FC	100.00
TransDigital Technologies LLC	United States	FC	100.00	FC	100.00
Morpho Cards GmbH	Germany	FC	100.00	FC	100.00
Morpho Cards Sdn Bhd	Malaysia	FC	100.00	FC	100.00
Morpho do Brasil SA	Brazil	FC	100.00	FC	100.00
Morpho Cards de Colombia SAS	Colombia	FC	100.00	FC	100.00
PT Morpho Cards Indonesia	Indonesia	FC	100.00	FC	100.00
Morpho Cards (Singapore) Pte Ltd	Singapore	FC	100.00	FC	100.00
Morpho Cards de Peru SAC	Peru	FC	100.00	FC	100.00
Morpho Cards Portugal Lda	Portugal	FC	100.00	FC	100.00
Morpho Cards Romania SRL	Romania	FC	100.00	FC	100.00
Morpho Cards UK Ltd ⁽²⁾	United Kingdom	FC	100.00	-	-
Morpho N.A. Inc.	United States	FC	100.00	FC	100.00
Morpho South Africa (Pty) Ltd	South Africa	FC	100.00	FC	100.00
CPS Technologies	France	FC	100.00	FC	100.00
Morpho Cards Czech S.R.O	Czech Republic	FC	100.00	FC	100.00
Smart Chip Private Ltd	India	FC	94.86	FC	95.89
Syscom Corporation Private Ltd	India	FC	94.86	FC	95.89
Orga Zelenograd Smart Cards and Systems - ZAO	Russia	FC	100.00	FC	100.00
Morpho Cards FZ LLC	United Arab Emirates	FC	100.00	FC	100.00
Morpho Cards Mexico	Mexico	FC	100.00	FC	100.00
Morpho de Argentina SA	Argentina	FC	100.00	FC	100.00
Morpho Detection LLC	United States	FC	100.00	FC	100.00
Morpho Detection International LLC	United States	FC	100.00	FC	100.00
Morpho Detection Germany GmbH	Germany	FC	100.00	FC	100.00
Morpho Detection UK Ltd	United Kingdom	FC	100.00	FC	100.00
Syagen Technology LLC	United States	FC	100.00	FC	100.00
Holding co. and other					
Établissements Vallaroche	France	FC	100.00	FC	100.00
Safran UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran USA Inc.	United States	FC	100.00	FC	100.00
Soreval	Luxembourg	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(1) First-time consolidation in 2016.

(2) Left the Group in 2016.

(3) Contributed to Airbus Safran Launchers in 2016.

(4) Merged into Optics 1, Inc. in 2016.

(*) Classified under discontinued operations at December 31, 2016 (see Note 28, "Discontinued operations").

NOTE 35 AUDIT FEES

Pursuant to Standard No. 2016-09 issued on December 2, 2016 by the ANC, the following table shows the amount of fees paid to the Group's Statutory Auditors as included on the consolidated income statement for the year, a distinction being made between

fees charged for the statutory audit of the consolidated financial statements and those charged for other services, where applicable. The fees shown for subsidiaries are those consolidated according to the full consolidation method.

(in € millions)	Ernst & Young				Mazars				Total			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
A) Statutory audit services												
A.1) Safran (issuer)	0.65	0.63	14%	13%	0.65	0.63	13%	12%	1.30	1.26	13%	12%
A.2) Subsidiaries	3.68	3.74	80%	76%	3.66	3.33	71%	61%	7.34	7.07	76%	68%
Sub-total	4.33	4.37	94%	89%	4.31	3.96	84%	73%	8.64	8.33	89%	80%
B) Other services												
B.1) Safran (issuer)	0.17	0.32	3%	7%	0.26	0.38	5%	7%	0.43	0.70	4%	7%
B.2) Subsidiaries	0.12	0.22	3%	4%	0.59	1.12	11%	20%	0.71	1.34	7%	13%
Sub-total	0.29	0.54	6%	11%	0.85	1.50	16%	27%	1.14	2.04	11%	20%
TOTAL	4.62	4.91	100%	100%	5.16	5.46	100%	100%	9.78	10.37	100%	100%

Statutory audit fees

These are payable for all work that is an integral part of the statutory audit, i.e., all work necessary to produce audit reports or any other reports or representations to be made available to the Ordinary Shareholders' Meeting called to approved the financial statements.

Services are provided by the Statutory Auditors and other persons responsible for audits, members of their networks, certifying the parent company and consolidated financial statements of the parent company and fully consolidated subsidiaries in France and other countries.

Fees for other services

These services concern work falling within the scope of services usually rendered in conjunction with the statutory audit engagement (drafting of specific reports and statements, due diligence procedures) or any other specific engagement, generally representing one-off or agreed-on services.

3.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2016 on:

- the audit of the accompanying consolidated financial statements of Safran;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As indicated in the Note 2 to the consolidated financial statements, the preparation of the Group's consolidated financial statements requires the management of your Company to define assumptions in order to make estimates that have an impact on the book values of the assets and liabilities and on the income and expenses recorded in the consolidated financial statements, as well as on the disclosures in the notes to the consolidated financial statements.

We consider that the matters that are the subject of significant estimates and for which our assessments require justification include estimates relating to contracts and programs, especially with regards to fixed asset impairment tests and the valuation of certain provisions.

FIXED ASSET IMPAIRMENT TESTS

At least once a year and at any time if there are indications of impairment, the Group performs impairment tests on goodwill. Also, at each annual close, the Group performs impairment tests on assets allocated to programs (aerospace programs, development costs and tangible assets used in production) when the amortization of these assets did not begin or when occurrence of events or circumstances indicating a risk of impairment. These tests are based on the discounting of future cash flows expected from cash generating units, projects or programs to which the dedicated assets are attached, according to the conditions described in Note 1.I to the consolidated financial statements. We reviewed the conditions of implementation of these impairment tests and verified the consistency of the assumptions adopted. We also verified that the Notes 10 and 11 to the consolidated financial statements give the appropriate disclosure.

PROVISIONS

The Group recognizes provisions for losses upon completion, losses on delivery commitments, provisions for financial guarantees relating to sales and provisions for commercial guarantees, as described in Note 1.r to the consolidated financial statements. Our work consisted notably in assessing the assumptions, the contractual and forecast data, and the technical and statistical bases on which these estimates are based, reviewing Group's calculations by means of sampling, and examining the procedures for the management's approval of these estimates. On that basis, we assessed the reasonable nature of these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

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

Courbevoie and Paris-La Défense, March 24, 2017

The Statutory Auditors

French original signed by

MAZARS

Gaël Lamant

Christophe Berrard

ERNST & YOUNG et Autres

Jean-Roch Varon

Nicolas Macé

3.3 PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2016

Parent company income statement at December 31, 2016

<i>(in € millions)</i>	Note	Dec. 31, 2015	Dec. 31, 2016
Operating income			
Revenue	4.1	563	525
Operating expense transfers	4.2	2	2
Reversal of depreciation, amortization and provisions		26	24
Other income		2	11
Operating income		593	562
Operating expenses			
Cost of goods sold in the year:			
▣ Raw materials		(1)	(1)
▣ Purchases not held in inventory and supplies		(9)	(14)
▣ External services		(359)	(307)
Taxes and duties other than income tax		(14)	(17)
Payroll costs:			
▣ Wages and salaries		(134)	(141)
▣ Social security contributions		(88)	(89)
Charges to depreciation, amortization, provisions and impairment:			
▣ Charges to depreciation, amortization and impairment of non-current assets		(38)	(38)
▣ Charges to impairment of current assets		-	(1)
▣ Charges to provisions for contingencies and losses		(26)	(29)
Other expenses		(1)	(1)
Operating expenses		(670)	(638)
Loss from operations		(77)	(76)
Financial income		1,728	593
Financial expenses		(83)	(70)
Financial income	4.3	1,645	523
Profit from ordinary activities before tax		1,568	447
Non-recurring income		201	1,105
Non-recurring expenses		(220)	(782)
Non-recurring income (expense)	4.4	(19)	323
Income tax benefit	4.6	103	53
Movements in provisions set aside to cover income taxes of loss-making subsidiaries	4.6	(4)	147
PROFIT FOR THE YEAR		1,648	970

Parent company balance sheet at December 31, 2016

Assets

(in € millions)	Note	Dec. 31, 2015	Dec. 31, 2016		
			Gross carrying amount	Depreciation, amortization and impairment	Net
Intangible assets	3.1	3,242	119	102	17
Purchased goodwill ⁽¹⁾		3,212	-	-	-
Other intangible assets		30	119	102	17
Property, plant and equipment	3.1	103	192	84	108
Financial assets	3.1	6,786	10,832	135	10,697
Equity investments ⁽¹⁾		6,245	10,189	58	10,131
Other financial assets		541	643	77	566
Total non-current assets		10,131	11,143	321	10,822
Payments on account	3.2	7	8	-	8
Trade receivables	3.2	42	22	1	21
Other receivables	3.2	437	451	1	450
Group current accounts	3.2	2,484	3,038	-	3,038
Marketable securities	3.3	882	1,170	-	1,170
Cash at bank and in hand	3.3	607	650	-	650
Prepayments	3.5	11	9	-	9
Total current assets		4,470	5,348	2	5,346
Redemption premiums	3.6	1	1	-	1
Unrealized foreign exchange losses	3.6	332	376	-	376
TOTAL ASSETS		14,934	16,868	323	16,545

(1) In accordance with ANC Regulation 2015-06, the merger deficit was reclassified from "Purchased goodwill" to "Equity investments" for an amount of €3,212 million at January 1, 2016 (see Note 2.4, "Financial assets" and Note 3.1, "Intangible assets, property, plant and equipment and financial assets").

Equity and liabilities

<i>(in € millions)</i>	Note	Dec. 31, 2015	Dec. 31, 2016
Share capital	3.7	83	83
Other equity	3.7	5,156	6,192
Tax-driven provisions	3.7	40	29
Profit for the year	3.7	1,648	970
Total equity		6,927	7,274
Provisions for contingencies and losses	3.8	746	570
Bond issue	3.9	200	850
USD senior unsecured notes issue	3.9	1,102	1,138
Other loans and borrowings	3.9	1,025	1,052
Group current accounts	3.9	3,617	4,302
Trade payables	3.9	153	183
Other liabilities	3.9	978	935
Deferred income	3.11	9	29
Financial liabilities, operating payables and miscellaneous liabilities		7,084	8,489
Unrealized foreign exchange gains	3.12	177	212
TOTAL EQUITY AND LIABILITIES		14,934	16,545

Parent company statement of cash flows

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
I. Cash flow from operating activities		
Profit for the year	1,648	970
Non-cash income and expenses		
Depreciation, amortization, impairment and provisions	19	(150)
Capital gains and losses on asset disposals	61	(291)
Other	-	2
Net cash flow from operations, before changes in working capital	1,728	531
Net change in current accounts*	(168)	129
Net change in other receivables and payables	(138)	(36)
Change in working capital	(306)	93
TOTAL I	1,422	624
II. Cash flow used in investing activities		
Payments for purchases of intangible assets and property, plant and equipment, net of proceeds	(43)	(30)
Payments for purchases of equity investments and other financial assets, net of proceeds	(249)	(364)
TOTAL II	(292)	(394)
III. Cash flow from (used in) financing activities		
Dividends paid to shareholders	(267)	(325)
Interim dividend	(250)	(287)
Increase in borrowings	34	-
Decrease in borrowings	(67)	(42)
New bond issue	-	650
Change in long-term borrowings**	114	36
Change in short-term borrowings	(568)	69
TOTAL III	(1,004)	101
NET INCREASE IN CASH AND CASH EQUIVALENTS	I+II+III	126
Opening cash and cash equivalents	1,363	1,489
Closing cash and cash equivalents	1,489	1,820
NET INCREASE IN CASH AND CASH EQUIVALENTS	126	331

(*) Classified in operating items in view of the nature of the Company's operations.

(**) Impact resulting from the translation into euros of USD senior unsecured notes at the closing exchange rate.

Notes to the parent company financial statements

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FOREWORD

The data set out below are an integral part of the parent company financial statements. They are expressed in millions of euros unless otherwise indicated.

The 2016 financial year spans 12 months.

Safran may also be referred to as “the Company” in these notes.

The total balance sheet at December 31, 2016 prior to the appropriation of profit represents €16,545,215,348.98.

Accounting profit for 2016 represents €969,870,637.75.

NOTE 1 ACTIVITY OF THE COMPANY AND 2016 HIGHLIGHTS

1.1 Activity of the Company

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

- it holds and manages shares in the main Group subsidiaries;
- it steers and develops the Group, determining: Group strategy; research and technology (R&T) policy; sales policy; legal and financial policy; human resources policy; personnel training, retraining and skills matching by Safran University; communications; and oversight of operations;
- it provides:
 - support on legal, taxation and financial matters, essentially in the following areas: cash pooling as part of the management of advances and investments between Safran and each Group company; currency and commodity risk management policy as part of efforts to protect companies and reduce uncertainty regarding the economic performance of operating subsidiaries resulting from fluctuations in exchange rates (mainly USD) and in the price of commodities; and tax consolidation in jurisdictions where Safran is liable for the entire income tax charge, additional income tax contributions and the annual minimum tax charge due by the tax group comprising itself and its tax-consolidated subsidiaries, and
 - services within the scope of Shared Services Centers in the following areas: payroll administration and management, recruitment, non-production purchases, IT, and some accounting services.

1.2 2016 highlights

On January 5, 2016, Safran launched an offering of €650 million worth of zero-coupon bonds convertible and/or exchangeable for new and/or existing shares (“OCEANE”), maturing on December 31, 2020 (see Note 3.9, “Financial liabilities, operating payables and other liabilities”).

On January 14, 2015, Airbus Group and Safran completed the first phase of the creation of their 50-50 joint venture, Airbus Safran Launchers (ASL). During this phase, Safran contributed its shares in Europropulsion, Regulus and Arianespace to the joint venture, receiving 50% of the shares issued by ASL Holding in exchange.

On May 20, 2016, Airbus Group and Safran signed an agreement for phase 2 of the joint venture, enabling ASL SAS to design, develop, produce and market all activities related to civil and military launchers and associated propulsion systems.

The subsidiaries Safran Aircraft Engines and Herakles transferred to Safran the ASL SAS shares they received in exchange for the contribution of their activities relating to the design, development, production and marketing of launcher propulsion systems for civil and military applications. In turn, Safran contributed the ASL SAS shares to ASL Holding, in consideration for ASL Holding shares. This transaction generated a €374 million capital gain, exempt from tax pursuant to deferred tax rules.

In order to respect the 50-50 balance between both partners, Safran subscribed to two reserved capital increases carried out by ASL Holding for a total amount of €750 million (see Note 3.1, “Intangible assets, property, plant and equipment and financial assets” and Note 4.4, “Non-recurring items”).

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 purchase price of €7.5 million, to acquire Technofan's non-controlling interests (see Note 3.1, “Intangible assets, property, plant and equipment and financial assets”).

On December 8, 2016, Safran signed a share purchase agreement with an investment services provider with the aim of neutralizing the dilutive impact of equity instruments on its balance sheet. Under the terms of this agreement, Safran agrees to purchase a maximum amount of €250 million in shares, by April 7, 2017 at the latest. At December 31, 2016, 621,475 shares were held in connection with this agreement (see Note 3.1, “Intangible assets, property, plant and equipment and financial assets”).

NOTE 2 ACCOUNTING POLICIES

2.1 Accounting rules and methods

The parent company financial statements for the year ended December 31, 2016 have been prepared in accordance with the rules and regulations applicable in France pursuant to Regulation 2016-07 of November 4, 2016, amending Regulation 2014-03 issued by the ANC on June 5, 2014, as well as the subsequent opinions and recommendations issued by the ANC.

The financial statements have been prepared on a going concern basis using the accruals method, in accordance with the basic principle of prudence and with the general rules for preparing and presenting parent company financial statements, in order to provide a true and fair view of the Company. Accounting policies have been applied consistently from one period to the next.

Unless otherwise stated, accounting items are carried at historical cost.

2.2 Intangible assets

All intangible assets are valued at purchase cost.

The gross cost of intangible asset items is amortized over the expected useful life of these assets using the straight-line method:

- patents and licenses are amortized over the shorter of the period of legal protection and period of effective use; and
- application software is carried at purchase cost plus any development costs incurred in order to bring it into operation, and is amortized on a straight-line basis over a period of one to five years.

Increases in standard depreciation rates permitted by the tax authorities to encourage investment are considered as “accelerated tax depreciation” and are recorded in tax-driven provisions in equity.

Research and development costs are recorded as expenses in the period in which they are incurred.

2.3 Property, plant and equipment

As required by the applicable accounting regulations (Regulation 2004-06 issued by the French accounting standards committee, *Comité de la réglementation comptable* - CRC), since January 1, 2005 property, plant and equipment have been depreciated over their useful lives.

Property, plant and equipment are recorded in the balance sheet at historical purchase cost less accumulated depreciation and impairment losses.

Purchase cost comprises the purchase price, ancillary fees and all costs directly attributable to bringing the asset to the location and condition ready for its intended use.

Assets purchased in a foreign currency are translated into euros at the exchange rate prevailing on the transaction date.

Assets produced by the Company are recorded at production cost.

In compliance with CRC Regulation 2004-06, significant components of certain assets such as buildings whose useful lives differ from that of the asset as a whole are recognized and depreciated separately.

2.3.1 DEPRECIATION

The main useful lives applied to property, plant and equipment are as follows:

■ buildings	15 to 40 years
■ building improvements, fixtures and fittings	10 years
■ office furniture	6 years and 8 months
■ office equipment	6 years and 8 months
■ vehicles	4 years
■ technical installations, equipment, industrial tools and other	3 to 10 years

Property, plant and equipment are depreciated on a straight-line or declining-balance basis.

Increases in standard depreciation rates permitted by the tax authorities to encourage investment are considered as “accelerated tax depreciation” and are recorded in tax-driven provisions in equity.

2.3.2 IMPAIRMENT

If there is evidence that an asset may be impaired at year-end, the Company performs an impairment test. The Company considers external indications of impairment such as events or changes in the market environment with an adverse impact on the entity that occurred during the reporting period or will occur in the near future, along with internal indications of impairment such as obsolescence or significant changes in the way in which an asset is used.

Impairment is recognized in the income statement when the recoverable amount of the asset falls below its carrying amount. Recoverable amount is the higher of fair value and value in use.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction, less costs to sell. Value in use is based on the present value of expected future cash flows, calculated using a benchmark discount rate which reflects the Group’s weighted average cost of capital.

2.4 Financial assets

Financial assets are recorded at purchase price.

The 2007 French Finance Act introduced a tax treatment for equity investment acquisition expenses, requiring their capitalization (inclusion in the cost price of securities) and amortization over a period of five years by way of accelerated tax depreciation.

Therefore, in accordance with the opinion issued by the CNC Urgent Issues Taskforce (*Comité d'urgence*) on June 15, 2007, the Company elected for a change in tax option from January 1, 2007, whereby the gross carrying amount of equity investments purchased after this date corresponds to the purchase price of the securities plus acquisition expenses. These acquisition expenses are then subject to accelerated tax depreciation over a period of five years.

Where the recoverable amount of equity investments is less than their carrying amount, impairment is recognized for the amount of the difference.

The fair value of equity investments is calculated:

- based on their average stock market price for the month preceding the year-end for listed investments;
- based on their share in net equity, adjusted where appropriate for significant unrealized capital gains net of taxes; or
- based on the intrinsic value of equity, reflecting the present value of the expected future cash flows (enterprise value), less debt where appropriate, for other equity investments.

Provisions are recorded in respect of loans and other financial assets when their recovery is uncertain.

For reporting periods beginning on or after January 1, 2016, the Company applies ANC Recommendation 2015-06 of November 23, 2015 on the accounting treatment of technical merger deficits.

The only impact of this new requirement in the parent company financial statements was the reclassification of the residual deficit arising on the 2005 Sagem/Snecma merger from intangible assets to financial assets and its allocation to unrealized capital gains recognized on equity investments in former Snecma subsidiaries at the date of the merger.

They correspond to unrealized capital gains on certain equity investments carried in Snecma's balance sheet, based on Sagem SA's 83.39% stake in Snecma following the tender offer but before the merger. The capital gains were determined using the same approach as that applied to measure the fair values of the identifiable assets and liabilities of the Snecma group companies at April 1, 2005 for recognition in Safran's consolidated balance sheet. The merger deficit was therefore allocated to Snecma's various equity investments on the basis of the breakdown described in Note 3.1.

The merger deficit is tested annually for impairment. In the event that any of the underlying equity investments are sold, the portion of the deficit allocated to the investment concerned will be released to the income statement.

2.5 Receivables and payables

Receivables and payables are recorded at nominal value.

Impairment in value is recognized on receivables where their recoverable amount is less than their carrying amount.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate applicable at the transaction date.

Receivables and payables in foreign currencies are translated into euros at the exchange rate prevailing at year-end, while any resulting translation gains or losses are recorded under unrealized foreign exchange gains or losses. A provision is set aside for any unrealized foreign exchange losses at December 31, unless the losses are offset by potential gains in the same currency and over the same period.

On August 20, 2014, the Company set up a net investment hedge relating to one of its US subsidiaries using debt denominated in US dollars (unsecured notes issued on the US private placement market).

2.6 Marketable securities

Marketable securities are measured as described below:

- the gross value of marketable securities reflects their purchase price excluding ancillary fees;
- when the fair value of marketable securities, determined based on their value in use and their probable trading value, is less than their gross carrying value, impairment is recognized for the amount of the difference. The fair value of listed securities is determined based on their average stock market price for the month preceding the year-end.

Treasury shares

Treasury shares are recorded at purchase cost. Fair value is equal to the lower of purchase cost and the average stock market price for the month preceding the year-end. Impairment is recorded when the purchase cost exceeds the average stock market price. However, the following specific accounting rules apply for stock option and free share plans or any other type of employee share ownership plan:

- when shares are earmarked for a specific stock option plan whose exercise is considered probable, an additional calculation is performed for each plan. A contingency provision is recorded when the option exercise price is less than the fair value;
- when shares are allocated to a specific free share plan, their carrying amount corresponds to either (i) the purchase price of the shares if they were allocated to the plan as from its inception, or (ii) the carrying amount of the shares at the date they are reclassified if they are allocated to the plan subsequent to their acquisition. These shares are not measured at fair value due to the underlying commitment to grant them to employees, which is covered by a provision recorded under liabilities in the balance sheet.

2.7 Cash at bank and in hand

This caption consists mainly of bank accounts held by the Company.

Foreign-currency denominated liquid assets and current liabilities held at year-end are translated into euros at the exchange rate prevailing at December 31.

Any resulting translation gains or losses are recorded in financial income and expenses.

2.8 Tax-driven provisions

Increases in standard depreciation and amortization rates for intangible assets and/or property, plant and equipment, permitted by the tax authorities to encourage investment, are considered as “accelerated tax depreciation/amortization” and are recorded in tax-driven provisions in equity.

Provisions for accelerated tax depreciation/amortization are also recorded in respect of equity investment acquisition expenses.

2.9 Provisions for contingencies and losses

A provision is recognized when the Company has a present obligation and it is likely or certain that this obligation will give rise to an outflow of economic resources with no equivalent consideration in return.

Provisions for contingencies and losses are recognized as described below:

- provisions for contingencies are set aside based on the risk known at the end of the current reporting period. The amount of the provision reflects the amount of any damages claimed or estimated based on the progress of proceedings and on the opinion of the Company’s legal counsel;
- provisions for losses relate mainly to:
 - income tax expenses for loss-making subsidiaries, and
 - employee benefit obligations (see Note 2.9.1).

2.9.1 EMPLOYEE BENEFIT OBLIGATIONS

The Company has various obligations under defined benefit plans, the most important of which are described below.

The Company’s obligations for end-of-career bonuses payable pursuant to the metallurgy industry collective bargaining agreement or company agreements are covered by provisions.

Depending on their age brackets, managerial-grade staff are also covered by a supplementary defined contribution plan as well as a defined benefit top-hat retirement plan.

These obligations are recognized and measured in accordance with ANC Recommendation 2013-02 on the recognition and measurement of employee benefit obligations. All obligations under defined benefit plans are measured by an independent actuary.

Where appropriate, the impact of changes in actuarial assumptions underlying the calculation of post-employment benefits (end-of-career bonuses and top-hat retirement plans) is spread over the expected average remaining working lives of employees in accordance with the corridor method. Any liabilities not covered by a provision (actuarial differences and unrecognized past service costs) are recorded in off-balance sheet commitments.

All components of the net periodic pension cost (service cost, amortization of actuarial gains and losses, impacts of plan amendments, interest cost and return on plan assets) are recorded in the income statement.

2.9.2 FINANCIAL INSTRUMENTS

Safran has decided not to early adopt ANC Regulation 2015-05 on forward instruments and hedging transactions in the 2016 reporting period. Its application is mandatory from 2017.

Foreign currency hedges

Given the high number of foreign-currency denominated transactions carried out by certain subsidiaries, Safran manages foreign currency risk on behalf of these companies by hedging forecast commercial transactions using forwards and options.

The fair value of financial instruments set up by Safran to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran foreign exchange guarantee is recorded in the balance sheet.

The fair value of financial instruments used to hedge future transactions denominated in foreign currencies is not recorded in the balance sheet.

Premiums paid and received on options are initially recorded in the balance sheet and then released to the income statement on maturity or expiration of the options.

Foreign currency gains and losses arising on these transactions along with hedging gains and losses transferred to subsidiaries are recorded as foreign exchange gains and losses.

Interest rate hedges

The Company may use interest rate swaps to hedge its exposure to changes in interest rates.

Commodity hedges

The Company entered into forward purchases of commodities to hedge its subsidiaries’ exposure to fluctuations in the prices of certain listed commodities such as nickel, platinum and oil. All gains and losses arising on these hedging transactions are transferred to subsidiaries.

The Group decided to discontinue this policy at the end of 2016 as the risk was not deemed material. Accordingly, all commodity derivatives were unwound ahead of maturity.

2.10 Revenue

Revenue recognized by the Company mainly arises from the provision of services and general assistance provided to the Group’s subsidiaries.

Recurring services are billed on a monthly basis.

2.11 Non-recurring items

The Company uses the definition of non-recurring items laid down in the French General Chart of Accounts as defined by ANC Regulation 2014-03 and amended by ANC Regulation 2016-07 of November 4, 2016.

In particular, non-recurring items include capital gains and losses arising on the sale of non-current assets.

2.12 Income tax and tax consolidation in France

The Company elected for the Group tax consolidation regime set out in Articles 223A to 223Q of the French Tax Code (*Code général des impôts*), and a tax consolidation group was set up by Safran SA, registered in Paris under number RCS 562 082 909, on January 1, 2005.

In fiscal 2016, the tax consolidation group included the following companies:

- Safran (head of the tax group);
- Établissements Vallaroché;
- Hydraulic Repair & Support;
- Lexvall 22;
- Lexvall 24;
- Lexvall 25;
- Lexvall 26;
- Lexvall 27;
- Safran Aero Composite;
- Safran Aircraft Engines;
- Safran Ceramics;
- Safran Corporate Ventures;
- Safran Electrical Power;
- Safran Electronics Defense;
- Safran Engineering Services;
- Safran Filtration Systems;
- Safran Helicopter Engines;

- Safran Identity & Security;
- Safran International Resources;
- Safran Landing Systems;
- Safran Transmission Systems;
- Safran Nacelles;
- Safran Nacelles Services Europe;
- Safran Power Units;
- Safran Reosc;
- Safran Sixty;
- Safran System Aerostructures;
- Société de Motorisations Aéronautiques;
- Snecma Participations;
- Snecmasat;
- SSI;
- Technofan;
- Vallaroché Conseil.

In accordance with the tax consolidation agreements entered into between Safran and its subsidiaries, each subsidiary in the tax group records in its accounts the amount of tax that it would have paid on a stand-alone basis. Any tax savings or additional liabilities arising as a result of tax consolidation are recorded by Safran in its capacity as head of the tax group.

Any tax savings arising on the use of tax losses of subsidiaries in the tax consolidation group are recorded in Safran's income statement and neutralized by way of a provision. This provision is released to profit or loss when prior year losses are used by the consolidated subsidiary or when they become time-barred and may no longer be used by the subsidiary concerned.

NOTE 3 NOTES TO THE BALANCE SHEET

3.1 Intangible assets, property, plant and equipment and financial assets

GROSS CARRYING AMOUNT

Movements in non-current assets break down as follows:

(in € millions)	Dec. 31, 2015	Acquisitions, contributions, creations, increases	Reclassifications	Sales, spin-offs, decreases	Dec. 31, 2016
Concessions, patents, licenses, software and similar rights	114	5	1.	(2)	118
Purchased goodwill and leasehold rights ⁽¹⁾	3,212	-	(3,212)	-	-
Intangible assets in progress	-	1	-	-	1
Intangible assets	3,326	6	(3,211)	(2)	119
Land	6	-	-	-	6
Buildings	85	4	7	(2)	94
Installations, equipment and tools	14	3	5	-	22
Other property, plant and equipment	59	8	2	(11)	58
Property, plant and equipment in progress	16	1	(4)	(1)	12
Payments on account	2	9	(11)	-	-
Property, plant and equipment	182	25	(1)	(14)	192
Financial investments ⁽¹⁾⁽²⁾	6,304	1,443	3,212	(770)	10,189
Loans to equity investments ⁽³⁾	492	38	-	(39)	491
Other long-term investments	77	1	-	-	78
Loans	33	-	-	(17)	16
Other financial assets ⁽⁴⁾	16	43	-	(1)	58
Financial assets	6,922	1,525	3,212	(827)	10,832
TOTAL NON-CURRENT ASSETS	10,430	1,556	-	(843)	11,143

(1) In accordance with ANC Regulation 2015-06, the merger deficit was reclassified as an unrealized capital gain on equity investments and allocated to "Equity investments" for a total amount of €3,212 million. The merger deficit breaks down as follows: Safran Nacelles (€185 million), Safran Landing Systems (€172 million), Safran Electronics & Defense (€31 million), Safran Electrical & Power and Safran Engineering Services (€214 million), Safran Aircraft Engines (€2,098 million), Safran Aero Boosters (€164 million), Safran Helicopter Engines and Safran Power Units (€205 million) and Herakles (€143 million).

(2) The increase in this caption is mainly the result of Safran's additional stake in Airbus Safran Launchers (ASL) for €1,434 million and the squeeze-out on the shares of Technofan for €7 million. Decreases reflect the sale of Morpho USA shares for €315 million, the contribution of ASL SAS shares to ASL for €309 million (see Note 1.2, "2016 highlights") and the derecognition of the share of the merger deficit allocated to Herakles for €143 million (see Note 1.2, "2016 highlights").

(3) Changes in this caption solely reflect grants and repayments of intragroup loans.

(4) The increase in this caption reflects the purchase of 621,475 shares in connection with the share buyback program for €42 million.

DEPRECIATION AND AMORTIZATION

(in € millions)	Dec. 31, 2015	Additions	Reversals	Dec. 31, 2016
Concessions, patents, licenses, software and similar rights	84	21	(3)	102
Total intangible assets	84	21	(3)	102
Land	1	-	-	1
Buildings	38	5	(1)	42
Installations, equipment and tools	4	2	-	6
Other property, plant and equipment	36	10	(11)	35
Total property, plant and equipment	79	17	(12)	84

ASSET IMPAIRMENT

(in € millions)	Dec. 31, 2015	Additions	Reversals	Dec. 31, 2016
Impairment of financial assets	136	2	(3)	135
Impairment of current assets	1	1	-	2
TOTAL	137	3	(3)	137

3 FINANCIAL STATEMENTS

Parent company financial statements at December 31, 2016

LIST OF SUBSIDIARIES AND INVESTMENTS

Disclosures provided in accordance with Article R.123-197.2 of the French Commercial Code

<i>(in € millions)⁽¹⁾</i> Company	Business line	Share capital	Equity other than share capital and profit	% voting rights	% share capital held
A. Detailed information on subsidiaries and associates whose gross carrying amount exceeds 1% of safran's share capital (i.e., €0.8 million)					
1. Subsidiaries (more than 50%-owned)					
a) French companies					
■ Airbus Safran Launchers Holding	Holding company	374.1	3,363.1	50.0	50.0
■ Établissements Vallaroche	Holding company	15.6	(0.3)	100.0	100.0
■ Safran Aircraft Engines	Propulsion	154.1	(106.3)	97.4	97.4
■ Safran Ceramics	Propulsion	0.1	508.3	100.0	100.0
■ Safran Electrical Power	Aircraft Equipment	12.5	16.3	96.8	96.8
■ Safran Electronics Defense	Defense	372.9	107.6	95.5	95.5
■ Safran Helicopter Engines	Propulsion	38.8	159.9	100.0	100.0
■ Safran Landing Systems	Aircraft Equipment	83.7	386.3	100.0	100.0
■ Safran Nacelles	Aircraft Equipment	56.7	38.3	88.5	88.5
■ Safran Transmission Systems	Aircraft Equipment	36.8	14.5	100.0	100.0
■ SnecmaSat	Holding company	0.2		100.0	100.0
■ Technofan	Aircraft Equipment	1.3	9.8	100.0	100.0
b) Foreign companies					
■ Safran Aero Boosters	Propulsion	54.9	6.4	67.2	67.2
■ Safran Beijing Enterprise Management Co.	Holding company	2.9	0.3	100.0	100.0
■ Safran Electrical Power UK Ltd	Aircraft Equipment	268.3	(53.2)	100.0	100.0
■ Safran Maroc	Holding company	1.8	(0.3)	100.0	100.0
■ Safran Serviços de Suporte de Programas Aeronauticos	Aircraft Equipment	1.2	(0.8)	100.0	100.0
■ Safran UK Ltd	Holding company	18.9	(4.0)	100.0	100.0
■ Safran USA Inc.	Holding company	0.0 ⁽²⁾	2,014.0	100.0	100.0
2. Investments (10%- to 50%-owned)					
a) French companies					
■ Corse Composites Aéronautiques ⁽³⁾	Aircraft Equipment	1.7	41.9	24.8	24.8
■ Eurotradia International ⁽³⁾	Aircraft Equipment	3.0	29.3	11.2	11.2
■ FCPR Aerofund II ⁽³⁾	Investment fund	75.0		16.6	16.6
■ FCPR Aerofund III ⁽³⁾	Investment fund	167.0		18.0	18.0
■ Mobewire ⁽³⁾	Communications	1.9		10.6	10.6
B. SUMMARY INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS					
1. Subsidiaries (more than 50%-owned)					
(a) French companies					
(b) Foreign companies					
2. Investments (10%- to 50%-owned)					
(a) French companies					
(b) Foreign companies					

(1) For foreign companies, share capital, equity, revenue and profit amounts were translated into euros at the exchange rate prevailing at December 31, 2016.

(2) Additional paid-in capital of US-based entities is shown under "Equity other than share capital and profit".

(3) Situation as of December 31, 2015.

Carrying amount of investments		Outstanding loans and advances granted	Guarantees and endorsements given by the Company	2016 revenue	2016 profit	Dividends received by Safran in 2016	Receivables	Liabilities
Gross	Net							
1,501.3	1,501.3			5.4	(4.8)			71.0
62.8	35.4							1.7
195.4	195.4		32.1	8,105.9	1,156.8		2.7	3,265.1
40.3	40.3			251.7	568.8		69.4	53.4
185.6	185.6		461.6	625.8	35.9		61.7	17.0
595.0	595.0		1.7	1,239.2	68.7	35.6	163.2	120.9
539.0	539.0		1.7	1,205.7	53.3	57.5	264.5	13.3
560.5	560.5		2.1	2,035.6	118.2	146.3	442.0	33.4
924.2	924.2		902.3	1,145.3	36.0	2.3	253.7	32.5
163.8	163.8		108.8	327.5	35.8	45.2	41.9	14.3
9.3	0.2							0.2
41.2	41.2			89.2	7.1	7.0	1.7	5.9
115.6	115.6			678.0	376.6	46.0	1.4	452.4
2.5	2.5			17.0	0.6		0.2	0.1
275.1	275.1			147.4	(18.0)		1.8	38.5
1.8	1.5			1.1				
1.5	0.4	0.5		6.0	1.1		0.5	
40.0	23.7			3.3	5.5	5.2		5.6
1,774.3	1,774.3	379.7		17.3	168.5	144.1	380.9	93.9
1.0	1.0			52.7	0.7			
2.1	2.1			37.7	1.0	0.1		
15.0	15.0							
30.0	30.0							
1.0								
0.1	0.1					2.5		
2.6	1.4						2.6	3.6
0.4	0.4					0.7		

3.2 Receivables

Receivables break down as follows at December 31, 2016:

(in € millions)	Gross carrying amount at Dec. 31, 2016	Less than 1 year	Between 1 and 5 years	More than 5 years
Payments on account made on outstanding orders	8	8	-	-
Trade receivables	22	22	-	-
Operating receivables	30	30	-	-
Miscellaneous receivables*	451	322	129	-
Group current accounts	3,038	3,038	-	-
Prepayments	9	9	-	-
Unrealized foreign exchange losses	376	376	-	-
Other receivables	3,874	3,745	129	-

(*) Miscellaneous receivables between one and five years correspond to tax credits.

3.3 Marketable securities, cash at bank and in hand

This caption breaks down as follows:

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Marketable securities	882	1,170
Cash at bank and in hand	607	650
MARKETABLE SECURITIES, CASH AT BANK AND IN HAND	1,489	1,820

Marketable securities comprise:

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Treasury shares	20	58
Other securities	862	1,112
TOTAL	882	1,170

Treasury shares

	Dec. 31, 2015	Purchase	Sale	Dec. 31, 2016
Number of shares	605,704	3,245,456	(2,634,148)	1,217,012*
(in € millions)				
Gross value	20	198	(160)	58
Impairment	-	-	-	-
Net value	20	-	-	58
* Including				
■ shares earmarked for employees				1,118,604
■ shares held under a liquidity agreement				98,408

Under the liquidity agreement managed by Oddo Corporate Finance, the Company purchased and sold its own shares for €162 million and €161 million, respectively in 2016.

In addition, on November 21, 2016, the Group purchased 600,000 of its own shares in connection with the share buyback program authorized by the Shareholders' Meeting of May 19, 2016. These shares are to be remitted under share plans for employees and/or corporate officers of the Company or of other Group companies, particularly performance share plans.

Other securities

Other securities include short-term money market investments and term deposits with liquid exit options exercisable at no cost within three months, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

3.4 Accrued income

In accordance with the accrual principle, accrued income is recorded in the following asset headings:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Loans to equity investments	4	3
Trade receivables	12	9
Other receivables	2	3
TOTAL	18	15

3.5 Prepayments

Prepayments amounted to €9 million at December 31, 2016 and chiefly concerned expenses on IT maintenance agreements and insurance costs.

3.6 Unrealized foreign exchange losses and redemption premiums

Unrealized foreign exchange losses represented €376 million at December 31, 2016.

They primarily result from the translation into euros of foreign currency borrowings, loans and current accounts at the 2016 year-end exchange rate.

Redemption premiums on bonds amounted to €1 million at December 31, 2016. These premiums are amortized on a straight-line basis over the term of the bonds.

3.7 Equity

SHARE CAPITAL

At December 31, 2016, Safran's share capital was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20.

The Safran share (ISIN code: FR0000073272/Ticker symbol: SAF) is listed continuously on Compartment A of the Eurolist market of Euronext Paris and is eligible for the deferred settlement service.

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

December 31, 2015

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights*
Private investors ⁽¹⁾	319,130,580	76.52%	348,337,015	65.01%
French State	64,193,131	15.39%	128,386,262	23.96%
Employees ⁽²⁾	33,100,170	7.94%	59,107,656	11.03%
Treasury shares	605,704	0.15%	-	-
TOTAL	417,029,585	100.00%	535,830,933	100.00%

(*) *Exercisable voting rights.*

(1) *Including 23,484,443 Club Sagem and Current and former employee shareholder shares that do not fall within the definition of Article L.225-102 of the French Commercial Code (Code de Commerce) and that represent 46,958,515 voting rights.*

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

December 31, 2016

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights*
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 ⁽¹⁾	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%

(*) Exercisable voting rights.

(1) 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 are granted double voting rights.

The 1,838,487 treasury shares have no voting rights.

CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Dec. 31, 2015	Appropriation of 2015 profit	Increase	Decrease	Dec. 31, 2016
Share capital	83	-	-	-	83
Additional paid-in capital	3,290	-	-	-	3,290
Legal reserve	8	-	-	-	8
Tax-driven reserves	302	-	-	-	302
Other reserves ⁽¹⁾	1,421	-	-	-	1,421
Retained earnings	384	1,073	-	-	1,457
2015 interim dividend	(250)	250	-	-	-
2016 interim dividend ⁽³⁾	-	-	-	(287)	(287)
Tax-driven provisions	40	-	8	(19)	29
2015 profit	1,648	(1,648)	-	-	-
2016 profit	-	-	970	-	970
TOTAL	6,926	(325)⁽²⁾	978	(306)	7,273

(1) Including €100 million in reserves hedging treasury shares held at December 31, 2016.

(2) Outstanding 2015 dividend paid in 2016.

(3) The Board of Directors' meeting of December 15, 2016 approved payment of an interim dividend of €0.69 per share in respect of 2016, representing a payout of €287 million.

3.8 Tax-driven provisions and provisions for contingencies and losses

Movements in tax-driven provisions can be analyzed as follows:

(in € millions)	Dec. 31, 2015	Additions	Reversals		Dec. 31, 2016
			Surplus	Utilized	
Accelerated tax depreciation/amortization	31	6	-	(19)	18
Accelerated tax depreciation/amortization (share acquisition fees)	9	2	-	-	11
TOTAL TAX-DRIVEN PROVISIONS	40	8	-	(19)	29

Provisions for contingencies and losses can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Additions	Reversals		Dec. 31, 2016
			Surplus	Utilized	
Foreign exchange losses	23	8	-	(23)	8
Litigation	15	8	(4)	(7)	12
Contingency provisions	38	16	(4)	(30)	20
Retirement benefits and similar obligations	31	10	-	(12)	29
Income tax - loss-making subsidiaries, under-capitalization	653	3	(134)	(16)	506
Other	24	11	(1)	(19)	15
Loss provisions	708	24	(135)	(47)	550
TOTAL	746	40	(139)	(77)	570
Profit (loss) from operations		29	(2)	(21)	
Financial income (expense)		8	-	(24)	
Non-recurring income (expense)		3	(137)	(32)	
TOTAL		40	(139)	(77)	

Employee benefit obligations

The main assumptions used to calculate the Company's employee benefit obligations were as follows:

	Dec. 31, 2015	Dec. 31, 2016
Discount rate	2.00%	1.30%
Inflation rate	1.75%	1.75%
Expected return on plan assets	2.00%	1.30%
Rate of future salary increases	1.12%-5.00%	1.12%-5.00%
Probable retirement age of managerial-grade staff	64 years	64 years
Probable retirement age of non managerial-grade staff	62 years	62 years
Mortality tables used	INSEE 2008-2010	INSEE 2010-2012

The table below shows movements in employee benefit obligations:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016	Defined benefit pension plans	Retirement termination benefits
Present value of obligation	90	80	49	31
Fair value of plan assets	(8)	(6)	(6)	-
Funding shortfall	82	74	43	31
Unrecognized actuarial gains and losses and past service costs	(53)	(46)	(32)	(14)
Benefit obligations covered by a provision in the balance sheet	29	28	11	17
Current service cost	5	4	3	1
Interest cost	2	2	1	1
Amortization of actuarial gains and losses	-	4	4	-
Expense	7	10	8	2
Benefits paid	(12)	(11)	(6)	(5)
PROVISION CHARGE/(REVERSAL)	(5)	(1)	2	(3)

Defined benefit pension plans

In late 2013, the Board of Directors approved a new supplementary pension plan in France for Group executive managers. The plan, effective as of January 1, 2014, provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to ten years are taken into account in determining entitlement) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement). The

additional benefits payable are capped at three times the annual social security ceiling ("PASS") in France. Total benefits under all regimes cannot exceed 35% of the benchmark compensation.

Retirement termination benefits

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry.

3.9 Financial liabilities, operating payables and other liabilities

Movements in these items can be analyzed as follows:

(in € millions)	Total at Dec. 31, 2016	Less than 1 year	Between 1 and 5 years	More than 5 years
Bond issue	850	-	650	200
USD senior unsecured notes issue	1,138	-	147	991
Miscellaneous loans and borrowings				
▣ Deposits and guarantees received	2	-	-	2
▣ Other loans and borrowings	1,035	922	113	-
▣ Accrued interest	15	15	-	-
Financial liabilities	3,040	937	910	1,193
Group current accounts	4,302	4,302	-	-
Trade payables	109	109	-	-
Amounts payable on non-current assets	74	55	19	-
Other liabilities	935	819	9	107
Deferred income	29	7	22	-
Unrealized foreign exchange gains	212	212	-	-
Operating payables and miscellaneous liabilities	5,661	5,504	50	107

FINANCIAL LIABILITIES

Bond issue

On April 11, 2014, Safran issued €200 million of ten-year bonds to French investors, maturing on April 11, 2024. The interest rate on these bonds was hedged by a floating rate swap on 3-month Euribor.

The issue's initial fixed-rate interest came out at 1.21% in 2016 after taking account of interest rate derivatives.

OCEANE

On January 5, 2016, Safran issued bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE" bonds) for a total nominal amount of €650 million. The issue comprised 7,277,205 zero-coupon bonds each with a par value of €89.32, issued at €92.8928 (i.e., 104% of par, corresponding to a gross yield-to-maturity of -0.78%) and bringing the total issue proceeds to €676 million. Unless converted, redeemed or bought back and canceled, the bonds are redeemable at par on December 31, 2020.

USD senior unsecured notes issue

On February 9, 2012, Safran issued USD 1.2 billion in senior unsecured notes on the US private placement market (i.e., €1,138 million at the December 31, 2016 exchange rate), which included:

- ▣ USD 155 million of notes due February 2019 at a 3.70% coupon (tranche A);
- ▣ USD 540 million of notes due February 2022 at a 4.28% coupon (tranche B);
- ▣ USD 505 million of notes due February 2024 at a 4.43% coupon (tranche C).

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

The issue's initial fixed-rate interest came out at 3.25% in 2016 after taking account of interest rate derivatives.

3.10 Accrued expenses

Accrued expenses are included in the following liability headings:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Other bond issues	12	15
Miscellaneous loans and borrowings	-	-
Trade payables	86	99
Taxes and payroll costs	69	69
Amounts payable on non-current assets	17	7
Other liabilities	8	8
TOTAL	192	198

3.11 Deferred income

Deferred income amounted to €29 million at December 31, 2016.

As the issue price of the OCEANE bonds in January 2016 exceeded the redemption price, the difference of €21 million was recognized in deferred income at December 31, 2016, and will be taken to financial income on a straight-line basis over the remaining term of the bonds (see Note 3.9, "Financial liabilities, operating payables and other liabilities").

The remaining €8 million recorded in deferred income reflects rent-free periods and will be taken to financial income on a straight-line basis over the terms of the leases until 2021.

3.12 Unrealized foreign exchange gains

Unrealized foreign exchange gains amounted to €212 million at December 31, 2016, and primarily resulted from the translation into euros of foreign currency loans and current accounts at the 2016 year-end exchange rate.

NOTE 4 NOTES TO THE INCOME STATEMENT

4.1 Revenue

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
General assistance	157	170
Administrative and financial services	92	83
R&T services	149	119
Group projects	3	1
IT services	145	125
Seconded employees	13	15
Real estate income	4	12
TOTAL	563	525

4.2 Expense transfers

Expense transfers amounted to €2 million and mainly concerned expenses rebilled to Group subsidiaries.

4.3 Financial income and expenses

Financial income and expenses break down as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Dividends received and other investment income	1,661	514
Interest and similar income	53	52
Impairment of equity investments	1	3
Other reversals of provisions for financial items	13	24
Foreign exchange gains	-	-
Financial income	1,728	593
Impairment of equity investments	(28)	(2)
Other charges to provisions for financial items	(8)	(8)
Interest and similar expenses	(45)	(45)
Foreign exchange losses	(2)	(15)
Financial expenses	(83)	(70)
FINANCIAL INCOME	1,645	523

A breakdown of dividends is provided in the table of subsidiaries and investments with the exception of dividends amounting to €21 million from Morpho USA, whose shares have been sold to Safran USA (see Note 4.4, "Non-recurring items").

Other movements in provisions for financial items relate to the provision for foreign exchange losses.

For the purpose of providing a meaningful comparison, foreign exchange gains and losses are presented on a single line of the income statement for the same fiscal year.

4.4 Non-recurring items

Non-recurring items can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Change in tax-driven provisions	11	11
Income from non-capital transactions	-	1
Income from capital transactions	85	1,064
Expenses on non-capital transactions	(8)	(3)
Expenses on capital transactions	(144)	(772)
Net charges to provisions and expense transfers	37	22
NON-RECURRING INCOME (EXPENSE)	(19)	323

Non-recurring items for 2016 mainly relate to:

- ▣ the derecognition of the share of the merger deficit allocated to Herakles for €143 million following Herakles' contribution of its industrial assets to Airbus Safran Launchers SAS;
- ▣ the contribution of shares in Airbus Safran Launchers SAS to Airbus Safran Launchers Holding, which generated a net capital gain of €374 million; and
- ▣ the sale of Morpho USA shares to the American subsidiary Safran USA, which generated a net capital gain of €61 million.

4.5 Statutory employee profit-sharing

No employee profit-sharing expenses were recognized in either 2016 or 2015.

4.6 Income tax expense

2016 GROUP RELIEF

The application of tax consolidation in France led to the recognition of a net tax benefit totaling €71 million in the 2016 parent company financial statements (2015: net tax benefit of €116 million).

This breaks down as:

- tax income of €107 million arising on the payment of tax by consolidated subsidiaries as though they had been taxed on a stand-alone basis; and
- a tax expense of €36 million resulting from the consolidated tax expense of €239 million, partially offset by €203 million in tax credits.

PROVISIONS SET ASIDE TO COVER INCOME TAXES OF LOSS-MAKING SUBSIDIARIES

Safran refunds the tax savings arising due to the use of tax losses of subsidiaries when the subsidiaries return to profit. A provision is set aside in the Company's financial statements in this respect.

A net amount of €147 million was reversed from this provision in 2016, mainly as a result of:

- the reversal of the provision concerning the subsidiary Safran Identity & Security for €74 million; and
- a €60 million impact due to the reduction in the tax rates applicable to losses that will be used from 2020 onwards from 34.43% to 28.92%.

OTHER

The second amending French Finance Law (*Loi de Finances Rectificative*) for 2012 introduced a 3% tax due on dividends paid to shareholders and applicable to amounts paid after August 17, 2012. The tax payable on the outstanding 2015 dividend paid in 2016 amounted to €10 million, while the tax payable on the 2016 interim dividend amounted to €8 million, representing a total expense of €18 million in 2016 (€15 million in 2015).

The CICE tax credit amounted to €1 million in respect of both 2016 and 2015.

Non-deductible expenses (Articles 223 quater and 39.4 of the French Tax Code) amounted to €0.1 million in both 2016 and 2015 and relate to the non-deductible portion of vehicle lease payments and depreciation.

NOTE 5 OTHER INFORMATION

5.1 Off-balance sheet commitments and contingent liabilities

Commitments given

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Commitments given by Safran to third parties on behalf of its subsidiaries	1,488	1,504
Commitments given by Safran to customs authorities on behalf of its subsidiaries	27	20
Actuarial gains and losses	53	45
Other commitments	441	142
TOTAL⁽¹⁾	2,009	1,711

(1) Of which related parties

1,878

1,534

Commitments given to third parties relate mainly to guarantees granted by Safran to customers and principals (essentially aircraft manufacturers), in which Safran provides a joint and several guarantee that its subsidiaries will perform their duties under their contractual obligations. These guarantees are given in respect of

research, design, development, manufacturing, marketing and product support programs in place at Group subsidiaries. They are generally granted for the term of the program concerned, and are capped at a certain amount.

Commitments received

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2016
Other commitments received	455	62
TOTAL	455	62

Commitments received primarily relate to commitments for the financing of civil programs. The decrease in this caption reflects the option to purchase Morpho USA's shares exercised by Safran USA for €376 million.

Warranties received from SNPE

Under the terms of the SME share transfer agreement between SNPE and Safran, SNPE granted Safran a specific warranty for a period of 30 to 40 years concerning environmental liabilities due to past operations at eight SME sites. This warranty is capped at €240 million for 15 years and at €200 million thereafter. Safran is liable for 10% of the costs. The agreement provides for specific warranty sublimits totaling €91 million for cleanup during operations, including €40 million for pollution resulting from the use of ammonium and sodium perchlorates, which is to be managed within the framework of the Perchlorate Plan. Safran will be liable for 10% of the cleanup costs and 50% of the Perchlorate Plan costs. The plan was jointly drawn up by Safran and SNPE

within 18 months of the acquisition date in order to define, reduce and/or restrict the sources of ammonium perchlorate pollution, and must be executed over a period of five years. These warranties granted by SNPE to Safran are counter-guaranteed by the French State for €216 million.

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

At June 30, 2016, the benefit of this warranty, based on the original terms granted to Safran, was transferred to Airbus Safran Launchers as part of the businesses contributed to the joint venture.

5.1.1 FINANCE LEASE LIABILITIES

The Company entered into two real estate finance leases for the Safran University campus and for the Safran Tech site in 2014.

(in € millions)	Value at inception	Carrying value at Dec. 31, 2016	Theoretical charges to depreciation		Net
			Current period	Cumulative	
Land	9	9	-	-	9
Buildings	97	89	4	9	80
TOTAL	106	98	4	9	89

(in € millions)	Lease payments made		Lease payments outstanding			Residual purchase price (as per the lease)
	Current period	Cumulative	Less than 1 year	Between 1 and 5 years	More than 5 years	
Land	-	-	-	-	9	n/m
Buildings	8	19	10	39	37	-
TOTAL	8	19	10	39	46	-

5.1.2 FINANCIAL AND HEDGING INSTRUMENTS

Safran holds derivative financial instruments including forward contracts, swaps and options which are used for the purposes of all Group companies to hedge (i) highly probable future transactions, determined on the basis of the order backlog and budget forecasts, and (ii) the net balance sheet position of foreign-currency denominated trade receivables and payables of subsidiaries.

As part of the cash pooling agreement entered into between Safran and its subsidiaries, Safran grants its subsidiaries a foreign exchange guarantee under which it commits to buying or selling net foreign currency surpluses or requirements at a guaranteed annual exchange rate. The guaranteed rates are based on worst-case scenarios and Safran undertakes to repay its subsidiaries any gain resulting from the difference between the actual traded rates and the communicated guaranteed rates, based on the currency and net volumes. These exchange rate gains are repaid at least annually.

The portfolio of foreign currency derivatives breaks down as follows:

(in millions of currency units)	Dec. 31, 2015				Dec. 31, 2016			
	Fair value ⁽¹⁾	Notional amount ⁽¹⁾	Less than 1 year	Between 1 and 5 years	Fair value ⁽¹⁾	Notional amount ⁽¹⁾	Less than 1 year	Between 1 and 5 years
Forward exchange contracts	(1,919)				(1,967)			
Short USD position	(1,980)	16,460	16,260	200	(1,962)	14,266	12,516	1,750
<i>of which against EUR</i>	<i>(1,948)</i>	<i>15,915</i>	<i>15,915</i>	-	<i>(1,918)</i>	<i>13,678</i>	<i>11,978</i>	<i>1,700</i>
Long USD position	58	(324)	(164)	(160)	82	(632)	(247)	(385)
<i>of which against EUR</i>	<i>43</i>	<i>(214)</i>	<i>(114)</i>	<i>(100)</i>	<i>82</i>	<i>(632)</i>	<i>(247)</i>	<i>(385)</i>
Short CAD position against CHF	4	30	30	-	-	-	-	-
Short EUR position against GBP	54	350	200	150	(2)	(210)	(210)	-
Short EUR position against CAD	15	240	120	120	9	-	40	(40)
Long SGD position against USD	(4)	(200)	(100)	(100)	-	-	-	-
Long PLN position against EUR	1	(360)	(120)	(240)	-	(195)	(75)	(120)
Long MXN position against USD	(67)	(6,800)	(2,500)	(4,300)	(94)	(5,850)	(3,050)	(2,800)
Currency option contracts	(1,763)				(1,826)			
USD put purchased	91	7,700	6,100	1,600	149	10,350	8,550	1,800
USD put sold	60	(2,300)	(500)	(1,800)	178	(4,720)	(3,260)	(1,460)
USD call sold	(1,940)	24,150	16,500	7,650	(2,215)	25,910	19,360	6,550
USD call purchased	(43)	(5,200)	(1,600)	(3,600)	(45)	(9,440)	(6,520)	(2,920)
EUR call sold	-	-	-	-	(20)	210	210	-
Accumulators – sell USD ⁽²⁾	-	-	-	-	(27)	1,790	1,790	-
Accumulators – buy USD ⁽²⁾	69	(3,309)	(868)	(2,441)	154	(4,122)	(552)	(3,570)
TOTAL	(3,682)				(3,793)			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.

(2) Notional amounts for accumulators represent the maximum cumulative amount until the instrument is unwound.

As mentioned in Note 2 on accounting policies, only premiums paid and received on options are recorded in Safran's balance sheet. The Company does not recognize the fair value of derivative instruments in its balance sheet, except for those set up to hedge the net position of foreign-currency denominated operating receivables and payables of subsidiaries covered by a Safran SA foreign exchange guarantee.

EUR interest rate risk management

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 had a fair value of €17 million at December 31, 2016.

USD interest rate risk management

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market (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 had a fair value of €11 million at December 31, 2016.

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 an entity 50%-owned by the Group. Consequently, Safran took out an interest rate swap with the entity for the same nominal amount on the same date to convert the fixed rate to a floating rate. Accordingly, Safran has no exposure to interest rate risk on these swaps as their fair values, which were not material at December 31, 2016, are nullified.

Management of commodity risk

Since 2009, the Group's policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel, platinum and oil). Oil was included in the Group's commodity hedging policy in 2012. The policy seeks to protect the Group's economic performance from commodity price volatility.

All gains and losses arising when these instruments are unwound are transferred to the subsidiaries concerned by the exposure.

The Group decided to discontinue this policy at the end of 2016 as the risk was not deemed material for the Group. Accordingly, all commodity derivatives were unwound ahead of maturity.

Liquidity risk management

Since the Group has an unused, confirmed liquidity line at December 31, 2016, 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 December 2021. This line is not subject to any financial covenants.

A number of financial covenants apply to the EIB borrowings set up in 2010.

The following two ratios apply:

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

The “net debt/EBITDA < 2.5” covenant also applies to the senior unsecured notes issued on the US private placement market.

The terms “net debt”, “EBITDA” and “total equity” used in connection with the EIB borrowings and senior unsecured notes issued on the US private placement market and applied in respect of consolidated data relating to Safran and its subsidiaries, are defined as follows:

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

5.2 Disputes and litigation

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

5.3 Average headcount

Headcount can be analyzed as follows:

	Dec. 31, 2015	Dec. 31, 2016
Engineers and managerial-grade staff	1,232	1,299
Technicians, administrative personnel and supervisors	287	278
TOTAL HEADCOUNT	1,519	1,577

The amount of the provisions booked is based on the level of risk for each case as assessed by Safran, and largely depends on the assessment of the merits of the claims and opposing arguments. However, it should be noted that the occurrence of events during the proceedings can lead to a reassessment of the risk at any time.

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

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

On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim 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 the potential financial risk and Safran has not recognized a provision.

Owing to the appeals filed and arguments put forward by Safran in 2016, certain tax disputes were definitively settled in favor of the Group, leading to the cancellation of the following reassessments:

- reassessment notified by the French tax authorities in 2007 for €14 million, relating to the income tax expense allocation between Snecma and its subsidiaries; and
- reassessment notified by the French tax authorities in 2006 for €11.7 million, concerning the deductible nature of certain expenses relating to 2003.

To the best of Safran's knowledge, there are no other ongoing regulatory, legal or arbitration proceedings that could have a material impact on the financial position of the Company.

5.4 Management compensation

Management executives comprise members of the Board of Directors and Executive Management, as well as any persons with the power to take management decisions with regard to Safran's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Group.

Management executives comprise the 17 members of the Board of Directors, including the Chairman of the Board and the Chief

Executive Officer, as well as the five officers considered as having the power to take management decisions with regard to Safran's strategy and future development, or with regular access to privileged information concerning Safran.

All compensation and benefits awarded to members of the Board of Directors and to members of Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

(in € millions)	Dec. 31, 2015	Dec. 31, 2016
Short-term benefits	8.9	8.9
Post-employment benefits ⁽¹⁾	1.7	1.8
Termination benefits	-	0.6
Other long-term benefits	0.3	1.1
TOTAL	10.9	12.4

(1) Data measured in accordance with CNC Recommendation 2003-R-01 authorizing the application of the corridor method (see Note 2.9.1) which differs from the measurement method used in the IFRS consolidated financial statements subsequent to the mandatory application of the revised IAS 19 from January 1, 2013 (the corridor method is no longer permitted under IFRS).

The Group's total post-employment commitments in respect of management executives amounted to €11.4 million at December 31, 2016 and €11.6 million at December 31, 2015.

5.5 Fees paid to Statutory Auditors

In accordance with the disclosure requirement set out in Decree no. 208-1487 of December 30, 2008, fees billed by the Company's Statutory Auditors for their audit of the 2016 financial statements totaled €1,250,000, while fees billed for other work came to €699,000.

5.6 Subsequent events

TENDER OFFER FOR ZODIAC AEROSPACE

On January 18, 2017, Safran's Board of Directors approved a friendly tender offer for Zodiac Aerospace. Zodiac Aerospace's Supervisory Board had approved this transaction a few hours before Safran's announcement.

The acquisition is to be submitted to the employee representative bodies of Safran and Zodiac Aerospace before being finalized. It will then be subject to the customary regulatory and financial clearance.

From a financial perspective, Safran would launch a public tender offer on 67% of Zodiac Aerospace's share capital. Zodiac Aerospace's leading shareholders would undertake to tender their shares at a later date to the merger of the two companies at the beginning of 2018, subject to the approval of Safran's shareholders.

Prior to the merger, and subject to the success of the public tender offer and approval of the merger by Safran and Zodiac Aerospace shareholders, Safran would pay a one-off dividend of €5.50 per share to its shareholders, representing a total payout of around €2.3 billion.

Combined with the Group's other businesses, the new company would represent over €21 billion in revenue and some 92,000 employees.

FINALIZATION OF THE 2016 SHARE BUYBACK PROGRAM

The share buyback program launched in December 2016 for a total of €250 million was finalized in January 2017. The program resulted in the acquisition of 3,135,023 additional shares, on top of the 621,475 shares previously purchased in December 2016 (see Note 1.2, "2016 highlights" and Note 3.1, "Intangible assets, property, plant and equipment and financial assets"). In all, a total of 3,756,498 shares were purchased under the program, for a total amount of €250 million.

3.4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2016

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2016 on:

- the audit of the accompanying financial statements of Safran;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As indicated in Note 2.4 to the financial statements, the book value of financial fixed assets is determined either:

- on the basis on the average market price for the last month before the closing for listed companies;
- depending on the proportionate share of net equity, adjusted where appropriate for significant unrealized capital gains net of taxes; or
- depending on the intrinsic value of equity, corresponding to the present value of the expected future cash flows (enterprise value), less debt, if any, for other investments.

Our work consisted in assessing the data and assumptions on which the estimates are based and in reviewing the calculations made by the Company. As part of our assessment of the estimates used for the account closing, we have assured ourselves of the reasonableness of these estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial

Code relating to remunerations and benefits received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning stake acquisition and takeover and the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, March 24, 2017

The Statutory Auditors

French original signed by

MAZARS

ERNST & YOUNG et Autres

Gaël Lamant

Christophe Berrard

Jean-Roch Varon

Nicolas Macé



Airbus A400M. Safran on board (not exhaustive): TP400-D6 engines (within EPI) (Safran Aircraft Engines). Landing gear system (Safran Landing Systems). Wheels and carbon brakes (Safran Landing Systems). Wiring (Safran Electrical & Power).



RISK MANAGEMENT

The diversity of the Group's businesses and its many sites across the globe expose it to a variety of risks that could have a material impact on its earnings, image or share price.

- These risks are identified and managed as part of an enterprise risk management system and within the scope of audit and internal control procedures.

RISK FACTORS

This chapter presents the main risks identified as material that could impact the Group's businesses and financial position as of the date this Registration Document was filed.

Risks relating to the environment in which the Group operates

- Risks relating to changes in the competitive landscape
- Financial market risks
- Legal and regulatory risks

Risks relating to Group business sectors

- Operational risks
- Risks relating to the Group's evolution
- Human resources risks

Other risks not yet identified or risks whose occurrence the Group believes will not have a material adverse impact could also exist at the date of this Registration Document.

The information set out below is based on assumptions and forecasts that may prove inaccurate owing to their very nature.

INSURANCE

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local regulatory insurance requirements.

RISK FACTORS

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Overbraiding. Villemur-sur-Tarn facility produces electrical assemblies (wiring and electrical cabinets) for commercial and military aircraft and offers customer support and configuration management for its clients Airbus and Airbus Helicopters.

4.1 RISK MANAGEMENT

- 4.1.1 Methodology
- 4.1.2 Organization
- 4.1.3 Risk management bodies

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4.2 RISK FACTORS

- 4.2.1 Risks relating to the environment in which the Group operates
- 4.2.2 Risks relating to Group business sectors

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4.3 INSURANCE

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The diversity of the Group's businesses and its many sites across the globe expose it to a variety of risks that could have a material impact on its earnings, image or share price.

These risks are identified and managed as part of an enterprise risk management system and within the framework of audit and internal control procedures (see section 6.7).

4.1 RISK MANAGEMENT

4.1.1 Methodology

Safran has defined an enterprise risk management (ERM) policy, the principles of which are consistent with the recommendations of the French financial markets authority (*Autorité des Marchés Financiers* - AMF), the provisions of the AFEP-MEDEF Corporate Governance Code (as revised in November 2016), and professional standards (COSO ERM).

The Group's enterprise risk management system is applied across all of its businesses in accordance with the governance rules applicable to the Group's different entities.

Risk management draws on a methodological approach common to all entities and rolled out through a network of experts.

This system is designed to identify the Group's major risk exposures, quantify their impact on the achievement of objectives, and ensure that adequate measures and actions are implemented to bring the Group's exposure to an acceptable level. The risk management policy falls under the responsibility of each entity and of the central corporate departments, and is embedded in all organizational processes.

Each risk factor identified is analyzed and forms the basis for various risk scenarios charted along three axes: impact, probability of occurrence and level of control.

The impact and probability of each risk are assessed in terms of their direct and indirect impact over the selected timeframe, based on a realistic worst-case scenario identified in the risk register. The level of control, essential in characterizing the risk and the way it is to be managed, is then determined.

Risks are managed through action plans that may include steps to be taken, additional controls to be implemented or investigations into financial transfers or transfers of liability, particularly involving insurance policies which are reviewed on a recurring basis.

An owner is designated for each risk identified and is responsible for drafting action plans and ensuring their implementation. The objective is to provide continuous risk oversight to ensure optimum treatment.

The entire risk management approach is periodically reviewed.

4.1.2 Organization

The Risk and Insurance Department reports to the Group Chief Financial Officer and is responsible for implementing the Group's risk management policy. The Risk and Insurance Department develops methodological techniques and processes to ensure consistent handling of risks by companies and corporate departments. All people involved in risk management within the Group have the same risk manual organized by process, level of impact, frequency, probability and control. Detailed guidance is also prepared for the analysis of certain risks.

The Risk and Insurance Department sets risk management maturity objectives for first-tier entities. Risk management in newly acquired entities forms part of the action plans that the Risk and Insurance Department requires first-tier entities to set up within the context of the integration plan.

The Risk and Insurance Department also coordinates the risk manager network. Regular meetings are held to share best practices and identify emerging risks. Task forces are set up on the basis of priorities approved by the Group Risk Committee.

Each first-tier entity (see sections 1.1.3 and 1.1.4) has a risk manager who prepares a risk mapping that is subsequently reviewed during the two annual Risk Committee meetings also involving the Risk and Insurance Department.

Each quarter, the risk managers of first-tier entities submit a series of indicators to the Risk and Insurance Department (major risk mapping with the corresponding level of control, maturity of the risk management process). Once a year, the risk managers also submit a report on the organization of the risk management process within their respective operational perimeter. The Risk and Insurance Department also periodically meets with the risk manager of each first-tier entity in order to discuss his/her work and risk metrics.

First-tier entity risk managers are tasked with implementing the risk management process for their entire operational perimeter, i.e., in their companies as well as in their subsidiaries. They appoint a risk representatives' network as appropriate to ensure coverage of the entire scope of their operations.

Each of Safran's central corporate departments also prepares a mapping of the main risks in its scope. They all have a risk representative who ensures that the risk management approach is respected by management and who verifies consistency of the risk mapping and the associated action plans of the different corporate departments within first-tier entities falling under his/her responsibility. The Risk and Insurance Department is also involved in this work.

4.1.3 Risk management bodies

The following bodies coordinate the integrated risk management system:

- the Risk Committees of first-tier entities;
- the Group Risk Committee;
- the Board of Directors' Audit and Risk Committee.

Internal procedures require regular meetings of first-tier entities and Group Risk Committees.

Risk Committees of first-tier entities

Each first-tier entity has a Risk Committee comprising the entity's legal representative and its main senior managers. This Committee is chaired by the entity's legal representative and led by its risk manager.

Entity Risk Committees are responsible for:

- rolling out the Group's risk management policy within their operational perimeter;
- validating the entity's risk mapping and the corresponding control measures;
- providing reasonable assurance that the risk management process is effective;
- validating the crisis prevention, crisis alert and crisis management system.

Finally, the Risk and Insurance Department prepares a consolidated mapping of major risks to which the Group is exposed using these risk mappings and the detailed analyses of the major risks facing first-tier entities, with input from the risk representatives of the central corporate departments.

The Group risk mapping therefore guarantees the overall consistency of risk assessments and the associated action plans.

The risk mapping and associated action plans are updated every six months and validated by the Group Risk Committee. The Risk and Insurance Department then presents this risk mapping to the Board of Directors' Audit and Risk Committee.

Group Risk Committee

The Group Risk Committee is composed of the Chief Executive Officer and Group corporate officers. It is headed up by the Chief Executive Officer and led by the Risk and Insurance Department director.

The Committee regularly reviews risk identification, assessment and treatment, and therefore the control of major risks.

More specifically, its duties include:

- approving the risk management policy;
- validating the Group risk mapping and the corresponding control measures;
- providing reasonable assurance that the risk management process is effective;
- validating the crisis prevention, crisis alert and crisis management system.

The Board of Directors' Audit and Risk Committee

The composition and duties of this Committee are set out in section 6.3.3 of this Registration Document.

In terms of risk management, the Board of Directors' Audit and Risk Committee reviews the risk mapping and the work related to the main risks faced by the Group, as presented to it twice a year by the Risk and Insurance Department.

The Committee reports to the Board of Directors on its risk management work at the same intervals.

4.2 RISK FACTORS

The major risks identified that could impact the Group's businesses and financial position as of the date this Registration Document was filed are outlined below. Safran carries out its business in a fast-changing environment that exposes it to risks and uncertainties beyond those associated with its businesses.

If the risks described below were to materialize, this could have a negative impact on Safran's businesses, financial position, earnings, outlook or share price.

Other risks not yet identified or whose occurrence the Group considers would not have a material adverse impact could also exist at the date of this Registration Document.

The information set out below is based on assumptions and forecasts that may prove inaccurate owing to their very nature.

The environment in which the Group operates generates:

- risks relating to the changes in the competitive landscape;
- financial market risks;
- legal and regulatory risks.

As the Group conducts its business, it is exposed to:

- operational risks;
- risks relating to the Group's evolution;
- human resources risks.

4.2.1 Risks relating to the environment in which the Group operates

4.2.1.1 Risks relating to the changes in the competitive landscape

POLITICAL UNCERTAINTIES

In the Aerospace, Defense and Security segments, certain contracts are closed to foreign competition or are awarded based on strategic national security and independence considerations. Moreover, the transfer and/or export of defense equipment is prohibited by law in several countries including France and may only take place further to governmental or other special authorizations which require strict compliance with export regulations.

The development of Safran's activities and sites worldwide exposes the Group to political risks specific to certain countries that could impact its activities and earnings.

In the face of these political uncertainties, Safran has a Group International and Public Affairs Department that coordinates any measures that need to be taken, particularly in the fields of trade compliance, export and customs controls and ethics (see sections 5.2.1, 5.2.2, 5.2.3 and 5.2.4).

CHANGES IN ECONOMIC CONDITIONS

The macroeconomic and aeronautical program assumptions determined by the Group take into consideration the economic conditions observed as of the date of the Registration Document and are taken into account when preparing the budget and the medium-term business development plan.

Action plans are elaborated on the basis of these assumptions and approved by the Group Risk Committee according to the approach set out in section 4.1.

Changes in the global economy have a direct impact on demand for air transport and freight, which in turn directly affects market demand for commercial aircraft. To meet the fluctuations in aircraft demand from airline companies, aircraft manufacturers may adjust their output rates, which would have a direct impact on the original equipment business of suppliers of engines and aircraft parts like Safran. Similarly, the decrease in air traffic as a result of a deteriorating economic or geopolitical environment could also impact the volume of sales and Group services, including MRO and spare part sales.

Should the economic climate deteriorate, Safran's assumptions and action plans would be adjusted accordingly. In order to deal with this risk, periodic specific Steering Committees have been set up within the Group covering customers, suppliers and the market (see sections 1.2, 1.4, 1.5 and 1.8).

IMPACT OF THE AVIATION CYCLE

Commercial aircraft orders tend to be cyclical in nature, owing mainly to:

- changes in air traffic;
- the rate at which aircraft fleets age and are replaced;
- airline companies' investment decisions and financial capacity.

Exceptional events such as terrorism, pandemics, aviation disasters, adverse meteorological or geophysical conditions could also cause a temporary drop in air traffic and hence impact the civil aircraft engine, aircraft equipment, maintenance and services markets.

Safran is currently enjoying strong cyclical demand, primarily as a result of many airline companies replacing their fleets.

In 2016, civil aviation activities accounted for approximately 70% of the Group's adjusted consolidated revenue. Safran has a large fleet of engines in service, including some 29,400 CFM56 engines which have equipped most of the 100+ seater single-aisle aircraft delivered to airline companies in the last 30 years. The increase in the age of the installed base of engines and associated equipment enables the Group to generate service revenue representing around 48% of Aerospace revenue.

Safran's capacity to ramp up production to fulfil orders will depend on its ability to manage its internal and external supply chain (see section 4.2.2.1, "Supplier and partner risks"). Robust investment programs and action plans have been deployed for this very purpose and in order to limit any malfunctions that could arise. Safran also seeks to ensure that its production resources are adapted to long-term trends in demand.

Continuous improvement initiatives within the framework of Safran's quality performance approach (see section 1.9) and the deployment of the Group's strategy (see section 1.2), aimed particularly at achieving optimal diversity of its portfolio of businesses, round out the measures put in place to limit the impacts of this risk.

COMPETITION

Safran faces fierce competition in all of its businesses, from both global and international players and from niche players in certain markets. It seeks to maintain and sharpen its technological edge at all times, thanks to sustained R&D spending with a particular focus on segments where the product development cycle is unusually long.

To limit the impact of competition risk, Safran not only deploys its strategy with a view to diversifying the portfolio of businesses (see section 1.2), but also continues to make targeted investments in R&D (see section 1.5) and in select external growth transactions. It also develops partnerships on a number of programs (see section 1.3). These partnerships may take the form of joint ventures set up in full compliance with the anti-trust laws applicable in all markets and countries in which they operate.

4.2.1.2 Financial market risks

The main risks hedged using the Group's financial instruments are foreign currency risk, interest rate risk, listed commodity price risk, equity risk, counterparty risk and liquidity risk.

FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk, defined as the impact on its balance sheet and income statement of fluctuations in exchange rates during the conduct of its operating and financial activities.

Most Aerospace Propulsion and Aircraft Equipment revenue is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 7.5 billion for 2016.

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting profitability and allowing it to adapt its cost structure to a volatile monetary environment.

The Group's earnings are exposed to the risk of fluctuations in the EUR/USD exchange rate as a result of its US dollar-denominated assets and liabilities which are set out in section 3.1 of this Registration Document (Note 27, "Management of market risks and derivatives").

Shareholders' equity is also exposed to the risk of fluctuations in the EUR/USD exchange rate on the Group's investments in US businesses which are disclosed in section 3.1 (Note 33, "List of consolidated companies") of this Registration Document.

Hedging policy

Two basic principles underscore the foreign currency risk management policy defined by Safran for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance (first principle).

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a four-year timeframe.

Foreign currency risk on the Group's investments in US businesses is hedged using net investment hedges of some of these entities, as disclosed in section 3.1 (Note 27, "Management of market risks and derivatives").

Management policy

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and a combination of barrier options and other options.

Optimization measures are also used with a view to improving the minimum exchange rate parity, and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.

These products consist chiefly of forward purchases, accumulators and a combination of barrier options and other options.

4 RISK FACTORS

Risk factors

Hedging portfolio

The Group's hedging portfolio is described in section 3.1 (Note 27, "Management of market risks and derivatives") of this Registration Document.

The Group has hedged its entire USD exposure for 2017 and 2018 at a rate of 1.21 (2017) and 1.18 (2018).

The Group has continued its exposure hedging strategy for 2019. At February 6, 2017, the hedging portfolio for 2019 amounted to USD 2.7 billion, of which USD 0.3 billion in forward sales and USD 2.4 billion in options with knock-out barriers set at various levels above 1.18. Provided that the EUR/USD exchange rate remains below 1.25 in 2017, the performance of all instruments in the portfolio should allow the Group to gradually increase the 2019 portfolio to USD 8.0 billion, with a target hedging rate of between 1.15 and 1.18.

The Group has begun to hedge its projected net exposure for 2020. At February 6, 2017, the hedging portfolio for 2020 represented USD 1.5 billion in options with knock-out barriers set at various levels above 1.18. Provided that the EUR/USD exchange rate remains below 1.25 up to the middle of 2018, the performance of all instruments in the portfolio should allow the Group to gradually increase the 2020 portfolio to USD 5.5 billion, with a target hedging rate of between 1.13 and 1.18.

The knock-out barrier option expires if the spot exchange rate climbs above the knock-out rate during the window in which the option is active, and the value of the hedging portfolio is then reduced by the notional value of the disabled option.

For the record, the estimated annual exposure of approximately USD 7.5 billion for 2017 depends on budgeted sales figures, and is regularly reviewed for each year covered by the foreign currency risk hedging policy.

A one-cent change in the EUR/USD exchange rate parity on the hedged rate has an impact of around €50 million on adjusted profit from operations.

Sensitivity

The following tables present the sensitivity of the main income statement aggregates to a 5% increase or decrease in the EUR-USD exchange rate (average and closing exchange rates). The first table shows adjusted data, the second consolidated data. The sensitivity analysis takes account of:

- the translation effect, i.e., the impact of changes in the EUR-USD exchange rate on the translation into euros of the results of entities whose functional currency is the US dollar;
- the transaction effect, i.e., the impact of changes in the EUR-USD exchange rate on USD transactions carried out by entities whose functional currency is the euro, and on the value of the EUR/USD hedging portfolio.

The sensitivity of equity to a 5% increase or decrease in the EUR/USD closing exchange rate affecting the net investment hedge of some of its US entities is presented in section 3.1 (Note 27, "Management of market risks and derivatives") of this Registration Document.

Adjusted data (in € millions)	2015*		2016	
	-5%	+5%	-5%	+5%
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.11		1.11	
Average exchange rate used for sensitivity analysis	1.05	1.17	1.05	1.16
Closing rate	1.09		1.05	
Closing exchange rate used for sensitivity analysis	1.03	1.14	1.00	1.11
Revenue	338	(306)	356	(322)
Profit (loss) from operations	9	(8)	9	(8)
Financial income (expense)	13	(12)	4	(4)
Profit (loss) before tax	22	(20)	13	(12)

Non-adjusted consolidated data (in € millions)	2015*		2016	
	-5%	+5%	-5%	+5%
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
Average exchange rate	1.11		1.11	
Average exchange rate used for sensitivity analysis	1.05	1.17	1.05	1.16
Closing rate	1.09		1.05	
Closing exchange rate used for sensitivity analysis	1.03	1.14	1.00	1.11
Revenue	644	(583)	660	(597)
Profit (loss) from operations	315	(285)	314	(284)
Financial income (expense)	(2,068)	1,641	(2,114)	1,675
Profit (loss) before tax	(1,753)	1,356	(1,800)	1,391

* The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3, "Restatement of 2015 comparative information" and Note 28, "Discontinued operations and assets held for sale").

INTEREST RATE RISK

The Group's exposure to fluctuations in interest rates covers two types of risk:

- price risk in respect of fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk in respect of floating-rate financial assets and liabilities. Interest rate fluctuations have a direct impact on the Group's earnings.

Within the framework of its general risk management policy, the Group arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

Euro interest rate risk

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

Exposure to euro interest rate risk is presented in section 3.1 (Note 27, "Management of market risks and derivatives") of this Registration Document.

USD interest rate risk

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

Exposure to USD interest rate risk is presented in section 3.1 (Note 27, "Management of market risks and derivatives") of this Registration Document.

Sensitivity

A 1% (100 basis point) rise in interest rates would have a minimal impact on the cost of debt (versus an increase of €5 million in the cost of debt in 2015).

COMMODITY RISK

Starting in 2009, the Group's policy had been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel, platinum and oil). The policy sought to protect the Group's economic performance from commodity price volatility.

The Group decided to unwind all of its commodity hedges ahead of maturity at the end of 2016 as this risk was not deemed material for the Group.

EQUITY RISK

Safran is exposed to fluctuations in the stock market price of the Embraer share, which is the only listed security held by the Group.

A 5% decrease in the price of this share would have had a net negative impact of €2 million on equity at end-2016 (negative €3 million impact at end-2015).

COUNTERPARTY RISK

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or over-the-counter with top-tier intermediaries.

The counterparty risk taken into account in pricing derivatives is not material (section 3.1 – Note 1.v, "Derivatives and hedge accounting" of this Registration Document).

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their geographical diversity.

The Group may be exposed to delayed payment risk on civil and military contracts, particularly as regards its government customers, and this may adversely impact its free cash flow targets.

The maturity schedule for trade and other receivables is set out in section 3.1 (Note 16, "Trade receivables") of this Registration Document.

LIQUIDITY RISK

The Group looks to ensure that it has broad access to liquidity in order to meet its obligations as they fall due. To do this, it borrows from banks and capital markets, thereby exposing it to liquidity risk if all or part of these markets were to dry up.

Safran's business requires it to have access to external sources of financing and the availability of such financing depends on a variety of factors such as market conditions and the macroeconomic environment. A deterioration in the financial markets (capital or bank debt markets) could lead to an increase in borrowing costs or even restricted access to financing for both Safran and for its competitors.

Furthermore, lenders and/or investors could develop a negative view of the Group's short- to medium-term financial prospects, particularly if it were to incur losses, which could also affect its future financing capacity.

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

Surplus cash is managed with two principles in mind:

- safeguarding the amounts invested at all times;
- optimizing investment yields whenever possible, without jeopardizing the investments themselves.

Since the Group had an undrawn, confirmed liquidity line at December 31, 2015, it is relatively insensitive to liquidity risk. This €2,520 million line was 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.

A number of financial covenants apply to the EIB borrowings set up in 2010. The following two ratios apply:

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

The “net debt/EBITDA <2.5” covenant also applies to the senior unsecured notes issued on the US private placement market.

The terms “net debt”, “EBITDA” and “total equity” used in connection with the EIB borrowings and the US private placement (USPP) are defined as follows:

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

The maturity schedule for financial liabilities (excluding derivatives with a negative fair value) is set out in section 3.1 (Note 23, “Interest-bearing financial liabilities”) of this Registration Document.

4.2.1.3 Legal and regulatory risks

From a legal standpoint, Safran is exposed to the risk of claims resulting from alleged non-compliance with certain contractual obligations in its relations with third parties. If any such claims are made, they are examined by the Legal Department so that it can best defend the Group’s interests.

Aside from the main legal risks identified and disclosed in the “Contingent liabilities arising on ordinary activities” section of the note on off-balance sheet commitments (see section 3.1, Note 31) and in the section on “Disputes and litigation” (see section 3.1, Note 32) of this Registration Document, based on an analysis of the legal risks to which the Group is exposed, no other probable or material risks were identified.

The Group is also exposed to the risk that it fails to comply with applicable regulations. Regarding export controls for example, the Group is bound by legislation and regulations issued by French and international authorities, particularly the European Union and the US. The same applies for anti-trust law, anti-corruption regulations, and any embargoes and sanctions taken against countries in which it does business.

To ensure that it complies with French and international regulations, Safran has put in place action plans outlined in section 5.2, “Perpetuating the integrity culture” of this Registration Document. These action plans are designed to ensure that Group companies report all claims or any potential cases of non-compliance with applicable regulations, inform the authorities concerned of any such cases identified, and take all the necessary precautions to prevent similar cases arising in the future. To date, the few instances of non-compliance with export rules voluntarily brought to the attention of the authorities have been closed after investigation, without damages. Concerning embargoes and sanctions, particularly in the US, the Group ensures that it takes all adequate and necessary measures to comply with all such regimes affecting its operations.

4.2.2 Risks relating to Group business sectors

4.2.2.1 Operational risks

AIRCRAFT ACCIDENTS

Safran products are integrated in high-tech equipment with a high unit price, especially civil and military aircraft, helicopters and space launch vehicles. Safran may be held liable, for example, for the malfunction, loss or accident of an aircraft, the death of passengers, or the loss of operating capability by an airline or helicopter operator.

As part of its risk management policy, Safran adopts a variety of measures to limit risks relating to aircraft accidents. A description of the focuses identified by the Group Quality Department is provided in section 1.9 of this Registration Document. Safran has huge obligations in terms of air safety and is required to have a highly effective, demanding quality-focused management system. The effectiveness of this system along with the related action plans have led to Safran obtaining airworthiness agreements (or having such agreements renewed) and 9100-certification for first-tier

companies. In addition, dedicated progress plans, which include roll-out of the QRQC⁽¹⁾ method, allow quality issues to be dealt with close to source and remedied as quickly as possible.

DELAYS, PROGRAM DEVELOPMENT AND INDUSTRIALIZATION

Aircraft manufacturers may encounter difficulties in meeting their program schedules or even keeping programs going. Delays in production schedules for new aircraft may lead to the postponement of deliveries, including Safran equipment deliveries, and impact the timing of the Group’s revenue. In certain cases, delays specific to developments under Safran’s responsibility can lead it to pay damages to the stakeholders concerned. The Group may be held liable for these delays. Delays can also lead to Safran collecting cash later than forecast, thereby impacting the Group’s cash and potentially its profitability. This may lead it to write off assets recognized in respect of those programs.

(1) Quick Response Quality Control.

For example, the Silvercrest engine selected by Dassault Aviation to power its Falcon 5X jet incorporates leading-edge technologies to offer unrivaled performance, with very high targets in terms of fuel consumption, reliability and respect for the environment. Tests carried out on the engine revealed that further developments were needed, pushing the engine's certification schedule back to the second half of 2018, 18 months later than the previous schedule. Safran took a write-off on the full amount of the property, plant and equipment and intangible assets relating to this program. The Group has also booked provisions to cover all of its contractual commitments, especially the fines due in respect of the development phase (see section 3.1, Note 20).

Safran continued to deploy its program management initiatives, primarily through its "One Safran" quality management system (see section 1.9). This system provides project teams with a framework (known as "PROMPT"⁽¹⁾) as well as methods and applications for enhancing program management processes. PROMPT is based on five "golden rules": keeping the Program Management Plan (PMP) up to date, meeting expectations of all stakeholders, planning and meeting technical objectives, steering performance and managing risks. It has been rounded out by a Program Management guide of best practices and rules to be respected, charted on a maturity grid that enables each program manager to conduct an annual self-assessment of the risks faced and the measures taken.

PRODUCTS AND SERVICES

The Group applies very strict quality and safety standards in the design and manufacture of its high-tech products and associated services.

Thanks to robust processes and high-level oversight of certain key aspects (such as ramp-up), program management enables the Group to ensure a smooth transition between the different programs (see section 4.2.2.1 "Delays, program development and industrialization"). Details of the CFM56/LEAP transition plan are set out in chapter 1 (see section 1.3.1.1, "Mid-thrust engines for civil aircraft") and chapter 2 (see section 2.1.3.1, "Mid-thrust engines for civil aircraft (short-to medium-haul)"). The CFM56/LEAP transition plan has been subject to this high-level oversight. It has been presented to the markets, and more recently at Safran's Capital Markets Day, held on March 14, 2016.

Quality failures or shortcomings in Safran's equipment, systems or technology could result in costly claims for damages from customers, partners or third parties (product recalls, upgrade campaigns or retrofits), lost revenue and/or a loss of its commercial standing. Safran's image may also be affected.

In order to best manage this risk, Safran has deployed a range of quality-focused initiatives, as described in section 1.9 of this Registration Document.

SUPPLIER AND PARTNER RISKS

Generally speaking, Safran works in cooperation with partners and suppliers in the majority of its businesses. Events likely to

affect its partners and suppliers could have an impact on Safran's business activities.

Supplier risks

Supplier difficulties or default, even when robustness was one of the key criteria for Safran's selection, could impact the supply chain, resulting in additional costs or production delays that would affect the Group.

To address this risk, the Group Purchasing Department conducts a monthly review of potentially problematic suppliers with a designated manager and associated action plans. For non-production purchases, Safran has put in place a central purchasing strategy (see section 1.8) in the form of pooled facilities at a Shared Services Center in line with the Group's objectives of excellence, competitiveness and sustainable development.

The Group is also exposed to commodity availability and price volatility risks, notably in respect of titanium, nickel alloys, composite fibers, ammonium perchlorate and oil. To limit the impact of these risks, the Group negotiates medium-term procurement contracts with its suppliers, setting up dual-source supply streams or building up appropriate inventories wherever possible.

Since the end of 2014, for example, in order to reduce the risk of embargoes on titanium supplies from Russia, Safran has built up buffer stocks and systematic dual-source supply streams.

The volume of commitments undertaken by Group entities corresponds to the planned increase in production over the coming years. To protect its LEAP program in particular, Safran has set up a dual-source supply approach, enabling it to secure the supply chain.

Partner risks

Safran is involved in several major strategic partnerships. If any of these partnerships were not renewed, Safran's businesses could be affected.

A substantial proportion of Safran's revenue is derived from certain civil aircraft engine programs developed and manufactured in cooperation with GE. In July 2008, Safran and GE signed an agreement to extend their civil Aerospace Propulsion partnership until 2040, which now includes operational maintenance services. They also entered into an agreement for the development, production and support of engine nacelles for future short- and medium-haul aircraft.

To secure the supply chain, Safran and Albany (US) have two plants, one in Rochester (New Hampshire, US) and one in Commercy (Meuse, France), which manufacture composite parts for new-generation aircraft engines. A third plant has been built in Querétaro (Mexico) and is slated to start up production in 2017.

Safran is also involved in other partnerships, namely with Airbus Group for space launchers (Airbus Safran Launcher joint venture), NPO Saturn (PowerJet joint venture), Avic, MTU, Thales (Sofradir

(1) Safran's program management framework.

4 RISK FACTORS

Risk factors

and Optrolead), and Rolls-Royce (Aero Gearbox International for power transmission systems for all future Rolls-Royce civil aircraft engines).

These partnerships are set up in full compliance with the anti-trust laws applicable in all markets and countries in which they operate (see section 1.4).

HEALTH, SAFETY AND ENVIRONMENTAL RISKS

All industrial activities generate risks, particularly health, safety and environmental (HSE) risks. In each country where the Group has operations, its activities are subject to environmental legislation and regulations, particularly with respect to waste and air, water and soil pollution. Legal and regulatory requirements for environmental protection have become increasingly stringent and the Group may have to incur significant costs to comply with them. Due to its two Seveso facilities, the Group is also exposed to risks such as rehabilitation costs that could be quite high. Safran's HSE policy is implemented within the framework of a continuous improvement drive which aims to bolster its strategy of anticipating and preventing potential risks in all of its activities.

Chapter 5 of this Registration Document on Corporate Social Responsibility presents a range of HSE programs and initiatives, enabling Safran to assess the carbon footprint of its activities and to develop more innovative products and processes with minimal impact on the environment. Moreover, based on the analyses carried out, all risks are appropriately managed, including as regards France's low-carbon strategy to which the Group contributes via recent eco-friendly industrial investments. By adhering to a digitalization policy, the Group also plays its part in cutting back on greenhouse gas emissions (by encouraging tele-commuting, limiting physical travel, optimizing its production resources and therefore its energy consumption).

PERSONAL SAFETY RISKS

The Group's international scope may generate certain safety risks. The Safety Department has set up a specific oversight organization for each country to address these risks. The Group is constantly assessing the risks of terrorism, armed conflict and confrontation with criminal organizations. Its regions are classified according to risk, each of which is associated with a series of specific prevention and protection measures. The Group is assisted in this initiative by the French government as well as specialist service providers. An emergency operations center may be set up in response to a specific situation and provide exceptional resources to operating staff, for example resources to carry out an emergency repatriation.

DATA CONFIDENTIALITY RISKS

Safran is exposed to the risk of breaches of security in relation to its industrial premises or data processing systems.

Data owned by the Group are critical in terms of technological innovation, as well as strategy and key assets. Safran therefore

needs to have reasonable assurance that its intangible assets (data, knowledge and expertise in particular) are adequately protected.

Faced with risks of unlawful attempts to gain access to confidential information and threats to the security of installations, cyber threat prevention is essential to ensure that the Group can continue in operation.

These cyber risks could lead to disruptions in IT services, causing for example the loss of network on internal and external network exchange platforms and the unavailability of messaging services, or even breaches in the confidentiality or integrity of data hosted by or transiting through the Group's information systems (loss, destruction, theft, corruption).

In order to limit the impact of this risk, Safran has defined an information system security policy which sets down a series of organizational, technical and governance guiding principles. This policy notably meets requirements set out in French regulations on the protection of intangible assets contained in information systems. Awareness-raising initiatives for all Group employees are organized on a regular basis. Lastly, to respond to emerging threats, Safran continually invests as needed in information system protection, incident detection and event response, and security warnings and alerts, and in regular reviews of their effectiveness.

4.2.2.2 Risks relating to the Group's evolution

TECHNOLOGICAL RISKS

The Group's markets typically undergo far-reaching technological changes. Safran designs, develops and manufactures products and services renowned for their advanced innovative and technological content. The Group is exposed to the risk of competitors developing products that offer a better technical performance, are more competitive or are marketed earlier than those it develops. This could affect Safran's activities or financial position.

The actions taken by the Group to limit the impact of such risks are outlined in section 1.5, "Research and development".

The Group draws on the complementary scientific and technical expertise provided by its partners (see section 1.5.2).

Safran has set up a pooled research unit focusing on upstream, cross-functional technologies within Safran Tech, the Group's research and technology center. Safran Tech is home to over 300 scientists and technologists and comprises several new research sites and hubs, including the facilities at Safran Composites (comprising around 100 specialists in composite materials and organic chemistry) and Paris-Saclay.

In spring 2015, Safran created Safran Corporate Ventures, an investment vehicle for start-ups aimed at supporting the upstream development of innovative, high-potential technologies and capturing benefits for the applications used by the Group.

For Safran, intellectual/industrial property (“IP”) is an intangible asset of increasing importance in a context of globalized markets and ever-fiercer competition.

Safran may be exposed to a risk of breaches in its intellectual/industrial property, regardless of whether or not it is legally protected (unlawful use by a third party of products, services or software). Safran may be unable to enforce its rights (or to enforce its rights at a reasonable cost) and may therefore be exposed to a variety of risks such as the loss of market share and even damage to its reputation, particularly in the event of technical problems arising as a result of the use of counterfeit products.

Safran’s efforts to protect its know-how and other confidential information may prove inadequate and any unlawful access to such information damaging for the Group.

The patents filed by Safran may also fail to dissuade competitors from developing and marketing similar products and services.

To protect itself against this risk, Safran has set up a program to raise awareness regarding IP protection and compliance, designed particularly for technical personnel in teams participating in international cooperation programs. An IP protection strategy has been rolled out for each geographical region and country, based on the classification of critical technologies and on an analysis of the cost of protection with regard to the added value of the particular IP for Safran.

Like other high-tech companies, Safran may be the subject of claims for unintentional use of the intellectual/industrial property of third parties without their prior consent.

Safran does its utmost to avoid such unintentional use, particularly when the third party concerned is a customer, partner, subcontractor or supplier. This risk could expose Safran to substantial financial costs (disputes, fines, royalty payments, etc.).

To reduce the impact of this risk, Safran has put in place measures to source and consider existing IP under legal protection when it is developing its products, systems and services. Safran has also brought in IP experts and specialists to help it review its product design and technology readiness level (TRL). Measures are also rolled out providing active oversight of competitor IP and objection procedures are applied where necessary. Team training sessions are also held.

These investments incurred to respond to the above actions are designed to support Safran’s technological excellence in the above fields that are crucial to its competitive edge.

UNCERTAINTY REGARDING RETURNS ON INVESTMENTS

Safran’s businesses, and particularly aerospace research, require investments that only produce returns in the long term. The market and profitability assumptions determined by the Group may not prove accurate, and the products resulting from these investments may not enjoy sufficient commercial success to ensure a return on the initial investment (drop in demand, shut-down of a program). Capitalized R&D assets (excluding goodwill and programs) recognized in the balance sheet at December 31, 2016 totaled approximately €2.7 billion (see section 3.1, Note 11), and property, plant and equipment (mainly industrial investments)

amounted to approximately €3.2 billion (see section 3.1, Note 12). These amounts are net of accumulated depreciation, amortization and impairment loss provisions.

Investment decisions are coordinated at Group level, based on tried and tested guidelines and numerous evaluation criteria. In addition, the Safran Innovation Department (see sections 1.5 and 1.6) is tasked to oversee the phase between technological demonstrations and marketing.

DEPENDENCE ON PUBLIC PROCUREMENT CONTRACTS

Safran conducts part of its business with governments, especially in Defense markets in Europe, North America, Asia and the Middle East. Government spending in these markets is subject to trade-offs that are contingent on the geopolitical environment and ever-stricter budgetary constraints. Budget cuts affecting many of the Group’s public customers can not only lead to delays in orders placed or curtailments, postponements or cancellations in the fulfillment of such orders and the related financing, but also to a deterioration in advance payment plans. This could affect Safran’s businesses or financial position.

Safran’s strategy is based on a balanced portfolio of Civil Aviation and Defense businesses. In 2016, approximately 20% of the Group’s adjusted consolidated revenue was derived from government contracts. The broad geographical diversity of the Group’s businesses, particularly through its international sites, reflects its customer diversification strategy which helps create a robust business portfolio. This global strategy is also a means of reducing the risk of dependency on government business.

ACQUISITION AND RESTRUCTURING RISKS

As part of its growth strategy, Safran may acquire, merge and/or set up companies, enter into joint venture-type strategic arrangements, or divest select non-core businesses. The Group has devised procedures and controls to limit the risks inherent in such transactions. Processes have been put in place to ensure that these transactions meet the Group’s strict financial criteria (debt, return on capital employed, etc.). These may have a negative impact on the Group’s business, expected earnings or image should Safran fail to integrate the businesses and employees of the acquired entities, unlock the expected synergies and cost savings, or maintain good trade or labor relations within the acquired entities following changes in management or control. The Performance and Competitiveness Department has put in place strict oversight processes for these transactions to ensure that the synergies and earnings obtained are in line with those forecast.

4.2.2.3 Human resources risks

The Group’s different activities harness a wide range of employee expertise and skills across many different sectors. As a result, Safran is exposed to the risk of failing to find the appropriate skills at the right time and in the right place that it needs to deploy its strategy and complete its programs effectively.

4 RISK FACTORS

Insurance

In order to limit this risk, the Group continually strives to acquire, retain, redeploy, bolster and renew the skills that it will need in the future. It has developed a partnership strategy with top graduate schools and scientific universities to recruit employees for its core businesses and has also worked on promoting the Safran employer brand. In addition, professional and geographical mobility programs, talent identification systems, training, monitoring

and career development are all used to boost the Group's attractiveness as an employer. In this respect, Safran University is essential in preparing the Group to meet the challenges of tomorrow. Safran has also introduced employee profit-sharing and equity and savings incentive schemes that foster employee buy-in and loyalty. This policy is outlined in section 5.4 of this Registration Document.

4.3 INSURANCE

The Risk and Insurance Department identifies the accident risks to which Group entities are exposed and puts in place the appropriate insurance policies. This does not include personal risk insurance or credit insurance.

The key accident risks are covered by worldwide multi-risk policies spanning several years, negotiated with leading insurance companies:

- a "property damage and business interruption" policy providing coverage for damage to industrial installations (buildings, machines, inventories, etc.). The maximum payout under the policy is €300 million, or up to €1.3 billion for certain individual sites, excluding market-imposed sub-limits for certain risks such as flooding, earthquakes and natural disasters;
- "product third-party liability" policies covering the Group in the event it is held liable for damages to third parties as a result of an accident attributable to a delivered product no longer owned or controlled by a Group entity;

- aviation products:

the policies provide coverage totaling USD 2 billion per annum that can be used during the year for aviation products. Coverage for helicopter products is capped at USD 1 billion, while coverage for terrorism totals USD 1 billion;

- "land" products (excluding aviation businesses).

The policies provide coverage of €350 million per annum that can be used during the year.

A captive reinsurance company owned by the Group participates in the risk coverage scheme within the framework of "civil aviation liability" and "property damage and business interruption" insurance policies.

Local insurance programs are subscribed across the globe either to cover specific risks or in response to local regulatory insurance requirements.





Delivery of the first LEAP-1A-powered A320neo to Pegasus Airlines (July 2016).

EMPLOYEES WORLDWIDE
at December 31, 2016

66,490

NEW HIRES WORLDWIDE
IN 2016

More than 7,000

HOURS OF TRAINING IN 2016

More than 1.6 million

FREQUENCY RATE OF OCCUPATIONAL
ACCIDENTS RESULTING IN LOST
WORKTIME IN 2016
(down from 2015)

2.2

NUMBER OF OCCUPATIONAL ACCIDENTS
RESULTING IN LOST WORKTIME
PER 1,000 EMPLOYEES IN 2016
(down from 2015)

4

SAFRAN AND SIX
OF ITS TIER-ONE COMPANIES
have received anti-corruption
certification since 2012

NUMBER OF EMPLOYEES WHO RECEIVED
ON-SITE TRAINING WORLDWIDE IN 2016
on Safran's compliance programs

More than 6,450

SUPPLIER DEVELOPMENT PROJECTS
managed by Safran

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CORPORATE SOCIAL RESPONSIBILITY

Safran's social responsibility program features six strategic focuses based on the main guidelines of the ISO 26000 standard:

- guaranteeing better relations with stakeholders;
- perpetuating the Group's integrity culture;
- involving suppliers and partners;
- developing human potential;
- always aiming for excellence in safety and the protection of individuals and property;
- developing innovative products and processes with a lower environmental impact.

ETHICAL AND SOCIAL ENGAGEMENT

Safran has a set of values and ethical standards that are embraced by all of its employees. The Group has a duty of vigilance that is integrated into all Company functions and guides the development of its businesses in accordance with the highest international standards of business ethics, integrity and professionalism. These values and ethical behavior are critically important and are intended to enable the Group to remain worthy of the trust placed in it by all of its stakeholders. This is reflected in the certifications obtained by Safran and its subsidiaries.

INVOLVING SUPPLIERS AND PARTNERS

With the understanding that its suppliers contribute to driving its success, the Group maintains enduring relationships with them built on trust, mutual expectations of high standards and a common quest for performance. Safran's purchasing policy guides them to grow, acquire skills and develop their innovative capacity. The Group has also introduced a Responsible Supplier Relations label for all of its subsidiaries.

SAFRAN'S HUMAN RESOURCES POLICY

The Group's human resources (HR) policy focuses on three strategic areas:

- nurturing the best talent to serve innovation;
- promoting social responsibility;
- driving the Group's international expansion and transformation.

The HR function has implemented major reforms to meet these goals and significantly boost its collective performance, offering managers and employees greater support, more solutions and a better understanding of the organization to which everyone contributes.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Safran aims for excellence in HSE.

So as to achieve this, Safran applies a sustainable HSE policy and drives a culture of anticipation and prevention led from the highest level of the organization. This policy is in keeping with its approach to continuously improve performance and is structured into steadfast commitments: preserving health and safety for all, protecting the environment and integrating HSE requirements throughout the product life cycle in line with the sustainable development issues that apply to its business activities.

CSR REPORTING METHODOLOGY AND INDEPENDENT THIRD PARTY REPORT

Safran has elected to have the social, environmental and community involvement information presented in its report reviewed by one of its Statutory Auditors, Mazars, in accordance with Article 225 of the Grenelle 2 Act and its implementing legislation. The Statutory Auditors obtained reasonable assurance for 14 of the social indicators (identified by the symbol in this section) and limited assurance for a selection of 16 HSE indicators and one social indicator, as well as reviewing ten qualitative themes. The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the report in section 5.7.2.

CORPORATE SOCIAL RESPONSIBILITY

5

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5.1 SAFRAN'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Operating in the Aerospace, Defense and Security industries and boasting strong innovative capacities, Safran prepares for the future by developing increasingly efficient products. In this way, the Group meets its customers' economic requirements while addressing social, environmental and community involvement issues. Companies are no longer assessed solely based on their economic performance or product quality, but also on their CSR procedures.

Safran must integrate a social responsibility policy into its strategy to meet the expectations and interests of its stakeholders affected by its business, namely employees, customers, shareholders, suppliers and partners.

In addition to its products and services, Safran's corporate responsibility is also exemplified by the development of its businesses in accordance with the highest international standards of business ethics as well as a purchasing policy that is an integral part of longstanding sustainable relations with suppliers and sub-contractors. The Group's corporate social responsibility policy also draws on opportunities inherent to its strategy, such as economic performance, innovation and internationalization, along with a number of existing initiatives and commitments.

By continuing its involvement with the United Nations Global Compact, Safran's CEO ensures that the Group's CSR policy is implemented from the highest level of the organization. This is proof of its commitment to adhere to and uphold the ten universal principles, which cover human rights, labor standards, the environment and the fight against corruption. As part of its commitment, Safran discloses an annual Communication On Progress (COP) that is posted on the Global Compact website. The COP is based to a great extent on the annual Registration Document, and the CSR chapter in particular, approved by the Board of Directors. In 2016, for the third consecutive year, Safran's reporting earned the Advanced level (level 3 out of 4). To meet the reporting requirements set out in Article 225 of the Grenelle 2 Act and its implementing legislation, Safran aims to emphasize its commitments and contributions in the area, display the consistency of its initiatives and incorporate social responsibility as a strategic factor in the Group's future and growth.

Most of the information set out below is consolidated to cover the entire Group. However, for greater reliability and due to some legislative requirements, certain human resources information is limited to a smaller scope, encompassing only France⁽¹⁾.

5.1.1 CSR governance

The CSR policy is overseen by the Executive Vice President, Human Resources and implemented by an internal representative.

This representative coordinates and implements CSR policy within the Group, working with an internal steering committee representing the different departments involved.

The representative is also supported by CSR delegates and Human Resources Directors in the companies, who ensure the policy is deployed.

5.1.2 Guaranteeing better relations with stakeholders

As a major economic player, Safran must act responsibly towards its stakeholders, both external (business partners, civil society, observers and public partners) and internal (governance, employees and employee representatives).

Its CSR policy must therefore promote transparency in communication and dialogue with Group stakeholders. Safran proactively communicates with its stakeholders through numerous materials and tools, for employees (guidelines on ethics, responsible lobbying, diversity and mobility), shareholders

(letter to shareholders, shareholders' guide), suppliers and sub-contractors (Responsible Purchasing Charter), customers and business partners (annual report and CSR report).

Taking its CSR policy a step further, Safran has reviewed performance in key CSR areas since late 2015 through discussions with its main stakeholders. The review covered the CSR issues mapped out in 2014, of which business ethics and responsible purchasing were among the key issues identified.

⁽¹⁾ See the Methodology note on the reporting of social and health, safety and environmental (HSE) indicators in section 5.7.1.

MAPPING SAFRAN'S CSR ISSUES:



A convergence clearly emerges in the scoring of these issues between internal and external stakeholders.

5.2 PERPETUATING THE INTEGRITY CULTURE

5.2.1 Commitments: Ethical Guidelines and Group values

Safran has a set of values and ethical standards that are embraced by all of its employees. The Group pays particular attention to ensuring that all activities are carried out in accordance with the highest standards of honesty, integrity and professionalism. These values and ethics enable the Group to remain worthy of the trust placed in it by its customers, employees, shareholders, suppliers and all of its partners.

The importance of ethical values in conducting the Group's policies and operations was articulated in an unequivocal and continuous commitment from the Group's Executive Management. Philippe Petitcolin, Safran's Chief Executive Officer, upheld this commitment in his introductory message included in the Group's internal trade compliance training courses:

“As you know, Safran's identity is based on seven key values that are actively disseminated throughout the Group. We must each take it on ourselves to apply them in our day-to-day behavior.

Our business activity gives us the vital role of contributing to the safety and security of people, companies and governments. We are entrusted with vast responsibilities that hold us to a constant high standard of conduct. We have this responsibility, not only to ourselves, but also to our partners, and no violation of business integrity will be tolerated.

In acting beyond reproach in terms of business ethics, we will remain faithful to our key values and ensure that our Group continues to succeed and grow. I firmly believe that we must lead by example in this area.”

Group values

Safran bases its identity on the following seven core values that are promoted within each of its subsidiaries and at each of its facilities:

- focus on customers;
- meeting the commitments set out in the Ethical Guidelines;
- innovation;
- responsiveness;
- teamwork;
- people development and recognition;
- civic responsibility.

To support these values, Safran introduced Ethical Guidelines – available to all on its intranet and corporate website – setting forth the principles and standards common to the Group as a whole, to be used as a basis for employee conduct under all circumstances. The guidelines, which are updated regularly, are not intended to replace or revise the laws and regulations in force, but to provide points of reference and guidance for the conduct of professional activities. Each of these guidelines is described in further detail below.

ETHICAL GUIDELINES

Behavior outside the Group

Upholding the law

In all the countries in which the Group operates, its personnel must uphold the law. Care should be taken, as it may be difficult to understand the law in a legal and cultural environment that is very different than that in which the employee has previously worked. When there is a question or there is any doubt, the employee should immediately consult with a superior or the Legal Department.

Personnel working in a subsidiary jointly owned by a Group company and a foreign company must uphold the law of the country in which the subsidiary is based, and the country or countries in which it operates and where its shareholders are based.

Integrity, honesty and transparency should guide all of the Group's employees in their work. Employees are expected to deal with customers, suppliers and other business partners in the Group's interest and in compliance with laws and regulations.

All personnel must take particular care to uphold laws on anti-corruption, competition, export and re-export control, labor and employment, safety, health and environmental protection.

Engaging in proper business practices

ZERO TOLERANCE OF CORRUPTION

Safran, its companies and employees do not tolerate any form of corrupt practices, be they active or passive, direct or indirect, for the benefit of those in the public or private sector.

The Group's companies apply all international conventions on combating corruption and the anti-corruption laws in force in the countries where they do business.

The Group, its companies and its employees never use a third party to perform any task that they are ethically or legally forbidden to perform themselves. Engaging a third party for the purpose of bribing a person or a legal entity violates anti-corruption laws. Prior to entering any contractual relationship with a business partner, the Group's companies must follow a methodical and documented procedure.

GIFTS AND HOSPITALITY

Business courtesies, such as gifts and hospitality, given to or received from customers, suppliers and other partners are commonly used to build goodwill and acknowledge appreciation in business relationships. However, these courtesies must not exceed a nominal value and may not influence, or give the appearance of influencing, any business decision. Good judgment, discretion and prudence should always guide the

Group in these situations. Business courtesies are prohibited by law under certain circumstances and in certain countries. The Group's personnel must comply with the policies and laws that apply in each country where Safran does business.

COMPLYING WITH EXPORT LAWS

As a global company, Safran purchases goods and services from a diverse group of suppliers. The Group also provides goods and services to customers all over the world. It is therefore critical that the Group strictly complies with all applicable regulations that govern its export activities.

Before engaging in any export activity, Group employees must verify the eligibility of both the delivery location and the recipient. They must also obtain, when applicable, all required licenses and permits, including government authorizations and approvals for government-controlled products or technologies. These authorizations can be obtained from the relevant management in cooperation with Safran's export control organization.

Import activities are also subject to various laws and regulations, and it is the responsibility of the Group's employees to comply with all of the applicable standards. Any breach of these regulations on imports and exports has serious consequences for the Group. It is the Group's responsibility to know and comply with the laws and regulations that apply to its activities.

COMPETING FAIRLY

As part of its commitment to fair competition, the Group must strictly comply with applicable competition laws in the countries where it does business. In general, these laws prohibit agreements or practices likely to restrain or alter competition or trade. Examples of prohibited agreements include: price fixing, abusive behavior, bid rigging, allocating markets, territories or customers amongst competitors, or boycotting or discriminating among certain customers or suppliers unless legally justified.

The exchange or disclosure of commercially sensitive information relating to competitors, customers or suppliers may also violate applicable laws.

Behavior towards customers

Each employee must uphold the principles of fairness and integrity in his or her dealings with customers.

The business of the Group, to a large extent, concerns air transport safety; no compromise can be tolerated for any reason. Any situation that may seem questionable to an employee must immediately be referred to a superior or the quality manager.

Relations with shareholders

The Group ensures that its shareholders receive, on a timely basis, and in an effective manner, complete, relevant, accurate and precise information that is consistent with previous published information. It takes particular care to implement international corporate governance standards and principles.

Relations with suppliers

The Group selects suppliers on the basis of objective criteria and demands high performance from them, in order to ensure that the Group's expectations and those of its customers are fully met. Under no circumstances will the Group use suppliers that make use of child or forced labor. In 2010, the Group signed a charter governing relations between major contractors and SMEs, drawn up on the initiative of the French Ministry of Economic Affairs, Industry and Employment.

Integrity

Under no circumstances may employees damage the reputation of the Group or compromise the integrity of its assets or its information systems.

Paid work of any kind that employees may perform outside the scope of their employment with the Group must not cause conflicts of interest with their duties within the Group.

Similarly, considerable caution is required when purchasing shares, directly or via an intermediary, in companies doing business with the Group. Such restrictions do not apply to listed companies, unless confidential information is used, which may be construed as insider trading.

Sustainable development

Today more than ever, protecting the environment is a critical concern for all Group employees, starting with product design and running through to the industrial process as a whole.

Political and religious activities

The Group does not finance any political parties and any political activities must be carried out exclusively outside the workplace and working hours.

Any religious practices in which employees may be involved must be practiced exclusively outside the workplace and working hours, except in the case of a legal obligation.

Behavior inside the Group

Information control

Employees must ensure the protection of information acquired in the course of or in connection with the performance of their duties. Employees are to pay particular attention to respect the internal rules of protection and applicable requirements during both written and verbal communication.

Protecting the confidential nature of certain information

In the course of their duties, all employees have access to confidential information, which represents a key asset of the Group. Confidential or classified information is sensitive information which must not be disclosed or communicated outside of the Group. Similarly, Group employees may have information concerning the national security of the country in which the Group company is located. Care must therefore be taken to ensure that such information is protected from third parties.

Any information that could influence the value of Safran's stock price must remain confidential, until it has been communicated by the Group to the public. Any personal use of such information would constitute insider trading and could expose the employee to both civil and criminal liability.

Respect for other people

The safety and health of individuals are prime objectives for the Group.

The Group is an equal opportunity employer. Recruitment and promotion are based exclusively on professional qualities and performance. The Group respects the dignity and private life of each of its employees. Furthermore, one of the Group's key values is to create the necessary conditions for all employees to achieve fulfillment in their chosen profession. All Group companies comply with the rules of protection of personal data known as the "Binding Corporate Rules" (BCR), applicable to the treatment and transfer of data outside of the European Union.

Compliance with the Ethical Guidelines

Each employee is required to review, understand and comply with the Group's Ethical Guidelines.

In the event of a question or any doubt regarding appropriate conduct, it is the responsibility of the employee to immediately contact a superior or the Group's Legal Department.

Each employee has an affirmative obligation to comply with these Ethical Guidelines.

5.2.2 The Compliance, Ethics and Anti-Fraud Committee

The permanent members of the Committee are the Corporate Secretary, Chief Financial Officer, Senior Executive Vice President, International and Public Affairs, Executive Vice President, Human Resources, Chief Legal Advisor, Senior Vice President Group Compliance Officer, Chief Security and Fraud Officer, Head of Audit and Internal Control and Head of Group Internal Control.

The Committee is responsible for supervising compliance with the rules defined in the Ethical Guidelines (upholding the law, engaging in proper business practices, protecting people and assets, etc.) and any future changes that may be made. This approach is sponsored by the Corporate Secretary, and the responsibilities are handled by the departments concerned (for example, trade compliance and export control within the Group Department of International and Public Affairs). The Group's resources primarily include Ethical Guidelines, an anti-fraud policy, internal control

procedures, processes and a prevention, awareness, detection and assessment program for cases of potential fraud. A system for the centralizing of information on fraud or attempted fraud identified within Group companies is in place. This information is acted upon by the companies, the concerned operating departments, and, if appropriate, by the Group's Audit and Internal Control Department and Safety Department and necessary actions are taken. A fraud officer has been appointed and is tasked, among other things, with defining the terms and conditions of possible internal investigations and, where applicable, carrying them out. He reports to the Compliance, Ethics and Anti-Fraud Committee.

5.2.3 Anti-fraud policy

Any individual who has any suspicion about a practice or incident that could be illegal or in violation of the Group's rules of business conduct has the right to notify others or discuss with immediate management, Head of Internal Control, Head of IT security, Head

of Safety, Head of Human Resources, Legal Department, Finance Department, Quality Department, Audit and Internal Control Department or the Compliance, Ethics and Anti-Fraud Committee.

5.2.4 Zero tolerance of corruption

Definition

Safran defines corruption as offering, promising or giving any undue pecuniary or other advantage, whether directly or through intermediaries, to a third party, in order that said third party act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of business.

A Group-wide program to prevent the risk of corruption

Safran has introduced a strict corruption risk prevention program based on the "zero tolerance" corruption policy formally affirmed

in its Ethical Guidelines. Its standards are applicable to all companies controlled by the Group. The program covers the entire set of requirements from all international conventions and national regulations that apply to Safran's activities, including:

- the OECD Convention on Combating Bribery of Foreign Public Officials in international business transactions (1997);
- European conventions against corruption: The European Community Convention against corruption involving officials of the European Communities or officials of Member States of the European Union (1997), The European Criminal Law Convention on Corruption against active and passive corruption of foreign officials (1999) and The European Civil Law Convention on Corruption (1999);
- the United Nations Convention against Transnational Organized Crime (Italy, 2000);

- the United Nations Convention against Corruption (2003);
- the US Foreign Corrupt Practices Act (FCPA-1977), amended in 1998 and the International Anti-Bribery and Fair Competition Act;
- the African Convention (2003);
- the UK Bribery Act (2010);
- the Act 2013-1117 of December 6, 2013 on the fight against tax fraud and large-scale economic and financial crimes, which transposes all of these conventions into French criminal law;
- the Sapin II Act on transparency, the fight against corruption and the modernization of economic life, passed by the French National Assembly on November 8, 2016; and
- all laws of the countries where Safran companies operate.

Safran is also involved in a number of collective initiatives to strengthen integrity practices and has established an international reputation as a responsible company. Safran's anti-corruption program goes beyond legal requirements to comply with guidelines designed to promote and step up integrity practices, as defined by:

- the tenth principle of the United Nations Global Compact;
- the French Aerospace Industries Association (*Groupement des Industries Françaises Aéronautiques et Spatiales* – GIFAS);
- the Common Industry Standards for Anti-Corruption defined by the Aerospace and Defence Industries Association of Europe (ASD);
- the International Chamber of Commerce's rules on corporate social responsibility and the fight against corruption.

Safran is also an active member of collective, industry or topic-based groups, including:

- the International Forum of Business Ethical Conduct (IFBEC), of which it is one of the 12 Strategy Committee members. This organization is made up of leading US and European companies in the Aerospace and Defense sectors, and promotes industry-wide ethical standards and good business practices through the Global Principles on Business Ethics, which have been signed by Safran's Executive Management;
- the MEDEF (the French employers' association), of which Safran is the Chair of the International Ethics Committee;
- the Business and Industry Advisory Committee (BIAC) to the OECD, of which Safran is Vice-Chair of the anti-corruption task force;
- the B20 Germany, acting as Vice-President of the Responsible Business Conduct & Anti-Corruption Cross-thematic Group;
- the CEA (*Cercle Éthique des Affaires*) linked to the European Business Ethics Network, of which Safran is a member of the Board;
- the Ethics and Compliance Committees of GIFAS, ASD, ICC and AFEP along with the association of European Compliance Officers.

Safran's anti-corruption program, which tracks changes in national and international regulations, is broken down into a series of specific operational procedures within each Group company, and takes account of the regulations applicable to its specific organization, products and markets.

An anti-corruption program that meets the strictest international standards

At the end of 2012, Safran was the first CAC 40 company to be "anti-corruption" certified by the French Agency for the Diffusion of Technological Information (*Agence pour la Diffusion de l'Information Technologique* – ADIT). This certification, valid for three years, is based on standards drafted by Mazars and ADIT and approved by France's Central Service for the Prevention of Corruption (*Service Central de Prévention de la Corruption*), a body that reports to the Ministry of Justice, and by a panel of international experts. Anti-corruption certification highlights the effectiveness of Safran's business compliance program, thereby validating the Group's efforts over the past several years to bring its rules and procedures in line with the highest international standards. The process to renew Safran's certification began in late 2015 and will be completed in early 2017.

In addition, the objective to obtain certification for all the Group's tier-one companies by the end of 2017 is on track: Safran Electronics & Defense and Safran Identity & Security were certified in 2014, as were Safran Aircraft Engines and Safran Helicopter Engines in 2015, and Safran Landing Systems and Safran Aero Boosters were certified in 2016. The certification process for Safran Nacelles is underway, and will begin for Safran Electrical & Power and Safran Transmission Systems in 2017.

The Safran program aims to foster a culture of integrity and fairness and help all its employees understand and integrate the need to prevent any risk of corruption. Based on continuous improvement, it addresses the program's two main concerns: (i) promoting responsible behavior among employees and management, and (ii) protecting Group assets through risk management.

The corruption risk prevention program is run by the Trade Compliance, Export Control and Customs Department, under the responsibility of the Group Compliance Officer, as part of the Group's general corporate social responsibility policy. Its risks are assessed by a separate Risk Management Department. The Chief Compliance Officer reports to the Senior Executive Vice President, International and Public Affairs, who in turn reports to the Chief Executive Officer.

As a member of the Group's Compliance, Ethics and Anti-Fraud Committee, the Safran Group Compliance Officer coordinates all aspects of the business integrity approach, leads discussions and promotes best practices with companies, national and international authorities and civil society.

In 2016:

- 132 on-site compliance training sessions were held for employees concerned;
- 64 memos were circulated to Group employees concerned;
- 23 compliance reviews were conducted, covering Safran's tier-one companies or their subsidiaries.

Commitment from Safran's Executive Management

The Board of Directors, the Chairman, the Chief Executive Officer and all Safran subsidiary executives are committed to leading by example as well as ensuring that employees also exhibit such exemplary behavior. No compromise is possible on integrity and

corruption risk prevention, even if that means sacrificing contracts and revenue. Safran firmly holds to maintaining sound, sustainable growth and the trust of its stakeholders. This commitment is reflected in a representation letter signed every year by all executives at tier-one Group companies. The executives sign for their own company and ensure that this representation letter is also transmitted by their own subsidiaries.

The Group Compliance Officer presents business compliance issues to the Executive Committee (see section 6.4.2) on a regular basis. A detailed annual assessment is also carried out with the Chairmen of the Group's tier-one companies. This assessment examines how business compliance procedures are adapted within the companies, in particular the improvement plans defined based on audits and compliance reviews.

Raising employee awareness

Executive Management, Board members and Group employees, both directly and indirectly concerned, receive regular, adapted information: monthly anti-corruption reports, a quarterly information bulletin on business ethics, country regulation guides, dedicated intranet service, etc.

An on-site trade compliance training course was developed for Group companies worldwide. Preventing corruption was a topic incorporated across the Group into a number of Safran University training programs designed specifically for employees working in sales, marketing, purchasing and programs. As part of the Group's e-learning programs, an interactive module on preventing the risk of corruption and infringement of export control rules was deployed in late 2014 for all Group employees. Over 11,800 people exposed to or concerned by the topic have been trained in specific training sessions since 2009, including more than 1,850 employees in 2016. Awareness sessions are also organized for the Management Committees in Safran's subsidiaries on a yearly basis. These courses are designed to give every manager and employee adequate knowledge of regulations applicable to their businesses and a full understanding of Group procedures and how they are applied at their company. The Group's trade compliance team, as well as the companies' Trade Compliance Officers, who are accredited in-house as instructors, lead this program.

To stress the importance of the issue and highlight the commitment of the Group's Executive Management, the corruption risk prevention training courses in 2017 will feature an introductory message from the Chief Executive Officer about the need for conduct beyond reproach in terms of business ethics on the part of both Safran employees and stakeholders.

The communication campaign focusing on integrity in business transactions, launched in late 2015 with the slogan "Adopt the compliance attitude", was widely disseminated in 2016 via posters and Safran's intranet site. It helped raise awareness among all Group employees about how to respond appropriately in different risk situations.

The campaign will be run again once the Group's whistleblowing system is updated in 2017.

Supporting the program: organization, procedures and control

TRADE COMPLIANCE NETWORK

The program to prevent the risk of corruption is centralized at Group level. The Group Compliance Officer is assisted by a network of more than 21 Trade Compliance Officers (TCOs) appointed at all the Group's independent companies. The TCOs, delegated by their company's Chairman or Chief Executive Officer, are responsible for guaranteeing the strict compliance of business transactions with Group procedure and instructions in relation to anti-corruption. TCOs report to the Group Compliance Officer, who is responsible for providing them with the support and information necessary and useful to their work.

TCOs work with a network of 128 Trade Compliance Managers or Correspondents (TCMs or TCCs) who ensure that measures are applied at each subsidiary or division of their company. After being accredited as "instructors" by the Group Compliance Officer, they can lead training courses at their companies and subsidiaries.

The number of TCOs fell from 23 in 2015 to 21 in 2016, while the number of TCCs/TCMs rose significantly from 111 to 128. This results from the Group's two-part strategy to increasingly centralize compliance decisions for all subsidiaries while bringing in more compliance support representatives at the local level.

The TCOs and TCMs/TCCs must ensure that the persons exposed to and concerned by such risk within their organizations (business, marketing, legal, financial, human resources, purchasing) regularly receive information and training on Safran's trade compliance program. They must also carry out any necessary reviews to ensure compliance with procedures.

TCOs and TCMs/TCCs must notify the Group Compliance Officer of any deviation from procedure as soon as it is detected.

TCOs and TCMs/TCCs regularly meet to harmonize their knowledge, exchange good practices and contribute to improving the trade compliance program and related procedures. They also receive information periodically from central Group management on changes in regulations. In 2016, more than 60 such information letters, articles and memos were sent to the network of TCOs and TCCs and to members of the Executive Committee.

DEDICATED PROCEDURES: SELECTING AND VALIDATING BUSINESS PARTNERS - GIFTS, HOSPITALITY AND TRAVEL

These procedures clearly and precisely describe the roles of employees and the rules to apply in performing their duties. They are updated regularly and widely distributed among managers and the employees concerned. The Group's external partners are also informed about these procedures.

■ The international trade compliance procedure lays down strict rules on the centralized and independent control and management of contractual relations with business partners, as of other partners involved in offset agreements or in acquisitions or disposals of Group companies, namely: consultants, service providers, distributors and corporate buyers and vendors. This procedure was amended in June 2016 to account for the most recent changes in regulations and best practices. The updated procedure was formally presented to

the network of TCOs and TCCs. It describes rigorous standards applied by the Group worldwide with respect to the selection, qualification, ethical evaluation, monitoring and remuneration of business partners. All business partners of Group companies are systematically subject to internal and external due diligence, which is updated annually over the term of the partnership. The procedure includes approving, managing and monitoring lobbyists, which must comply with Safran's responsible lobbying guidelines.

- The procedure for "gifts, hospitality and expenses" given to or received from customers, suppliers and other stakeholders stipulates that they must be used exclusively to acknowledge appreciation in business relationships and in no way give rise to a conflict of interest or influence a professional decision.

In addition:

- within the framework of the Safran Philanthropy Committee created in 2015, the Group Compliance Officer checks the initiatives of Group companies for compliance;

5.2.5 Complying with export laws

Group companies buy and sell dual-use components, equipment and technologies (i.e., that can have both civilian and military uses). It is therefore critical that Safran comply, without exception, with all applicable regulations that govern its activities in the export and import of military or dual-use technology, as well as applicable sanctions and embargoes.

Safran has implemented procedures to ensure strict compliance with legislation governing export control.

Compliance standard

A Safran compliance standard sets out the Group's requirements with regard to the control of exports and re-exports to third countries. It was updated in 2016 and is structured around nine key compliance issues:

- implementation of a dedicated organizational structure;
- development of an internal export control program by each Group company;
- training and awareness-raising;
- identification of export restrictions;
- establishment of license/agreement application;
- compliance with the terms and conditions of approved licenses;
- monitoring and audit of the export control program;
- monitoring of technology transfers (data and software);
- treatment of any cases of non-compliance.

This compliance standard was especially useful for companies obtaining certification from the French Directorate General of Weapons Procurement (*Direction Générale de l'Armement - DGA*) as of the application of the transposition law of the European Directive on intra-community transfers of defense equipment

- a clause on ethics is included in Safran's general purchasing conditions signed by all Group suppliers. In 2016, the Group's Responsible Purchasing Charter was updated to include the terms of the IFBEC Model Supplier Code of Conduct.

APPROPRIATE, COORDINATED CONTROLS

The Group Department of International and Public Affairs conducts regular assessments to check that companies properly implement and comply with current procedures. These assessments involve compliance reviews of files produced by business partners and other partners involved in offset agreements, acquisitions or disposals, as well as the gifts and invitations policy. In 2016, 23 such reviews were carried out. The findings are presented to the Executive Management of the concerned company, as well as to the Senior Executive Vice President, International and Public Affairs and the Head of Group Audit and Internal Control.

(June 30, 2012). Since it was implemented, Safran Landing Systems, Safran Power Units, Safran Aircraft Engines and Safran Electronics & Defense have been certified.

In 2016, the Group's compliance standard was updated to include Safran's reporting rules, the special structure established in the United States, the implementation of an e-learning program developed and available for all new employees, improvements made to the process applicable to non-production purchases and the protection of controlled technical information to enhance the compliance of operations.

In addition to running random Internal Audits, since the beginning of 2016 an independent firm has been conducting evaluations of tier-one companies' application of the compliance standard. External auditors assess the maturity of the program rolled out at Group companies every two years, applying a consistent analysis tool used for comparisons according to a timetable that is updated regularly. In 2016, the auditors reviewed nine Group companies: Safran Aircraft Engines, Safran Electronics & Defense, Safran Electrical & Power, Safran Aero Boosters, Safran Nacelles, Safran Landing Systems, Safran Identity & Security, Safran Helicopter Engines and Safran Power Units.

Organization

The commitment by the Group's Executive Management to complying with the laws in force has enabled Safran to implement a dedicated compliance structure, which includes:

- the Trade Compliance, Export Control and Customs Department, which comes under the responsibility of the Senior Executive Vice President, International and Public Affairs and is supported by a global network of Export Control Officers. They work together to ensure that the Group's compliance standard is applied consistently in line with the 22 regulations that apply to its business activities.

5 CORPORATE SOCIAL RESPONSIBILITY

Perpetuating the integrity culture

It defines overall policy, ensures that each company and Group department (Purchasing, HR, Programs, Supply Chain, etc.) is applying Group standards, assists Group companies in their transactions and represents Safran before the relevant government and professional bodies.

In addition, the department provides a dedicated system that can be used by any concerned employee to assess transactions with countries, companies or individuals subject to embargoes and restrictions and gain a better understanding of regulations.

Given changes in sanctions and embargoes and the associated risks for the Group, the Export Control Department and Finance Department introduced a control and central approval directive that covers any transactions planned by Group companies in countries subject to restrictions.

It also takes an active role in ensuring that compliance requirements are taken into account and a proper policy has been adopted in handling mergers and acquisitions.

The department is involved in a number of working groups with national authorities in France and in all countries from which the Group exports. Ongoing projects continued within GIFAS, the Export Control Committee of ASD, MEDEF and the organization BusinessEurope, notably with regard to improving the transposition of the European Directive on intra-community transfers and regulatory changes concerning dual-use items with the European Commission.

Export Control Officers and Correspondents in France and abroad held over 20 meetings in 2016 to define and implement measures to improve and standardize Group procedures;

- the Export Control network, which includes over 471 dedicated employees who focus on one of the following three areas:
 - Empowered Officials (members of the Management Committee) appointed at each Group legal entity that imports or exports products. These officials are personally liable for the compliance of their company's exports with the Company's commitments in this respect,
 - Export Control Officers (ECO) appointed the head of the company concerned to assist the Empowered Officials. This person is also assisted by a network of Export Control Correspondents (ECC) in the main operational departments concerned,
 - a Group Export Compliance Committee, responsible for recommending to the Executive Management team any actions, organizational methods and directives that would enable it to ensure the Group's compliance with the relevant national and international laws and regulations. The Committee also keeps Executive Management up to date on the progress of the actions in place and of any risks or problems that have arisen.

Training and awareness-raising

The Group Department of International and Public Affairs notifies all Group employees exposed to and concerned by exports of any regulatory developments and any breaches of these regulations.

Safran University organizes targeted training sessions for project managers and buyers and provides its companies with training materials that they can adapt to the regulations applicable to their company structure, products and market. More than 18,000 employees have received this training since 2010.

Safran has developed an export control intranet site, as well as an e-learning module to help raise employee awareness, bring practical assistance to employees worldwide and ensure that they comply with French, European and non-European regulations regarding the export of military and dual-use goods. The dedicated intranet site notably provides users with immediate access to lists of countries subject to embargoes and persons or entities with whom trade is forbidden, a register of all export control representatives and all applicable procedures.

Control

The Trade Compliance, Export Control and Customs Department conducts regular reviews of tier-one companies to assess progress made in the implementation of its Internal Compliance Program, as well as any difficulties and associated risks in order to provide the needed operational support.

Safran has established a questionnaire to assess a company's degree of maturity in managing each level of compliance. This questionnaire may be used during reviews by Safran or by Group companies or departments during Internal Audits or reviews of their subsidiaries. These reviews are scheduled annually based on the risk map.

Each company is responsible for making sure that a control program has been implemented at its subsidiaries to check on a regular basis that its export control quality and compliance system is being implemented.

Safran commissions independent consultants to perform audits of Group companies to obtain an external opinion on the implementation and verification of the compliance standard's effectiveness. In complex cases, Safran also ensures that its companies detect, assess and account for any cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future.

In 2016, Safran Aero Boosters, Safran Aircraft Engines, Safran Electrical & Power, Safran Electronics & Defense, Safran Helicopter Engines, Safran Identity & Security, Safran Landing Systems and Safran Nacelles were reviewed by an independent consultant to assess the maturity of the system implemented. The other tier-one companies and all the companies based in the United States will go through similar reviews in 2017.

The companies inform the relevant authorities of each identified case of non-compliance and take all necessary precautions to prevent similar cases recurring in the future. To date, none of the cases closed by authorities have been subject to penalties.

5.2.6 Complying with customs regulations

Group companies import and export components and equipments. The regulations that apply to imports and exports are extremely complex. Safran believes it is important to comply with and properly apply these customs regulations and their implementing measures to ensure that international transactions proceed smoothly.

To keep up with changes in government customs procedures in France following the application of the new European Union Customs Code in May 2016, Safran has introduced a new system aiming for strict compliance with customs legislation and created a Group Customs Department in 2016, which reports to the Trade Compliance, Export Control and Customs Department.

Compliance standard

A Safran compliance standard sets out the Group's customs requirements. It is structured around 11 key compliance issues:

- development of a dedicated organization;
- customs certification;
- internal compliance program;
- information, awareness-raising and training;
- operating procedures;
- recording, storage and archiving;
- sub-contracting;
- relations with customs authorities;
- monitoring and audit of the compliance program;
- reporting;
- treatment of non-compliance.

This new customs compliance standard is designed to be deployed on a large scale and to guide companies in obtaining certification delivered by customs authorities and generally covered by mutual recognition agreements between countries: European AEO Certification (Authorized Economic Operator) and C-TPAT (Customs-Trade Partnership Against Terrorism) in the United States. All tier-one companies are AEO-certified except Safran Landing Systems and Safran Electrical & Power.

Organization

Safran formed a Group Customs Department in 2016 that reports to the Trade Compliance, Export Control and Customs Department.

The Group Customs Department is built on a worldwide network of experts that operate at company level. It defines overall policy, ensures that each company is applying Group standards, assists Group companies in their transactions and represents the Group in the relevant government and professional bodies.

The main responsibilities of the Group Customs Department are to:

- define the overall policy, procedures, resources and control systems that make up a Group compliance standard;
- provide expertise in line with companies' needs;
- check how each company applies the Group customs procedure, if necessary working collaboratively with the Audit and Internal Control Department;
- develop the necessary steps to be taken and implement communication and awareness programs designed to help companies meet their obligations (website, seminars, publications, etc.);
- lead and coordinate the Group's network of customs officers;
- represent the Group before the relevant official bodies and professional organizations;
- participate in mergers and acquisitions deals (due diligence and procedures to be implemented);
- contribute to projects led by the Group's central support functions (strategy, tax services, manufacturing, purchasing, etc.).

The Group's Customs Department is involved in a number of working groups with national authorities in France and in all countries with which the Group maintains import and export trade relations. Safran continues to work with the customs commissions of GIFAS, FIEEC, MEDEF and ASD. Their primary focus is the application within the European Union of the Union Customs Code, effective as of May 1, 2016, and the resulting regulatory changes that will affect dematerialization of trade, customs clearance and self-assessment between now and 2020.

This Customs Department has a support network made up of:

- Empowered Officials (members of the Management Committee) appointed at each Group legal entity that imports or exports products. These officials are personally responsible for the compliance of their company's exports with commitments in this respect;
- Company Customs Officers appointed by the heads of the companies concerned to assist the Empowered Officials and whose main role is to adapt the Group's customs compliance standard into an internal compliance program that meets the Company's specific needs in terms of structure, procedures, guidelines, training and control. The Customs Officer is assisted when necessary by a network of Customs Correspondents in the main operational departments concerned;
- a Group Customs Committee, responsible for recommending to the Group's Executive Management team any actions, organizational methods and directives that would enable it to ensure the Group's compliance with the relevant national and international laws and regulations. The Committee also keeps Executive Management up to date on the progress of the actions in place and of any risks or problems that have arisen.

Training and awareness-raising

The Group Department of International and Public Affairs notifies all Group employees exposed to and concerned by exports of any regulatory developments.

Company Customs Officers organize customs training courses by business that are provided both internally or externally. Over 1,150 individuals received internal training on customs issues in 2016. Nine training modules specifically focusing on customs were rolled out at Safran University to round out the expertise of Customs Officers and Correspondents within the Group and all other employees who require proper understanding of import and export regulations (Programs, Trade, Purchasing, etc.).

Control

The Trade Compliance, Export Control and Customs Department conducts regular reviews of tier-one companies to assess progress made in the implementation of its Internal Compliance Program, as well as any difficulties and associated risks in order to provide the needed operational support.

The Customs Department has designed a central assessment tool to measure a company's maturity in terms of customs compliance.

This tool has been integrated in the Customs Compliance Standard and will be rolled out across the Group in 2017. It may be used during reviews by Safran or by Group companies or departments during Internal Audits or reviews of their subsidiaries. These reviews are scheduled annually based on the risk map.

Each company is responsible for making sure that a control program has been implemented at its subsidiaries to check on a regular basis that its customs quality and compliance system is being implemented.

Safran commissions independent consultants to perform audits of Group companies to obtain an external opinion on the implementation and verification of the compliance standard's effectiveness. In complex cases, Safran also ensures that its companies detect, assess and account for any cases of non-compliance and that they take all the necessary precautions to prevent similar cases arising in the future.

In 2016, the Audit and Internal Control Department conducted a comprehensive audit of Safran's customs compliance. An action plan to address the areas for improvement was defined and finalized before the end of the year.

Companies inform the relevant authorities of any cases of non-compliance and take all the necessary precautions to prevent similar cases arising in the future.

5.3 INVOLVING SUPPLIERS AND PARTNERS

5.3.1 Purchasing policy and principles

For Safran, continually improving competitiveness requires the constant mobilization of suppliers since purchasing volumes correspond to a significant portion of revenue. As part of its ambition to foster manufacturing excellence and long-term partnerships, Safran supports its suppliers in their development and also expects them to cooperate in the deployment of its CSR strategy.

To achieve this, the Group has aligned its purchasing policy with the principles set out by the United Nations Global Compact, to which it is a signatory, as well as with the Supplier Code of Conduct issued by the International Forum on Business Ethical Conduct (IFBEC).

These commitments are reflected in the principles below:

- compliance by all actors in the supplier relationship with the Group's Ethical Guidelines and the best practices set out in its Responsible Supplier Relations Charter based on national guidelines from the *Médiation des Entreprises* business mediation service and the *Conseil National des Achats*, a council of procurement professionals. The Charter includes a provision to appoint an SME representative (internal mediator) to work with suppliers that would like to settle a dispute amicably with their customer, Safran. To this end, Safran has been pursuing a program to obtain the Responsible Supplier Relations label. The label awarded to Safran Aircraft Engines in 2014 for its

aircraft engines business, and extended to maintenance, repair and overhaul (MRO) services in 2015, was renewed in 2016. Safran underwent review in late 2016 as part of its application to obtain the Responsible Supplier Relations label in 2017;

- Safran is a member of the SME Pact (*Pacte PME*) association, as part of its commitment to strengthen links between SMEs and key accounts, and to support the development of French SMEs, and especially innovative companies. The Group is also a member of the SME Pact's Board of Directors. In 2016, French suppliers accounted for around 50% of the Group's purchasing volume, with French SMEs and intermediate sized companies representing slightly over 60% of this volume;
- as part of the Defense SME Pact, Safran signed a bilateral convention with the French Ministry of Defense in 2013;
- Safran has contributed to the Aerofund III fund and thus continues to support the investment initiatives started in 2004 with the creation of the Aerofund I and Aerofund II funds. The Group actively participates in the restructuring and consolidation of the industrial fabric of the French Aerospace sector and contributes to the financing of SMEs. By strengthening its suppliers' financial structures in this way, the Group is also securing its supplies while promoting the emergence of more robust intermediate sized companies that can develop in international markets;

as part of the Group's agreement to support and help people with disabilities remain in employment, it has committed to develop its collaboration with companies that employ only disabled people and provide them with special facilities and support. This agreement targets business volumes representing €8 million to be generated through these companies by 2017. In 2015, the heads of Purchasing and Human Resources teamed

up on a project to develop partnerships with those companies, with the goal of guaranteeing that the target will be achieved;

continuous cooperation among Group companies, Safran's purchasing network and culture, smooth coordination among all Group members in contact with suppliers and the purchasing team's involvement in all product life-cycle phases.

5.3.2 Deploying the purchasing policy

In deploying its purchasing policy, Safran relies on:

- the implementation of tools to assess the maturity of the purchasing process and purchasing organization and enable the creation and deployment of continuous improvement plans with a view to mastering best practices;
- a contractual supplier guide that incorporates CSR principles and contains:
 - the Responsible Purchasing Charter, which aims to communicate the Group's expectations through its suppliers and sub-contractors, who are key to its success, and to obtain their collaboration and commitment by signing the Charter. It demonstrates Safran's long-term commitment to assigning CSR selection criteria the same level of importance as cost, quality, service, innovation and risk management criteria. This Charter draws on six strategic focuses from the Group's CSR program,
 - Safran's general purchasing terms and conditions used especially for project-based or minor contracts in terms of volume and duration to provide suppliers with a balanced contractual framework, within which the specific requirements of each situation can be negotiated. These terms and conditions also apply to the framework agreements negotiated with suppliers that had a more long-standing relationship with Safran;
- a process to identify in products any minerals (tin, tantalum, tungsten, gold) sourced from conflict zones, in particular from the Democratic Republic of the Congo and its border countries, to respond to the needs of US customers subject to the requirements of the Dodd-Frank Act in the United States. This process already takes into account the upcoming European initiative to extend the approach to all conflict zones identified by the European Union;
- a centralized structure in charge of raw materials for the Group and responsible for:
 - anticipating any disruption of the supply chain owing to raw materials,
 - guaranteeing the competitiveness of purchases in the short, medium and long term,
 - anticipating future needs;
- the strategy put in place to fulfill these responsibilities includes:
 - apprehending the needs of Safran and its sub-contractors on a global scale,
 - selecting and working with suppliers and designers over the medium- to long-term that are capable of providing several kinds of material (the Group's main commodity suppliers include Arconic, ATI, Hexcel, PCC, Solvay and VSMPO),
 - ensuring these suppliers are able to supply every company within the Group.

This strategy makes it possible to:

- avoid any disruption to supply or delivery delays as a result of any shifts in the market,
- Group together needs and make savings,
- limit the number of suppliers and thus better manage performance and risk,
- ensure the Group's sub-contractors are able to purchase commodities through the contracts agreed by Safran,
- plan for the future with suppliers.

And this despite the expectation that commodity prices (nickel, aluminum, copper, cobalt, molybdenum, platinum, gold, oil, sponge and scrap titanium) will remain volatile, following an overall upward trend throughout 2017. The potential impact on purchasing costs of commodities supplied by Safran (titanium, superalloys, steel, stainless steel, aluminum, copper, magnesium, carbon fiber and epoxy resin) will be offset, by hedges or by applying contractual clauses;

- an approach of collaborative innovation with suppliers. Safran is thus reinforcing its role as a responsible participant in the field of innovation by:
 - developing a culture of open innovation internally,
 - regularly communicating its technological ambitions to the relevant suppliers,
 - examining all innovative proposals,
 - providing the resources that are necessary for seeing the selected partnership projects through to completion,
 - strengthening its relations with start-ups, in particular via Safran Corporate Ventures;
- a competitiveness program that brings suppliers into a relationship with a long-term perspective, in which they present cost-cutting proposals and in turn benefit from a consolidated, medium- to long-term market position. This approach is part of the LEAP Together program, leveraging the high business volumes expected for the LEAP engine;
- the creation of a special relationship with around ten suppliers that allows them to participate in various strategic projects from the research and technology (R&T) phase on through to production. Around 80 projects were active at the end of 2016. Every year, these projects have doubled the value creation that benefits both Safran and the suppliers concerned;
- an internal control system for purchasing organizations and practices based on some 30 check points implemented every year.

5 CORPORATE SOCIAL RESPONSIBILITY

Developing human potential

Improvement plans set up by suppliers in collaboration with Safran:

- about 100 supplier development projects initiated by various Group companies,
- Safran's high involvement in the GIFAS Industrial Performance program. The Group is responsible for implementing the program in three regions in France (Eastern France, Greater Paris region and Normandy) and oversees 56 suppliers directly. These suppliers' non-performance in the areas of quality and logistics has been reduced by an average of 40%.

These improvement plans take into account feedback from the various organizations to which Safran has made commitments:

- Responsible Supplier Relations label - each year, the assessor issues comments and the Label Committee can do likewise,

- Defense SME Pact - the Ministry of Defense issues recommendations during the annual evaluation,
- SME Pact - the Monitoring Committee (with equal representation of SMEs and key accounts) issues an opinion based on the results of the SME Pact survey (to date, Safran has always received a favorable opinion). This 48-question survey on key topics sent to 410 French suppliers gives Safran an effective tool for measuring suppliers' perceptions of its supplier relationship;
- a training organization accessible to buyers that seeks to guarantee the application of professional and responsible purchasing practices within the Group. This organization includes training programs (e-learning and classroom-based) devoted to incorporating CSR issues into purchasing.

5.4 DEVELOPING HUMAN POTENTIAL

5.4.1 Presentation of strategic focuses

To support its growth and achieve its ambitions, the Group must attract the best talent and guide its employees in meeting future challenges.

Safran's human resources (HR) policy focuses on three strategic areas:

- nurturing the best talent to serve innovation;
- promoting corporate social responsibility;
- driving the Group's international expansion and transformation.

The HR function has implemented major reforms to meet these goals and significantly boost its collective performance, offering managers and employees greater support, more solutions and a better understanding of the organization to which everyone contributes.

Nurturing the best talent to serve innovation

Safran's rapid growth in a highly competitive international market has led the Group to recruit the best profiles and offer them attractive career paths. In 2016, Safran brought in 7,054 new hires. Meeting its recruitment needs has become a strategic priority for Safran. The Group has boosted its reputation, particularly its employer brand, to highlight its appeal as a choice employer in the eyes of its top recruitment targets. Safran works with a network of 32 partner schools worldwide, of which 23 in France, to implement a structured annual action plan.

Safran puts forth extensive efforts to develop talent and support professional integration by training young people under work-study programs and internships at various levels of qualification. It has also initiated an action plan to improve the number of young.

In 2016, Safran welcomed more than 2,600 young people under work-study contracts and over 2,600 internships across Europe.

These measures reflect Safran's endeavors to attract the best talent and offer rewarding professional development through its Group-wide HR policy, which includes:

- an active recruitment and mobility program that simplifies transfers between Group companies: in 2016 nearly 22% of vacant positions were filled by internal mobility;
- a skills development scheme to anticipate and prepare for major changes to professions, with over 1.6 million hours of training given worldwide in 2016;
- resources to encourage all employees to be proactive in shaping their professional careers;
- open access to all Group opportunities.

Promoting corporate social responsibility

Respect for others and a special focus on employment are fundamental values for the Group. Social cohesion is therefore a major challenge underpinning the harmonious growth of the Group. Safran ensures compliance with the human rights of Group employees through the Human Resources Department and of suppliers and sub-contractors through the Purchasing Department. At Safran, this means complying with the conventions of the International Labour Organization (ILO) and applying Group-wide management methods, such as:

- employee profit-sharing plans adapted to the specific context of the country;

- employee shareholding plans associating employees with Group targets;
- processes designed to develop employer-employee relations internationally with the setting up of a European Works Council, the signing of European agreements and a commitment to start international talks on CSR issues, in particular well-being at work. Preventing physical and mental health risks due to the workplace is one of Safran's foremost commitments, reflected in various Group agreements (on occupational stress prevention, on the prevention of bullying and the protection of workers from harassment and violence) and in Company agreements on the prevention of dangerous or arduous work. These measures have led to a stable absenteeism rate in France, which stood at 4.02% in 2016;
- measures to promote and manage diversity and equal opportunity, which Safran considers to be factors that bolster cohesion and performance and which have led to the signature of several Group agreements. Examples in France include an agreement on the employment of people with disabilities, and another on "Generation contracts" to address intergenerational issues. At the European level, an agreement has been signed on promoting long-term youth employment through professional training, which was extended by an agreement on developing skills and career paths.

Driving the Group's international expansion and transformation

The international nature of the Group requires the implementation of an appropriate HR policy.

With operations in over 60 countries, the Group is seeking to pursue and step up efforts to make its teams more international by hosting more international employees in its French companies and encouraging cross-cultural exchange when carrying out strategic projects at its many facilities worldwide.

After embarking on a series of large-scale projects to upgrade its management systems, Safran set up a department of Shared Services Centers (SSCs) to consolidate the benefits achieved from pooling such services as payroll, recruitment, non-production purchasing, accounting, IT and finance, which have since been brought together at a single facility. A program to set up similar centers outside France continued in 2016.

The Group intends to pool the best practices from each cross-business organization on productivity, HR development and the quality of service provided for companies.

5.4.2 Headcount

Breakdown by business

The Group had 66,490 employees (excluding special contracts) at December 31, 2016.

In 2016, Airbus Group and Safran brought together their expertise in civil and military space launchers to form a single company,

The HR function is involved in this move to create a unified group and has adapted its own organizational structure accordingly.

A global human resources information system is also being implemented to support the rollout of HR policies and processes worldwide. In a Group that is constantly evolving, accompanying change represents a major challenge for HR teams. In 2016, the HR information system was rolled out in France, Canada, Mexico, Morocco, the United Kingdom and the United States.

Making a commitment to managers and employees

The Group set up its Campus in the Paris suburb of Massy. The facility symbolizes Safran's cultural diversity, reflecting its values and "DNA". It is a place where all Group employees can receive training, step out of their regular work environment and mix with people from other companies. The Campus plays a role in better integrating all Group employees across the globe. In 2016, the Campus provided 186,000 training hours.

To give these strategic focuses greater clarity for the managers and employees of the entire Group, the following six HR commitments have been defined, representing the primary avenue for HR contribution to the Group:

- recruitment: attracting the best people and opening up to new talent;
- training: developing employees' skills for today and for tomorrow;
- career management: providing the means to take a proactive approach to one's career;
- mobility: offering access to a world of opportunities;
- work environment: guaranteeing well-being at work in an ethically sound and environmentally friendly Group;
- labor model: caring about individuals in order to succeed together.

HR maturity standards have been defined and applied to these six commitments in France and abroad to help measure the extent of their implementation in a given operating environment. This also reinforces the Group's HR policy by encouraging the Safran HR Community and managers to share benchmark practices. In addition, the standards serve as guidelines when defining operational progress programs for and with managers.

Airbus Safran Launchers. These businesses were removed from the Group's scope of consolidation on July 1, 2016, as defined in the reporting scope for labor indicators (see section 5.7.1.1). On June 30, 2016, 3,500 staff members were transferred to the Airbus Safran Launchers joint venture (see Notes 4 and 6, section 3.1).

The following table presents a breakdown of employees by business at December 31, 2016:

	France	International	Total
Aerospace Propulsion	18,032	5,178	23,210
Aircraft Equipment	10,629	14,092	24,721
Security	1,641	7,307	8,948
Defense	6,291	1,065	7,356
Holding company and other	1,564	691	2,255
2016 GROUP	38,157	28,333	66,490

Regional breakdown

The Group's expansion continued apace both in France and abroad. At end-2016, the Group's headcount outside France totaled 28,333 people across over 60 countries.

The following table presents a breakdown of employees by region at December 31, 2016:

		2016 Group	% of total
Europe	France	38,157 ☑	57%
	Other	7,370 ☑	11%
Africa and the Middle East		3,208 ☑	5%
Americas		13,813 ☑	21%
Asia and Oceania		3,942 ☑	6%
TOTAL		66,490	100%

Other information on headcount

At December 31, 2016, 40.3% ☑ of Group employees were engineers or managers.

In 2016, women accounted for more than 26% ☑ of Group employees and 22.1% of engineers and managers worldwide (22.6% in France) and for more than 36% ☑ of new hires.

A total of 21% of employees were involved in research and development (R&D) activities.

Excluding acquisitions, the number of jobs at the Group decreased by 184 in 2016. Over the year, the Group hired 7,054 ☑ people, including 5,380 on permanent employment or equivalent contracts. The pace of external recruitment decreased (7,054 in 2016 versus 7,732 in 2015) in line with the stabilization in headcount forecast for the coming years. At the same time, the number of departures rose, with the Group recording 7,238 ☑ permanent

departures, including 1,938 ☑ dismissals. In 2016, 891 fixed-term contracts were converted to permanent employment contracts. Safran hired 0.97 ☑ employees for each departure. More than 9,000 jobs have been created over the past five years.

In France, more specifically, most of the new hires were in production (over 42%) and in research, design and development (nearly 33%). Temporary employment of staff excluding special contracts remained very limited, concerning:

- 0.56% of fixed-term employment contracts on average over the year;
- 6.6% of temporary contracts on average over the year, the majority of which were in Aircraft Equipment (nearly 9% of the average annual headcount), Defense (more than 8%) and to a lesser extent in Aerospace Propulsion (more than 5%) and Security (more than 4%).

5.4.3 HR policies

Recruitment and integration

As in 2015, Safran continued to recruit in 2016 in order to bring in the fresh skills needed to maintain its position as a leading player in innovation and to secure its place working on new generations of aircraft and new technologies related to the Group's businesses. In pursuing its innovation policy and the ramp-up in production, the Group seeks to hire the best professionals and diversify its

recruitment channels. In France, the Shared Services Center, Talent Search, handles the sourcing and preselection of all engineering and managerial-grade candidates on behalf of Group companies. Safran uses its pooled resources and strong employer brand to attract and hire a broad range of talented professionals. In 2016, nearly 75% of new hires in France had a scientific or technical background, mainly in R&D, production and customer relations.

To support its recruitment policy and maintain its appeal, Safran renewed its communications by launching several recruitment campaigns in 2016, including one campaign on professions specialized in big data at Safran Analytics and another on embedded software engineering to work on a new program with the French Ministry of Defense.

Safran also moved forward in its action to raise interest in technician and operator positions, especially among young people. A framework agreement with the French Ministry of National Education, Higher Education and Research was signed on May 11, 2016 to promote awareness of the Group's businesses and offer middle and high school students guidance on integrating the world of work. A communication campaign focused on manufacturing jobs was launched at the end of the year with the same objective.

All communication campaigns feature on the Group's recruitment portal, www.safran-talents.com, which boosts the visibility and appeal of Safran's areas of expertise, conveys a powerful image of its corporate culture and advertises its job offers.

The Group orientation day for new hires, Safran Discovery Day, provided an opportunity to showcase Safran's women and men throughout the world.

At the same time, Safran maintained its presence at target schools and universities worldwide, organizing a number of events designed to offer students guidance in building their career paths (conferences, career round tables, visits to industrial facilities, forums, chair endowments, etc.). Today, a network of almost 300 Safran ambassadors is proactively working with students to share with them about the Group's business lines and opportunities. Nearly 200 initiatives were launched under this program in 2016.

Developing career prospects

Professional development within the Group is a major priority. A comprehensive annual process has been put in place and is led simultaneously at all Group companies within the highest spheres of decision-making, where the career path of top-performers is aligned with the Group's development. The main drivers of this career management plan are promoting mobility, offering training and retraining opportunities, and preparing managers to take on new responsibilities via Safran University courses.

The process begins with the individual interview, which is used to discuss a wide range of topics in addition to performance, such as the employee's career goals. This information is then analyzed at the Team Review and Career Committee meetings that take place successively at the department, Company and Group levels according to a common schedule. Succession planning is increasingly used to support career development and ensure seamless transition for all key positions. The HR information system allows for smoother planning and traceability in all these areas and brings even greater consistency to the entire career management process. It was rolled out in France, the United Kingdom, the United States and Canada in 2015 and was extended to Mexico and Morocco in 2016. The system was enhanced with new functionalities in 2016 to handle Team Reviews, Career Committees and succession plans. Forms to assess leadership ability (using the Safran guidelines) and potential will enable relevant and effective action plans to be drawn up for proper career management.

Some employee categories receive guidance at the central Group level (Experts, Black Belts, Master Black Belts and Expatriates), with the corresponding specific processes integrated into the Group's global career management plan. Safran has also adopted a centralized system to optimize the management of its executive managers and high-potential managerial-grade staff in order to identify, train and retain internal talent for succession planning purposes.

Mobility

In 2016, more than 1,300 employees in France changed companies or units within the Group, an ever-increasing proportion of the workforce. International mobility is developing across all continents. Mobility support procedures have been defined, and processing streamlined. The e-Talent job offer and application management system has been deployed worldwide and allows employees to submit applications online or express an interest in mobility within a specific sector and employment area. A Mobility Charter and practical guidelines designed for employees and managers sets out all the operating procedures and processes. The central Group HR function coordinates special meetings to discuss employees on mobility schemes for each business and each employment area to increase the visibility of employees throughout the internal mobility process. Safran is currently implementing initiatives and measures to create an even more ambitious mobility policy. Since 2015, priority has been more systematically given to in-house applicants, and that approach was reinforced in 2016. People who expressed an interest in a short-term transfer in their individual interview were encouraged to apply on e-Talent. This more proactive approach saw nearly 34% of engineering and managerial-grade positions filled in France by inter-company mobility, and rewarding internal promotions offered to Group employees. Succession plans are being made standard at all organizational levels, and guided mobility and predefined career plans are being developed in some companies to strike the best possible balance between available expertise, employee goals and the Group's changing businesses and needs.

Gaining international experience is a stand-out part of the Safran career path. At December 31, 2016, the Group had over 350 expatriates in more than 50 countries. Over the year, over 85 employees were expatriated or returned from abroad.

Safran's expatriates provide commercial and technical services primarily in Europe Middle East & Africa (EMEA - 47%), Asia-Pacific (28%) and North America (25%). To guarantee their consistency and transparency, the contractual framework and support measures for expatriation are defined at the Group level and implemented by the Shared Services Centers, which set up and monitor postings abroad for all Group companies. This structure also improves the Group's capacity to deploy employees abroad and meet its challenges, particularly those encountered as it moves into new markets.

At December 31, 2016, the Group had 89 international volunteers under the French VIE (*volontariat international en entreprise*) program. Safran promotes this program for the international experience it affords young potential future Group employees.

Career and skills management program

The Group continues to roll out its program of analyzing the future HR requirements of each business from a quantitative and a qualitative perspective to define the actions needed to accompany changes within the Group, whether they be related to new markets, new technologies or customer requirements.

In 2016, studies were carried out on the following topics:

- strategic and critical R&D skills;
- career development for engineers working in design offices;
- identification of businesses under pressure;
- evolution of Group businesses with the emergence of new digital technology and the development of the “factory of the future”;
- harmonization of standards of knowledge.

Forward-looking analyses were also carried out as part of the medium-term (five-year) business development plan, making it possible to determine initiatives for certain priority professions as well as more general initiatives primarily concerning mobility and career path planning:

- in R&D: measures to encourage internal mobility to support the shift to production and after-sales service for new products, and ongoing efforts to organize the project management, systems architecture and expert career channels;
- in production: methods, testing, supply chain and operator professions in line with the planned changes to their work environment;
- in programs and customer relations: after-sales and customer service professions, to develop the next generation of services leveraging the possibilities offered by new technologies;
- in support functions: quality and purchasing professions, in terms of assisting suppliers, and the HR profession, particularly in terms of supporting local managers and developing professions in information systems.

These initiatives cover all the main aspects of HR management, particularly:

- training, by creating and developing programs that allow employees to build their skills, manage professional change (particularly for R&D engineers) and improve their employability;
- mobility and career management, by providing greater visibility of changes and pathways to other professions, greater support throughout these changes, and improved employee information;
- more targeted recruitment of Group employees and closer relations with schools and universities to better attract talent.

This information was shared with the trade unions at a Career and Skills Management Program Committee meeting. It demonstrated the Group's efforts to make career and skills management a key part of its HR policy, providing all employees with a clear view of how Group businesses are changing and the possibility of planning their career in line with its future needs.

Training – Safran University

By developing Safran University, the Group has given itself the means to foster integration and achieve its cultural and technological transformation. Safran University enhances the Group's international appeal and exercises a fundamental influence on all Group employees, customers and partners.

The purpose of Safran University is to provide the knowledge, expertise and people skills necessary to guide the Group's development and growth. Open to all Group employees, it promotes a shared corporate culture and values, and thereby brings training investment more closely in line with the Group's strategic requirements and priorities in terms of employee expertise.

In France, Safran invests an average 4.3% of payroll costs in training.

Nearly 77% of employees in France receive training at least once a year.

In 2016, a total of more than 1.6 million training hours⁽¹⁾ were given worldwide, including 967,000 hours in France. Safran University covers all businesses, offering training in 15 different areas.

Most efforts focus on two of the three strategic areas set out in the Group's HR policy:

- nurturing the best talent to serve innovation;
- driving the Group's international expansion and transformation.

NURTURING THE BEST TALENT TO SERVE INNOVATION

Safran University is structured to address three major challenges for the Group:

■ Improving employee skills and professionalism in all businesses:

Business programs allow employees to develop their skills in relation to a particular business throughout their professional career, with training geared toward improving skills in their current position or acquiring new skills. Training programs are designed based on skills matrices developed under the career and skills management program for over 40 key positions. Through these programs, Safran University contributes to building the Group's human capital and adapting it to tomorrow's businesses. Business programs are available and being rolled out across all businesses.

Some of the courses offered by Safran University allow employees to obtain a certificate or a diploma. These courses are common to all Group companies in order to encourage the sharing of ideas and best practices.

In many courses, Group expertise is transferred through the intermediary of an internal expert or trainer. Over 100 internal trainers teach courses organized by Safran University.

(1) See the section on training indicators under 5.71.3.

Training using digital resources, such as videos, virtual communities and online learning materials, is also being developed to extend access to Group knowledge and bring Safran University courses to a wider audience at no extra cost. Safran began rolling out a new learning platform in April 2015. More than 5,000 users have signed up and over 100 trainers lead or develop digital training courses, such as SPOCs (Small Private Online Courses) and COOCs (Corporate Open Online Courses).

■ Aiming for excellence in management and leadership:

Leadership programs provide the necessary career training for senior executives and, more generally, for all Group leaders and managers. These programs are designed to help develop common management practices within the Group and to offer managers every chance of success in their assignments, as they manage change and build the Group of tomorrow.

Safran's leadership guidelines lay the groundwork for all programs and reflect five managerial priorities:

- uniting people behind a common vision;
- leading by example;
- being entrepreneurial, daring and innovative;
- scoring as a team;
- empowering people.

Nearly 5,500 Green Belts and Black Belts have been trained since 2010, reflecting Safran University's commitment to helping implement the Lean Sigma approach.

■ Enhancing the employability of workers:

Transitional and career development programs in France aim to assist employees whose jobs are likely to change considerably in order to help them gain new skills or change career paths.

For managerial- and non-managerial-grade staff alike, specially adapted training programs and specific procedures, such as skills assessments and recognition of prior learning, are put in place to accompany these career changes and developments and equip employees with the skills needed for the jobs of tomorrow.

The priority given to these programs is reflected in an indicator used to check on a monthly basis that 50% of the Group's training budget in France is invested in six priority areas of learning (integration of young new hires, R&D, industrial performance, trade and programs, management and leadership, and employability).

DRIVING THE GROUP'S INTERNATIONAL EXPANSION AND TRANSFORMATION

In line with the Group's international expansion, Safran University teams have been deployed in the United States, China, France and Morocco, where Safran has the strongest presence. Training programs are available in some ten countries, in French, English or the local language. Safran University therefore improves integration by helping all employees gain a better understanding of the Group and its markets.

Having Safran University teams in these regions means that training can be adapted to the local culture, thereby more effectively responding to the needs of the Group's different facilities. This diversity also provides an opportunity to integrate local experience into global programs. Another key issue is to provide a more tailored local response to the training needs of Safran's companies and partners. At the Dallas campus opened to serve North America (the United States, Mexico and Canada), nearly 282 sessions were organized in 2016, representing around 47,326 hours of training.

SAFRAN CAMPUS

The Safran Campus that is now home to Safran University opened its doors in September 2014. The 13-hectare facility located in Massy, near Paris, features a maximum capacity of 800 participants and hosts employee training programs and seminars all year long. It is also the venue for major Safran events, such as orientation days, seminars and conferences, and meetings with customers and Group partners, notably thanks to its 480-seat amphitheater.

The Safran Campus has become the beating heart of the Group. As well as being the place Group employees come to develop their talents, it also offers a forum for transferring knowledge, promoting diversity and leading by example. On Executive Thursdays, the members of Safran's Executive Committee (see section 6.6.4.2) regularly spend the day on the Campus meeting course participants and discussing Group-related topics with them, as do Company HR Directors.

The Safran Campus is now well known throughout the Group. It hosts about 20,000 people per year, of which almost half for training courses and the remainder for other events, such as orientation days, team-building events and customer and project seminars. In this way, it plays an active role in the Group's transformation.

The Group has also created a new management tool, TWIST Training. The system will be operational in France in 2017.

Its objectives are divided into four categories:

- designing a Training HR information system by end-2019 covering 95% of the Group's workforce around the world, with the advantage of offering greater efficiency in coordinating international training programs (covering 40% of the Group's workforce);
- developing a Training HR information system enriched with new learning methods (MOOCs, e-learning, blended learning, role play, etc.);
- increasing involvement from managers and employees in implementing the training process (catalog easily available within the system, expression of needs function activated directly by managers, course pre-enrollment option for employees and managers);
- integrating the tool into other HR processes (Training HR information system in direct alignment with performance appraisal and professional development meetings to more rapidly satisfy needs).

This solution will also feature a catalog of courses shared by all companies (to optimize purchases per program).

5.4.4 Compensation and benefits

Changes in compensation

In 2016, the average annual increase in compensation was between 1.5% and 2% of payroll, depending on the Company. The 2016 programs comprised general and individual increases for line workers, office workers and technicians, and individual increases for managerial-grade staff.

In addition, Group companies located in France set aside budgets mainly aiming to promote equal pay for men and women as part of their annual compensation policy.

Involving employees in Group performance

STATUTORY EMPLOYEE PROFIT SHARING

In France, statutory profit sharing is paid under the terms of the Group statutory employee profit-sharing agreement signed on June 30, 2005. A new calculation method was developed in application of an amendment signed on June 29, 2012 to guarantee a more appropriate correlation between profit sharing and Group earnings. The agreement, which is based on the principle of solidarity, provides for the pooling of statutory profit-sharing reserves generated by each Group company in France. For a given year, all employees receive an identical percentage of their salary, regardless of their company's earnings. The salary used in the calculation is at least 1.2 times the annual social security ceiling (i.e., €45,648.00 for a full-time employee working for the full year in 2015 and €46,339.20 in 2016). The salary floor ensures solidarity between different employee levels.

In the consolidated financial statements (see Note 6 of section 3.1), the profit-sharing payments by companies included in the scope of consolidation (as defined in Note 34 of section 3.1) for the last two years are as follows:

(in € millions)	Statutory employee profit sharing
2015 ⁽¹⁾⁽²⁾	136
2016	142

(1) The statutory profit-sharing figure includes the additional amount payable in respect of 2015.

(2) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3 and Note 28 of section 3.1).

Article 19 of France's 2015 Social Security Financing Act repealed the legislation governing profit-sharing bonuses, nullifying the provisions of the Group profit-sharing agreement relating to the payment of additional profit sharing and putting an end to such payments in the form of profit sharing bonuses as from 2015.

To offset the loss resulting from the government's cancellation of profit-sharing bonuses, in 2016 Safran's Board of Directors paid a total of €7.5 million in additional profit sharing for 2015. Consequently, nearly 6% of the gross annual payroll was paid to employees under Group statutory profit sharing in 2015.

The method used to calculate Group profit sharing was improved, bringing the calculation formula from 6.8% to 7.2% of France's

earnings contribution to total Group earnings, in application of an amendment to Safran's profit-sharing agreement signed on February 4, 2016.

A further amendment to Safran's profit-sharing agreement was signed on June 30, 2016, improving the calculation formula from 7.2% to 7.5% of France's earnings contribution to total Group earnings in 2016.

OPTIONAL EMPLOYEE PROFIT SHARING

All French entities have optional employee profit-sharing plans based primarily on economic performance criteria supplemented, where appropriate, by other operational Company performance indicators.

The total amount of optional profit-sharing payments may reach up to 7% of payroll depending on the agreement and the Company's performance.

In the consolidated financial statements (see Note 6 of section 3.1), the profit-sharing payments by companies included in the scope of consolidation (as defined in Note 34 of section 3.1) for the last two years are as follows:

(in € millions)	Optional employee profit sharing
2015 ⁽¹⁾	155
2016	165

(1) The data published for 2015 have been restated to reflect the impact of applying IFRS 5 (see Note 3 and Note 28 of section 3.1).

EMPLOYEE SAVINGS PLANS

Group employees in France benefit from a comprehensive employee savings plan system that allows them to save money with the help of their company. The system comprises the following plans:

- the Safran collective retirement savings plan (PERCO), set up by a Group agreement signed in 2012, allows employees to contribute to a retirement savings plan via six corporate mutual funds (FCPEs) with different management strategies. A Company contribution of up to €700 per employee per year was included in this plan in 2016. A bonus contribution is planned for employees in their final two years of service at the Company prior to retirement. An amendment to Safran's PERCO agreement was signed on September 28, 2016 to improve the terms and conditions of Company contributions to the plan as of 2017 and to bring the agreement in compliance with the French Act on Growth, Business and Equal Economic Opportunity of August 6, 2015. This amendment reduced the social contributions on the amounts invested in Safran's PERCO from 20% to 16%.

A highlight in 2016 was the growing success of the collective retirement savings plan, which was set up in France in 2012 under a collective bargaining agreement. To date, the plan has enabled more than 39,800 employees to save through an additional retirement plan backed by Company contributions. Plan assets totaled €223 million at the end of 2016;

the Safran Group employee savings plan (PEG), introduced by a Group agreement in 2006, offers a medium-term savings solution via a range of five FCPEs with different management strategies. The Group employee savings plan encourages employee share ownership in particular, by allocating up to €2,000 per year and per employee in Company contributions to an FCPE invested in Safran shares.

When the Group was created, employee share ownership broadened to an international dimension with the international Group employee savings plan (PEGI) set up under a Group agreement signed in 2006. It provides employer financial support to employees of foreign subsidiaries who wish to contribute to a savings plan based on Safran shares.

More than 20,000 employees in Group companies in Belgium, Canada, Germany, Mexico, Morocco, the United Kingdom and the United States had access to this plan in 2016. Including employees in France, 87% of the Group's workforce benefits from a Group employee savings plan.

Company contributions to the collective retirement savings, employee savings, and international Group employee savings plans reported in the consolidated financial statements for 2016 amounted to €54 million for continuing operations (see Note 6 of section 3.1) and €3 million for discontinued operations and assets held for sale.

The amount of Company contributions paid into the collective retirement savings, employee savings, and international Group employee savings plans for all Group employees totaled €60 million.

EMPLOYEE SHAREHOLDERS

Safran boasts one of the highest proportions of employee shareholders at 9.24% at December 31, 2016. This is achieved through:

- one-off operations, such as the employee shareholding offers led in 2009 (free share grants), 2012 (leveraged plan) and 2014 (Safran Sharing 2014);
- long-term schemes such as the Group employee savings plan, and the international Group employee savings plan;
- a long-term incentive plan in 2016 (see section 6.6.4.2) for the Group's executive managers, under which vesting of Safran shares is subject to conditions of Group performance and employee service;
- following the two sales by the French state⁽¹⁾ of 2.64% of the Company's share capital on December 1, 2015 and of 1.55% of the Company's share capital on November 23, 2016 (see section 7.3.7.2), 1,866,666 additional shares will be offered to current and former employees of Safran and its subsidiaries at a later date.

Employee insurance and retirement plans

PERSONAL RISK INSURANCE PLAN

In France, a single mandatory personal risk insurance plan was set up for Group employees in 2009, covering short- and long-term

disability, death and healthcare and offering generous benefits for employees and their dependents. Employer contributions finance more than half of the plan.

Pursuant to a Group agreement dated October 13, 2014, the two existing personal accident insurance policies were replaced by a single policy covering accidental death and disability arising during the beneficiaries' professional activities. This coverage, which is in addition to that provided for under the Group Personal Risk Insurance Plan, is available to all Group employees in France. It is financed in full by Safran and has been effective since January 1, 2015.

In addition, employees who wish to benefit from the same coverage for non-occupational accidents may do so subject to individual payments.

An amendment to the Group Personal Risk Insurance agreement was signed on July 15, 2015, bringing Safran into compliance with the French Decree of November 18, 2014, which notably aimed to more effectively manage healthcare expenditure and ensure healthcare plans remained responsible.

Safran expatriates benefit from special healthcare plans that guarantee and maintain high-quality healthcare for the duration of their foreign posting.

Outside of France, special attention is paid to healthcare and personal risk insurance plans through the implementation of single, harmonized plans for all Safran companies in a given country. Already in place in the United States, Canada and India, this program is being progressively rolled out in 2016 in all countries in which the Group has a strong presence, namely Morocco and the United Kingdom.

Three reinsurance pools were also set up in 2014 for the healthcare and personal risk insurance plans of companies outside France.

REPATRIATION BENEFITS

To guarantee the safety and health of its employees who are expatriated or on professional assignment, Safran has taken out a medical assistance and repatriation policy that is available anytime and anywhere in the world.

RETIREMENT PLANS

Most of the Group's companies in France and abroad offer supplementary defined contribution pension plans in addition to any statutory plans provided.

In France, executive managers within the Group are eligible for a supplementary defined benefit pension plan. This plan provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to ten years are taken into account in determining entitlements) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement).

The additional benefits payable are capped at three times the annual social security ceiling ("PASS") in France. Total benefits under all regimes cannot exceed 35% of the benchmark compensation.

⁽¹⁾ In accordance with Article 31.2 of the French government Order (ordonnance) of August 20, 2014, regarding the governance of companies in which the French state has a stake, as amended by the French Act No. 2015-990 on Growth, Business and Equal Economic Opportunity of August 6, 2015.

Communication on compensation components

In 2016, the Group sent all employees in France a personalized summary of all compensation received in respect of 2015, broken down into the following components: fixed salary, bonuses, individual and collective variable compensation, and contributions payable in respect of personal risk insurance, healthcare and pension plans. This document, provided for information purposes, is intended to give employees a better understanding of the components of their overall compensation and greater awareness of the benefits available to them.

In 2016, most Group employees also had access to their personalized retirement plan statement, which presents their cumulative benefits earned, between compulsory retirement plans and special additional plans set up by Safran (supplementary pension plan, ARRCO pension fund and PERCO collective retirement savings plan).

Safran also provides its employees with brochures and interactive resources available on the Group's intranet that present insurance and social welfare schemes and on employee savings plans in France and abroad, namely the employee savings plan, the collective retirement savings plan and the international Group employee savings plan.

5.4.5 Employee policy

Working hours

Safran complies with all statutory, contractual and collective-bargaining-related requirements governing working hours at each facility.

In France, most Group companies have signed an agreement on working hours with the following provisions:

- workers: an average of 35 to 39 hours worked per week over the year with compensatory time allotted;
- managerial-grade staff: a system of a set number of hours or days worked over the year with compensatory time allotted;
- senior executives, who are not subject to the statutory working time requirements: additional days off if provided for in the collective bargaining agreement.

To meet customer demands and ensure on-time deliveries, certain units may use teams working outside normal hours on staggered, night or weekend shifts or on shorter hours. The majority of these facilities have signed collective bargaining agreements setting out the terms and conditions governing shift work. These measures are designed to secure the organizational flexibility needed to improve industrial efficiency, and to more effectively take into account the specific constraints of shift work.

Several Group companies, including Safran Nacelles, Safran Landing Systems, Safran Identity & Security, Safran Electronics & Defense and Safran SA, have introduced remote work arrangements covered in collective bargaining agreements.

The Group believes that working hours should respect the balance between employees' professional and personal lives. In France, approximately 6.1% of Group employees worked part-time at December 31, 2016.

Employer-employee relations

WORLDWIDE

Through its subsidiaries, Safran continues to implement employee and union representation arrangements and collective bargaining agreements in line with prevailing local legislation. Negotiations are underway on a worldwide CSR agreement focused on well-being at work. Three negotiation meetings have been held with IndustriALL Global Union, with plans to finalize the agreement in 2017.

EUROPE

The employer-employee relations at Group level are particularly active:

- dialogue intensified within the European Works Council, in particular given the changes in the Group's scope of consolidation and the many European labor issues currently pending. In 2016, the European Works Council met for four plenary sessions, while the Council Board met with the Group's Executive Management on five occasions;
- the monitoring review board formed under the framework agreement on the professional integration of young people, signed in March 2013, held its meeting on May 26, 2016. Following the assessment of the objectives set in 2015, priorities for 2016 were identified, which focus mainly on:
 - maintaining the high level of initial training for young people in all its forms,
 - continuing to build relations with training centers, schools and universities, notably through Europe-wide Group partnerships,
 - encouraging the development of apprenticeship programs in Europe through the European Alliance for Apprenticeships.

The renewal of this agreement is currently being renegotiated; a new five-year agreement is expected to be finalized in the first half of 2017;

- the monitoring review board formed as part of the European framework agreement on skills and career development, signed in March 2015 to develop employees' professional flexibility and support them through change, held its first meeting on May 26, 2016. The priorities identified for 2016 were mainly aimed at:
 - maintaining a high level of training,
 - moving forward with the development of inter-company career management, through the career, employment pool or country committees,
 - maintaining the recruitment level of apprentices and interns trained at Safran.

FRANCE

Employer-employee relations at Group level focused on:

- the signature of Group-wide agreements in 2016:
 - in February, on employees' overall compensation and benefits to underpin the fundamental labor standards shared by all Safran companies, especially regarding employee savings and retirement planning for older employees,
 - in June, on Group profit-sharing to improve the rewards system for collective performance by allowing all employees to benefit from the broader redistribution of Company profits,
 - in September, on:
 - the "Generation contract", which includes concrete measures to promote the integration of young people into the labor market, intergenerational cooperation, employment of seniors, diversity and equal opportunity,
 - the collective retirement savings plan, PERCO, which significantly improves the terms and conditions of Company contributions for employees who want to save for retirement;
- ongoing negotiations over an amendment to the agreement on developing employer-employee relations;
- meetings with the Group's union representatives to discuss issues such as the statutory bargaining round, agreement monitoring review boards, etc.;
- ordinary and extraordinary meetings of the Group's Works Council.

Each Group company also pursues a dynamic negotiation policy based on the economic and social context in which it operates. Salary agreements were signed at all Group companies in 2016.

Employer-employee relations also remained a special focus within Group its Companies by offering support to employees through several large-scale restructuring projects, including the newly created joint venture, ASL.

5.4.6 Diversity and equal opportunity

Driving both performance and innovation, Safran's diversity programs led across the world help ensure that it will not miss out on any talent. These programs are borne out of the Group's commitment to supporting equal opportunity and preventing all forms of discrimination. Safran signed a Diversity Charter to this end in November 2010, which applies to all Group companies.

A special Diversity Department, acting with the support of HR processes and local HR teams, officially defines and coordinates all initiatives taken to promote diversity. The Disability/Diversity network in France, made up of a correspondent at Company level and a representative at each entity, contributes to implementing these initiatives.

Relations with the local community

The Group's various units maintain close relations with their local and regional communities and help raise the Group's profile through active participation in social and economic initiatives in their host regions.

Over the year, Safran Tech again exemplified Safran's drive to form partnerships with French and international institutions, such as business and engineering schools and university science faculties, and to develop joint science and technology projects with public research institutes like CEA and CNRS. As of the end of 2016, the Group had signed 186 industrial agreements for training through research (CIFRE) and diplomas of technology research (DRT), a number comparable with previous years.

The Group devotes considerable resources to training young people under work-study programs and internships at various levels of qualification. Under the aegis of GIFAS, Safran has been working for the last few years to offer SMEs incentives to hire people on work-study contracts, resulting in some 46 shared apprenticeship schemes being established with more than 30 Group sub-contractor SMEs. To ensure that training efforts remain in line with the Group's strategic focuses, Safran pools the payment of the apprenticeship tax for qualifications at final-year master's-level and above for all companies at the Group level. This tax is paid at the Company level for lower qualifications, as their better understanding of the local environment enables them to support the entities that train individuals whose expertise matches recruitment profiles within their employment areas.

Outside of France, Safran has been developing training programs for aerospace professions for several years now, both independently and with partners. For example, it helps implement adapted instructional courses, such as the program in Poland (set-up of 12 centers in the Aviation Valley cluster, with the involvement of 12 aerospace groups including Safran). In Shanghai, Safran and French mining and metals union UIMM, in collaboration with the local authorities, took part in the opening of an aerospace training center intended to train technicians and engineers for local companies.

Lastly, the Safran Corporate Foundation for Integration works to improve employability and access to training for local communities (see section 5.6.1.1).

Integrating and maintaining employees with disabilities in the workforce

Measures taken to promote the employment of workers with disabilities at Group subsidiaries differ from country to country. Safran ensures its compliance with national legislation and regulations, which vary considerably. In application of the agreement to promote the employment of disabled workers for the period 2015 to 2017, the Group introduced a formal policy on disabled workers. In France, the percentage of workers with disabilities employed directly in 2016 (including special employment contracts) stood at 4.2% of the national headcount subject to obligations regarding disabled workers. Including indirect employment, the overall employment rate for 2016 came to nearly 4.7% .

In 2016, the Group's collaboration with companies that employ people with disabilities and provide them with special facilities and support grew significantly, generating nearly €5 million in revenue as of the end of 2016 compared with €4 million as of the end of 2015 like for like. Safran received an award from the *Association des Paralysés de France*, an organization that supports paralyzed individuals in France, as a partner company at the fourth *Nuit de la RSE* event to promote CSR.

Task forces were set up at half of the Group's facilities in France to focus on maintaining employees with disabilities in the workforce. These task forces are made up of a multidisciplinary team including occupational health physicians, social workers, managers and HR representatives who work to prepare employees' return to work after a leave of absence for health reasons.

Two new facilities were added to the ten chosen at the end of 2015 for certification to the AFNOR "Disability-friendly workplace" standard.

The Group also helped organize the ninth edition of the International Abilitympics for workers with disabilities.

Promoting professional equality between women and men

In France, the Group has signed equal pay and career development salary agreements at most subsidiaries that include objectives, progress indicators and progress reviews. Since 2006, a special budget has been set aside to deal with any pay gaps. In addition, agreements on professional equality signed at most Group companies have led to the development of employee support measures to improve the balance between employees' professional and personal lives.

In 2016, the number of women rose to represent over 26% of Group employees. Measures to enhance the recruitment process resulted in an increase in the proportion of women, who account for more than 36% of new hires worldwide. However, as a result of Safran's high proportion of technical and production-based jobs, the Group is engaged in a proactive policy to attract women to its core businesses, develop gender balance in teams and make it possible for women to access high-level positions. The Group's career management policy aims to identify women for succession planning, career committees and expert career channels.

The Group works upstream to attract female employees. In France, for example, it is a member of the *Elles bougent* association, which promotes professions in industry and encourages young female high school and university students to take up professions in engineering and technical fields. Some 250 of Safran's female employees are mentors with the association. As a result, Safran's women ambassadors are regularly asked to work with schools and universities. In France, Safran participated in the women in industry awards (*Trophées des Femmes dans l'Industrie*) organized by the French magazine *Usine Nouvelle*. An employee in charge of assembly operations at the Safran Nacelles facility in Gonfreville l'Orcher (Le Havre, France) was shortlisted in the "Women in Production" category at the 2016 awards ceremony.

Some of these women hold high-level positions within the Group, such as that of subsidiary chairperson.

Social integration policy

Safran's diversity program focuses on an active and cohesive employment policy, which is geared to provide underprivileged groups the chance to learn about working for the Company and offer them career guidance, professional training and employment opportunities.

As part of this policy, the Group renewed for the period 2016-2017 the commitment agreement of the "Business & Neighborhoods Charter" (*Charte Entreprise & Quartiers*), initially signed with the Ministry of Urban Affairs in 2013. In 2016, Safran increased the number of departments in France where this agreement is extensively applied from five to six (Essonne, Seine et Marne, Val d'Oise, Yvelines, Haute-Garonne and Meuse). This agreement embodies Safran's commitment to providing access to training and employment in priority neighborhoods designated by the Ministry in close cooperation with the local authorities.

All of the following initiatives stem from this commitment by the Group with the French public authorities.

Safran furthered the partnership forged with the Frateli association, which develops mentoring programs between talented students from disadvantaged backgrounds and young professionals. The number of Safran employees who are mentors with this program more than doubled between 2014 and 2016, and now stands at over 100. These mentors have formed a network and meet annually to assess the past year and prepare the initiatives for the year to come. This earned Safran the special jury prize at the ninth French national corporate citizenship awards (*Trophée National de l'Entreprise Citoyenne*).

Safran also continued its work with numerous programs, such as:

- *Une grande école : pourquoi pas moi ?*, in partnership with Supélec, to increase the chances of students from underprivileged neighborhoods of enrolling in ambitious study programs;
- *Ma caméra chez les pros* to give middle school students from low-income backgrounds the chance to produce a documentary on fast-growing professions in companies in their region (one facility in the Greater Paris region and one in Haute-Garonne joined the program in September 2016);
- *Service militaire adapté* to integrate young people from France's overseas departments and territories into the workforce through military service apprenticeships.

New partnerships with the *Fondation C.Génial* and the *Fédération Léo Lagrange* (backed by Boeing) have enhanced relations that Safran employees maintain with students and teachers from France's national education system.

Policy to develop employment opportunities for young people and seniors

In 2016, people aged under 30 represented over 18% of the Group's worldwide headcount and employees aged 50 or more represented over 28%.

Safran and the French Ministry of National Education, Higher Education and Research signed a framework agreement in 2016 to boost the Group's involvement in education. The agreement aims to raise the profile of the Group's businesses among middle and high school students to guide them in integrating the workforce while boosting the appeal of the aerospace industry.

These commitments to support young people were brought together in an agreement signed with the *Fondation C.Génial* under which the Group's facilities will host middle and high school teachers, and Safran technicians will visit students in the classroom.

The Group is also currently in talks with the labor union IndustriALL to renew the European framework agreement for the professional integration of young people through training, which will be in effect for five years, from 2017 to 2022. This agreement applies to all companies in countries covered by the European Works Council and Switzerland and has been adapted into country-specific action plans to address local challenges. Under the agreement, one out of six Safran employees oversaw a young worker in training in 2016.

Safran, through this agreement, also joined the European Alliance for Apprenticeships (EAfA) in 2015. In addition, the Group hosted a European apprenticeship forum in Belgium. In its work

with the EAfA, a Safran representative participated in a round table discussion organized by the European Commission in December 2016 on learning solutions in Europe.

To address intergenerational issues, Safran renewed its agreement in France on the "Generation contract" in September 2016 with the French labor unions CFDT, CFE-CGC, CGT and FO. This three-year agreement applies the European framework agreement in France to promote the professional integration of young people. It also improves certain measures covered in the previous agreement, such as remote working arrangements, part-time work for seniors, housing benefits for people under work-study contracts maintaining two residences and reviews conducted after completing work-study programs. This led to the opportunity to sign an agreement with *France-Bénévolat* to encourage Group employees to take part in volunteer programs.

5.4.7 Key figures

	2016 Group
Headcount	
Total headcount	66,490 ✓
Europe	45,527 ✓
of which France	38,157 ✓
Africa and the Middle East	3,208 ✓
Americas	13,813 ✓
Asia and Oceania	3,942 ✓
% of male employees	73.6% ✓
% of female employees	26.4% ✓
% of female engineers and managers	22.1% ✓
Recruitment and departures	
Total new hires - world	7,054 ✓
% men - world	64% ✓
% women - world	36% ✓
Integration of young people - Europe	
Number of interns - Europe	2,607
Number of work-study participants - Europe	2,603
Number of student researchers - Europe	180
Diversity and equal opportunity - France	
Number of disabled workers - France 2016	1,781 ✓
Employment rate in France	4.6% ✓
Absenteeism - France	
Absenteeism rate - France	4.02% ✓

5.5 AIMING FOR HEALTH, SAFETY AND ENVIRONMENTAL EXCELLENCE

Safran aims for excellence in the fields of occupational health and safety and the environment (HSE), as well as for its products and services. This is consistent with the Group's sustainable development commitments.

In line with its civic responsibility values, Safran is committed to developing a culture of anticipation and prevention for managing HSE risks that benefits its employees, partners, suppliers and customers as well as all communities affected by its operations wherever the Group is present. Safran is dedicated to strengthening relations with all of its stakeholders while upholding transparency and reliability.

5.5.1 Deploying HSE policy

The Group's Sustainable Development Department is responsible for deploying HSE policy and implementing policy fundamentals of prevention for all business activities, in line with the Group's strategic CSR focuses and its mapping of CSR issues.

In deploying its HSE policy, Safran relies on a set of guidelines described below (see section 5.5.1.3).

Audits conducted at Group facilities are designed to check the application of these guidelines and confirm their level of certification (see section 5.5.1.3).

5.5.1.1 Organization

The Sustainable Development Department is organized into two main units:

- a Steering unit comprised of three international regions, encompassing all of Safran's facilities and activities. In order to develop local synergies, each region is broken down into divisions covering several geographic sites that may belong to different companies;
- a Segments/Programs/Expertise unit providing assistance on all Group programs and applications and for external requests from its partners and stakeholders.

To deploy the Group's HSE policy, the Sustainable Development Department calls on company HSE specialists, site prevention officers, occupational health services and a network of decentralized experts. Division coordinators work on the grassroots level to fuel local synergies in implementing this policy.

At Group level, the Sustainable Development Department liaises with other departments in coordinating overall HSE policy.

At division level, the prevention officers, in conjunction with the local HSE Departments, ensure that improvement programs are implemented to reduce HSE risks, and also oversee employee training and awareness-raising programs.

Each company has appointed an HSE specialist in charge of informing and assisting its management executives.

The objectives and strategy defined in this policy, validated by the Chief Executive Officer and put forward by the Sustainable Development Department, are in line with the strategic CSR focuses presented in the introduction to this section:

- always aiming for excellence in safety and the protection of individuals and property;
- developing innovative products and processes with a lower environmental impact.

5.5.1.2 Policy and objectives

The Group's HSE policy draws on the following fundamentals:

- management of risks and their impacts;
- compliance with Group HSE requirements;
- integration of HSE into day-to-day actions;
- demonstration of HSE leadership;
- consideration of HSE issues in any changes made;
- measurement of HSE performance;
- experience sharing;
- shared vigilance.

The implementation of this policy is underpinned by the rollout both in France and abroad of Safran's HSE risk management programs and guidelines:

- implementing common HSE objectives for all entities aimed at reducing risks and reinforcing operational control;
- coordinating and improving HSE synergies, which requires the commitment and involvement of Group and Company departments. Each Chairman is personally accountable for communicating the Group's HSE policy and is involved in its implementation. At every level, each manager initiates prevention programs adapted to his or her business in order to achieve the progress objectives and ensures the active participation of all team members.

HSE objectives are rolled out across Group entities by the operating divisions, advised and assisted by the relevant HSE prevention officers. HSE professionals advise local management, disseminate Safran methods and tools, help communicate feedback and develop synergies within businesses.

5.5.1.3 Guidelines and certifications

GUIDELINES

The Safran HSE guidelines are applied to structure risk management and enhance performance:

- the guidelines include the HSE manual that covers ISO 14001 and OHSAS 18001 requirements and the list of 29 HSE standards setting out Safran's specific requirements. A maturity matrix is used to assess performance (maturity level) for each standard and set specific improvement targets;
- the Safran HSE guidelines were validated by a third party, confirming their equivalence to the ISO 14001 and OHSAS 18001 standards.

The HSE guidelines clearly state the HSE requirements that apply to each standard. These standards are divided into four categories, excluding prerequisites:

- 3 prerequisite standards:
 - regulatory management, documentation management, environment/permits;
- 5 leadership standards:
 - commitment and leadership, risk and impact analysis, planned general inspections, surveys and studies, change management;
- 3 "all inclusive" standards:
 - staff involvement, training and awareness, on-site service providers;
- 16 best practices standards:
 - work at height, lockout/tagout, confined spaces, explosive atmospheres, off-site work,
 - chemical risks, physical risks, health/work conditions, asbestos, legionella prevention, ergonomics,

- soil/environment and long-term pollution, environmental aspects, management of emergency situations, fire protection and prevention, safety management system (SMS);

- 2 company processes standards:

- suppliers,
- eco-design.

CERTIFICATION AUDITS

Annual audits are performed to measure the level of maturity reached by facilities in meeting the requirements set by the HSE guidelines.

Internal HSE auditors, whose qualifications are verified by the Sustainable Development Department and by a third party, conduct reviews of the Group's facilities in accordance with the schedule presented at the beginning of the year.

Audit reports are reviewed by the Group Certification Committee chaired by the head of sustainable development with the participation of a third-party representative.

The certificate awarded by the Certification Committee indicates the standards (ISO 14001 and/or OHSAS 18001) met by the facility and the overall maturity level reached for each of Safran's HSE standards.

Certifications are awarded based on the maturity level of each facility: bronze (level 1 for all standards), silver (level 2 for all standards) and gold (level 3 for all standards).

Safran's objective is for all the Group's facilities to achieve the gold certification (see section 5.5.2.1).

Safran's HSE guidelines are applicable across all facilities, worldwide.

5.5.2 Aiming for excellence in HSE

Safran deploys its HSE policy by taking action in four key areas:

- boosting the engagement of management and operational performance;
- improving occupational safety;
- preserving occupational health;
- protecting the environment.

Policy measures are deployed outside France based on the HSE progress initiative “Excellen-SSE (2014-2016)”, which includes training for all managers, the rollout of the Ergonomics program and an assessment of the facilities that have the highest frequency of accidents.

The table below presents the progress made on “Excellen-SSE” commitments over the past three years:

Indicator		2014	2015	2016
Boosting the engagement of management and operational performance	Number of managers trained	1,156	1,000	1,082
	Number of facilities certified in line with the Safran HSE guidelines	66	85	92
Improving occupational safety	Frequency rate of occupational accidents resulting in lost worktime	2.8	2.7	2.2
	Number of commuting accidents per 1,000 employees	5.5	6.3	6.3
	Number of accidents involving non-Safran employees	762	752	705
Preserving occupational health	Evrest ⁽¹⁾ health observatory: Number of questionnaires collected		9,775	11,100
	% of headcount covered	N/A	25%	29%
	Number of ergonomics representatives	70	110	120
	Number of PRAP ⁽²⁾ representatives	620	917	1,150
Protecting the environment	Scope 1 + 2 in Teq CO ₂ /employee	6.9	8.1	7.4
	Water consumption in cu.m/employee	84	53	44.4
	Total waste generated (ordinary + hazardous industrial) in metric tons/employee	0.82	0.9	0.96
	Electrical energy (t oil eq./employee)	1.30	1.38	1.39
	Total transformed waste (ordinary + hazardous industrial) in metric tons/employee	0.42	0.49	0.64

(1) Evrest: Assessment of Occupational Health (Evaluation des relations et évolution en santé au travail).

(2) PRAP: Physical activity risk prevention (Prévention des risques liés aux activités physiques).

5.5.2.1 Boosting the engagement of management and operational performance

ENGAGEMENT OF MANAGEMENT

A number of general and/or technical training programs are dispensed in all areas of HSE and made available to all categories of employees. In 2016, nearly 190,000 hours of HSE training was dispensed worldwide, representing nearly 12% of the total number of training hours provided by the Group. Over 130 Group-wide HSE training programs were available through Safran University in 2016.

Since 2014 nearly 3,000 Directors and their team managers have been trained on the ongoing HSE improvement drive;

OPERATIONAL PERFORMANCE

The HSE operational performance of Group facilities is measured by their compliance with the Safran HSE guidelines.

Audits were conducted at over 100 facilities in 2016 to measure this compliance. As a result, at the end of 2016:

- 5 facilities had been awarded the gold label;
- 55 facilities had been awarded the silver label;
- 32 facilities had been awarded the bronze label.

Audits were also conducted to check compliance with eco-design guidelines at four companies, which were each awarded with eco-design certificates, of which two bronze labels and two silver labels.

5.5.2.2 Improving occupational safety

ACCIDENT ANALYSIS AND PREVENTION

In 2008, Safran began setting targets to substantially improve the frequency rate of occupational accidents to below 2.5 by 2016.

This occupational safety target is adapted to each company in line with its businesses and past performance and is one of the factors that determines the variable portion of compensation for

executives and senior managers. Each manager is appraised based on an HSE target, especially in more hazardous business sectors (production, testing, laboratory, customer support at remote sites, travel, etc.).

Frequency and severity rates are steadily decreasing. The table below gives details of the data for the entire Group⁽¹⁾ over the last three years:

	2014	2015	2016
Frequency rate of occupational accidents resulting in lost worktime*	2.8	2.7	2.2
Severity rate**	0.10 ⁽¹⁾	0.09	0.08
Frequency rate of known occupational accidents***	26	23	20

(1) The data have been updated to take into account the results of investigations.

* Frequency rate: number of accidents resulting in more than 24 hours of lost worktime per million hours worked.

** Severity rate: number of days sick leave as a result of occupational accidents per thousand hours worked.

*** Frequency rate: number of known accidents per million hours worked.

In 2016, the number of occupational accidents resulting in lost worktime stood at 261 and the number of known occupational accidents totaled 2,326.

RISK ASSESSMENT

Safran uses a tool to appraise workstation risk and track employee exposure. This represents an important step towards improving the understanding, analysis, use and traceability of HSE data.

The international rollout of the tool is continuing. The methodologies used to assess safety, chemical, ergonomic and environmental risks are regularly updated to reflect changes in regulations and to standardize assessments across all Safran facilities.

FIRE PROTECTION AND PREVENTION

Safran has been working with an international fire protection and prevention firm to update the Group's fire risk map, under a multi-annual contract that is renewed regularly.

A "Good" level of protection against fire risks was achieved for all the facilities covered in the risk map using this methodology, with a score of 6.5.

A fire protection and prevention standard was added to the Safran HSE guidelines in 2016.

5.5.2.3 Preserving occupational health

Based on a scope covering 65,669⁽¹⁾ Group employees, the total number of occupational illnesses reported in 2016 came to 81. The ratio was 1.23 illnesses per thousand employees.

Group expatriate employees are very closely monitored and have special medical assistance worldwide and at any time. This assistance covers both personal health (information, access to care, repatriation etc.) and safety.

Safran has devised a health crisis management plan that is updated on a regular basis. Company crisis manuals and Business Continuity Plans (BCP) have also been created. Campaigns are regularly organized to raise awareness about crisis management.

PSYCHOSOCIAL RISKS

Since 2006, the Group has worked actively to prevent psychosocial risks in general and occupational stress in particular. In a number of entities it has rolled out a stress prevention policy based on a diagnostic review followed by an action plan.

On January 19, 2011, the Group signed an agreement on stress prevention in the workplace with five trade unions representing the Group's employees in France.

This agreement plans to:

- roll out the occupational stress prevention program to all Group facilities;
- round out the approach with:
 - awareness-raising and/or training programs for all those involved as well as managers,
 - initiatives to detect and care for employees suffering from stress.

This agreement also provides for an extension of existing measures to protect employee health and assistance with changes in the organization as part of a change enablement program. This agreement is regularly reviewed with employee representatives as part of a monitoring review board, which enables progress to be tracked, good practices to be shared and changes in risk evaluation methods to be put forward (this began in 2015 and was continued in 2016).

As a result of the French agreement, programs and tools have been rolled out at all facilities through the health/work conditions standard, which is being reviewed in an audit. This standard covers the psychosocial risk prevention program, which includes actions split into three levels.

(1) See the Methodology note on the reporting of HSE indicators in section 5.7.1.1.

5 CORPORATE SOCIAL RESPONSIBILITY

Aiming for health, safety and environmental excellence

Primary prevention:

- consists of a psychosocial risk assessment program described in the agreements;
- is upheld by the requirements of the Safran HSE guidelines.

Secondary prevention is based on communication and publications on psychosocial risks that are regularly provided for employees: occupational stress, harassment and violence in the workplace, risk behavior (addictive behavior). A Group agreement on preventing harassment and violence in the workplace was signed in 2013.

A selection of training courses is also available in the Safran University course catalog.

Tertiary prevention is covered by internal health services or trained service providers. External services are readily available whenever needed.

EVREST HEALTH OBSERVATORY

Wherever possible, occupational health services roll out the Evrest (Assessment of Occupational Health) health observatory program. Widely used in French-speaking European countries and Morocco, Evrest allows the Group to compile data on employee occupational health over time and determine areas for improvement. Indicators used to monitor quality of life in the workplace (workload, recognition and mental health) are published regularly based on the resulting data.

IMPROVING WORK CONDITIONS: ERGONOMICS PROGRAM

Safran's Ergonomics program, which is central to human-system integration, focuses on occupational health and safety.

The number of occupational accidents related to problems operating machines or devices has dropped by nearly 50% on a steady decline since 2013. This type of accident currently accounts for 34% of all accidents, compared with 50% in 2013.

Over the same period, the number of occupational illnesses involving musculoskeletal disorders has fallen by 43%.

Ergonomics is integrated into the work system to improve performance and transform work situations:

- either by correcting existing situations deemed to be ill-adapted following the risk assessment;
- or by designing specific methodologies (e.g., simulations) as part of a preventive approach to creating safer workstations immediately.

Ergonomics is covered in the Safran HSE guidelines to be factored into the various steps from the risk assessment to its integration in design.

After implementing tools to analyze the ergonomics of workstations (risk assessment), in 2016 the Group continued with the training certified by the National Institute for Research and Safety (*Institut National de Recherche et Sécurité* - INRS) and provided training courses at its facilities, to increase the focus on ergonomics in the analysis of workstation risk and reduce any arduousness or danger at workstations.

Other types of ergonomics training courses were introduced in France to:

- ensure the long-term application of ergonomics skills at each Group industrial facility through ergonomics representatives;
- build the ergonomics expertise of designers to integrate ergonomics into the Group's design and investment projects.

The Ergonomics program is supervised at Group level and has been deployed both in France and internationally including through partnerships with local universities. Ergonomics is one of the Group's priority HSE objectives and areas for development. In 2016, 480 employees were trained in ergonomics. Since 2013, the number of employees that have received ergonomics training reached 1,500 at the end of 2016.

The Ergonomics program has been implemented throughout the Group via the internal ergonomics network. The required tools have been rolled out so that ergonomics is systematically and formally factored into any study to set up or transform industrial or tertiary operations worldwide. These included more than 120 ergonomics representatives and 300 trained designers. Meanwhile, an innovative cobotics network is leading over a dozen projects aimed at improving work conditions.

5.5.2.4 Protecting the environment

The Group did not record any environmental accidents with an impact on health or the environment in 2016. Environmental factors remained stable, despite higher business volumes. This demonstrates the effectiveness of the plans and initiatives implemented by the Group over the past few years to manage environmental risks and its steadfast commitment to the sustainable development of its businesses.

Safran enforces a continuous improvement policy to protect the environment. In combating climate change, this means gaining a better understanding of the carbon footprint resulting from its businesses (see section below) and developing innovative products and processes with a lower environmental impact (see section 5.5.3). These measures applied to the different segments of the Group's business (processes, product design) are in keeping with the principles of its low-carbon strategy.

Steps taken in waste management (see section "Reducing the amount of waste and its impact" below), life cycle analysis and end-of-life product management (see section 5.5.3) are in line with the principles of the circular economy to protect the natural environment.

COMBATING CLIMATE CHANGE: SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS

In accordance with its aim of fighting global warming, Safran measures its carbon footprint and energy consumption in Scopes 1 and 2⁽¹⁾.

Each company has initiated a three-year action plan for Scopes 1 and 2 to focus on optimizing heating, lighting, and office systems and processes and on improving energy efficiency of buildings. The action plans are assessed during the annual company management review.

(1) Scope 1 and 2 refer to direct emissions (Scope 1) and indirect emissions from energy consumption (Scope 2).

Scope 1 and Scope 2 values take into account:

- increased activity, which affects consumption of electricity and gas; and
- better adjustment of emission factors by region.

	Scope 1 (t CO ₂ /eq employee)	Scope 2 (t CO ₂ /eq employee)
Safran 2015 (World)	3.5	4.6
Safran 2016 (World) ⁽¹⁾	3.1	4.3

(1) The scope of consolidation covered in 2016 changed from previous years to focus on industrial operations (see "HSE Indicators" in section 5.7.1).

COMBATING CLIMATE CHANGE: SCOPE 3 GREENHOUSE GAS EMISSIONS

Safran did not report Scope 3 emissions for 2016, which includes indirect emissions resulting from the use of its products. As its aircraft and helicopter engines are in operation in commercial transport and other civil activities, emissions are very high in this category. However, these emissions are carefully reported by the operators that use the systems, as they account for an important source of their Scope 1, or direct, emissions.

Safran makes substantial, continuous efforts to reduce these emissions, as explained in section 5.5.3 of this Registration Document.

In fact, a significant source of its Scope 3 emissions comes upstream, from logistics. In 2016, Safran studied ways of quantifying the greenhouse gas emissions generated by the transport companies in charge of these freight operations.

CONSERVING NATURAL RESOURCES: WATER CONSUMPTION, MEASURES FOR IMPROVEMENT AND AQUEOUS DISCHARGES

Processing effluents that could represent a risk are discharged into surface water via treatment plants that are constantly monitored or treated off-site by a service provider. Several French facilities are governed by legislation and covered by additional local regulations concerning the discharge of hazardous substances into water.

The water used in cooling systems, which undergoes no physical-chemical treatment before being released into the environment, is no longer included in surface water consumption. Systems set up to collect surface water helped reduce consumption in 2016.

Water ⁽¹⁾ (cu.m/employee)	2014	2015	2016
Water supply network	24	24	25.7
Surface water	42	14 ⁽²⁾	4.6 ⁽²⁾
Groundwater	18	15	14.1
TOTAL SAFRAN	84	53	44.4

(1) The scope of consolidation covered in 2016 changed from previous years to focus on industrial operations (see "HSE Indicators" in section 5.7.1).

(2) Excluding coolant water.

IMPROVING THE ENERGY ASSESSMENT AT FACILITIES: ENERGY CONSUMPTION, MEASURES FOR IMPROVEMENT AND ENERGY EFFICIENCY

Electricity is the prime energy source, representing more than half of total energy consumption, followed by natural gas.

The following table does not include the energy impact of transporting goods (or domestic heating oil and company cars).

Energy (metric tons of oil equivalent/employee)	2014	2015	2016
Electricity ⁽¹⁾	1.30	1.38	1.39
Gas ⁽¹⁾ for energy	0.64	0.85	0.63
Gas ⁽¹⁾ used in industrial processes	0.16	0.10	0.35
Fuel ⁽¹⁾⁽²⁾ (kerosene)	0.21	0.23	0.33

(1) The scope of consolidation covered in 2016 changed from previous years to focus on industrial operations (see "HSE Indicators" in section 5.7.1).

(2) Not including transport.

REDUCING THE AMOUNT OF WASTE AND ITS IMPACT

Waste resulting from industrial or tertiary activities is classified into two main categories: ordinary or non-hazardous industrial waste and hazardous industrial waste. As part of the steps taken to promote the circular economy, as much of this waste as possible is recycled, and there has been a significant improvement in this area since 2013.

Waste ⁽¹⁾ (metric tons/employee)	2014	2015	2016
Ordinary waste	0.38	0.46	0.55
Hazardous industrial waste	0.44	0.44	0.41
Total waste generated (ordinary + hazardous industrial)	0.82	0.90	0.96
Transformed ordinary waste	0.28	0.33	0.42
Transformed hazardous industrial waste	0.14	0.16	0.2
Total transformed waste (ordinary + hazardous industrial)	0.42	0.49	0.64

(1) The scope of consolidation covered in 2016 changed from previous years to focus on industrial operations (see "HSE Indicators" in section 5.7.1.1).

5.5.3 Developing innovative products and processes with a lower environmental impact

5.5.3.1 Research and development: innovation at the heart of all Group products

In response to environmental challenges such as climate change, resource shortages and the use of chemicals, Safran is committed to promoting sustainable development in the Aerospace, Defense and Security sectors. A significant portion of Safran's R&D budget goes to reducing the impact of air transport on the environment. The Group has teamed up with its customers to develop more environmentally friendly products by taking action in large-scale French and European programs such as the Civil Aviation Research Council (*Conseil pour la recherche aéronautique civile* - CORAC), set up under France's Grenelle 2 environmental regulations to coordinate measures taken in France, or the Clean Sky research program financed by the European Commission and industrial groups.

Safran continued its commitments outside the Group by participating in:

- the International Aerospace Environmental Group (IAEG), whose prime objectives include setting shared environmental standards for the international Aerospace industry and heightening the reliability of the logistics chain;
- the Air Transport Action Group (ATAG), as well as the Aerospace and Defence Industries Association of Europe (ASD);
- a number of European programs (Clean Sky, SESAR, PAMELA, etc.) that aim to substantially improve the environmental performance of air transport over the full life cycle;
- a number of strategic organizations such as the Civil Aviation Research Council (CORAC) and the Advisory Council for Aviation Research and Innovation in Europe (ACARE).

5.5.3.2 Products-processes-eco-design

Safran handles all environmental and health risks as part of its ongoing HSE improvement drive. These include risks related to industrial production as well as risks resulting from the use of its products on the market. These risks are addressed in an eco-design program for its industrial processes and an ambitious Clean Sky plan for its products.

Rules governing the choice and use of chemical substances are defined in Group procedures and a list of processes applicable to any new program has been set out. A committee is assigned to approve and oversee Group policy on the introduction and use of chemicals. Eco-design is covered in the Safran HSE guidelines.

One of the Group's strategic focuses is taking HSE criteria into account right from the design phase. Now, after establishing a guide that combines eco-design and life cycle analysis, the Group can evolve towards products with a significantly lower environmental impact.

This eco-design program is part of Safran's ongoing improvement drive. The Group's priorities are to:

- limit impacts on the environment and on health;
- stimulate technological innovation;
- anticipate regulatory and customer/stakeholder requirements;
- anticipate obsolescence;
- foster synergies within the Group;
- stand out from the competition;
- strengthen the Group's brand image.

Safran focuses primarily on five relevant eco-design criteria for its businesses:

- chemical risk;
- shortage of non-renewable natural resources;
- energy consumption;
- noise;
- airborne emissions.

The reduction and elimination of hazardous substances in the products and processes implemented in Group companies is a key area for progress in the Group's HSE policy. A specific structure and resources are in place to ensure compliance with new regulations.

In addition to this work, Safran is focused on:

- rolling out its HSE management system;
- continuing the inventory of its carbon emissions;
- designing and deploying guidelines on the use of dangerous chemical substances that incorporate different regulations and techniques in the Aerospace, Defense and Security sectors;

5.5.4 Other information

Condition of soil and groundwater

The Group has enlisted independent experts to perform studies and analyses to assess any potential risk of soil and groundwater pollution at its industrial facilities. Preventive or rehabilitation measures are implemented wherever necessary.

The Sustainable Development Department carries out environmental reviews of buildings, activities, soil and groundwater at each facility and contributes to the due diligence process for disposals and acquisitions of assets.

Classified facilities

SEVESO FACILITIES (HIGH-HAZARD THRESHOLD)

As of June 30, 2016, the transfer of assets and liabilities in setting up the joint venture ASL included six facilities within the high-hazard threshold of the Seveso Directive (see sections 1.3.1.4 and 2.3.1). At December 31, 2016, the Group had two facilities classified within the Seveso high-hazard threshold, in Molsheim and Bidos (Safran Landing Systems). These facilities comply with prevailing legislation: Security Management System (*système de gestion de la sécurité* - SGS), Internal Operations Plan (*plan d'opération interne* - POI), Technological Risk Prevention Plans (*plans de prévention des risques technologiques* - PPRT), etc.

FACILITIES CLASSIFIED FOR ENVIRONMENTAL PROTECTION (INSTALLATIONS CLASSÉES POUR L'ENVIRONNEMENT - ICPE)

Some units operate facilities that are subject to authorization, reporting or registration requirements in line with French legislation. All facilities that require authorization to operate are included in the Group's reporting.

- preparing the list of the most critical substances from a Group perspective, using an original, rigorous methodology;
- consolidating the database (Reaching) for all substances used by the Group;
- developing and rolling out replacement solutions for substances deemed as critical in liaison with the different departments involved: the Materials and Procedures, Purchasing, Quality and Technical Departments, etc.

Safran is focused on consolidating all measures that have been undertaken and updating them to incorporate the changes introduced by the REACH (Registration, Evaluation and Authorization of Chemicals) regulations.

A network of REACH correspondents appointed within each company coordinates all the Group initiatives in this area.

For example, efforts to reduce the impact of climate change led to the development of the LEAP engine. The production version of this engine was delivered by CFM International, a joint venture between Safran and GE, in mid-2016. It reduces CO₂ emissions by 15% compared with the previous generation of equivalent engines.

In accordance with French laws, financial guarantees were given to local authorities at the end of 2015 to ensure the compliance of some of these facilities (under Seveso or ICPE classifications) with safety standards if the business is discontinued. The facilities concerned are subject to additional local regulations relating to the financial guarantees.

Natural risks

The Safran HSE guidelines cover natural risks in the environment/permit/neighborhood standard. Maturity Level 2 requires units to assess the impact of these risks (see section 5.5.1.3).

Biodiversity

The Group has made a commitment to comply with the environmental regulations in effect for all of its development projects. Safran occasionally carries out analyses to determine the impact of its activities on local biodiversity for the purpose of obtaining its license.

Land use

Although it seeks to optimize their use, Safran is not directly involved in extracting natural resources.

Moreover, the Group's development takes into account the issue of artificial land use as part of its efforts to protect the environment and biodiversity.

Adapting to climate change

The Group believes that its business activities and the location of its operations do not expose it to climate change risks and has therefore not defined a specific strategy on adapting to climate change. However, climate change is covered in the Safran HSE guidelines as discussed in section 5.5.1.3.

Food waste

The Group is not directly concerned by the issue of food waste in carrying out its business activities.

5.6 ENGAGEMENT THROUGH FOUNDATIONS AND CORPORATE SPONSORSHIP

5.6.1 Safran's foundations

5.6.1.1 Safran Corporate Foundation for Integration

The Safran Corporate Foundation for Integration focuses on all forms of exclusion and facilitates the social and professional integration of young adults with motor, sensory or cognitive and/or social disorders.

Since it was created in March 2005, the Safran Corporate Foundation for Integration has supported 190 major projects in France and internationally, for a total amount of over €3.8 million. Most of its initiatives are put forward by non-profit organizations.

The Foundation supports organizations with projects in four key areas:

- training leading to qualifications (16% of its budget);
- professional integration (25% of its budget);
- social integration (57% of its budget);
- athletic projects (2% of its budget).

Achieving long-term results for those who benefit from initiatives is the main criterion used by the Foundation's Board of Directors to choose programs.

The Safran Corporate Foundation for Integration mainly operates in France, and carried out 107 integration projects in 2016. The Safran Corporate Foundation for Integration supported:

- 12 social integration projects;
- five professional integration projects;
- seven training projects.

The SHIFT (*Safran Handicap Innovation Fauteuil Technologie*) project continued to develop. The aim of the project is to make life easier for non-motorized manual wheelchair users (and their caregivers) by modeling two types of wheelchair.

The project is targeted at 80% of the French market through two product types:

- a "Comfort" model for elderly people and those with reduced mobility;
- a "Multi-purpose/Active" model for more active, mobile people.

This multi-year project was launched in the summer of 2011 in partnership with the *Fondation Garches*. Its originality lies in its multidisciplinary approach, combining the skills of engineering schools, a design school, a clinical committee and a technological

committee. The design of the first Comfort platform, DITTO, is complete. The current phase is expected to industrialize processes in the move towards distribution on the healthcare market.

The Safran Corporate Foundation for Integration also works internationally on projects supported by Group employees, for example a training project in Morocco and two social and professional integration projects in India.

Safran has also established a partnership with Street League, a London-based charity that works across the whole of the UK. It is the country's leading sport for employment charity, working in partnership with the British government and the Football Association.

Registered in 2003, the charity aims to change the lives of young people aged 16–25 who come from disadvantaged communities by using the power of soccer. Their three-stage program helps young people progress into work:

1. Street Football: free weekly soccer training sessions organized in deprived areas where young people can build their self-confidence and achieve their full potential.
2. The Academy: the program aims to train 20 young people and see them progress into employment, education or training. It lasts two months, combining soccer and lessons to support participants into employment. The program provides coaching, advice in setting personal goals and resumé writing, interview simulations and help in looking for a job or training course. Participants, supported by two professional coaches employed by the charity, are awarded three recognized diplomas and benefit from temporary work experience placements. Partner companies take part by leading certain sessions, including giving job presentations, offering company visits and help on resumé writing, as well as conducting practice interviews.
3. Graduate Cup: an aftercare service that continues to provide support, helping participants achieve their goals. They are monitored for up to six months after leaving the Academy.

The Academy, currently set up in 24 centers across nine cities, helped 700 young people (81% of participants) progress into work or education in 2016. Four new centers are being developed in Birmingham, Leeds, Middlesbrough and Sheffield through the "Change Lives Through Football" project in order to respond to the unemployment problem in these cities.

For each new center, the charity conducts local area studies, consults with local authorities and communities and hires two coaches to launch the program.

This is how Street League is able to support unemployed young people from disadvantaged communities to succeed in finding their first job, a first step on the career ladder.

Thanks to the three programs run by the charity, these young people have the opportunity to move into a sustainable job or further training, which is a major priority of the Safran Corporate Foundation for Integration.

The Safran Corporate Foundation for Integration supports Company employees who choose to:

- get involved with initiatives that promote integration, particularly under the program led with the Frateli association (see section 5.4.6) to offer operational and diversified guidance to high-potential students from underprivileged backgrounds through program mentors, who are highly experienced Safran employees; or
- directly support projects carried out by public interest organizations.

5.6.1.2 Safran Corporate Foundation for Music

This Foundation was created in November 2004 and supports young, particularly promising musicians in their training and professional development. It also supports venues for young musicians.

Personalized support for artists can take the form of scholarships in France or abroad, assistance in buying an instrument, financing music recording projects, etc.

Since its creation, Safran's Corporate Foundation for Music has provided over €2.2 million in direct support for 122 young talented musicians in partnership with 93 organizations participating in the promotion of young talent.

5.6.2 Corporate sponsorship

5.6.2.1 Purpose and action

As part of its corporate sponsorship policy, Safran provides financial support to public or private partners, independently of its own business interests. Ethics and integrity are the fundamental values that guide Safran's corporate sponsorship program. A rigorous selection process has been implemented to ensure that all project applications are treated equally. This process is based on:

- a defined scope of action: with the firm belief in the importance of education in shaping each person, as well as being a pathway to inclusion and equal opportunity, Safran has chosen to focus its support on educational, social and cultural initiatives: combating illiteracy and long-term school absenteeism, learning how to live together, sports as a path to education, music, etc.;
- a geographic scope that spans France and all other countries where the Group operates;
- required eligibility criteria:
 - projects must be in line with Safran's corporate sponsorship strategy and relate to education,
 - actions deployed must deliver concrete, significant benefits to the community,

For 2016, the Safran Corporate Foundation for Music received 189 support and/or partnership requests, which were all carefully reviewed. After shortlisting the most developed and interesting proposals, in 2016 the Board selected:

- 10 projects involving festivals or concerts open to young talent;
- 1 international piano competition open to young talent;
- 1 integration project for young talent;
- 1 musical ensemble that welcomes young talent;
- master classes and preparation for competitions and exams;
- 15 contributions to buy instruments;
- 4 scholarships to study abroad;
- 5 music recording projects.

The Safran Corporate Foundation for Music works in partnership with the Army Museum (*Établissement Public du Musée de l'Armée*) to host the following events at the prestigious Hôtel National des Invalides in Paris:

- a year-long program of performances featuring young talent;
- "Saison Musicale" concerts focusing on young talent;
- Safran Music Award ceremony. Each year, this award singles out the best young musician in a performance contest.

On October 17, 2016, the 2016 Safran Corporate Foundation for Music prize was awarded to cellist Bruno Philippe in a high-level competition between five young performers.

The Safran Corporate Foundation for Music is also involved in the organization of musical events.

- actions covered by the projects submitted to Safran must be devoid of any profit, commercial or religious motives.

The project application must be complete and include the following: objectives and expected benefits, organization, actors, timetable, a detailed budget, etc.

Projects that meet all eligibility requirements can be submitted by either Safran employees or persons from outside the Group. The project may be ongoing and/or enable a multi-year sponsorship.

The Safran Corporate Sponsorship Committee meets once or twice a year to review applications and select projects. Safran's Group Compliance Officer checks the compliance of all applications submitted. All decisions are made collectively.

5.6.2.2 Corporate sponsorship at Group companies in France and abroad

Group companies are free to engage in their own sponsorship initiatives, provided these actions:

- relate to education; and
- are local.

5 CORPORATE SOCIAL RESPONSIBILITY

Engagement through foundations and corporate sponsorship

Companies can also set up their own Corporate Sponsorship Committee.

Sponsorship is an extension of a genuine commitment to the community. Initiatives backed by Safran's corporate sponsorship program improve access to education, knowledge sharing and the development of students and young people in difficulty.

Safran's numerous projects led in 2016 focused on wide range of areas, from science to educational support to cultural development, such as:

- three ongoing initiatives with the *Planète Sciences* public interest organization:
 - the development of Rocketry Challenge, aimed at young people who want to learn about space technology by building micro-rockets,
 - the duplication of the aeronautics module created in 2014/2015 with the focus on three areas (engines, flight controls and the analysis of inertial navigation units) for regional delegations of the public interest organization. The aim is to present these participatory events to a larger number of young people between the ages of eight and 18,
 - the construction of a FabLab used to host school groups and other parties for introductory and skills-building workshops in digital creation;
- the Exploradôme in Vitry-sur-Seine, an interactive museum that explores the areas of science, multimedia and sustainable development. Safran supported the creation of three hands-on experiments in mathematics, geology and chemistry. Project reach: over 60,000 people from low-income neighborhoods, 38% through school groups (elementary, middle and high schools), and 62% families, often in difficulty, and after-school activity groups;
- *Paris Montagne* for its "Science Academy" program to introduce high school students from disadvantaged city neighborhoods areas to research through regular extracurricular activities offered free of charge;
- *Lire et faire lire* for its "Je lis la science" campaign aimed at bringing together the pleasure of reading and scientific curiosity for children age eight to ten;
- the town of Vellèches in central France in organizing a free astronomy fair as part of the *Fête de la Science* program;
- *Maison des Part'Âges*, a cross-generational education center in Plessis-Robinson outside Paris for its *Accrochage aux savoirs du numérique* program on digital technology. Safran supports the development of an additive manufacturing workshop in which center professionals guide free introductory classes and workshops on design and manufacturing, giving children at risk of dropping out of school the opportunity to take part in these extracurricular activities that explore 3D digital techniques;
- the *Alliance pour l'Éducation*, for the third year in a row, to combat long-term school absenteeism: pupils are supported by volunteers who assist them with their school work until they obtain their middle school certificate;
- the *Fondation Croissance Responsable* for the *Prof en Entreprise* program, which enables teachers to carry out a three-day introductory placement at a company;
- *Coup de Pouce*, a public interest organization providing support to children who do not receive tutoring in the evening after school to help them learn to read. Thanks to Safran, 50 pupils received support over the 2015-2016 school year to help them gain these core skills;
- Essec Business School, for the Ari@ne project, featuring MOOCs that guide high school students in preparing for higher education to better build their future. This program is a way of breaking down barriers set by social stereotypes and the lack of information available for students from lower-income families;
- *Association de Gestion des Activités des Écoles Publiques* (AGAEP), in Montluçon in central France, to provide preschool- to middle school-aged children in France's priority education program with access to cultural activities;
- *Les Entretiens de l'Excellence*, a public interest organization founded in 2008 engaged in three initiatives to make sure overlooked and marginalized populations get the information they need to build the future they choose:
 - *Les Entretiens de l'Excellence*: events designed to promote dialogue between middle school and high school students from diverse ethnic, geographic and social backgrounds, and professionals who have succeeded through the French public school system,
 - *Les Entretiens du Supérieur*: events that also promote dialogue but address students in professional or technical training or already enrolled in college-level courses to encourage them to continue their education and teach them about the many paths that can lead them to top schools,
 - *Les Promotions de l'Excellence*: Safran Aircraft Engines will welcome five high school students at its Gennevilliers facility for a three-year program. In the first year of their three years of high school (under the French education system), i.e., over the 2016-2017 school year, these students will attend events that present the Company's businesses, products and corporate culture. In their second and final years, they will benefit from individual mentoring and coaching to teach them behavioral codes in the workplace and prepare them for job interviews. They will also have the opportunity to take immersion workshops and summer jobs;
- Asprill organization and Professor Alain Bentolila in the project to develop the "reading machine" or *La Machine à lire*, an application designed to encourage children who do not enjoy reading to read for longer periods and more often. After an initial experiment conducted in Le Havre, *La Machine à lire* will be extended to 4,000 classes⁽¹⁾ in five cities to reach school children age nine to eleven: Paris, Orléans, Rennes, Amiens and Lyon;
- *Association Française pour le Développement de l'Enseignement Technique* (AFDET), for the "mareussiteprobacpro" project which aims to enhance the image of vocational high school training programs;
- *École de Production Icam*, at its Toulouse campus, an establishment open to students age 15 to 18 who have experienced difficulty adapting to the traditional school system and/or other problems that have prevented them from integrating properly. Safran offered its support by buying a digitally controlled four-roll plate bending machine for the metal workshop so that students can learn their trade using modern equipment in line with business and industry standards;
- Pablo Picasso middle school in Montfermeil outside Paris, for a workshop on regional professions with a class from the adapted general and vocational training program (*Section d'Enseignement Général et Professionnel Adapté* - SEGPA);

(1) This corresponds to Cycle 3 under the French education system, i.e., the last two years of elementary school and the first year of middle school, to give greater consistency to education and build a firm base of knowledge, skills and culture. Source: Official report of the French Ministry of National Education.

- the French Senate and the French Ministry for Urban Affairs as part of the *Talents des Cités* (Inner-City Talent) initiative to support young entrepreneurs from underprivileged neighborhoods. Safran sponsored Azouz Manaï and Malika Zebbiche to take part in Fabrik@web Kids workshops which teach children age seven to 17 to code for a variety of digital applications. This program, aimed at the disadvantaged neighborhood of Planoise in Besançon, offers a building block for the future. Even though 33% to 70% of the jobs of the future remain unknown, research shows that digital and computer technology offer promising growth;
- the public interest organization *Le Poème harmonique* which is working to form a string orchestra made up of primary school students from a school in a priority education zone in Rouen.

Over the 2014-2015 school year, all first grade and disabled children⁽¹⁾ were involved in the *École Harmonique*, for a total of 60 children. In 2015-2016, these pupils continued their music education and first graders joined the ensemble. The *École Harmonique* now works with 145 children;

- Théâtre Sénart outside Paris to offer children from public schools in priority education zones, rural areas or new towns the chance to take part in cultural initiatives.

These initiatives are promoted internally and externally through Safran's intranet and website, as well as the Group's other communication media.

An e-newsletter (in French and English) is also sent out once or twice a year to the Group's staff and main external contacts.

5.7 CSR REPORTING METHODOLOGY AND INDEPENDENT THIRD PARTY REPORT

5.7.1 Methodology note on labor and HSE reporting

The labor and HSE indicators in this section have been defined by experts from the Group's support functions and businesses. As part of its ongoing improvement drive, Safran is gradually introducing a set of labor and HSE indicators that meet legal obligations and follow changes in the Group and its businesses.

The indicators and reporting period presented herein cover the 2016 calendar year, from January 1 to December 31, unless otherwise indicated in the text or below.

Safran has elected to have the entirety of its report reviewed by one of its Statutory Auditors, Mazars, in accordance with the CSR reporting requirements set out in Article 225 of the Grenelle 2 Act and its implementing legislation.

The nature and scope of the work of the Statutory Auditors, and their conclusions, are presented in the Statutory Auditors' report in section 5.7.2.

5.7.1.1 Reporting scope

LABOR INDICATORS

The social reporting scope covers Safran and all of its subsidiaries in which the Group has more than 50% direct or indirect control, excluding joint ventures (companies controlled jointly by Safran and another group), unless otherwise indicated below.

The social indicators at December 31, 2016 cover all subsidiaries from all business lines included in the reporting scope.

Indicators on training and disabled workers only pertain to France. Indicators on work-study programs and internships pertain to Europe.

The Group is working to expand the reporting scope of these indicators, particularly concerning absenteeism rates by region with an appropriate definition.

HSE INDICATORS

HSE reporting covers all facilities with more than 100 employees. It is recommended that facilities with fewer than 100 employees and a high-risk industrial activity, are included in HSE reporting. Facilities with fewer than 100 employees and no significant risks can contribute to HSE reporting if they wish. In 2016, the scope covered 65,669 employees, representing 98% of the Group's workforce.

Companies and facilities integrated in the Group during the year must contribute to HSE reporting through the Score system within a timeframe agreed with Safran's Sustainable Development Department, which must not exceed 24 months.

The HSE reporting scope encompasses Safran and some of its subsidiaries in which it has direct or indirect control (over 50%). Adjustments may be made to the scope of each indicator in line with its relevance for the entity and the entity's ability to provide data.

The entities sold to create Airbus Safran Launchers are not included in this HSE reporting.

Roxel, a subsidiary 50% owned by Safran, is not included in the scope of environmental reporting.

In 2016, the Group decided to shift its priority for environmental action to the industrial operations at its facilities. The prevention program for administrative sites was adapted to their needs. As the contribution of administrative sites had little impact on more wide-ranging issues, environmental reporting for 2016 focused

(1) Disabled children under the CLIS 1 program introduced by the French Ministry of National Education, which offers classes in mainstream schools for children with cognitive or mental disabilities, including disorders that affect language and speech. Source: <http://www.education.gouv.fr>.

on industrial operations. Environmental reporting covers 86% of the total HSE reporting scope, representing 56,256 employees.

The prevention program adapted to administrative sites will eventually allow for all industrial and administrative sites to be included in the scope of environmental reporting.

CHANGES IN SCOPE OF CONSOLIDATION

Changes in scope are due to acquisitions, the set-up of new companies, disposals, liquidations or changes in subsidiary investments. The following rules were defined for social and HSE indicators:

- acquisitions/changes in subsidiary investments: data on the acquired entity or entity in which Safran has obtained a stake strictly exceeding 50% are included in the consolidation scope at the date on which control is acquired;
- disposals/liquidations/changes in subsidiary investments: data on the entity that is sold or liquidated, or on entities that are 50% or less owned by Safran are excluded from the consolidation scope at the actual date of disposal or liquidation or the date at which control was relinquished.

Reporting systems must be implemented for set-ups and acquisitions. Additional time may therefore be required for consolidated reporting.

5.7.1.2 Data collection

Social and HSE indicators are based on several data collection systems used by the Group. Each system falls under the responsibility of a specific department.

LABOR INDICATORS

Global labor indicators are reported on a quarterly basis, while reporting for France is monthly.

Employee data are collected at each subsidiary controlled directly by Safran tier-one entities. These entities are responsible for collecting the employee data from their respective subsidiaries in which they have over 50% control. Data reported for France are derived from the same Cognos RH reporting system and subsequently validated by the Group companies. The system is updated through a common pay system used by most subsidiaries and is operated in accordance with its own specific management rules. International employee data are collected using a standard model. After carrying out consistency checks, the Group's Human Resources Department consolidates employee data for French and international companies based on the information reported by tier-one entities.

HSE INDICATORS

Safety indicators are reported on a monthly basis, while health and environmental indicators are reported on a quarterly or annual basis. Health and safety data published for 2016 correspond to the data available at the end of the year.

Environmental data are published on a rolling year basis from October 1, 2015 to September 30, 2016.

Data are entered by representatives appointed at each entity in a Group data collection system. Data are validated and checked under the supervision of the head of the entity. The Group's Sustainable Development Department is responsible for

consolidating data. Indicators are defined in the Group's reporting tool which was rolled out in 2005.

5.7.1.3 Details concerning certain indicators

The definitions of the social indicators, presented below, are provided in the model used worldwide and made available for representatives, and in the operating instructions that accompany it.

The definitions and calculation methods of HSE indicators are provided in the reporting system and available to representatives. The main assumptions are presented below by group.

HEADCOUNT

Headcount information is as of December 31, 2016. The headcount includes all employees of companies included in the social reporting scope that work under permanent or fixed-term employment contracts, and excludes other types of contracts such as work-study contracts, industrial agreements for training through research (*conventions industrielles de formation par la recherche* - CIFRE), Diplomas of Technology Research (*diplôme de recherche technologique* - DRT), or student vacation work. Employees are counted in terms of individuals.

The data on the employee age pyramid cover close to 99% of Safran's workforce, as some subsidiaries qualify this information as confidential and/or discriminatory.

MANAGERIAL-GRADE STAFF (MANAGERS AND ENGINEERS)/EMPLOYEES

Employees are identified as managerial-grade staff, i.e., managers and engineers; if they:

- coordinate a set of resources (equipment, human, financial) placed under their charge, with the degree of independence and responsibility required to achieve targets. Management may oversee a team, projects, a process, a technique or a customer or supplier portfolio; and/or
- hold an engineering degree from a university or specialized selective higher-education establishment. Engineers are essentially responsible for solving technological issues related to the design, manufacture or application of products, systems or services, primarily in R&D and production.

All other employees who are not identified as managerial-grade (managers or engineers) fall into the "employees" category.

EXTERNAL RECRUITMENT

External recruitment refers to hiring new employees from outside the Group on fixed-term or permanent employment contracts. It does not include acquisitions or other types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

REPLACEMENT INDEX FOR PERMANENT DEPARTURES

The replacement index for permanent departures is determined by dividing the number of external new hires by permanent departures.

JOB CREATIONS

The number of net job creations is calculated by subtracting the number of permanent departures from the number of external new hires in 2016, excluding acquisitions and disposals.

ABSENTEEISM IN FRANCE

As defined by the social performance assessment, absenteeism corresponds to the total number of paid or unpaid hours absent (through illness, occupational accidents, work-related travel accidents, maternity and paternity leave, standard annual leave, etc.) divided by the theoretical number of hours worked and multiplied by 100. The number does not include cases of long-term absence. Long-term absence is defined by the reasons for the suspension of employment or inactivity: long-term illness due to occupational accidents, business creation leave, paid leave for retraining, end-of-career leave, paid or unpaid long-term training, individual training, parental/adoption leave, parental presence leave, sabbatical leave, unpaid leave, family leave, secondment within the Group, secondment outside the Group, academic secondment, end-of-senior career dispensation from work, disability, long-term sickness, unserved notice periods, professional/solidarity project leave, assistance leave, end-of-career dispensation from work; or early retirement for arduous work contracts.

WORKERS WITH DISABILITIES

In France, this indicator includes employees declared as workers with disabilities as defined by Article L.5212-13 of the French Labor Code (*Code du travail*) and Articles 394 and 395 of the French Code of Military Pensions (*Code des pensions militaires*). It does not cover some specific types of contracts (work-study contracts, CIFRE, DRT or seasonal employment contracts).

WORK-STUDY CONTRACTS, INTERNSHIPS, CIFRE AND DRT

This indicator includes work-study contracts (apprenticeships and professional training contracts), internship agreements for a minimum of one month, CIFRE and DRT established in 2016 in Europe.

TRAINING

The indicator on training hours covers all types of training worldwide. Training courses of less than four hours and enrolled training have been included since 2014. In most cases training hours are counted based on attendance sheets. Other supporting documents may also be used outside France, such as invoices, evaluation sheets, quality certificates, etc.

ACCIDENT ANALYSIS AND PREVENTION

The frequency rate of occupational accidents equals the number of accidents resulting in the equivalent of one day or more of lost worktime per million hours worked.

The severity rate corresponds to the number of days' sick leave as a result of occupational accidents per thousand hours worked.

The hours worked used for the calculation correspond to the hours worked reported by facilities: theoretical hours for the Cognos RH (the HR Department's management software) scope and theoretical or actual hours for the non-Cognos RH scope.

CO₂ EMISSIONS

Emissions are classed as Scope 1 and 2 (methodologies of Article 75). Emissions from refrigerants are reported for the calendar year (2015), while other emissions are calculated based on a rolling 12-month basis from October 1, 2015 to September 30, 2016. Emission factors are based on carbon in 2012 to make data easier to compare over several years.

EMISSION FACTORS

Scope 2 electricity: the emission factor recommended and used for France for the GHG assessment is 0.06 kg of CO₂ eq./kWh.

For steam/heat/cold, an average value was taken into account for France in 2012.

Emission factors linked to the upstream phases (energy extraction and transport) are not taken into account.

CO₂ EMISSIONS CALCULATION

Scope 1: inclusion of LPG emissions (butane and propane) and domestic fuel (gas oil) for mobile sources.

Scope 2: inclusion of emissions from steam, heat and cold purchases.

WASTE

Categories of waste are defined according to local regulations. In order to harmonize reporting practices across the Group, non-contaminated metallic chips are reported separately.

WATER

Reported water consumption includes three types of sources:

- the water supply network refers to water supplied through a public or private operator;
- surface water refers to water pumped directly from the surface of the natural environment (river, lake, etc.);
- groundwater refers to water pumped directly from the water table.

Water used in cooling systems is not included in the reporting as it does not apply directly to industrial processes and undergoes no physical-chemical treatment before being released into the environment.

ENERGY

The conversion factor used for energy consumption is: 1 MWh = 0.0857 metric tons of oil equivalent.

Due to the lack of precision on invoices, data are taken into account in LHV (lower heating value), which leads to an increase in values particularly for CO₂ emissions (around 10%).

5.7.2 Report by the independent third party, on the consolidated human resources, environmental and social information included in the management report

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1058⁽¹⁾ and member of Mazars' network, Safran SA's Statutory Auditor, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2016, included in the management report (hereinafter named "CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a Company's management report including the CSR Information required by Article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the "Guidelines"), summarized in the management report and available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of Article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement and applicable laws and regulations.

Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);
- provide, at the request of the Company, reasonable assurance as to whether the information identified by the symbol in the Chapter 5 of the management report was prepared, in all material respects, in accordance with the adopted guidelines.

Our work involved eight persons and was conducted between November 2016 and February 2017 during a 12-week intervention period.

We performed our work in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement, with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000⁽²⁾.

I. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programs arising from them.

We compared the CSR Information presented in the management report with the list provided in Article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with Article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by Article L.233-1 and the controlled entities as defined by Article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the sections "CSR reporting methodology" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

II. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

Nature and scope of our work

We conducted about 20 interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;

(1) whose scope is available at www.cofrac.fr.

(2) ISAE 3000 - Assurance engagements other than audits or reviews of historical information.

- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important⁽¹⁾:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us⁽²⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents 63% of headcount and between 15% and 43% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgment, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR Information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

III. REASONABLE ASSURANCE REPORT ON SELECTED CSR INFORMATION

Nature and scope of procedures

Regarding information selected by the Group and identified by the symbol , we conducted similar work as described in paragraph 2 above for CSR Information that we consider to be most significant but of greater depth, especially regarding the number of tests.

The selected facilities' contribution to Group data equals 63% of headcount.

We deem this work allows us to express a reasonable assurance on the information selected by the Company and identified by the symbol .

Conclusion

In our opinion, the Information selected by the Group and identified by the symbol was prepared, in all material respects, in accordance with the Guidelines.

Paris La Défense, March 24, 2017

Independent Third Party

Mazars SAS

Christophe BERRARD

Partner

Edwige REY

CSR & Sustainable Development partner

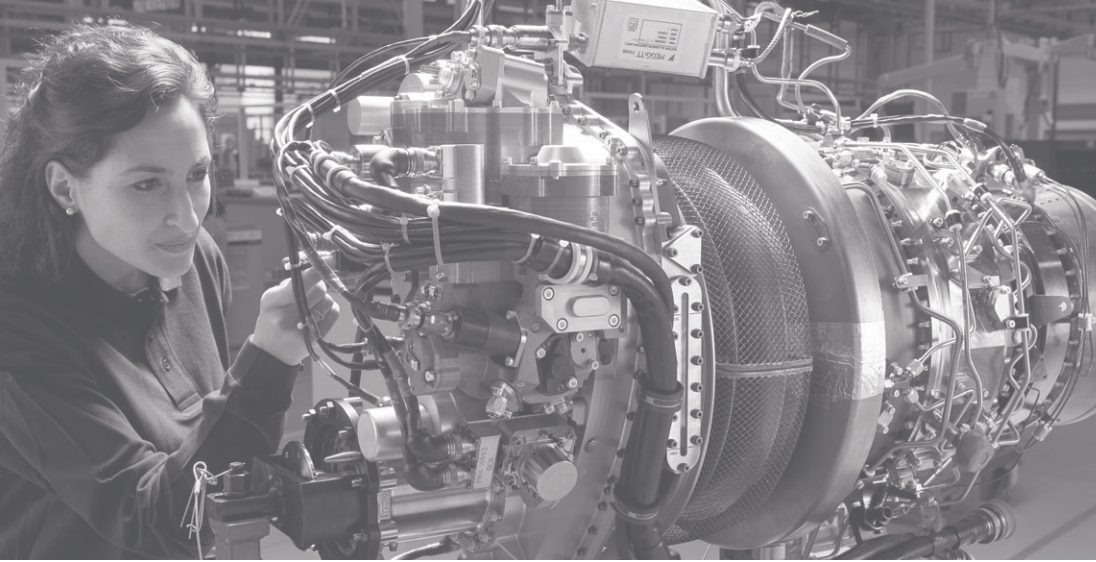
(1) **Human resources information:** Headcount and regional breakdown, Percentage of women among employees, Percentage of managers among employees, Percentage of young people under 30 and employees aged 50 or more among headcount, New hires, Number of departures from permanent employment including dismissals, Number of hired employees for each departure, Absenteeism rate in France, Percentage of women among new hires, Number and employment rate of disabled workers (France), Total number of training hours (France).

Environmental and safety information: Total waste generated (ordinary + hazardous industrial), Total transformed waste (ordinary + hazardous industrial), Water supply network, surface water and groundwater consumption, Electricity, gas and fuel consumption, Scope 1 and 2 greenhouse gas emissions, Frequency and severity rate, Number of occupational illnesses reported in 2016.

Qualitative information: Ongoing agreements and agreements under negotiation, Current international employer-employee relations, collective agreements negotiation and health & safety agreements signed, Scale of outsourcing and integration of social and environmental responsibility in relations with suppliers and sub-contractors, Integration of social and environmental issues in the purchasing policy, Group eco-design initiatives, Application of HSE guidelines, Training policies implemented, Occupational health policy (psychosocial risks, ergonomics, Evrest health observatory).

(2) Legal entities for the verification of human resources information: Safran Electrical & Power – Chihuahua (Mexico), Safran Landing Systems – Gloucester (United Kingdom), Safirh and Ophimum Shared Services Centers (France) for information on employment, employee working time and equal treatment, Safran Electronics & Defense (France) and Safran Aircraft Engines (France) for information on training.

Legal entities for the verification of health, safety and environmental information: Safran Aircraft Engines – Évry-Corbeille (France), Safran Aircraft Engines – Villaroche (France), Safran Landing Systems – Villeurbanne (France), Safran Nacelles – Le Havre (France), Safran Electronics & Defense – Poitiers (France), Safran Transmission Systems – Sedziszow Malopolski (Poland), Safran Aero Boosters – Milmort (Belgium), Safran Electrical & Power – Ain Atiq (Morocco), Safran Electrical & Power – Chihuahua (Mexico).



| **Arrano engine.** The new engine Arrano (Safran Helicopter Engines) 1,100 shp is designed to power four-to-six ton helicopters.



Safran uses the **AFEP-MEDEF Corporate Governance Code** as its corporate governance framework.

The Company is governed by a **Board of Directors** comprising **17 members**, including:

- **7 independent Directors***
- **1** representative of the **French State** and **2** Directors put forward by the **French State**
- **2** Directors representing **employee shareholders**
- **2** Directors elected by **employees**

53.8%
independent Directors*

5
women

11 meetings
in 2016

94%
attendance rate at meetings in 2016

The Board of Directors is assisted by **2** specialized permanent **committees**

The Audit and Risk Committee
6 members
of which **75%** independent

The Appointments and Compensation Committee
7 members
of which **2/3** independent*

The Board has decided to **separate the roles** of Chairman of the Board of Directors and Chief Executive Officer



Ross McInnes
is Chairman of the Board of Directors



Philippe Petitcolin
is Chief Executive Officer

(*) In accordance with Article 14.1 of the AFEP-MEDEF Code, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.

6

Power Product: Secondary distribution for business jets. The secondary electrical distribution system distributes electrical power to the aircraft equipment.

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This chapter constitutes the main body of the report of the Chairman of the Board of Directors on internal control and risk management procedures⁽¹⁾. It notably provides information on the membership structure of the Board of Directors, the Company's application of the AFEP-MEDEF Corporate Governance Code which it uses as its corporate governance framework, the

conditions for preparing and organizing the work of the Board of Directors and the Board Committees, the powers of the Chairman of the Board of Directors, the principles and rules for determining corporate officers' compensation and benefits, and the internal control and risk management procedures put in place by Safran.

6.1 SAFRAN'S CORPORATE GOVERNANCE STRUCTURE

CORPORATE GOVERNANCE REFERENCE FRAMEWORK

Safran uses as its corporate governance framework the "Corporate Governance Code of Listed Corporations" (revised version dated November 24, 2016), drawn up jointly by the French employers' associations, AFEP⁽²⁾ and MEDEF⁽³⁾, as well as the related implementation guidelines (revised version dated December 2016). These documents are available on the AFEP and MEDEF websites at www.afep.com and www.medef.com.

Where certain recommendations included in this Code or in its application guidelines are not implemented, the reasons are explained in section 6.4, "Application of the AFEP-MEDEF Corporate Governance Code", of this Registration Document.

6.1.1 Board of Directors – Separation of the roles of Chairman of the Board of Directors and Chief Executive Officer

Shareholders at the Annual General Meeting of April 21, 2011 approved the adoption of a corporate governance structure with a Board of Directors.

Following the Annual General Meeting of April 23, 2015 when the shareholders appointed Ross McInnes and Philippe Petitcolin as Directors for a four-year term, the Board of Directors chose to separate the roles of Chairman of the Board of Directors and Chief Executive Officer and appointed:

- Ross McInnes as Chairman of the Board of Directors for the duration of his term as a Director, i.e., until the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2018; and
- Philippe Petitcolin as Chief Executive Officer for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

This choice enables the Company to benefit from the managerial expertise of the Chief Executive Officer and his long experience in industry and strong reputation in the Aerospace, Defense and Security sectors, as well as the Chairman's international standing and experience in corporate governance. In addition, the good fit of their profiles ensured a smooth transition to the Group's new governance structure, based on transparent relations between the Board of Directors and Executive Management and a balanced and respectful distribution of roles between the Chairman of the Board and the Chief Executive Officer.

See section 6.2.2 of this Registration Document for the profiles of the Chairman of the Board of Directors and the Chief Executive Officer.

6.1.2 Powers and responsibilities of the Chairman of the Board of Directors

The Board of Directors assigned the following specific responsibilities to Ross McInnes in his role as Chairman of the Board of Directors:

- representing the Group (with the support of and in concertation with Executive Management) in France and abroad in dealings with government authorities, major clients, partners and institutional shareholders;
- organizing the Board's strategic work;

- working with the Board on the preparation and implementation of succession plans for the Group's key operations managers and support function managers.

In addition, Ross McInnes represents the Board of Directors and is responsible for organizing and managing the work of the Board, on which he reports to shareholders at the Annual General Meeting. He coordinates the work of the Board and the Board Committees, as well as ensuring that the Company's corporate governance structures function effectively and particularly that Directors

(1) Report drawn up in accordance with Article L.225-37 (paragraphs 6 to 9) of the French Commercial Code.

(2) AFEP: Association française des entreprises privées.

(3) MEDEF: Mouvement des entreprises de France.

are in a position to properly perform their duties. To that end, in accordance with the applicable legislation and Article 15.2 of the Company's bylaws, he is responsible for:

- calling Board meetings based on an annual schedule and on other occasions where necessary, drawing up the agenda and ensuring that the Directors are given the appropriate information;

- ensuring that the Board Committees discuss certain matters in preparation for Board meetings and that the Directors respect the Internal Rules of the Board of Directors and the Board Committees;
- monitoring the implementation of the Board's decisions.

6.1.3 Powers and responsibilities of the Chief Executive Officer

The Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act in all circumstances in the Company's name.

He exercises these powers within the scope of the Company's corporate purpose and subject to the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors.

The Company is bound by the actions of the Chief Executive Officer with respect to third parties even when they fall outside the scope of the corporate purpose, unless it can be proven that the

third party knew, or under the circumstances could not have failed to know, that such actions exceeded the remit of the corporate purpose. Publication of the Company's bylaws does not in itself constitute such proof.

Any restrictions placed on the powers of the Chief Executive Officer by the bylaws or a decision of the Board of Directors are not binding on third parties. The restrictions placed on the powers of the Chief Executive Officer decided by the Board of Directors are set out in the Board of Directors' Internal Rules (see sections 6.3.1 and 6.1.4.2), and notably relate to investments and divestments and certain strategic operations.

6.1.4 Powers and responsibilities of the Board of Directors

6.1.4.1 Roles and responsibilities of the Board of Directors

The Board of Directors is responsible for defining the Company's business objectives, including its strategic objectives, and overseeing their implementation. Subject to the powers directly vested in Shareholders' Meetings, the Board is responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

In accordance with the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules, the roles and responsibilities of the Board of Directors include, but are not limited to:

- calling the Annual General Meeting and setting its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual management report;
- authorizing related-party agreements and commitments governed by Article L.225-38 *et seq.* of the French Commercial Code (*Code de commerce*);
- selecting the Company's management structure in accordance with Articles 21.1 and 21.4 of the bylaws;
- appointing or removing from office:
 - the Chairman of the Board of Directors,
 - the Chief Executive Officer,
 - and, on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Board Committees set up in accordance with the applicable laws, the Company's bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees in accordance with the Board of Directors' Internal Rules;
- approving the report of the Chairman of the Board of Directors on the organization of the Board's work and internal control and risk management procedures;
- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board Advisors (*censeurs*);
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees, endorsements and sureties, including:
 - setting for each fiscal year:
 - a blanket ceiling, and
 - where appropriate, a maximum amount per transaction, and
 - authorizing in advance any transactions that would result in exceeding the above-mentioned blanket ceiling or maximum amount per transaction.

In addition, the Board of Directors performs any checks and controls that it deems appropriate.

6.1.4.2 Internal rules relating to transactions requiring prior approval of the Board of Directors

In accordance with Article 19.3 of the Company's bylaws and Article 4 of the Board of Directors' Internal Rules:

■ The following operations have to be approved by the Board before they can be carried out by the Chief Executive Officer or a subsidiary:

- decisions related to putting in place significant business activities in France or abroad;
- decisions to withdraw from such business activities in France or abroad;
- material operations likely to affect the Group's strategy or modify its financial structure or the scope of its activity.

■ The Board's prior approval is systematically required for the following:

- any capital expenditure or self-financed development expenditure related to any project, program or industrial or commercial development that represents an amount equal to or more than €100 million for the Company or any Group entity;
- any investment, divestment, expenditure, commitment or warranty related to the following operations or decisions and which represents an amount equal to or more than €50 million for the Company or any Group entity:
 - any acquisition or disposal of real estate,
 - any acquisition or disposal of interests in any existing or future company, involvement in the creation of any company, group or organization, subscription to any issues of shares or bonds, excluding ordinary treasury management transactions,
 - any exchange, with or without balancing cash adjustments, relating to assets or securities, excluding ordinary treasury management transactions,
 - in the event of a dispute or litigation, the signature of any agreement or the acceptance of any settlement,
 - collateral pledged over the Company's assets.

The prior approval referred to above is not required for operations and decisions that result in the signature of agreements exclusively involving Group entities (between these entities or with the Company).

■ The Board of Directors' prior approval is systematically required for each of the following operations or decisions if they represent an amount equal to or more than €400 million for the Company or any Group entity:

- granting or contracting any loan, credit or advance;
- setting up or changing any program involving issues by the Company of negotiable debt securities (formerly the commercial paper program), apart from renewals or changes that do not result in an increase in the maximum size or maturity of the debt securities concerned (once such programs are approved, the Company's Finance Department is responsible for their implementation);
- acquiring or disposing of any receivables due beyond one year.

The prior approval referred to above is not required for operations and decisions that result in the signature of agreements exclusively involving Group entities (between these entities or with the Company).

■ The Board of Directors' prior approval is also systematically required for any offer or industrial or commercial project entered into by the Company or a Group entity that:

- results in a guarantee commitment representing €300 million or more; or
- is deemed material, with the notion of "material" decided by the Chief Executive Officer or any other person duly authorized to implement said offer or project.

■ Furthermore, the following operations and decisions require prior authorization from the Board of Directors, with at least one Director representing the French State voting in favor if the French State owns more than 10% of Safran's capital:

- any disposal by the Group of strategic military assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to the propulsion and guidance of French cruise and tactical ballistic missiles;
- any sale by Safran of shares in Safran Ceramics, Safran Power Units, Safran Electronics & Defense and Airbus Safran Launchers Holding;
- any decision to grant to a third party specific management rights or rights to information related to the Group's strategic military assets which concern prime contractor, design, manufacture, integration and operational maintenance capacities with regard to the propulsion and guidance of French cruise and tactical ballistic missiles;
- any decision to grant to a third party rights to be represented on the administrative or management bodies of Safran Ceramics, Safran Power Units, Safran Electronics & Defense and Airbus Safran Launchers Holding.

6.2 MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

Safran's Board of Directors comprises 17 members, including one representative of the French State, two Directors put forward by the French State, two Directors representing employee shareholders and two Directors representing employees.

The diverse experience and expertise of the Directors and the international profile of a number of them (see profiles below) provide the Board with a wide range of complementary skills.

6.2.1 Summary table of information about Directors

2016									
Director	First appointed at/by	Re-appointed at/by	Departure date ⁽¹⁾	Nationality	Age ⁽¹⁾	Gender	Date first appointed	Date last re-appointed	Number of years on the Board ⁽¹⁾
Directors currently in office									
Ross McInnes Chairman of the Board of Directors				French and Australian	63	M	April 23, 2015		23 months
Philippe Petitcolin Chief Executive Officer				French	64	M	April 23, 2015		23 months
Christian Streiff Vice-Chairman of the Board of Directors				French	62	M	May 28, 2013		4 years
Giovanni Bisignani				Italian	70	M	April 21, 2011		6 years
Frédéric Bourges				French	58	M	Nov. 20, 2014		27 months
Eliane Carré-Copin	AGM of May 19, 2016			French	64	F	May 19, 2016		10 months
Jean-Lou Chameau				French and American	63	M	April 21, 2011	April 23, 2015	6 years
Monique Cohen				French	61	F	May 28, 2013		4 years
Odile Desforges				French	67	F	April 21, 2011		6 years
Jean-Marc Forneri				French	57	M	March 17, 2005 (Supervisory Board)	May 28, 2013	12 years
Patrick Gandil				French	61	M	May 28, 2013	April 23, 2015 ⁽⁵⁾	4 years ⁽⁶⁾
Vincent Imbert				French	61	M	March 28, 2014	April 23, 2015 ⁽⁵⁾	3 years ⁽⁷⁾
Xavier Lagarde				French	69	M	April 21, 2011		6 years
Elisabeth Lulin				French	50	F	April 21, 2011		6 years
Gérard Mardiné	AGM of May 19, 2016			French	57	M	May 19, 2016		10 months
Daniel Mazaltarim				French	57	M	Nov. 20, 2014		27 months
Lucie Muniesa Representative of the French State				French	42	F	Feb. 8, 2016		13 months
Directors whose terms of office expired in 2016⁽⁴⁾									
Astrid Milson Representative of the French State		Ministerial Decree of April 23, 2015 (published in the French legal journal on April 24, 2015)	Feb. 8, 2016	French	45	F	July 8, 2011	May 23, 2013	5 years
Marc Aubry			May 19, 2016	French	54	M	April 21, 2011		5 years
Christian Halary			May 19, 2016	French	63	M	May 12, 2006 (Supervisory Board)	April 21, 2011	10 years

(1) At the filing date of this Registration Document.

(2) See section 6.2.4.1, "Independence of the members of the Board of Directors".

(3) At December 31, 2016.

(4) Including directorship with Safran, compliant with the recommendations of the AFEP-MEDEF Code.

(5) Director put forward by the French State.

(6) From May 28, 2013 to April 23, 2015, as a Director representing the French State.

(7) From March 28, 2014 to April 23, 2015, as a Director representing the French State.

Expiration of term of office	Independent Director ⁽²⁾	Director representing employees or employee shareholders	Attendance rate (Board meetings) ⁽³⁾	Membership of Board Committees ⁽¹⁾	Number of directorships in listed companies ⁽⁴⁾	Main experience and expertise brought to the Company
2019 (AGM held to approve the 2018 financial statements)	No	No	100%	--	4	Chairman of the Board of Directors
2019 (AGM held to approve the 2018 financial statements)	No	No	100%	--	1	Chief Executive Officer
2018 (AGM held to approve the 2017 financial statements)	Yes	No	91%	Appointments and Compensation Committee	2	Vice-Chairman of the Board of Directors Group organization and management/Industry/ International/Strategy/Mergers & Acquisitions
2017 (AGM held to approve the 2016 financial statements)	Yes	No	100%	Appointments and Compensation Committee	2	Group organization and management/Industry/ International/Knowledge of the air transport industry
Nov. 19, 2019	No	Yes	100%	Appointments and Compensation Committee	1	Perspective of an employee/Knowledge of the Group and its markets/Industry/RTDI
2020 (AGM held to approve the 2019 financial statements)	No	Yes	100%	--	1	Perspective of an employee/Knowledge of the Group and its markets
2019 (AGM held to approve the 2018 financial statements)	Yes	No	91%	Appointments and Compensation Committee	2	RTDI/International
2018 (AGM held to approve the 2017 financial statements)	Yes	No	91%	Audit and Risk Committee	4	Financial and banking markets/Private equity/ Shareholding strategy
2017 (AGM held to approve the 2016 financial statements)	Yes	No	100%	Chair of the Audit and Risk Committee	5	Group organization and management/Industry/RTDI/ Performance and management control
2018 (AGM held to approve the 2017 financial statements)	Yes	No	91%	Chairman of the Appointments and Compensation Committee	2	Governance and compensation/Strategy/Mergers & Acquisitions
2019 (AGM held to approve the 2018 financial statements)	No	No	55%	--	1	Knowledge of the Group's markets/Knowledge of the civil aviation industry/Competitive environment/Strategy
2019 (AGM held to approve the 2018 financial statements)	No	No	100%	--	1	Industry/Strategy/Defense industry/Competitive environment
2017 (AGM held to approve the 2016 financial statements)	No	No	100%	Appointments and Compensation Committee	1	Knowledge of the Group and its products/Industry/ RTDI/Strategy/Shareholding perspective
2017 (AGM held to approve the 2016 financial statements)	Yes	No	100%	Audit and Risk Committee	1	Entrepreneur and business developer/Finance/Strategy
2020 (AGM held to approve the 2019 financial statements)	No	Yes	100%	Audit and Risk Committee	1	Perspective of an employee/Knowledge of the Group and its markets
Nov. 19, 2019	No	Yes	100%	Audit and Risk Committee	1	Perspective of an employee/Knowledge of the Group and its markets
N/A	No	No	91%	Audit and Risk Committee and Appointments and Compensation Committee	4	Finance/Strategy/Group organization and management/Industry
N/A	No	No	N/A	Audit and Risk Committee and Appointments and Compensation Committee	1	Astrid Milsan's directorship ended on February 8, 2016
2016 (AGM held to approve the 2015 financial statements)	No	Yes	75%	Audit and Risk Committee	1	Marc Aubry's directorship ended on May 19, 2016
2016 (AGM held to approve the 2015 financial statements)	No	Yes	100%	Audit and Risk Committee	1	Christian Halary's directorship ended on May 19, 2016

6.2.2 Directors' profiles



Ross McInnes

Chairman of the Board of Directors

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

■ Number of Safran shares held: 7,590⁽¹⁾

Profile – Expertise and experience

Born in 1954, Ross McInnes has dual French and Australian nationality and is a graduate of Oxford University. He started his career in 1977 with Kleinwort Benson bank, first in London and then in Rio de Janeiro. In 1980, he joined Continental Bank (now Bank of America) in which he held several positions as Vice President in the corporate finance arm, in Chicago and then in Paris.

In 1989, Ross McInnes chose to move to large multinational corporations and became Chief Financial Officer of Ferruzzi Corporation of America. The Ferruzzi group controlled, in particular, Eridania Beghin-Say, of which he was appointed Chief Financial Officer in 1991, then a member of the Board of Directors in 1999. The following year, he joined Thomson-CSF (now Thales) as Executive Vice President and Chief Financial Officer and assisted in the group's transformation, until 2005. He then moved to PPR (Pinault-Printemps-La Redoute, now Kering) as Senior Vice President for Finance and Strategy, before joining the Supervisory Board of Générale de Santé in 2006. At the request of the Supervisory Board, he served as acting Chairman of the Management Board of Générale de Santé from March to June 2007. He subsequently held the position of Vice-Chairman of Macquarie Capital Europe, notably specializing in infrastructure investments.

In March 2009, Ross McInnes joined Safran as special Advisor to the Chairman of the Executive Board, before becoming Executive Vice President, Economic and Financial Affairs in June of that year. He was a member of the Executive Board of Safran between July 2009 and April 2011.

He served as Deputy Chief Executive Officer, Finance between April 21, 2011 and April 23, 2015, when he was appointed Chairman of Safran's Board of Directors.

In February 2015, the French Minister of Foreign Affairs and International Development appointed Ross McInnes as Special Representative for economic relations with Australia.

In November 2016, he was appointed by the French Prime Minister as the Ambassador of the "Choose Paris Region" program created to attract foreign business to the Greater Paris Area and France in general.

In November 2016, based on the recommendation of the AFEP and MEDEF associations, he was appointed a member of the High Committee for Corporate Governance set up by the AFEP and MEDEF to monitor the application of the AFEP-MEDEF Corporate Governance Code for Listed Companies in France.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Chairman of the Board of Directors of Safran

NON-GROUP

- Director and Chairman of the Audit Committee of:
 - Faurecia (listed company)
 - Eutelsat Communications (listed company)
- Non-executive Director and Chairman of the Audit Committee of IMI plc (listed company) (UK)

Offices and positions that expired in the last five years

SAFRAN GROUP

- Deputy Chief Executive Officer of Safran until April 2015
- Director of:
 - Safran USA, Inc. (US) until June 2015
 - Aircelle until December 2014
 - Turbomeca until December 2014
 - Messier-Bugatti-Dowty until December 2014
 - Morpho until December 2014
 - Snecma until December 2014
 - Sagem until July 2013
 - Vallaroch Conseil until April 2013
- Permanent representative of Safran on the Board of Directors of Établissements Vallaroch, until April 2013
- Permanent representative of Établissements Vallaroch on the Board of Directors of Soreval (Luxembourg) until May 2015

NON-GROUP

- Director of:
 - Financière du Planier until June 2015
 - Globe Motors, Inc. (US) until October 2013
 - Limoni SpA (Italy) until February 2013
- Permanent representative of Santé Europe Investissements Sarl on the Board of Directors of Santé SA (Luxembourg) until October 2014
- Permanent representative of Santé Europe Investissements Sarl on the Board of Directors, and a member of the Audit Committee, of Générale de Santé SA (listed company) until March 2014

(1) Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2016).



Philippe Petitcolin

Chief Executive Officer and Director

Safran – 2, bd du Général Martial-Valin – 75015 Paris, France

■ Number of Safran shares held: 18,078⁽¹⁾

Profile – Expertise and experience

Born in 1952, Philippe Petitcolin holds a degree in mathematics and is a graduate of the Centre de Perfectionnement aux Affaires (CPA) business school.

Philippe Petitcolin began his career in 1978 as an export manager for Europrim before becoming an export area manager for Filotex, a subsidiary of Alcatel-Alstom. In 1982, he was appointed Aviation Sales Director for Chester Cable in the US before returning to Filotex in 1984 as Export Director.

In 1988, he joined Labinal as Deputy Sales Director before being appointed Sales and Marketing Director of the company's Aeronautical Systems Division and subsequently its Managing Director in 1995.

Between 1999 and 2001, he was General Manager of Labinal's Filtrauto Division, also serving as General Manager of the friction materials business after the division was bought by Valeo. In May 2001, he was named Chief Executive Officer of Labinal (aviation), part of the Snecma group, before being appointed Chairman and Chief Executive Officer in November 2004. He was then appointed Chairman and Chief Executive Officer of Snecma (Safran group) in 2006.

Between 2011 and 2013, he served as President of Safran's Defense and Security businesses and then Chairman and Chief Executive Officer of Sagem.

From July 2013 to December 2014, he was Chairman and Chief Executive Officer of Morpho and Chairman of the Board of Directors of Sagem.

He subsequently served as Chairman of Morpho from December 2014 to July 2015.

On April 23, 2015, Philippe Petitcolin was appointed as a Director of Safran at the Company's Annual General Meeting and then Chief Executive Officer by the Board of Directors.

Also on April 23, 2015, he became a member of the Aerospace and Defence Industries Association of Europe (ASD).

In July 2015, Philippe Petitcolin was appointed Vice-Chairman of GIFAS (Groupement des Industries Françaises Aéronautiques et Spatiales) and in September 2015, he was appointed as a Director of Belcan Corporation, an engineering services company.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Chief Executive Officer of Safran
- Director of Safran

NON-GROUP

- Vice-Chairman of GIFAS
- Director of Belcan Corporation (US)
- Board member of the Aerospace and Defence Industries Association of Europe (ASD) (Belgium)

Offices and positions that expired in the last five years

SAFRAN GROUP

- Chairman of Morpho until July 2015
- Chairman and Chief Executive Officer of:
 - Morpho until December 2014
 - Sagem Défense Sécurité until July 2013
- Chairman of the Board of Directors of:
 - MorphoTrak, LLC (US) until July 2015
 - Morpho Detection International, LLC (US) until July 2015
 - Sagem Défense Sécurité until December 2014
- Chairman and President of Morpho USA, Inc. (US) until July 2015
- Director of:
 - Morpho Detection, LLC (US) until July 2015
 - Safran Consulting until June 2012
- Member of the Supervisory Board of Morpho Cards GmbH (Germany) until July 2015

NON-GROUP

- Member of the Supervisory Board of Institut Aspen France until March 2015

(1) Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2016).



Christian Streiff

Independent Director
Vice-Chairman of the Board of Directors
Member of the Appointments and Compensation Committee

Safran - 2, bd du Général Martial-Valin - 75015 Paris, France

■ Number of Safran shares held: 500

Profile – Expertise and experience

Born in 1954, Christian Streiff is a graduate of École Nationale Supérieure des Mines de Paris and began his career with the Saint-Gobain group, serving as Department Engineer of the Pipe Division in Halbergerhütte (Germany) from 1979 to 1982. He then held the posts of Vice President of Planning and Strategy of the Fiber Reinforcements Division from 1982 to 1985, Manager of the Herzogenrath plant (Germany) from 1985 to 1988, General Manager of Vetrotex Deutschland (formerly Gevetex) (Germany) from 1989 to 1991, General Manager of Vetri (Italy) from 1992 to 1994, General Manager of Saint-Gobain Emballages from 1994 to 1997, Vice President, Pipe Division and Chairman and Chief Executive Officer of Pont-à-Mousson SA from 1997 to 2001, President and Chief Executive Officer of the High Performance Materials Sector (Paris and Boston - US), Group Chief Operating Officer from 2001 to 2004 and Deputy Chief Executive Officer from 2004 to 2005.

In 2006, Christian Streiff was appointed Chief Executive Officer of Airbus and a member of the Managing Board of EADS (European Aeronautic Defense and Space Company).

From 2007 to 2009, he was Chairman of the Executive Board of PSA Peugeot-Citroën.

He is also the author of a novel, Kriegspiel (Éditions La Nuée Bleue, 2000), and of J'étais un homme pressé (Éditions du Cherche Midi, 2014).

Christian Streiff brings to the Board his experience as an executive and Director of international industrial groups, an in-depth knowledge of the Group's businesses and competitive environment, and his expertise in business strategy and mergers & acquisitions.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Vice-Chairman of the Board of Directors of Safran

NON-GROUP

- Chairman of CS Conseil
- Director and member of the Compensation Committee and the Risks Committee of Crédit Agricole SA (listed company)
- Member of the European Advisory Board of Bridgepoint (UK)
- Chairman of Astra Management Suisse SA (Switzerland)
- Member of the Executive Committee of the *Fondation pour la Recherche sur l'AVC*
- Member of the Board and Operations Committee of Expleat
- Member of the Board and Investment Committee of Optiréno

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Director of:
 - TI-Automotive (UK) until December 2014
 - Finmeccanica SpA (listed company) (Italy) until July 2013
- Member of the Supervisory Board of Thyssen Krupp AG (listed company) (Germany) until January 2015



Giovanni Bisignani

Independent Director

Member of the Appointments and Compensation Committee

12-14 De Vere Gardens – London W8 5AE, UK

■ Number of Safran shares held: 850

Profile – Expertise and experience

Born in 1946, Giovanni Bisignani graduated from the Sapienza University of Rome (law, economics and business), where he later became assistant professor. He also attended the International Teachers Program at Harvard Business School in Boston, United States.

Giovanni Bisignani started his career at First National Citibank. He then returned to Italy and, from 1976 to 1989, held several high-level positions at the energy company ENI and with the Italian industrial conglomerate IRI. He was Chairman and CEO of Alitalia from 1989 to 1994, Chairman of the Association of European Airlines (AEA) in 1992 and Chairman of Galileo International UK and Covia US from 1993 to 1994.

Between 1990 and 2000, he was also a Director of the Italian public companies Finsider (steel), Italstat (real estate), Fincantieri (shipbuilding) and SME (food and retail).

From 1994 to 1998, he was President of Tirrenia di Navigazione, and from 1998 to 2001, CEO of SM Logistics – a member of the Serra Merzario group, partially owned by GE. In 2001, he launched Opodo, the first European on-line travel portal, owned by Air France, British Airways and Lufthansa.

Giovanni Bisignani was Director General and CEO of the International Air Transport Association (IATA) between 2002 and 2011. From 2002 to 2013, he was a Director of UK NATS (air navigation service provider).

He is a member of the World Economic Forum's Global Agenda Council on Aviation, Travel & Tourism (Switzerland).

Since 2012, Giovanni Bisignani has been a visiting Professor at the School of Engineering at Cranfield University (UK) where he received the honorary "Doctor honoris causa" degree.

Giovanni Bisignani brings to the Board his experience as an executive and Director of international industrial groups, as well as expertise and experience in the air transport sector and an in-depth knowledge of airline companies.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

■ Director of Safran

NON-GROUP

■ Director and a member of the Nominating and Corporate Governance Committee of Aircastle Limited (listed company) (US)

■ Director and Chairman of the Nominations and Compensation Committee and a member of the Related Party Committee and the Audit Committee of Alitalia – Società Aerea Italiana (Italy)

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

■ Director of NATS Holdings Limited (UK) until June 2013



Frédéric Bourges

Director representing employees
Member of the Appointments and Compensation Committee

Safran Aircraft Engines – Établissement d'Évry – Corbeil
Rue Henri-Auguste Desbruères B.P. 81 – 91003 Évry Cedex, France

■ Number of Safran shares held: None

Profile – Expertise and experience

Born in 1958, Frédéric Bourges graduated as a boilermaker from Snecma's professional school in Évry-Corbeil where he began his career in pre-series production.

After holding various positions, he currently works as a technician in the adhesive bonding segment and is the HSE representative in the Industrial Methods Department.

Between 2004 and 2005, he was a Director representing employees at Snecma.

From 2005 to 2014, he was a CGT central trade union delegate at Snecma.

Frédéric Bourges brings to the Board his view of Safran from an employee's perspective as well as an in-depth knowledge of the Group and its markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

■ Director of Safran representing employees

NON-GROUP

None

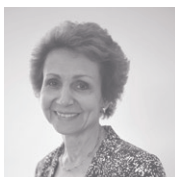
Offices and positions that expired in the last five years

SAFRAN GROUP

■ CGT central trade union delegate at Snecma until December 2014

NON-GROUP

None



Eliane Carré-Copin

Director representing employee shareholders

Safran – 2, bd du Général Martial-Valin – 75724 Paris Cedex 15, France

■ Number of Safran shares held: 323⁽¹⁾

Profile – Expertise and experience

Born in 1952, Eliane Carré-Copin holds a degree in English from the University of Lille and is also a graduate of the Institut d'Études Politiques de Paris and Advancia.

Eliane Carré-Copin has been with the Group for 25 years.

After working as PA to the Chairmen of Snecma between 1992 and 1997, she was then appointed as a project manager for the Group International Affairs Department, where she deepened her knowledge of the Group's various entities and their international markets.

Eliane Carré-Copin is currently Group Assistant Compliance Director, specializing in commercial compliance and anti-corruption measures. In this role, she covers compliance matters concerning the international partners of the Group's entities and helps train employees about Safran's compliance program.

Eliane Carré-Copin brings to the Board her view of Safran from an employee shareholder's perspective as well as an in-depth knowledge of the Group and its markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran representing employee shareholders since May 2016
- CFE-CGC trade union representative on the Group Works Council
- Member of the Supervisory Board of the Safran Investissement corporate mutual fund
- Director of the Safran Music Foundation
- Employee Representative at Safran (Martial Valin)

NON-GROUP

None

Offices and positions that expired in the last five years

SAFRAN GROUP

- Member of Safran's Central Works Council until April 2016
- Member of the Works Council at Safran (Martial Valin) until April 2016

NON-GROUP

None

(1) Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2016).



Jean-Lou Chameau

Independent Director
Member of the Appointments and Compensation Committee

King Abdullah University of Science and Technology - Administration Building #16
 Room #4002 - 4700, Thuwal 23955-6900, Saudi Arabia

■ Number of Safran shares held: 1,000

Profile – Expertise and experience

Born in 1953, Jean-Lou Chameau obtained an engineering degree at École Nationale Supérieure d'Arts et Métiers in 1976, and then continued his studies at Stanford University, where he graduated with a Master's in civil engineering in 1977, followed by a PhD in seismic engineering in 1980.

Jean-Lou Chameau started his academic career at Purdue University (US), where he taught from 1980 to 1991, before joining Georgia Tech as professor and head of the School of Civil and Environmental Engineering. He left this position in 1994 to become Chairman of the international geotechnical engineering company, Golder Associates Inc. He returned to teach at Georgia Tech two years later, where he became dean of its College of Engineering in the US. In 2001, he was promoted to the position of provost, which he occupied until 2006.

From 2006 to June 2013, Jean-Lou Chameau was the President of the California Institute of Technology (Caltech).

In June 2009, he was awarded the honorary "Doctor honoris causa" degree from Polytechnique Montreal in Canada.

Jean-Lou Chameau is a member of the National Academy of Engineering in the United States and the Académie des Technologies in France.

He has been President of King Abdullah University of Science and Technology (KAUST) (Saudi Arabia) since July 2013.

On May 27, 2016, he was named as a member of the international jury for the 2017 Queen Elizabeth Prize for Engineering.

Jean-Lou Chameau brings to the Board his experience as a Director of an international group as well as his expertise in research, technological development and innovation and his in-depth knowledge of North America and the Middle East.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- President of King Abdullah University of Science and Technology (KAUST) (Saudi Arabia)
- Director of Ma'aden (listed company) (Saudi Arabia) since April 2016
- President Emeritus of the California Institute of Technology (Caltech) (US)
- Member of the Academic Research Council of Singapore (Singapore)

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- President and a Director of Caltech (US) until June 2013
- Director and a member of the Governance and Nominating Committee of MTS Systems Corporation (listed company) (US) until February 2015
- Director and a member of the Audit Committee of John Wiley & Sons (listed company) (US) until September 2013
- Member of the Council on Competitiveness (US) until June 2013
- Member of the Advisory Committee of Interwest (US) until March 2013



Monique Cohen

Independent Director
Member of the Audit and Risk Committee

Apax Partners – Midmarket SAS – 45, avenue Kléber – 75784 Paris Cedex 16, France

■ Number of Safran shares held: 500

Profile – Expertise and experience

Born in 1956, Monique Cohen is a graduate of École Polytechnique (1976) and has a Master's degree in mathematics. She started her career at Paribas, where she worked as Assistant Finance Manager from 1980 to 1987.

At Paribas, which later became BNP Paribas, Monique Cohen successively held the positions of Administrative Officer of Courcoux-Bouvet – a brokerage firm and subsidiary of Paribas – between 1987 and 1990, Head of Equity Syndication and Brokerage Activities from 1990 to 1999, and Global Head of Equity Business from 1999 to 2000.

Since 2000, Monique Cohen has been an Executive Partner at Apax Partners in Paris, which specializes in investments in the business and financial services sector.

Between June 2011 and September 2014, she was a member of the Board of Directors of the French financial markets authority (Autorité des Marchés Financiers – AMF).

Monique Cohen brings to the Board her experience as an executive and Director of international groups, as well as in-depth knowledge of the financial and banking markets, expertise in private equity and a financial view of shareholding structures.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

■ Director of Safran

NON-GROUP

■ Chair of the Board of Directors of Proxima Investissement (Luxembourg)

■ Vice-Chair and member of the Supervisory Board and Chair of the Audit Committee of Hermès International (listed company)

■ Director of:

- BNP Paribas (listed company)
- Financière MidMarket SAS
- Apax Partners MidMarket SAS

■ Member of the Supervisory Board and the Audit Committee of JC Decaux (listed company)

■ Member of the Supervisory Board of Global Project SAS

■ Managing Partner of Société Civile Fabadari

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

■ Chair of:

- Trocadéro Participations II SAS until October 2016
- Trocadéro Participations SAS until 2012

■ Chair and member of the Supervisory Board of Texavenir II SAS

■ Deputy Chief Executive Officer of Altamir Amboise Gérance SA until May 2015

■ Director of:

- SEP Altitude until June 2014
- Société de financement local (SFIL) until June 2014
- BuyWay Personal Finance Belgium SA (Belgium) until April 2014
- BuyWay Tech SA (Belgium) until April 2014
- B*Capital SA until 2013

■ Director and a member of the Investment and Acquisitions Committee of Altran Technologies SA (listed company) until March 2014

■ Member of the Supervisory Board of Trocadéro Participations SAS until October 2016

■ Chair of the Board of Directors of:

- Wallet SA (Belgium) until April 2014
- Wallet Investissement 1 SA (Belgium) until April 2014
- Wallet Investissement 2 SA (Belgium) until April 2014

■ Manager (class C) of Santemedia Group Holding Sarl (Luxembourg) until 2012



Odile Desforges

Independent Director
Member and Chair of the Audit and Risk Committee
 3, rue Henri Heine - 75016 Paris, France

■ Number of Safran shares held: 500

Profile – Expertise and experience

Born in 1950, Odile Desforges is a graduate of the École Centrale Paris engineering school.

She began her career as a Research Analyst at the French Transport Research Institute (Institut de Recherche des Transports). In 1981, she joined the Renault group as planning officer for the Automobile Planning Department before becoming a product engineer on the R19 and then for the M1 range (1984-1986). In 1986, she moved to the Purchasing Department as Head of the Exterior Equipment Unit. She was later appointed Director of Body Hardware Purchasing for the joint Renault Volvo Car Purchasing Organization in 1992, and for Renault alone in 1994. In March 1999, she became Executive Vice President of the Renault VI-Mack group, in charge of 3P (Product Planning, Product Development, Purchasing Project). In 2001, she was appointed President of AB Volvo's 3P Business Unit.

In 2003, Odile Desforges became Senior Vice President, Renault Purchasing, Chair and CEO of the Renault Nissan Purchasing Organization (RNPO) and a member of the Renault Management Committee.

From 2009 to July 2012, she was Director of Engineering and Quality, and a member of Renault's Executive Committee.

She retired on August 1, 2012.

Odile Desforges brings to the Board her experience as a Director and former senior executive of international industrial groups, as well as performance and management control expertise and acknowledged experience in purchasing, R&D projects and innovation.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

■ Director of Safran

NON-GROUP

■ Director and a member of the Audit Committee of:

- Dassault Systèmes (listed company)
- Faurecia (listed company) since June 2016

■ Director and a member of the Audit Committee, the Nomination Committee and the Management Development and Remuneration Committee of Johnson Matthey plc (listed company) (UK)

■ Director and a member of the Strategy Committee of Imerys (listed company) since May 2016

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

■ Director and a member of the Nomination and Compensation Committee of Sequana (listed company) until May 2016

■ Director of:

- GIE REGIENOV until January 2013
- Renault España SA (Spain) until December 2012
- RNTBCI until June 2012
- Renault Nissan BV (Netherlands) until June 2012



Jean-Marc Forneri

Independent Director**Member and Chairman of the Appointments and Compensation Committee**

Bucéphale Finance – 17, avenue George V – 75008 Paris, France

■ Number of Safran shares held: 1,152

Profile – Expertise and experience

Born in 1959, Jean-Marc Forneri graduated from École Nationale d'Administration (ENA) and Institut d'Études Politiques de Paris, and holds a Master's in Business Law and the French bar certificate (CAPA).

He began his career at the French General Finance Inspectorate in 1984. Then in 1987, he became an Advisor to the French Minister of Finance and reporting counselor (conseiller rapporteur) for the Commission on Estate Taxes (French Ministry of Finance).

Between 1988 and 1994, he was a Director and CEO of Skis Rossignol.

He was then appointed Managing Partner of Worms et Cie in 1994, where he was responsible for the investment bank.

In 1996, he was appointed Chairman of Credit Suisse First Boston France and Vice-Chairman of Credit Suisse First Boston Europe, where he was an Advisor on major merger and acquisition projects.

In 2004, he founded Bucéphale Finance, a corporate finance advisory services firm, of which he became Chairman.

Jean-Marc Forneri brings to the Board his vision as an entrepreneur and business developer and his experience as an executive and Director of international industrial and banking groups, as well as expertise in the areas of finance, strategy and governance (appointments and compensation).

He also brings to the Board an in-depth knowledge of the Group, given that he has been a member since 2005.

Offices and positions held in French and non-French companies**Current offices and positions**

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Chairman of Bucéphale Finance SAS
- Chairman of the Supervisory Board of Grand Port Maritime de Marseille (GPMM)
- Chairman of Adelphos
- Member of the Supervisory Board of Société Casino Municipal d'Aix Thermal
- Director and a member of the Nominating and Governance Committee of Intercontinental Exchange, Inc. (listed company) (US)
- Legal Manager of Perseus Participations
- Joint Legal Manager of:
 - Bucéphale Finance Conseil
 - Bucéphale Finance Investissements

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Director of Balmain until July 2016
- Member of the Supervisory Board of Euronext NV (Netherlands) until July 2014



Patrick Gandil

Director

Directorate General for Civil Aviation (DGAC) – 50, rue Henry Farman – 75015 Paris, France

■ Number of Safran shares held: None

Profile – Expertise and experience

Born in 1956, Patrick Gandil holds an engineering degree from École Nationale des Ponts et Chaussées and is a graduate of École Polytechnique.

He started his career in 1979 at the French Ministry for Public Works, where he worked for 15 years in several different posts.

From 1995 to 1997, he served as Deputy Director of the Office for the French Minister of Civil Service, State Reform and Decentralization.

From 1997 to 1999, he was the Head of the Department responsible for airbases at the Directorate General for Civil Aviation (DGAC).

Then from 1999 to 2003, he worked at the French Ministry for Public Works, Housing, Transportation and Tourism as Director of Road Services.

In 2003, he became the Director of the Office of the Minister for Public Works, Housing, Transportation, Tourism and the Sea, then Secretary-General of this Ministry in 2005, as well as Advisor to the Minister.

He has been Director General of Civil Aviation at the French Ministry for Ecology, Energy, Sustainable Development and Land-Use Planning since 2007.

Patrick Gandil brings to the Board his experience and expertise in the aerospace industry (particularly civil aviation), as well as an in-depth knowledge of the Group and its products and markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

■ Director of Safran

NON-GROUP

■ Government commissioner for Aéroports de Paris (listed company)

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

■ Representative of the French State on the Board of Directors of the Paris Air and Space Museum (*Musée de l'air et l'espace*) until October 2015

■ Representative of the French State on the Board of Directors of Safran until April 2015

■ Representative of the French State on the Board of Directors of Société de gestion de participations aéronautiques (Sogepa) until April 2014

■ Representative of the French State on the Board of Directors of *Office national d'études et de recherches aérospatiales* (ONERA) until October 2013

■ Acting Chairman of the Board of Eurocontrol (Belgium) until December 2013



Vincent Imbert

Director

Direction générale pour l'armement – 60, bd du Général Martial-Valin – 75015 Paris, France

■ Number of Safran shares held: None

Profile – Expertise and experience

Born in 1956, Vincent Imbert, senior defense engineer, is a graduate of École Polytechnique and École Nationale Supérieure de l'Aéronautique et de l'Espace. He is a former auditor of the Center for Advanced Defense Studies (Centre des Hautes Études de l'Armement).

He started his career at the French Directorate General of Weapons Procurement (DGA) in 1981 managing programs. He was Director of the PR4G (radios for the army) program and the RITA and RITA enhancement programs and then Director of the Leclerc tank program for France and the United Arab Emirates.

In 1998, he became Director of the French military test center at Bourges, responsible for the assessment and testing of pyrotechnic, artillery and ground missile systems.

In 2000, he was appointed Force System Architect, responsible for directing and managing prospective studies to prepare the French army's future defense and weapons systems.

In 2003, he was appointed technical Advisor to the Deputy Head of the DGA, and became Director of its Ground Weaponry Programs Department (SPART) in 2004.

In 2006, he also became Director of the DGA's Observation, Telecommunication and Information Programs Department (SPOTI).

In 2009, he was responsible for setting up the technical department at the DGA, which he subsequently managed.

In June 2013, he was appointed Executive Vice President of the DGA.

Vincent Imbert brings to the Board an in-depth knowledge of the Group's products and markets and particularly his expertise in the areas of defense and strategy.

Offices and positions held in French and non-French companies**Current offices and positions**

SAFRAN GROUP

■ Director of Safran

NON-GROUP

None

Offices and positions that expired in the last five years

SAFRAN GROUP

■ Representative of the French State on the Board of Directors of Safran until April 2015

NON-GROUP

■ Representative of the French State on the Board of Directors of Giat Industries until December 2015



Xavier Lagarde

Director

Member of the Appointments and Compensation Committee

77, rue Leblanc – 75015 Paris, France

■ Number of Safran shares held: 136,708⁽¹⁾

Profile – Expertise and experience

Born in 1948, Xavier Lagarde is an engineering graduate of École Nationale Supérieure d'Ingénieurs de Constructions Aéronautiques (ENSICA), which became Institut Supérieur de l'Aéronautique et de l'Espace (ISAE) in 2007 following its link-up with École Nationale Supérieure de l'Aéronautique et de l'Espace (ENSAE). He also obtained a Master of Sciences in Aeronautics from the California Institute of Technology (Caltech).

Xavier Lagarde joined Sagem in 1974 as a research engineer in the Avionics R&D Unit at the Pontoise Center and later became head of development for new generation inertial navigation systems. In 1981, he was appointed as head of this unit.

In 1986, Xavier Lagarde became Deputy Director of the Sagem R&D Center in Argenteuil, specialized in inertial technologies and optronics, as well as navigation, observation and weapon aiming equipment and systems primarily dedicated to naval and ground applications. In 1987, he took on the post of Director of the R&D Center in Éragny dedicated to missile guidance systems and equipment, disk memories for civil applications and bubble memories for military and space applications. From 1989 to 2001, he was Director of Human Resources of the Sagem group and, from 1999 to 2000, also Executive Director of Société de Fabrication d'Instruments de Mesure (SFIM).

In 2001, Xavier Lagarde was appointed Industrial and Quality Director of the Sagem group and in 2005 Quality Director at Safran. The following year, he became Executive Vice President of the Communications Division of Safran, which was sold in 2008. Then, from 2009 to 2011, he was Executive Vice President of the Group's Quality, Audit and Risk Department.

He was a member of the Supervisory Board of Sagem between 2001 and 2005, then a member of the Supervisory Board of Safran from 2005 to 2007 and subsequently a member of the Executive Board of Safran between 2007 and 2011, before becoming a member of the Board of Directors of Safran.

Xavier Lagarde has also served on the Labor Relations Tribunal in Paris since 2005.

Xavier Lagarde brings to the Board his expertise and experience as an executive and Director of international industrial groups, as well as in-depth knowledge of the Group and its markets, his vision as a shareholder and his expertise in the areas of R&T, innovation and strategy.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

■ Director of Safran

NON-GROUP

■ Chairman of Club Sagem

Offices and positions that expired in the last five years

SAFRAN GROUP

■ Chairman of Sagem Mobiles until December 2014

■ Chairman of the Board of Directors of Soreval (Luxembourg) until May 2012

■ Chairman and Chief Executive Officer of:

- Sagem Mobiles until June 2013
- Sagem Télécommunications until August 2012

■ Director of Safran Consulting until June 2012

NON-GROUP

None

(1) Including 8,771 shares held via corporate mutual fund units (conversion based on the Safran share price at December 31, 2016).



Elisabeth Lulin

Independent Director
Member of the Audit and Risk Committee

Paradigmes et cætera – 23, rue Lecourbe – 75015 Paris, France

■ Number of Safran shares held: 600

Profile – Expertise and experience

Born in 1966, Elisabeth Lulin is a graduate of École Normale Supérieure, Institut d'Études Politiques de Paris and École Nationale d'Administration. She also holds a degree in literature.

She began her career at the French General Finance Inspectorate (1991-1994), before joining the Prime Minister's office as a research analyst, then technical Advisor.

From 1996 to 1998, she served as Head of the Marketing and External Communication Unit at France's National Institute of Statistics and Economic Studies (INSEE).

Alongside these duties, Elisabeth Lulin has also held various teaching positions. She taught at École Supérieure de Commerce de Paris, and was a lecturer at Institut d'Études Politiques de Paris (1998-1999) and Conservatoire des Arts et Métiers (1995-1999).

From September 2010 to March 2012, she served as senior Advisor at Monitor Group, a strategy consulting firm.

She is currently Chief Executive Officer of Paradigmes et cætera, a research and consulting firm dedicated to benchmarking and innovation, which she founded in 1998.

Elisabeth Lulin brings to the Board an entrepreneurial vision and her experience as a Director of industrial and banking groups, as well as expertise in the areas of finance, strategy and innovation.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran

NON-GROUP

- Chief Executive Officer of Paradigmes et cætera
- Director of ELSAN
- Representative of the SNCF on the Board of Directors of SNCF Réseau

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Director and Chair of the Strategy Committee of Bongrain SA (listed company) until April 2015.
- Chair of the Board of Directors of *École Nationale Supérieure de Création Industrielle* (ENSCI) until January 2015
- Director of Ciments Français (listed company) until November 2014
- Director and a member of the Audit, Internal Control and Risk Committee of Société Générale (listed company) until May 2013
- Member of the Board of Directors of the *Institut Français des Administrateurs* (IFA) until May 2012



Gérard Mardiné

Director representing employee shareholders
Member of the Audit and Risk Committee

Safran Electronics & Defense - 18-20 Quai du point du jour - 92659 Boulogne Billancourt, France

■ Number of Safran shares held: 7,598⁽¹⁾

Profile – Expertise and experience

Born in 1959, Gérard Mardiné holds a degree from ENSAM engineering school in Paris and is also a graduate of the École Supérieure des Techniques Aérospatiales.

Gérard Mardiné joined Snecma in 1982 as an engineer specialized in regulating turbojet engines and subsequently became head of development of navigation equipment and drone systems at Sagem. For the past ten years he has specialized in drones and aviation, and he is a member of EUROCAE, a European standard-setting body for the aviation industry.

Gérard Mardiné brings to the Board his view of Safran from an employee shareholder's perspective as well as an in-depth knowledge of the Group and its markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Director of Safran representing employee shareholders since May 2016
- Chairman of the Supervisory Board of the Safran Investissement corporate mutual fund
- Member of the Works Council, Employee Representative and Trade Union Representative at Safran Electronics & Defense (Boulogne)
- Coordinator for the CFE-CGC trade union within the Group

NON-GROUP

- Director of ARRCO (French national association for employee pensions)
- Director of Humanis Retraite ARRCO (pension fund)
- Member of the Management Committee of Club Sagem
- Chairman of the Steering Committee of IPSA (an aerospace engineering school)

Offices and positions that expired in the last five years

SAFRAN GROUP

- Chairman of the Supervisory Board of the Safran Mixte Solidaire corporate mutual fund

NON-GROUP

None

(1) Including 1,308 shares via corporate mutual fund units (conversion based on the Safran share price at December 31, 2016).



Daniel Mazaltarim

Director representing employees
Member of the Audit and Risk Committee

Safran Aircraft Engines - Division des moteurs militaires Établissement d'Évry - Corbeil - rue Henri-Auguste Desbruères - B.P. 81 - 91003 Évry Cedex, France

■ Number of Safran shares held: 2,112⁽¹⁾

Profile – Expertise and experience

Born in 1960, Daniel Mazaltarim holds a PhD in geology from Strasbourg University, post-graduate diplomas (DESS) in management and human resources management from Institut d'Administration des Entreprises de Paris and a business certificate from the American University of Paris.

He has been a Group employee for 17 years.

He started his career as quality assurance manager at Hispano-Suiza, before joining Safran Consulting in 2004, first as a consultant and subsequently a manager.

In June 2014, he became a member of the Progress Initiative Department of Snecma's Military Engines Division as a Black Belt.

Daniel Mazaltarim brings to the Board his view of Safran from an employee's perspective, as well as an in-depth knowledge of the Group and its markets.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

■ Director of Safran representing employees

NON-GROUP

■ Chairman of COSAF 13

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

None

(1) Via corporate mutual fund units (conversion based on the Safran share price at December 31, 2016).



Lucie Muniesa

Representative of the French State
Member of the Audit and Risk Committee
Member of the Appointments and Compensation Committee
Agence des participations de l'État (APE) - 139, rue de Bercy - 75012 Paris, France

■ Number of Safran shares held: None

Profile – Expertise and experience

Born in 1975, Lucie Muniesa is a graduate of École Nationale de la Statistique et de l'Administration Économique (ENSAE). She began her career at France's National Institute of Statistics and Economic Studies (INSEE), before being appointed as deputy head of the Market Concentrations and State Subsidies Department at the Directorate General for Competition Policy, Consumer Affairs and Fraud Control in 2002.

In 2004, she joined the French State Investment Agency (APE) as deputy to the heads of the "Energy, Chemicals and Other Investments" and "La Poste - France Telecom" Divisions, before being named Secretary General of the APE in 2007.

In 2010, Lucie Muniesa joined Radio France as Chief Financial Officer then Deputy Chief Executive Officer in charge of Finance, Purchasing, Legal Affairs and Own Resources Development. In 2014, she was appointed as Director and Deputy Secretary General at the French Ministry of Culture and Communication.

Since February 2016, she has held the position of Deputy Director General of the APE.

Lucie Muniesa brings to the Board her experience as a Director of international groups, as well as expertise in the areas of finance and strategy.

Offices and positions held in French and non-French companies

Current offices and positions

SAFRAN GROUP

- Representative of the French State on the Board of Directors of Safran since February 2016

NON-GROUP

- Representative of the French State on the Board of Directors of:
 - Engie (listed company) since February 2016
 - Orange (listed company) since February 2016
 - La Française des jeux
 - Consortium de réalisation (CDR) since May 2016
- Non-executive Director and a member of the Risk Committee and the Remuneration Committee of Dexia (listed company) (Belgium) since May 2016

Offices and positions that expired in the last five years

SAFRAN GROUP

None

NON-GROUP

- Representative of the French State on the Board of Directors of:
 - Palais de Tokyo until March 2016
 - Établissement public du parc et de la grande halle de la Villette until March 2016
- Representative of the French Ministry of Culture on the Board of Directors of:
 - École nationale Supérieure des Beaux-Arts until February 2016
 - Centre national de la chanson, des variétés et du jazz until March 2016
- Representative of the French Ministry of Culture as an alternate member of the Board of Directors of:
 - Opéra national de Paris until March 2016
 - Établissement public de la cité de la Musique - Philharmonie de Paris until February 2016
- Member, appointed by the French State, on the Board of Directors of:
 - Établissement public la Monnaie de Paris until April 2015
 - TSA until December 2014

6.2.3 Other information about the Board of Directors' membership structure

Representative of the French State and Directors put forward by the French State

The membership structure of Safran's Board of Directors is subject to the provisions of French law applicable to *sociétés anonymes* (joint stock corporations). However, as the French State owns at least 10% of the Company's capital, as provided for in Article 14.1 of the Company's bylaws, a certain number of seats on the Board must be assigned to representatives of the French State in accordance with Articles 4 and 6 of *ordonnance* 2014-948 dated August 20, 2014. This *ordonnance* sets out the terms and conditions for State representation on the Boards of Directors of companies in which it holds an ownership interest.

In connection with Safran's implementation of the August 20, 2014 *ordonnance*:

- by way of a Ministerial Decree dated February 8, 2016, the French State appointed Lucie Muniesa as its representative on the Board of Directors of Safran to replace Astrid Milsan (in accordance with Article 4 of the *ordonnance*);
- Patrick Gandil and Vincent Imbert were appointed as Directors at the Annual General Meeting of April 23, 2015, having been put forward by the French State (in accordance with Article 6 of the *ordonnance*).

Directors representing employee shareholders

Safran's Board of Directors includes two members representing employee shareholders, who were appointed at the Annual General Meeting of May 19, 2016 for four-year terms.

In accordance with the applicable law and Article 14.8 of Safran's bylaws, if the shares held by employees of the Company - or of companies related to it within the meaning of Article L.225-180 of the French Commercial Code - represent more than 3% of the share capital, then one or more Directors representing employee shareholders must be appointed at an Ordinary General Meeting.

As the terms of office of the Directors representing employee shareholders were due to expire at the close of the May 19, 2016 Annual General Meeting, in accordance with Article 14.8 of the Company's bylaws, a procedure was launched during the year with a view to nominating candidates to be put forward for appointment to replace these representatives. Following a call for applications, the Supervisory Boards of the corporate mutual funds set up as part of the Group's employee share ownership program - whose investments mainly comprise shares in the Company - nominated four candidates to be put forward for appointment as Directors. Out of these candidates, at the May 19, 2016 Annual General Meeting, Eliane Carré-Copin and Gérard Mardiné were appointed as Directors representing employee shareholders.

Directors representing employee shareholders have the same voting rights at Board meetings as the other Directors and must act in the corporate interest of the Company at all times. Subject to the legal provisions applying to them, they have the same rights and responsibilities and are bound by the same duties - in particular with regard to confidentiality - as the other members of the Board.

Directors representing employees

In accordance with Article 14.9 of the Company's bylaws - which was adopted pursuant to the French Employment Security Act of June 14, 2013 - the Board of Directors must include one or two Directors representing employees, depending on the total number of Board members, as follows: (i) one such Director if the Board has twelve or less members, or (ii) two such Directors if the Board has more than twelve members. The total number of Board members is assessed on the date that the Director(s) representing employees are appointed, and does not take into account any existing Directors representing employees or employee shareholders.

On November 20, 2014, Frédéric Bourges and Daniel Mazaltarim were elected for five-year terms as the Company's employee representative Directors, based on lists of candidates put forward by the four trade unions represented within the Group (CFDT, CFE-CGC, CGT and CGT-FO). Eligible voters in this election corresponded to all of the employees of Safran and its direct and indirect subsidiaries whose registered offices are located in France.

Directors representing employees have the same voting rights at Board meetings as the other Directors and must act in the corporate interest of the Company at all times. Subject to the legal provisions applying to them, they have the same rights and responsibilities and are bound by the same duties - in particular with regard to confidentiality - as the other members of the Board.

Vice-Chairman of the Board of Directors

The Vice-Chairman of the Board of Directors is Christian Streiff, who was appointed by the Board at its meeting on May 28, 2013, for the duration of his directorship.

Article 15.3 of the bylaws states that the Board may appoint from among its members a Vice-Chairman who must be an individual. If the Board decides to appoint a Vice-Chairman, his term of office must not exceed his term as a Director. He may be re-elected and may be removed from office at any time by the Board.

The age limit for acting as Vice-Chairman of the Board is 75.

The Vice-Chairman replaces the Chairman if he is unable to perform his duties, in the event of either:

- temporary absence, in which case the Vice-Chairman stands in for the Chairman until he is once again able to perform his duties; or
- death, in which case the Vice-Chairman acts as Chairman until a new Chairman is elected.

A Vice-Chairman must be appointed if the positions of Chairman and Chief Executive Officer are held by one person.

Other persons attending Board of Directors' meetings

The following people attend Board of Directors' meetings in an advisory capacity: a Government Commissioner appointed by decision of the Ministry of Defense in accordance with the regulations applicable to Safran's activities, and a representative of the Central Works Council in accordance with the French Labor Code (*Code du travail*).

6 CORPORATE GOVERNANCE

Membership structure of the Board of Directors

GOVERNMENT COMMISSIONER

Éric Méresse, Controller-General of the French Armed Forces, was appointed as Government Commissioner to Safran and its subsidiaries by way of a decision of the Ministry of Defense on September 15, 2014 in accordance with the laws and regulations applicable to companies supplying military equipment under public contracts or more generally engaged in the manufacturing or trading of such equipment.

REPRESENTATIVE OF THE CENTRAL WORKS COUNCIL

Ould Bouamama (Quality & Reporting Manager within the Group's administrative and payroll Shared Services Center) was appointed on July 4, 2016 by the Central Works Council as its representative on the Board of Directors, pursuant to the terms of Article L.2323-65 of the French Labor Code.

STATUTORY AUDITORS

The Statutory Auditors are invited to attend the Board meetings during which the annual and half-year financial statements are reviewed. They may also be invited to any other Board meeting.

OTHER PERSONS

In accordance with the Board of Directors' Internal Rules, depending on the matters discussed, the Chairman of the Board of Directors may invite any person to attend Board of Directors' meetings whom he considers may be able to provide Board members with information on an agenda item.

6.2.4 Independence and diversity of the Board of Directors

Based on the independence criteria described below, seven of Safran's Directors qualify as independent.

Directors qualifying as independent⁽¹⁾

Giovanni Bisignani
Jean-Lou Chameau
Monique Cohen
Odile Desforgues
Jean-Marc Forneri
Elisabeth Lulin
Christian Streiff

Percentage of independent Directors: 53.8%

(1) In accordance with the AFEP-MEDEF Code, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.

Based on the independence criteria described below, excluding Directors representing employee shareholders and Directors representing employees, six Directors do not qualify as independent.

Directors not qualifying as independent

Reason

Ross McInnes	Chairman of the Board of Directors of Safran and previously Deputy Chief Executive Officer of Safran
Philippe Petitcolin	Chief Executive Officer of Safran
Patrick Gandil	Put forward by the French State (shareholder owning more than 10% of Safran's capital and voting rights)
Vincent Imbert	Put forward by the French State (shareholder owning more than 10% of Safran's capital and voting rights)
Xavier Lagarde	Member of the Executive Board and employee of Safran until 2011
Lucie Muniesa	Representative of the French State (shareholder owning more than 10% of Safran's capital and voting rights)

6.2.4.1 Independence of the members of the Board of Directors

INDEPENDENCE CRITERIA

Independent Directors are those who do not have any relationship whatsoever with Safran, the Group or its Management that may compromise their freedom of opinion.

A Director is deemed independent when he or she meets all of the following conditions (Article 2.4 of the Board of Directors' Internal Rules and Article 8.5 of the AFEP-MEDEF Code). An independent Director cannot:

- be, or have been during the five years preceding his/her first appointment as a Director of Safran:
 - an employee or executive corporate officer of Safran,
 - an employee, executive corporate officer or Director of a Group company, the parent company of the Company or a company consolidated by the parent company;
- be an executive corporate officer of a company in which Safran holds, directly or indirectly, a directorship or serves as a member of the Supervisory Board;
- be a corporate officer of a company in which an employee appointed as such or an executive corporate officer of Safran (currently or within the last five years) holds a directorship or serves as a member of the Supervisory Board;
- be a client, supplier, investment bank, or financing bank that is material to Safran or the Group, or for which Safran or the Group represents a significant portion of its business;
- participate, for Directors who have duties in one or more banks, in (i) preparing or soliciting offers for services from one or more of these banks with Safran or any other Group company, (ii) the work of any of these banks in the event of the performance of a mandate entrusted to said bank by Safran or any other Group company or (iii) the vote on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity;
- have any close family ties with a corporate officer of Safran or any other Group company;
- have been a Statutory Auditor of Safran in the past five years;
- be a member of the Board of Directors or have been a member of Safran's Supervisory Board for over 12 years, it being specified that members lose their status as independent Directors once the 12-year threshold is reached⁽¹⁾;
- be a major shareholder of Safran.

At each appointment of a Director, the Board of Directors examines the issue of independence with regard to the criteria set out in the Internal Rules and checks whether the applicant has significant business relations with the Group. An independence review is then carried out on an annual basis.

(1) The section of the guidelines on implementing the AFEP-MEDEF Code (revised version dated November 2016) that recommend that "members lose their status as independent Directors after 12 years" states that this recommendation applies as of the close of the Annual General Meeting held in 2017 to approve the financial statements for the year ended December 31, 2016.

INDEPENDENCE REVIEW

At its meeting on March 23, 2017, on the recommendation of the Appointments and Compensation Committee, the Board undertook a review of the independence status of its members. The findings of the review were that none of the Directors considered as independent have any direct or indirect business relations with Safran or any Group company that could jeopardize their independence. Following the review, the Board of Directors was able to confirm the independence of the Directors.

The Board of Directors relies on the following key procedures, reviewed by the Appointments and Compensation Committee, to determine independence:

- A separate annual questionnaire and a permanent obligation to inform the Board of any conflict of interest:
 - Every year, a questionnaire is sent to each independent director in particular, pursuant to which, any conflict of interest between their duties as a Director, their private interests and any other of their roles or responsibilities, must be declared, as well as any existing service contracts they benefit from with the Group.
 - Strict provisions on permanent disclosure obligations and managing conflicts of interest are included in the Board of Directors' Internal Rules and are detailed in section 6.2.5 of this Registration Document.
- Identification and a materiality test in respect of Safran's relationships with other companies and institutions for which Directors of Safran are corporate officers - A specific materiality test in respect of Safran's relationships with bank partners:

These tests mainly consist of:

- a qualitative analysis, intended to ensure that any existing business relationships are free of conflicts of interest and do not bring into question the independence of the Director, mainly through a review of the history, scale and organization of the relationship (the position of the Director concerned in the contracting company) (for Directors who have duties in one or more banks, not to have been involved in (i) preparing or soliciting service offerings of one of these banks with respect to Safran or any other Group company, (ii) the work of any of these banks in the event of the performance of a mandate entrusted to said bank by Safran or any other Group company or (iii) the vote on any resolution concerning a project in which the bank concerned is or could be involved in an advisory capacity);
- a quantitative analysis, intended to evaluate the significance of any existing business relationships to ensure that they do not result in any form of financial dependence and that they are neither exclusive nor predominant among the relationships taken as a whole (in respect to relationships with bank partners, the main flows, commitments, transactions and existing terms of office are expressed in amounts and percentages and analyzed to determine their relative weighting).

During this review, both the Board and the Appointments and Compensation Committee examined any business relations that may exist between Safran and BNP Paribas (of which Monique Cohen is a Director) and between Safran and Crédit Agricole SA (of which Christian Streiff is a Director). The Board once again concluded that both Monique Cohen and Christian Streiff have total independence of judgment in their roles as Directors of Safran. In addition, their directorships at BNP Paribas and Crédit Agricole SA respectively are non-executive positions. Any business relations that may exist between Safran and BNP Paribas or Crédit Agricole SA do not in any way jeopardize the independent Director status of either Monique Cohen or Christian Streiff.

6.2.4.2 Diversity, expertise and proportion of women on the Board of Directors

Safran strives to achieve a balanced composition for the Board and its Committees, particularly with regard to the nationality and expertise of their members.

The non-executive Directors contribute a diverse range of expertise, covering air transport, technical issues, civil and aerospace engineering, management, administration, finance, consulting, research, information technology, innovation, environmental matters, and international experience (see section 6.2.1).

The Board of Directors has five women members, which means that the proportion of women on the Board corresponds to one-third (i.e., five out of 15 members, as Directors representing employees are not taken into account in calculating this percentage).

At the Annual General Meeting on June 15, 2017, the Board of Directors will recommend a resolution to increase the number of female Directors, which, if approved, will increase the proportion of women on the Board to the 40% required pursuant to Article L.225-18-1, paragraph 1, of the French Commercial Code.

TRAINING

Directors' training takes the following different forms:

Each new Director is given a welcome pack containing the initial information they need for performing their directorship duties. This pack notably includes the schedule of Board meetings, the Code of Ethics, the Company's bylaws, the Board's Internal Rules, the Ethical Guidelines, and other documents describing the Group and its businesses, such as the most recent Registration Document. Directors are also provided with press reviews and regular reports about the Group's financial communications.

They are offered specific training sessions and in-house presentations about the Group, its businesses and industry, as well as about accounting, financial and operational issues that are specific to Safran.

The Directors are also regularly given presentations during Board meetings about the Group's operations (historical information, positioning, results, competitive environment, challenges and risks).

The Directors representing employees and employee shareholders are offered additional training, notably in the field of finance and accounting. These training sessions can also cover broader issues such as (i) the roles and responsibilities, operating procedures and rights and obligations of Boards of Directors, Board Committees and Directors in general, (ii) the Group's businesses and organizational structure, and (iii) any other topic that may enhance the skills and effectiveness of the Directors concerned in performing their Board duties.

Visits to the Group's sites both in and outside France are regularly organized so that Board members can learn about or hone their knowledge of Safran's various sites and businesses.

For example, in late October 2016, the Directors were invited to attend the ceremony held to celebrate Safran's tenth year of operations in Querétaro (Mexico). During their time in Mexico they visited:

- the French-Mexican campus for aeronautics at the Querétaro Aeronautics University (UNAQ), where students have access to wiring workshops, machining, electronics laboratories and complete engines;
- all of Safran's sites in Querétaro (six plants);
- the Group's sites in Chihuahua, where Safran Electrical & Power has the largest manufacturing facility in the world for aeronautical electrical wiring.

In addition, on November 30, 2016 the Directors met at Safran's Paris-Saclay site, where they were given presentations about several R&T projects in the areas of digital technology, future energy systems, composite materials and advanced modeling. The Board members also had the opportunity to visit the premises of Safran Tech - where the Safran Additive Manufacturing platform is installed (dedicated to the development of additive manufacturing technologies) - and Safran Analytics, whose role is to bring together and coordinate all of the Group's Big Data activities.

Regular updates are given at Board meetings about the Group's operations and strategy.

Specific meetings of the Board or the Board Committees are regularly called to discuss particular issues, such as the Audit and Risk Committee meeting about IFRS 15 and the Board meeting dedicated to the Group's R&T projects.

6.2.5 Additional disclosures about Directors

Duration of the terms of office of the members of the Board of Directors

Following the resolution adopted at the Annual General Meeting of April 23, 2015 to reduce Directors' terms of office from five to four years, Directors are now appointed for four-year terms as recommended in the AFEP-MEDEF Code.

Consequently, all of the Directors who have been appointed or re-appointed since that date have four-year terms.

This amendment to the Company's bylaws did not affect the duration of the terms of office of the other Directors, which will continue to run until the expiration date set when they were appointed (or elected in the case of Directors representing employees).

Information on service contracts between the members of the Board of Directors or Executive Management and the Company or any of its subsidiaries

There are no service contracts between the members of the Board of Directors or Executive Management and Safran or any of its subsidiaries providing for the award of benefits.

Disclosure of family ties and the absence of convictions involving members of the Board of Directors or Executive Management

To the best of Safran's knowledge:

- there are no family ties between members of the Board of Directors or Executive Management;
- no member of the Board of Directors or Executive Management:
 - has been convicted of fraud,
 - has been a manager of a company that has filed for bankruptcy or been placed in receivership or liquidation,
 - has been subject to an official public incrimination and/or sanctions by any statutory or regulatory authorities, or
 - has been disqualified by a court of law from acting as a member of an administrative, management or supervisory body, or from participating in the conduct of a company's business.

Managing conflicts of interest of members of the Board of Directors and Executive Management

Safran has not been notified of any:

- potential conflicts of interest between the duties, with respect to Safran, of any of the members of the Board of Directors or Executive Management and their private interests and/or other duties;
- arrangements or agreements with major shareholders, customers, suppliers or other parties pursuant to which any members of the Board of Directors or Executive Management were selected.

The management of conflicts of interest within the Board of Directors is organized as follows (Articles 7.2 to 7.5 of the Board of Directors' Internal Rules):

- all members of the Board of Directors must inform the Board of Directors of any actual or potential conflicts of interest between themselves (or any other individual or corporation with which they have a business relationship) and Safran, or any of the companies in which Safran holds an interest, or any of the companies with which Safran is planning to enter into an agreement of any sort;
- in the event that a member of the Board of Directors suspects the existence of a conflict of interests, or a potential conflict of interests, he/she must immediately inform the Chairman of the Board of Directors (or failing this, the Vice-Chairman), whose responsibility it is to decide whether or not a conflict of interests exists and if so to inform the Board of Directors and thus instigate the conflicts of interest management process;
- in the event that the member of the Board of Directors concerned is the Chairman of the Board of Directors him/herself, then he/she must inform the Vice-Chairman of the Board of Directors or, failing that, the Board of Directors itself;
- any member of the Board of Directors involved in an actual or potential conflict of interests related to an agreement that the Company is planning to enter into must abstain from voting on decisions relating to said agreement and from taking part in any discussions preceding the vote;
- in addition, the Chairman of the Board of Directors, the members of the Board of Directors, the Chief Executive Officer and, where appropriate, the Deputy Chief Executive Officer(s) will not be obliged to transmit, to any member(s) of the Board of Directors whom they have serious reason to suspect may be subject to conflicts of interest, any information or documents relating to the agreement or operation causing the conflict of interest in question, and they will inform the Board of Directors of the non-transmission.

6.2.6 Changes in the membership structure of the Board of Directors

6.2.6.1 Changes in the membership structure of the Board of Directors in 2016

By way of a Ministerial Decree dated February 8, 2016, the French State appointed Lucie Muniesa as its representative on Safran's Board of Directors to replace Astrid Milsan.

At the May 19, 2016 Annual General Meeting, the shareholders appointed Eliane Carré-Copin and Gérard Mardiné as Directors representing employee shareholders to replace Marc Aubry and Christian Halary whose terms of office expired at the close of that Meeting.

See sections 6.2.1 and 6.2.2 of the 2015 Registration Document for the profiles of the Directors whose terms of office ended in 2016.

6.2.6.2 Expiration dates of Directors' terms of office

As the terms of office of Giovanni Bisignani, Odile Desforges, Xavier Lagarde and Elisabeth Lulin are due to expire at the close of the Annual General Meeting to be held on June 15, 2017, a number of resolutions will be put forward at that Meeting concerning the re-appointment of these Directors or the appointment of their replacements.

The table below sets out the expiration dates of the terms of office of Safran's Directors.

Director	2017	2018	2019	2020
Ross McInnes			✓ ⁽³⁾	
Philippe Petitcolin			✓ ⁽³⁾	
Christian Streiff		✓ ⁽²⁾		
Giovanni Bisignani	✓ ⁽¹⁾			
Frédéric Bourges			✓ ⁽⁴⁾	
Eliane Carré-Copin				✓ ⁽⁵⁾
Jean-Lou Chameau			✓ ⁽³⁾	
Monique Cohen		✓ ⁽²⁾		
Odile Desforges	✓ ⁽¹⁾			
Jean-Marc Forneri		✓ ⁽²⁾		
Patrick Gandil			✓ ⁽³⁾	
Vincent Imbert			✓ ⁽³⁾	
Xavier Lagarde	✓ ⁽¹⁾			
Elisabeth Lulin	✓ ⁽¹⁾			
Gérard Mardiné				✓ ⁽⁵⁾
Daniel Mazaltarim			✓ ⁽⁴⁾	
Lucie Muniesa			N/A	

N/A: Not applicable.

(1) At the close of the Annual General Meeting to be held in 2017 to approve the 2016 financial statements.

(2) At the close of the Annual General Meeting to be held in 2018 to approve the 2017 financial statements.

(3) At the close of the Annual General Meeting to be held in 2019 to approve the 2018 financial statements.

(4) November 19, 2019.

(5) At the close of the Annual General Meeting to be held in 2020 to approve the 2019 financial statements.

6.2.6.3 Potential changes resulting from Safran's planned acquisition of Zodiac Aerospace announced on January 19, 2017

On January 19, 2017, Safran and Zodiac Aerospace announced that they had entered into exclusive negotiations for Safran to acquire Zodiac Aerospace (see section 2.5).

According to the terms and conditions of the proposed business combination, following this acquisition Safran's Board of Directors would comprise 20 members, including representatives of Zodiac Aerospace's historical shareholders as well as Zodiac Aerospace's independent Directors.

Ross McInnes would remain Chairman of the Board of Directors and Philippe Petitcolin would still be Chief Executive Officer and a Director. At the Annual General Meeting to be held on June 15, 2017, the Board of Directors will propose an amendment to Safran's bylaws in order to increase the age limit for serving as Chief Executive Officer from 65 to 68.

6.3 OPERATING PROCEDURES AND WORK OF THE BOARD OF DIRECTORS AND THE BOARD COMMITTEES

6.3.1 Board of Directors' Internal Rules

In addition to the provisions of the law and the Company's bylaws that govern its operating procedures, on April 21, 2011 the Board of Directors approved a set of Internal Rules that provide a number of specific terms and conditions relating to Board meetings, list the operations that require the Board's prior approval, define the duties and operating procedures of the Board Committees and set out the rules for allocating attendance fees between Board members based on the maximum amount set by shareholders at the Annual General Meeting. These Internal Rules are available on the Company's website (www.safran-group.com, in the Group/Governance/Board of Directors section, in French only).

The Internal Rules have been regularly updated since they were first adopted in order to take into account changes in regulations,

the AFEP-MEDEF Corporate Governance Code and Safran's internal organizational structure and operating procedures.

During 2016, the Internal Rules were updated on a number of occasions, notably to take into account:

- the completion of transactions related to Airbus Safran Launchers (see sections 1.3.1.4 and 2.1.3.1);
- the reform to audit regulations which came into effect in June 2016 (notably as a result of French government *ordonnance* 2016-315 dated March 17, 2016);
- new market abuse regulations effective since July 2016.

6.3.2 Operating procedures and work of the Board of Directors

Indicators

	2015	2016
Number of meetings	12	11
Average attendance rate	95.1%	94%
Number of Directors	17	17
Percentage of independent Directors ⁽¹⁾	53.8% (i.e., 7 out of 13)	53.8% (i.e., 7 out of 13)

(1) Excluding Directors representing employee shareholders and Directors representing employees.

Duty of confidentiality

Members of the Board of Directors and all individuals who attend meetings of the Board and its Committees are subject to strict duties of confidentiality and discretion with respect to the information provided to them in this context. The Directors must take all necessary measures to ensure that the files and documents communicated to them remain confidential.

In addition to this duty of confidentiality, Board members undertake not to make any public disclosures of information, in their capacity as Board members, relating to any issues concerning the Company and/or the Group (irrespective of whether or not such information concerns matters discussed in Board meetings), without obtaining the Chairman's prior approval. The Chairman of the Board is the only Board member who has the powers to communicate information on behalf of the Board of Directors.

Board of Directors' meetings

The Board of Directors meets at least once every quarter and meetings may be called by any means.

The agenda for Board meetings is put forward by the Board Secretary to the Chairman and reflects the work of the Board Committees and proposals made by members of the Board of Directors.

Before each meeting, the Board members receive the agenda as well as documents providing them with the information they need on the matters to be discussed during the meeting. They may request any additional documents they consider useful.

The Board of Directors' Internal Rules state that Directors may participate in meetings by video-conference or any other means of telecommunications.

6 CORPORATE GOVERNANCE

Operating procedures and work of the Board of Directors and the Board Committees

The presence of at least half of the Board's members is necessary for a meeting to be validly constituted. Decisions are made by way of a majority vote of the members present or represented and the Chairman has a casting vote in the event of a split decision.

If a Director is unable to attend a meeting, he or she may give proxy to another Board member, it being specified that each Director may only hold one proxy.

Minutes are drawn up for each Board meeting and forwarded to all members of the Board in order that they may be approved at the following meeting.

In addition, the Chairman keeps the Board of Directors informed, by any means, of all significant events concerning the Group and its financial position. The Directors receive a copy of Safran's press releases, a press review and stock market reports on Safran's share performance.

Work of the Board of Directors in 2016

The Board of Directors met 11 times in 2016, with an average attendance rate of 94%.

In accordance with the provisions of the Internal Rules, certain deliberations of the Board of Directors were prepared based on recommendations and proposals put forward by the Board Committees in their area of specialization. These Committees reported on their findings and submitted their opinions and proposals to the Board.

The main work conducted by the Board of Directors in 2016 was as follows:

CORPORATE GOVERNANCE

In 2016, the Board of Directors reviewed the membership structure of the Board and its Committees, examined the independence status of Directors, prepared the Annual General Meeting, set the compensation for the corporate officers and Directors' attendance fees and took decisions concerning the general running of the Group. The Board's work during the year also covered:

- the Group's compensation and benefits policy;
- the allocation of performance shares to over 500 Group senior managers (see section 6.6.4.2) and the Chief Executive Officer (see section 6.6.2.2);
- the membership structure of the Board, notably the expiration of the terms of office of the Directors representing employee shareholders and the terms and conditions applicable for re-appointing or replacing them;
- the self-assessment of the operating procedures of the Board and its Committees;
- the payment of an additional profit-share;
- a review of related-party agreements and commitments.

One meeting took place without any executive or in-house Directors present, notably in order to reflect on the operating procedures of the Board and its Committees, assess the performance of the corporate officers and discuss the succession plan.

In February 2017, the Board of Directors decided that a proposal to change the bylaws in order to increase the age limit for the Chief Executive Officer to 68 years would be put before the Annual General Meeting.

INDUSTRIAL AND COMMERCIAL MATTERS

At each Board meeting, an update is provided on the Group's industrial and commercial situation, and a progress report is given on programs under development.

Throughout the year, the Board was briefed by the Chief Executive Officer on the Group's significant events as well as on the general operating context for the aerospace industry, business developments, divestments, market trends, and the competitive environment.

Additionally, targeted presentations were given on certain businesses and products together with their outlook, performance and cost efficiency, as well as on the Group's R&D activities and its technological capabilities.

STRATEGY

The Board's work on strategic issues is organized by the Chairman of the Board in conjunction with Executive Management, and where necessary, with the assistance on an ad hoc basis of special committees specifically set up to analyze strategic operations or monitor preliminary studies on strategic matters (such as strategic partnerships and agreements or transactions affecting the Group's scope of consolidation). Two such special committees have been put in place, including one during 2016.

At Board meetings, the Chairman and the Chief Executive Officer regularly provide a status report on external growth projects, negotiations in progress and any difficulties encountered. The Board is given detailed presentations on strategic and M&A projects at the various stages of their development. These are followed by discussions among the Board's members and, where appropriate, give rise to decisions. Certain Board meetings may be dedicated to a particular strategic or M&A project. The Chief Executive Officer regularly gives an update on launches of new projects and structural programs.

In addition, Board meetings that take the form of strategy seminars are organized yearly. During the 2016 strategy seminar, held at Safran University, a status report was given on projects approved in 2015, and the Group's main strategic goals and action plans were reviewed.

Lastly, the Board examines on an annual basis the results of the consultation with the Central Works Council on the strategic goals set for the Company and the Group.

ECONOMIC AND FINANCIAL MATTERS

As well as approving the annual and half-year financial statements, preparing the Annual General Meeting and the Registration Document (including the Annual Financial Report) and taking other routine management decisions, in 2016 the Board monitored the Group's financing and liquidity position, reviewed the proposal put forward by the Audit and Risk Committee to re-appoint the Statutory Auditors whose terms were due to expire, oversaw the implementation of the share buyback program (as authorized by the shareholders), and validated financial communications.

In accordance with the applicable laws, the Board's prior authorization is required for guarantees, endorsements and sureties granted in Safran's name. Each year, the Board sets a blanket ceiling up to which guarantees, endorsements and sureties may be granted by the Chief Executive Officer and any commitments exceeding this ceiling must be specifically authorized by the Board. At one of its meetings in 2016, the Board set this blanket ceiling at €500 million for 2017 (with no ceiling on guarantees, endorsements and sureties given to tax and customs authorities).

Throughout the year, the Board was briefed by the Chief Executive Officer and Chief Financial Officer, notably at the quarterly business report presentations, about the Group's financial position, currency hedging strategy, financial guarantees granted to customers, and any disputes and litigation in process.

In 2016, the Board also reviewed the Group's quality improvement program and the areas pinpointed for progress, the status of the main indicators as compared with the 2016 budget, the assumptions used for the 2017 budget and the detailed analysis of this budget, as well as the medium-term business plan and the audit plans.

The Statutory Auditors attended the Board of Directors' meeting of February 24, 2016, when they reported on their audit work on the parent company and consolidated financial statements for 2015 and presented their audit findings. They certified the 2015 parent company and consolidated financial statements without qualification. They also attended the Board meeting of July 28, 2016 to present their work on the consolidated financial statements for the first half of 2016. Lastly, during the Board meeting of December 15, 2016, they presented their report on the 2016 interim dividend whose payment had to be approved by the Board.

6.3.3 Committees of the Board of Directors

The Board of Directors' Internal Rules provide for the Board's decisions regarding certain issues to be prepared by specialized committees that review matters within their remit and submit their opinions, proposals and recommendations to the Board.

The Board is assisted in its work by two permanent committees:

- the Audit and Risk Committee;
- the Appointments and Compensation Committee.

The role, organization and operating procedures of each of these standing committees are set out in the Board of Directors' Internal Rules.

In its area of expertise, each Committee carries out in-depth work and analysis prior to the Board of Directors' discussions and contributes to the preparation of the Board's decisions. It makes proposals and recommendations to the Board, and gives its opinion on the matters under review.

As such, each Committee may offer its services to the Board for the purpose of conducting internal or external studies that may provide the Board with helpful information for its decisions.

At each Board meeting, the Chair of each Committee - or any other Committee member designated if the Chair is unable to do so - reports to the Board on the Committee's work, proposals and recommendations.

The Board of Directors may set up further standing Committees at any time, at its sole discretion, and may amend the Board's Internal Rules for the purpose of specifying the roles and responsibilities, resources, membership structure and operating procedures of such new Committees. It may also set up temporary special committees, on an ad hoc basis, to analyze, deal with or monitor specific issues or projects.

The Audit and Risk Committee

INDICATORS

	2015	2016
Number of meetings	7	6
Average attendance rate	91.43%	95%
Number of members	7	6
Percentage of independent members ⁽¹⁾	75% (i.e., 3 out of 4)	75% (i.e., 3 out of 4)

(1) Excluding Directors representing employee shareholders and Directors representing employees.

6 CORPORATE GOVERNANCE

Operating procedures and work of the Board of Directors and the Board Committees

MEMBERSHIP STRUCTURE

The Audit and Risk Committee has at least three members, including its Chair. These members are selected from among the Directors, other than the Chairman of the Board of Directors, who do not have management duties within Safran.

Two-thirds of the members on this Committee, including its Chair, must be independent Directors.

In addition, in accordance with the law, at least one of the Committee's independent members must have specific skills in finance, accounting or certified public accounting.

The Audit and Risk Committee meets at least four times a year, and the Statutory Auditors are always invited to its meetings, except where a joint meeting is held with another Committee.

At December 31, 2016, the Audit and Risk Committee had six members, of which three-quarters were independent (excluding the Directors representing employee shareholders and employees in accordance with the recommendations of the AFEP-MEDEF Code and Article 28.2 of the Board's Internal Rules).

	Independent
Odile Desforges (Chair)	X
Monique Cohen	X
Elisabeth Lulin	X
G�rard Mardin�, Director representing employee shareholders	
Daniel Mazaltarim, Director representing employees	
Lucie Muniesa, Director representing the French State	

ROLES AND RESPONSIBILITIES

The main roles of the Audit and Risk Committee – which acts under the responsibility of the Board of Directors – are to examine the financial statements and address issues related to the preparation and auditing of accounting and financial information. It monitors the financial reporting process and issues any recommendations required to guarantee the integrity of the information concerned.

In this regard it is responsible for:

- reviewing the draft half-year and annual parent company and consolidated financial statements before they are submitted to the Board of Directors, and in particular:
 - ensuring that the accounting policies adopted to prepare the parent company and consolidated financial statements are relevant and are applied consistently, and
 - examining any problems encountered related to applying accounting policies;
- reviewing the financial documents issued by Safran in connection with the end of the annual and half-year reporting periods;
- reviewing draft financial statements prepared for the requirements of specific transactions, such as asset contributions, mergers, spin-offs, or payments of interim dividends;
- reviewing the financial aspects of certain operations proposed by Executive Management and submitted to the Board of Directors (some of which for prior authorization), such as:
 - capital increases,
 - equity investments,
 - acquisitions or divestments;
- assessing the reliability of the systems and procedures used to prepare the financial statements and the validity of the accounting treatment applied for major transactions;
- ensuring that the parent company and consolidated financial statements are audited by the Statutory Auditors;
- reviewing the methods and procedures used for reporting purposes and for adjusting accounting information from the Group's foreign companies.

The Audit and Risk Committee is also tasked with verifying the effectiveness of Safran's internal control and risk management systems.

In this regard it is responsible for:

- assessing, with the people responsible for such activities, the Group's internal control systems;
- reviewing, with the people responsible for such activities at Group level and with the assistance of Internal Audit:
 - internal control objectives and contingency and action plans,
 - the findings of audits and actions carried out by the relevant managers within the Group, and
 - the recommendations made and follow-up of such audits and actions, by the relevant managers;
- reviewing Internal Audit methods and results;
- checking that the procedures used by Internal Audit lead to the preparation of financial statements that:
 - present a fair view of the Company, and
 - comply with accounting rules;
- reviewing the relevance of risk analysis and monitoring procedures, ensuring the implementation of a procedure for identifying, quantifying and preventing the main risks arising in the Group's businesses;
- reviewing and managing the rules and procedures applicable to conflicts of interest; and
- reviewing the draft report of the Chairman of the Board of Directors on internal control and risk management procedures.

ROLES AND
RESPONSIBILITIES

Lastly, the Audit and Risk Committee is tasked with ensuring the effectiveness of Safran's external audits and monitoring the work of the Statutory Auditors.

In this regard it is responsible for:

- overseeing the Statutory Auditor selection procedure and issuing a recommendation on the Statutory Auditors to be put forward for appointment or re-appointment by shareholders at the Annual General Meeting;
- ensuring that the independence criteria for the Statutory Auditors are respected, drawing on information exchanges and substantiations provided by the Auditors for this purpose;
- reviewing the fees paid to the Statutory Auditors – which should not call into question their independence or objectivity;
- regularly reviewing with the Statutory Auditors:
 - the audit plans and their findings,
 - their recommendations and the follow-up thereof;
- factoring in the observations and findings issued following any audits performed by the French Accounting Oversight Board (*Haut Conseil du Commissariat aux Comptes*);
- without prejudice to the powers of the Board of Directors, approving the provision of non-audit services as authorized under the applicable regulations, including examining and validating the related methods and procedures and ensuring they are respected;
- hearing the presentation of the Statutory Auditors on their audit engagement and reporting to the Board of Directors on (i) the findings of their audit of the financial statements, (ii) how their audit contributed to the integrity of the Company's financial information, and (iii) the role that the Committee played in overseeing this process, notably based on the additional report that is prepared by the Statutory Auditors on an annual basis.

The Audit and Risk Committee reports to the Board of Directors on a regular basis on its work and immediately informs the Board of any difficulties that it may encounter. These reports are added to the minutes of the relevant Board of Directors' meetings or are included in an appendix to these minutes.

MAIN WORK
CARRIED OUT
IN 2016

The Audit and Risk Committee met six times in 2016 in order to address the above topics, with an average attendance rate of 95%.

The Statutory Auditors and the Government Commissioner attended all of these meetings.

During the meetings, the Committee:

- reviewed the half-year and annual parent company and consolidated financial statements and was briefed by the Chief Financial Officer on the Group's off-balance sheet commitments, with the attendance of the Head of Group Accounting Standards (and the possibility for the Committee to have discussions with the Statutory Auditors without any members of Executive Management being present);
- carried out a preliminary review of the 2016 results;
- reviewed the 2017 budget;
- examined the medium-term business plan;
- prepared for the Annual General Meeting of May 19, 2016 (reviewing the appropriation of profit, draft resolutions, the Board of Directors' report on the draft resolutions, related-party agreements, the management report, the Chairman's report on internal control and risk management procedures, and the draft Registration Document including the financial report);
- considered the payment of an interim dividend;
- examined the Group's risks (with the attendance of the Risk Management and Insurance Director) and its internal control and Internal Audit procedures (with the attendance of the Head of Audit and Internal Control); examined the draft 2017 audit plan; and conducted a preliminary review of the findings of the 2016 internal control audit;
- monitored the Statutory Auditors' independence, reviewed their audit fees, and examined their audit methods;
- tracked and verified the EUR/USD exchange rate and the currency hedges in place (with the attendance of the Group Treasurer);
- monitored changes in the Group's liquidity;
- reviewed the Group's financial communications, particularly related to the annual and half-year financial statements;
- examined management forecasts;
- reviewed the ceiling applicable to guarantees, endorsements and sureties;
- analyzed IFRS 15 concerning revenue recognition;
- examined the new obligations resulting from the reform of the regulations applicable to audits and the consequent changes required to the Board of Directors' Internal Rules.

The Statutory Auditors gave the Committee presentations on their work concerning the annual and half-year financial statements, internal control and audit, and the proposal to pay an interim dividend submitted to the Board of Directors for approval.

A period of 48 hours was provided for between the Committee's examination of the annual and half-year financial statements and the Board of Directors' meetings at which they were approved.

The Appointments and Compensation Committee

INDICATORS

	2015	2016
Number of meetings	4	5
Average attendance rate	96.43%	94%
Number of members	7	7
Percentage of independent members	66.66% (i.e., 4 out of 6) ⁽¹⁾	66.66% (i.e., 4 out of 6) ⁽¹⁾

(1) Excluding the Director representing employees.

MEMBERSHIP STRUCTURE

The Appointments and Compensation Committee has at least three members, including its Chairman. The majority of the members must be independent Directors.
 At December 31, 2016, the Appointments and Compensation Committee had seven members, of which four were independent (i.e., two-thirds of the Committee, not including the Director representing employees).

	Independent
Jean-Marc Forneri (Chairman)	X
Giovanni Bisignani	X
Frédéric Bourges, Director representing employees	
Jean-Lou Chameau	X
Xavier Lagarde	
Lucie Muniesa, Director representing the French State	
Christian Streiff	X

Frédéric Bourges only attends the “compensation” part of Appointments and Compensation Committee meetings.

The Chairman of the Board of Directors and the Chief Executive Officer are not members of this Committee but are involved in the work it carries out in relation to selecting and nominating candidates.

ROLES AND
RESPONSIBILITIES**Appointments**

The Appointments and Compensation Committee has the following roles and responsibilities with respect to appointments:

- assisting the Board of Directors in its choice of:
 - members of the Board of Directors,
 - members of the Committees of the Board of Directors, and
 - the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officer(s);
- selecting potential members of the Board of Directors who meet the applicable independence criteria and submitting the list of nominees to the Board of Directors;
- preparing succession plans for the positions of Chairman and Vice-Chairman of the Board, Chief Executive Officer, and, where applicable, any Deputy Chief Executive Officer(s);
- helping the Board prepare succession plans for the Group's key operations managers and support function managers.

Compensation

The Appointments and Compensation Committee is also responsible for making recommendations and proposals to the Board of Directors about compensation for which Directors may be eligible, notably:

- attendance fees;
- any other components of compensation, including the terms and conditions of any benefits payable at the end of their term of office, notably conditions based on appropriate benchmarks;
- any compensation payable to any Board Advisors (*censeurs*);
- any modifications to pension and personal risk insurance plans;
- benefits-in-kind and various financial benefits; and
- where appropriate:
 - stock option grants, and
 - free share grants.

More generally, the Appointments and Compensation Committee is also responsible for making recommendations to the Board of Directors relating to:

- the compensation policy for senior managers; and
- profit-sharing systems set up for the employees of Safran and other Group entities, including:
 - employee savings plans,
 - supplementary pension plans,
 - employee rights issues,
 - stock option and/or free share grants and any other employee share ownership arrangements.

The Appointments and Compensation Committee also makes recommendations to the Board of Directors on any performance criteria to be applied for stock option and/or free share plans, notably based on appropriate benchmarks.

In general, the Appointments and Compensation Committee is involved in preparing any resolutions submitted for shareholder approval at the Annual General Meeting that relate to the above topics.

MAIN WORK
CARRIED OUT
IN 2016

In 2016, the Appointments and Compensation Committee met five times, with an average attendance rate of 94%. The Committee's main work carried out in 2016 concerned the following:

- the compensation and benefits of the corporate officers;
- the Group's compensation policy;
- the launch of a performance share plan for over 500 Group senior managers and the Chief Executive Officer;
- setting the amount of attendance fees payable to Directors for 2015 and the aggregate maximum amount applicable as from 2016;
- the payment of an additional profit-share;
- the preparation of the Annual General Meeting and the annual Registration Document;
- amendments to the Board of Directors' Internal Rules;
- a review of the Directors' independence status;
- the membership structure of the Board of Directors and the Board Committees;
- the succession plan for corporate officers and other senior managers. In February 2017, the Appointments and Compensation Committee recommended that the Board of Directors propose a change to the bylaws in order to increase the age limit for the Chief Executive Officer to 68 years and submit it for the approval of the Annual General Meeting. It also reviewed the succession plan for Executive Committee members over different time-frames, particularly in the event of an unforeseen vacancy.

6.3.4 Summary table of attendance at meetings of the Board of Directors and the Board Committees in 2016

The following table shows the number of meetings of the Board and its Committees that took place in 2016 and the attendance rates of each Director.

Director	Board of Directors	Attendance rate (%)	Audit and Risk Committee	Attendance rate (%)	Appointments and Compensation Committee	Attendance rate (%)
Number of meetings in 2016	11	94	6	95	5	94
Ross McInnes	11	100	-	-	-	-
Philippe Petitcolin	11	100	-	-	-	-
Christian Streiff	10	91	-	-	5	100
Marc Aubry ⁽¹⁾	3/4	75	2/2	100	-	-
Giovanni Bisignani	11	100	-	-	4	80
Frédéric Bourges	11	100	-	-	3 ⁽⁵⁾	100
Eliane Carré-Copin ⁽²⁾	7/7	100	-	-	-	-
Jean-Lou Chameau	10	91	-	-	5	100
Monique Cohen	10	91	6	100	-	-
Odile Desforges	11	100	6	100	-	-
Jean-Marc Forneri	10	91	-	-	5	100
Patrick Gandil	6	55	-	-	-	-
Christian Halary ⁽¹⁾	4/4	100	2/2	100	-	-
Vincent Imbert	11	100	-	-	-	-
Xavier Lagarde	11	100	-	-	5	100
Elisabeth Lulin	11	100	6	100	-	-
Gérard Mardiné ⁽³⁾	7/7	100	3/4	75	-	-
Daniel Mazaltarim	11	100	6	100	-	-
Lucie Muniesa ⁽⁴⁾	10	91	5	83	4	80

(1) Director and a member of the Audit and Risk Committee until May 19, 2016.

(2) Director representing employee shareholders since May 19, 2016.

(3) Director representing employee shareholders and a member of the Audit and Risk Committee since May 19, 2016.

(4) Director and a member of the Audit and Risk Committee and the Appointments and Compensation Committee since February 8, 2016.

(5) Frédéric Bourges only attends the "compensation" part of Appointments and Compensation Committee meetings.

6.3.5 Self-assessment by the Board of Directors of its operating procedures

As recommended in the AFEP-MEDEF Code of Corporate Governance for Listed Corporations in France, which Safran uses as its framework Corporate Governance Code, the Board of Directors must carry out a formal self-assessment at least every three years, in order to review its operating procedures, verify that key issues are properly prepared and discussed, and measure the actual contribution of each Director to the Board's work. The self-assessment can be carried out with the help of an external consultant, overseen by the Appointments and Compensation Committee or an independent Director.

2015-2016 Formal self-assessment

At its December 17, 2015 meeting, the Board launched a formal self-assessment process of both its own operating procedures and those of its Committees. This self-assessment took the form of a questionnaire sent to the Directors and:

- included an assessment of each Director's contribution to the work of the Board; and
- encouraged Directors to suggest areas for improvement.

This questionnaire was followed up with one-on-one meetings where requested by the Directors or the Chairman.

The Board completed the assessment process at its meeting on February 24, 2016 when it discussed the main points raised and the areas for improvement that were pinpointed by the Directors.

The main findings of the process were as follows:

- Overall, the Directors felt that the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer had been successful and that in general the Board's operating procedures are very satisfactory. They particularly noted that:
 - there is a good balance between the allocation of the respective duties of the Chairman and the Chief Executive Officer, and a strong working relationship and communication between them; and
 - there is a real sense of working together among Board members, with open, high-quality discussions between the Directors and with participants who are invited to attend Board meetings, and significant efforts from executives to be as transparent and clear as possible.
- The Directors also felt that the strategy seminars are extremely beneficial as the in-depth discussions that they promote and the strategic goals decided on during these seminars are used as a basis for dealing with and continuously monitoring the strategic issues addressed at each Board meeting (via Board agenda items). In addition, they noted that the seminars are a very effective way of organizing the Board's work related to strategy as they encourage a higher degree of involvement from all of the Directors and therefore result in deeper discussions in subsequent Board meetings. The Directors also appreciated the possibility they have of setting up special committees on an ad hoc basis to monitor particular projects in view of the fact that

the Strategy and Major Projects Committee was dissolved when the Company's governance structure was changed in 2015.

- Concerning the membership structure of the Board of Directors, although some Directors felt the number of Board members was too high (compared with the average for Safran's peers) - which could affect the Board's efficiency, the speaking time available for each Director, each Director's full and equal involvement in the Board's discussions, and the collegiate nature of Board decisions - it was also noted that, in view of the requirements for representation of all of the Company's stakeholders on the Board, it would be difficult to reduce the number of Directors.

The Directors noted that the Board has a diverse range of experience and a balanced membership structure but identified the following areas for improvement: to have more representatives from large industrial groups who have an international vision, and for the Board to have a more international profile overall which would enrich the discussions among its members.

- Other suggested areas for improvement were:
 - devoting more time to presenting and deepening Directors' knowledge about the Group's main technical and industrial challenges and the future technological and strategic developments in its industry, as well as about the Group's various businesses and their key projects, programs, products and executives; and
 - further optimizing the coordination of the work carried out by the Committees and the Board, notably in terms of the time given to the Committee Chairs for presenting their reports at Board meetings.
- Lastly, as part of the self-assessment process, each Director was asked to identify the expertise and experience that they bring to the Board and what their individual contribution has been (or could be in the future) to specific topics that could enrich the work of the Board and its Committees.

2016-2017 Formal self-assessment

Feedback on the main conclusions (findings and areas for improvement) of the formal self-assessment on the operating procedures of the Board of Directors and its committees in 2016, was included on the agenda of the Board of Directors' meeting of March 23, 2017. This feedback centered on:

- a summary of the responses and comments in the questionnaire, completed and returned anonymously by the members of the Board of Directors. The questionnaire included:
 - a quantifiable section, with closed questions answered using ratings. These questions mainly dealt with the separation of the roles between the Chairman and Executive Management, the operating procedures of the Board of Directors and the duties and performance of the committees,

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Application of the AFEP-MEDEF Corporate Governance Code

- a qualitative section, encouraging Directors to make comments and suggest areas for improvement; and
- an update on action plans and progress made in respect to the main areas of improvement identified during the previous self-assessment.

Overall, the Directors rated the Board of Directors' operating procedures as very positive, and particularly expressed satisfaction with:

- the balance and allocation of the respective duties of the Chairman and the Chief Executive Officer;
- the direction and conduct of the Board of Directors;
- the operating procedures, organization and agenda of the Board of Directors' meetings; and
- the work of the Board of Directors' committees and the related reports addressed to the Board.

The Directors also noted in the self-assessment the high standard of the Board of Directors' preparation for strategic issues and

decisions, the strategy seminars, and the quality of the related files and information, as well as the work and the reports of temporary special committees set up to analyze, deal with or monitor specific issues or projects.

The update on areas of improvement identified during the previous self-assessment highlighted the related action plans in place and progress made.

The areas for improvement suggested during the most recent self-assessment included continuing to:

- encourage attendance and regular presentations on both operational and functional matters from Executive Committee members and Group management executives to the Board of Directors and its committees; and
- prioritize and optimize the time devoted to strategic considerations and discussions and critical issues.

Lastly, the Board of Directors will consider enlisting the assistance of an external consultant to carry out the self assessment for 2017-2018, as it did in 2014.

6.4 APPLICATION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

Safran uses as its corporate governance framework the AFEP-MEDEF Corporate Governance Code (see section 6.1 of this Registration Document).

Certain recommendations of the Code, or guidelines adopted subsequently for its application, have not been implemented, the reasons for which are given in the following table.

AFEP-MEDEF Code recommendations	Safran practices – Reasons
<p>Article 21. Termination of employment contract in the event of appointment as a corporate officer</p> <p>When an employee is appointed as a corporate officer, it is recommended that his or her employment contract with the Company or any other Group company should be terminated.</p> <p>This recommendation applies to the Chairman and the Chief Executive Officer of companies that have a Board of Directors.</p>	<p>Philippe Petitcolin's employment contract was suspended on April 23, 2015, when he was appointed Chief Executive Officer.</p> <p>Ross McInnes' employment contract was suspended for the duration of his term as Deputy Chief Executive Officer (i.e., from April 21, 2011 to April 23, 2015). This suspension has been extended for the duration of his term as Chairman of the Board of Directors.</p> <p>The Group has chosen to suspend, rather than terminate, employment contracts due to the fact that terminating an employment contract could deter Group employees from moving into top executive positions on account of the rights they could lose upon such termination (depending on their age and length of service with the Group). This is in line with the Group's policy of favoring internal promotion of talent wherever possible, which enables it to propose corporate officers' positions to its senior managers who have the highest-level of savoir-faire, share and relay the Group's culture and values and have an in-depth knowledge of its markets.</p>
<p>Article 22. Requirement to hold shares</p> <p>The Board of Directors should set a minimum number of shares that corporate officers are required to hold as registered shares until the end of their term of office.</p>	<p>In accordance with Article 11.1 of the Board's Internal Rules, this minimum shareholding requirement is considered satisfied when the corporate officer concerned holds units in corporate mutual funds that are invested in Safran shares, provided the number of units held in such funds represents at least 500 shares. Article 11.2 of the Internal Rules states that if stock options or performance shares are granted to corporate officers, they must keep a significant proportion of the vested shares in registered form until their duties as a corporate officer cease. The applicable proportion is set by the Board of Directors.</p> <p>The Chairman of the Board of Directors and the Chief Executive Officer were previously employees of the Group. Consequently, in their capacity as employees they acquired units – and/or invested their profit-sharing bonuses – in corporate mutual funds invested in Safran shares. In addition, some of them supplemented these investments by participating in the Safran Sharing 2014 offer (see sections 5.3.4 and 7.3.7.2 of the 2014 Registration Document).</p>

6.5 DIRECTORS' INTERESTS IN THE COMPANY'S SHARE CAPITAL

6.5.1 Compulsory shareholdings

In accordance with Article 14.5 of the Company's bylaws, each Director – other than the representative of the French State and the Directors put forward by the French State in accordance with Articles 4 and 6 of *ordonnance* 2014-948 dated August 20, 2014, Directors representing employee shareholders and Directors representing employees – is required to own a certain number of Safran shares, in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. Article 11.1 of the Board's Internal Rules states that this minimum number of shares corresponds to 500 and that the minimum shareholding obligation

can be met through units held in Group corporate mutual funds (FCPE) invested in Safran shares, provided that the number of units held is equivalent to at least 500 shares.

Article 14.8 of the bylaws and Article 11.1 of the Board's Internal Rules specify that each Director representing employee shareholders is required to hold – either individually or through a corporate mutual fund set up as part of the Group's employee share ownership plan – at least one share or a number of units in the fund equivalent to at least one share.

6.5.2 Code of Ethics

Safran has a Code of Ethics relating to share transactions and the prevention of insider trading, which was drawn up in compliance with the recommendations published by the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) and was initially adopted by the Board of Directors on July 27, 2011. The Code – which is in question-and-answer form – sets out the obligations of Group employees and corporate officers and directors, the specific measures taken by Safran to prevent insider trading, and the penalties for any failure to fulfill the stated obligations.

The Code also specifies the “blackout periods” (preceding the publication of annual and half-year results and quarterly revenue figures) during which corporate officers and directors and other insiders must refrain from carrying out transactions in Safran shares.

As well as respecting the obligations in the Code of Ethics, corporate officers and directors and other senior managers are also required to comply with the additional rules set out in an addendum to the Code, which notably prohibit speculative trading in Safran shares and state the applicable disclosure requirements in the event that such officers or managers carry out any transactions in Safran shares.

The Code of Ethics and its addendum are regularly updated by the Board in order to take into account regulatory changes, with the latest update carried out on October 27, 2016 in order to factor in the new market abuse regulations that came into effect in 2016.

Each of Safran's corporate officers and directors and other Group insiders individually receive a copy of the Code of Ethics and its addendum and are informed of the blackout periods that are determined in line with the annual financial calendar.

In order to provide information on the Code of Ethics and its addendum to all employees, an internal procedure based on these documents has been drawn up and posted on the Group's intranet, which is accessible to all employees in France and in most of the other countries where Safran operates. The blackout periods are appended to this procedure as they are set.

6.5.3 Transactions in the Company's shares carried out by Directors, corporate officers and other senior managers

The transactions carried out in 2016 in Safran shares and related financial instruments by the Company's Directors, corporate officers and other senior managers and persons having close personal links with them, as defined in paragraphs a) to c) of Article L.621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), and of which the Company is aware, are as follows:

Name	Purchase of shares (number of shares)	Sale of shares (number of shares)	Purchase of units in Group corporate mutual funds invested in Safran shares ⁽¹⁾ (number of shares corresponding to mutual fund units purchased)	Buybacks of units in Group corporate mutual funds invested in Safran shares (number of shares corresponding to mutual fund units sold)
Stéphane Abrial			344	
Frédéric Bourges			38	113
Eliane Carré-Copin			25	113
Eric Dalbiès			336	
Bernard Delpit			296	
French State		5,800,000		
Pierre Fabre			212	1,337
Christian Halary		2,000		472
Xavier Lagarde	22,349			1,587
Club Sagem ⁽²⁾		11,494,323 ⁽³⁾		
Philippe Petitcolin			525 ⁽⁴⁾	

(1) Investment of discretionary and statutory profit-share (and additional profit-share) in the Group employee savings plan - Company top-up contributions - Automatic reinvestment in the plan of dividends attached to shares invested in the plan.

(2) Person related to Xavier Lagarde (Director) within the meaning of Article L.621-18-2 c) of the French Monetary and Financial Code.

(3) Of which 1,130,000 shares sold on the market and 10,364,323 shares transferred to the partners of Club Sagem (including FCPE Avenir Sagem and Xavier Lagarde) in compensation for Club Sagem's buyback of their Club Sagem shares.

(4) For the period from January 1 to April 23, 2015, prior to the suspension of Philippe Petitcolin's employment contract.

On August 20, 2014, an *ordonnance* was issued by the French government, setting out new terms and conditions regarding French State representation on Safran's Board of Directors. Since the implementation within Safran of this *ordonnance* on April 23, 2015 (see section 6.2.3), the French State has been a member of the Board of Directors. Consequently, since that date,

all transactions in Safran shares carried out by the French State have been disclosed in the same way as transactions carried out by corporate officers. See section 7.3.4.1 for information about transactions in Safran shares carried out by the French State in 2016.

6.6 COMPENSATION POLICY FOR CORPORATE OFFICERS AND DIRECTORS AND COMPENSATION AND BENEFITS AWARDED

6.6.1 Compensation policy for corporate officers

This section constitutes the report on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, as required under Article L.225-37-2 of the French Commercial Code⁽¹⁾.

In accordance with the above Article, at the Annual General Meeting on June 15, 2017, the shareholders will be asked to approve, based on this report, the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, which together constitute the "Compensation and benefits" policies (also hereinafter referred to as the "Policy(ies)") relating to each corporate officer concerned.

Payment of the variable and exceptional components of the corporate officers' compensation for 2017 will be contingent upon shareholder approval at the Annual General Meeting to be held to approve the 2017 financial statements.

The following are described in this report:

- the principles and rules for determining the compensation and benefits packages of corporate officers;
- the Policy concerning the Chairman of the Board of Directors; and
- the Policy concerning the Chief Executive Officer, which may be adapted and applied to any Deputy Chief Executive Officer(s).

PRINCIPLES AND RULES FOR DETERMINING THE COMPENSATION AND BENEFITS OF CORPORATE OFFICERS

In the interests of the Company as well as its shareholders, employees and other stakeholders, the Policies must be competitive in order to attract, motivate and retain the best profiles and talent (which may come from within or outside the Group) for key positions.

The Policies are determined by the Board of Directors and are reviewed annually based on recommendations issued by the Appointments and Compensation Committee. The main principles applied are described below.

Compliance

The Policies are drawn up by reference to the AFEP-MEDEF Code, which recommends applying the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality.

Comprehensiveness – Balance

All components of compensation and benefits should be exhaustively analyzed on a component-by-component basis and an overall consistency analysis should then be performed in order to ensure that the best balance is achieved between these components.

Alignment of interests – Transparency

Compensation and benefits packages need to take into account the necessity for companies to attract, motivate and retain talent but also the interests of shareholders and other stakeholders, notably in relation to transparency and performance criteria.

Proportionality, comparability and competitiveness

Compensation levels should be set in line with the duties and responsibilities assigned to the officer concerned as well as the work performed and the results achieved.

Market practices should also be taken into account.

Safran regularly carries out benchmark surveys, assisted by consulting firms, in order to measure the levels and structures of its compensation packages compared with panels of peer companies selected for their size and international scope. The surveys are performed both for the French market, in which case the peer companies comprise large industrial groups, and for the international market (the Aerospace, Technology and Defense sectors). The composition of these panels is regularly reviewed and may change in order to factor in changes in the structure or operations of the Group or of the peer companies concerned.

The benchmark surveys are used as the basis for analyzing, and making any changes to, the components of the compensation and benefits of each corporate officer.

Governance

The Appointments and Compensation Committee verifies that all of the principles described above are properly applied, both for the purpose of the Committee's work in general and for the recommendations it makes to the Board in relation to drawing up the Policies and implementing them for setting the amounts or values of compensation and benefits packages.

(1) As amended by French Act 2016-1691 of December 9, 2016 relating to transparency, anti-corruption measures and modernization of the economy.

6.6.1.1 Compensation policy for the Chairman of the Board of Directors

At the date of this Registration Document, this policy solely concerns Ross McInnes in his role as Chairman of the Board of Directors.

COMPENSATION PACKAGE STRUCTURE

The structure of the compensation package of the Chairman of the Board of Directors (who is a non-executive Director) comprises, on a recurring basis, annual fixed compensation (cash-settled) and attendance fees. This structure is in line with the policy put in place for and applied in 2016.

The Chairman of the Board of Directors does not receive any annual or multi-year variable compensation and he is not a beneficiary under any long-term compensation plans (performance share plans).

The compensation and benefits awarded to the Chairman of the Board of Directors or for which he is eligible are described below.

ANNUAL FIXED COMPENSATION

The Chairman of the Board's annual fixed compensation takes into account the responsibilities required for this type of corporate office as well as the individual qualities of the holder of the position and the benchmark surveys carried out by the Company.

Consequently it is set based on the following:

- the Chairman of the Board's roles and responsibilities, which are provided for by law, Safran's bylaws and the Board of Directors' Internal Rules, and are aimed at ensuring that the Company is governed effectively and that its various governing bodies (Board of Directors and the Board Committees and Shareholders' Meetings) operate properly;
- any specific assignments allocated by the Board of Directors and which the Chairman of the Board carries out in cooperation with Executive Management;
- the Chairman of the Board's individual skills, experience, expertise and background;
- benchmark surveys related to compensation payable for comparable duties and companies.

The Board of Directors has decided that, as a general rule, the Chairman of the Board's annual fixed compensation may only be revised on the expiration of his term of office. However, as an exception to this rule, his compensation may be revised during his term and before his re-appointment if the scope of his duties as Chairman of the Board changes significantly - which could be related to changes within the Company itself - or if a major difference is identified compared with market practices. Any adjustments made to his annual fixed compensation as a result of any specific circumstances would be publicly disclosed.

For information purposes, the current Chairman of the Board of Directors' fixed compensation is set out in section 6.6.2.1 of this Registration Document.

ATTENDANCE FEES

The attendance fees received by the Chairman of the Board of Directors are allocated in accordance with the rules applicable to all Directors, as determined by the Board and set out in its Internal Rules (see sections 6.6.3.1 and 6.6.2.1). These allocation rules provide for a higher amount of variable fees per meeting for the Chairman than for the other Board members.

NO ANNUAL VARIABLE COMPENSATION, MULTI-YEAR VARIABLE COMPENSATION OR LONG-TERM INCENTIVE PLAN

In line with his position as a non-executive Director, the Chairman of the Board of Directors does not receive any annual short-term variable compensation (cash-settled) or any multi-year variable compensation, and he is not a beneficiary under any long-term compensation plans (performance share plans).

EXCEPTIONAL COMPENSATION

The Board has decided that, if it tasks the Chairman of the Board of Directors with any special assignments (carried out in coordination with Executive Management), he may be paid exceptional compensation, but only if such assignments relate to strategic transactions that are structurally significant for the Group and, as a result of their specific characteristics and scale, do not fall within the scope of its routine operations. If the Board decides to allocate its Chairman any exceptional compensation:

- its amount will be set on a case-by-case basis by the Board, based on the recommendation of the Appointments and Compensation Committee and taking into account the circumstances underlying the reasons for its allocation and the particular involvement of the Chairman, and it may not be paid until it is approved by shareholders at an Ordinary General Meeting;
- the Board's decision will be publicly disclosed immediately after it has been made;
- the Board will be required to disclose the circumstances of and reasons for its allocation.

BENEFITS-IN-KIND

The Chairman of the Board of Directors has the use of a company car.

He is also entitled to be reimbursed for expenses incurred in connection with his role as Chairman and he is provided with the material resources required for performing his duties.

OTHER BENEFITS SUBJECT TO THE PROCEDURE FOR RELATED-PARTY COMMITMENTS

In accordance with the applicable law, the benefits described below for which the Chairman of the Board of Directors is currently eligible - and for which he was also eligible prior to his appointment as Chairman - have been approved by shareholders in a General Meeting by way of the special vote required for related-party commitments.

For information purposes, Ross McInnes' employment contract with Safran has been suspended since April 21, 2011 rather than being terminated (see section 6.4). The Board opted for this solution as it enables in-house executives who have extensive experience (often associated with their length of service with the Group) to move into corporate officer positions without losing the rights and entitlements they have gradually built up over the years. If their employment contract were terminated they would lose such rights and entitlements, which would deter them from taking up such a position.

Supplementary pension plan

No specific supplementary pension plan has been set up for the Chairman of the Board of Directors. However, he may be a beneficiary under such a plan if the Board of Directors:

- authorizes the Chairman to join the plan; or
- authorizes him to continue to be a beneficiary if he was already a beneficiary prior to his appointment as Chairman.

Any such authorization must be submitted to a shareholder vote in a General Meeting in accordance with the procedure applicable for related-party commitments (Article L.225-42-1 of the French Commercial Code).

For information purposes, when the current Chairman of the Board was appointed on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39) and the defined contribution supplementary pension plan (Article 83) set up within the Group in France (subject to the same terms and conditions as the other plan members). The commitments given by the Company to enable Mr. McInnes to continue to be a beneficiary under these plans were approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code (see section 6.6.2.1).

Changes to supplementary pension plans in 2017

The Board of Directors considers it necessary to supplement the statutory basic and top-up pension plans of its senior managers.

The benchmark surveys carried out in relation to comparable groups in France showed that this component of Safran's compensation policy is not sufficiently competitive to attract and retain the best talent. This is particularly important because:

- as a result of its demographic profile, in the coming years the Group will need to recruit senior managers in the international market, which is highly competitive; and
- like other groups, Safran will probably have to deal with higher turnover of managerial-grade staff in the future than is currently the case.

Consequently, the Board decided to modify its supplementary pension plans in order to align them with future needs, bring them more into line with market practices and enhance the Group's appeal.

The underlying aim of these changes is to increase the replacement rate of the managerial-grade staff concerned (when they take their pension after 20 years' worth of contributions) as compared with what they would potentially have received under other existing plans (statutory and supplementary). This will be achieved by putting in place new defined contribution plans (without a guaranteed replacement rate).

The new pension system comprises three stages (see section 6.6.2.1 of this Registration Document):

- closing the current defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries' entitlements as at December 31, 2016;
- putting in place an additional component of the current defined contribution plan (Article 83), effective from January 1, 2017, in order to improve the returns from this plan; and
- setting up a new defined contribution plan (Article 82), effective from January 1, 2017.

For information purposes, at its meeting on March 23, 2017, the Board decided that the current Chairman of the Board could be a beneficiary under this new system (see section 6.6.2.1). This commitment will be submitted to a shareholder vote at the June 15, 2017 Annual General Meeting.

Personal risk insurance plan

The Chairman of the Board of Directors is a beneficiary under the personal risk insurance plan set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members.

Indemnities or benefits payable for termination of office, change in duties, or non-compete agreements

The Chairman of the Board of Directors is not eligible for any indemnities or benefits if his office is terminated or if there is a change in his duties. Similarly, he is not entitled to any non-compete indemnity.

6.6.1.2 Compensation policy for the Chief Executive Officer

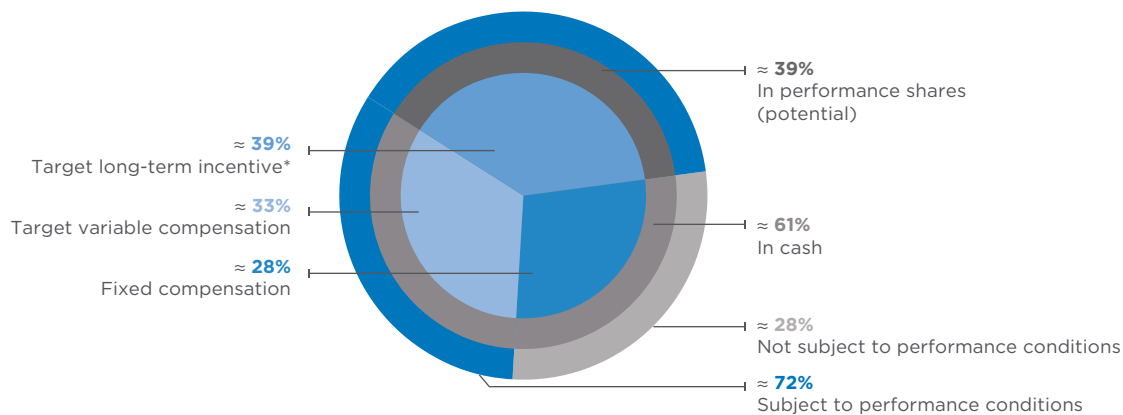
At the date of this Registration Document, this policy solely concerns Philippe Petitcolin in his role as Safran's Chief Executive Officer.

COMPENSATION PACKAGE STRUCTURE

The structure of the Chief Executive Officer's compensation package comprises, on a recurring basis, annual fixed compensation (cash-settled), as well as annual variable compensation and performance shares awarded under a long-term incentive plan. This structure reflects the policy set up and implemented in 2016 and which is applied to all of the Company's senior managers as adapted to each individual.

The underlying aim is to closely align the Company's interests with those of its shareholders by achieving a balance between short-term and long-term performance, as assessed by the Board of Directors. Compensation subject to performance conditions accounts for the largest proportion of the Chief Executive Officer's overall compensation package.

PRESENTATION OF THE CHIEF EXECUTIVE OFFICER'S RECURRING COMPENSATION STRUCTURE



* Value at grant date measured in accordance with IFRS

The compensation and benefits awarded to the Chief Executive Officer or for which he is eligible are described below.

ANNUAL FIXED COMPENSATION

The Chief Executive Officer's annual fixed compensation takes into account the responsibilities required for this type of corporate office as well as the individual qualities of the holder of the position and the benchmark surveys carried out by the Company.

Consequently it is set based on the following:

- the level and complexity of the assignments and responsibilities related to the position, in view of the fact that the Chief Executive Officer has the broadest powers to act in all circumstances in the Company's name and to represent the Company in its dealings with third parties;
- the Chief Executive Officer's individual skills, experience, expertise and background;
- benchmark surveys related to compensation payable for comparable duties and companies.

The Board of Directors has decided that, as a general rule, the Chief Executive Officer's annual fixed compensation may only be revised on the expiration of his term of office. However, as an exception to this rule, his compensation may be revised during his term and before his re-appointment if the scope of his duties as Chief Executive Officer changes significantly - which could be related to changes within the Company itself - or if a major difference is identified compared with market practices. Any adjustments made to his annual fixed compensation as a result of any specific circumstances would be publicly disclosed.

The Chief Executive Officer's annual fixed compensation is used as a reference for determining the target and maximum percentages of his annual variable compensation and the valuation of his compensation under the long-term incentive plan.

For information purposes, the current Chief Executive Officer's fixed compensation is set out in section 6.6.2.2 of this Registration Document.

ANNUAL VARIABLE COMPENSATION

Objectives of and principles used to determine the Chief Executive Officer's annual variable compensation

The principle of annual variable compensation is used to incentivize the Chief Executive Officer to achieve the annual performance

targets that are set for him by the Board of Directors in line with Safran's overall business strategy.

The potential amount of this variable compensation is determined taking into account market practices and it corresponds to a percentage of his fixed compensation, as recommended in the AFEP-MEDEF Code. It is contingent on achieving pre-defined performance levels based on a number of objectives which are collective and individual, financial and non-financial, and quantitative and qualitative. The objectives relate to key indicators that reflect the Group's overall performance as well as the contribution expected from the Chief Executive Officer, in line with Safran's overall business strategy.

During the first quarter of each year, acting on the recommendations of the Committee responsible for compensation, the Board of Directors either confirms or sets these objectives as well as their weighting and the applicable performance levels, i.e.:

- the lowest performance level, under which no variable compensation is paid;
- the target level, corresponding to when an objective is reached; and
- the maximum level applicable if an objective is exceeded.

The quantitative financial performance objectives - which are based on financial indicators - are set precisely, by reference to the budget approved in advance by the Board of Directors, and are subject to the performance thresholds set out above. The achievement rates for these objectives are disclosed once the related performance levels have been assessed.

Detailed description of the Chief Executive Officer's annual variable compensation

The Board of Directors has decided that the Chief Executive Officer's variable compensation will be based on the following:

Target annual variable compensation and maximum amount ("Cap")

The Chief Executive Officer's "target" variable compensation, i.e., the amount payable if the achievement rate is 100% for all of the financial and individual performance objectives set out below, corresponds to 117% of his annual fixed compensation (the "Target").

If the Chief Executive Officer outperforms his objectives, his "maximum" variable compensation (i.e., the amount payable if the achievement rate is 130% for all of the financial and individual

performance objectives set out below) will correspond to 130% of the Target, representing 152% of his annual fixed compensation (the “Cap”).

Structure

The Chief Executive Officer’s annual variable compensation is determined as follows:

- two-thirds is contingent on quantitative financial performance objectives based on recurring operating income (ROI)⁽¹⁾ ⁽²⁾, free cash flow (FCF)⁽³⁾ and working capital, calculated by reference to operating assets (Inventories)⁽⁴⁾ and unpaid receivables (Doubtful Debts)⁽⁵⁾;
- one-third is contingent on quantitative and qualitative individual objectives.

This annual variable compensation structure is also used for the Group’s senior managers, adapted to each individual.

Quantitative financial performance objectives

The following parameters apply:

- Weightings:
 - ROI: 60%,
 - FCF: 30%, and
 - working capital: 10%, with 5% based on Inventories and 5% based on Doubtful Debts;
- Triggering thresholds (Thresholds) based on the objectives in the annual budget (Objective(s)):
 - 80% of the ROI Objective,
 - 65% of the FCF Objective,
 - 135% of each of the working capital Objectives, i.e., Inventories and Doubtful Debts (if the level is higher than 135% for either of these Objectives, no variable compensation will be due as anything over 135% for these two metrics corresponds to under-performance);
- Calculation methods for the Thresholds and Caps:
 - the Threshold for each performance metric triggers the entitlement to variable compensation (starting at 0 from the Threshold to 100% if the budget Objective is achieved);
 - if an Objective is exceeded, the variable compensation allocated in respect of that Objective will be increased beyond 100% in proportion to the extent to which the Objective is exceeded, but capped at a maximum of 130% irrespective of the extent to which the Objective is exceeded. Consequently:
 - if 130% (or more) of the ROI Objective is achieved, 130% of the Target will be payable, corresponding to the Cap for this metric,
 - if 130% (or more) of the FCF Objective is achieved, 130% of the Target will be payable, corresponding to the Cap for this metric,
 - if 70% (or less) of each of the working capital Objectives is achieved (Inventories and Doubtful Debts), 130% of the Target will be payable, corresponding to the Cap for each of these metrics.

(1) Adjusted recurring operating income (see section 2.1.2 of this Registration Document).

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

(3) Free cash flow (see section 2.2.3 of this Registration Document) is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.

(4) Inventories and work in progress, as described in Note 1.n. in section 3.1 and broken down in Note 15 in section 3.1 of this Registration Document.

(5) Receivables unpaid at their due date, as measured at the end of the reference period.

Based on these indicators, an overall percentage achievement level of the financial objectives is obtained which is then applied for determining the amount due.

The applicable indicators are set by the Board of Directors in the first quarter of the year concerned and they may be changed from one year to the next.

Individual objectives (qualitative and quantitative)

These objectives are set by the Board of Directors and relate to strategic, business and managerial areas that are specific to the coming year. For example, they can be based on the implementation of strategic decisions validated by the Board of Directors, major industrial and commercial developments and programs, organizational and management measures or initiatives that factor in the Group’s CSR and sustainable development policy.

These objectives are not related to routine tasks but to specific actions for which the Board of Directors expects a particular level of performance.

One-third of the Chief Executive Officer’s individual objectives must be quantitative.

For information purposes, the current Chief Executive Officer’s individual objectives for 2017 are set out in section 6.6.2.2 of this Registration Document.

Payment condition

In accordance with the law, as from the amount due for 2017 and payable in 2018, the payment of the Chief Executive Officer’s annual variable compensation will be subject to approval by the shareholders in an Ordinary General Meeting.

Appointment or termination of duties

If the Chief Executive Officer is appointed or his duties are terminated during the course of a year, the above principles will apply on a proportionate basis for the period during which he performs his duties. However, if an appointment takes place during the second half of the year, the assessment of the Chief Executive Officer’s performance will be carried out by the Board of Directors on a discretionary basis, on the recommendation of the Committee responsible for compensation.

LONG-TERM INCENTIVE PLAN (PERFORMANCE SHARE GRANTS)

Objective

The Board of Directors considers that the long-term incentive system – which also applies to other key positions within the Company – is particularly suited to the position of Chief Executive Officer in view of the direct contribution expected from him to the Group’s long-term performance. In addition, the system is based on performance share grants which strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders. These share grants are also in line with the Board’s strategy of linking the incentives of senior managers to Safran’s share performance – with the inherent risks and rewards that this involves – in order to encourage long-term reasoning in their actions.

6 CORPORATE GOVERNANCE

Compensation policy for corporate officers and Directors and compensation and benefits awarded

The Board of Directors may only grant performance shares if it has been given the necessary authorizations by way of a two-thirds majority vote of shareholders in an Extraordinary General Meeting.

Detailed description of performance share grants

Performance share grants made to the Chief Executive Officer are subject to the following principles and criteria:

Cap

The number of performance shares granted to the Chief Executive Officer may not:

- represent more than the equivalent of 140% of his annual fixed compensation, based on the accounting value, in accordance with IFRS 2⁽¹⁾, estimated prior to the grant;
- exceed 5% of the total performance shares making up each grant. In addition, the resolutions submitted to shareholders in an Extraordinary General Meeting for the purpose of authorizing such grants will set a maximum percentage of the Company's capital that the performance shares may represent.

Performance conditions

Performance shares granted to the Chief Executive Officer will only vest if the relevant internal and external performance conditions are met. The achievement of these conditions will be assessed over three full consecutive fiscal years, including the year in which the performance shares are granted.

The **two internal performance conditions** count for 70% of the total vested shares and are based on:

- ROI, for 35%;
- FCF, for 35%;
- the achievement levels for these conditions are measured by reference to the average of the targets for ROI and FCF set for the fiscal year in which the grant takes place and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels have been set for these conditions:
 - lowest achievement level: if 80% of the MTP target is achieved, 40% of the shares contingent on that target will vest,
 - target achievement level: if 100% of the MTP target is achieved, 80% of the shares contingent on that target will vest,
 - highest achievement level (cap): if 125% of the MTP target is achieved, 100% of the shares contingent on that target will vest,
 - between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned will vest.

The **external performance condition** counts for 30% of the total vested shares and is based on Safran's total shareholder return (TSR) performance as measured relative to a panel of peer companies operating in the same business sectors as Safran. The

composition of this panel of peer companies may change in order to factor in changes in the structure or operations of the Group or of the peer companies concerned.

The following achievement levels have been set for this condition:

- lowest achievement level: if Safran's TSR is equal to that of the peer companies, 40% of the shares contingent on the external performance condition will vest;
- target achievement level: if Safran's TSR is 8 points higher than that of the peer companies, 80% of the shares contingent on the external performance condition will vest;
- highest achievement level: if Safran's TSR is 12 points higher than that of the peer companies, 100% of the shares contingent on the external performance condition will vest;
- between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the external performance condition will vest.

Under the rules of the performance share plan, the shares will only vest if the beneficiary still forms part of the Group on the vesting date, apart from in a limited number of cases (death, disability, retirement of the beneficiary or a specific decision by the Board of Directors).

Vesting and lock-up periods

The shares granted to the Chief Executive Officer are subject to a vesting period set by the Board of Directors, which may not be less than three years.

In addition, any shares granted to the Chief Executive Officer will be subject to a lock-up period of at least one year following their vesting date.

Other conditions

The Chief Executive Officer:

- is required to hold in registered form a proportion of his vested shares, as set by the Board of Directors, until his term of office as Chief Executive Officer ends.

The Board has decided that following the lock-up period and until his term of office ends, the Chief Executive Officer will be required to hold in registered form 40% of the vested performance shares granted to him under performance share plans, until the number of shares he holds represents the equivalent of one year of his most recent annual fixed compensation;
- must give a formal undertaking to refrain from using instruments to hedge the risks related to these shares until after the end of the lock-up period.

For information purposes, information on performance share grants made to the Chief Executive Officer during the year is provided in section 6.6.2.2 of this Registration Document.

MULTI-YEAR VARIABLE COMPENSATION

The Board of Directors has decided not to put in place a multi-year variable compensation plan as it considers that share-based payments such as performance share grants are more in line with shareholders' interests (see the long-term incentive plan above).

(1) See Note 1.q. in section 3.1 of this Registration Document.

EXCEPTIONAL COMPENSATION

The Board has decided that the Chief Executive Officer may be paid exceptional compensation if he carries out strategic transactions that are structurally significant for the Group and, as a result of their specific characteristics and scale, do not fall within the scope of the business objectives for which the Chief Executive Officer is remunerated by way of his annual variable compensation. If the Board decides to allocate the Chief Executive Officer any exceptional compensation:

- its amount will be set on a case-by-case basis by the Board, based on the recommendation of the Appointments and Compensation Committee and taking into account the circumstances underlying the reasons for its allocation and the particular involvement of the Chief Executive Officer, and it may not be paid until it is approved by shareholders at an Ordinary General Meeting;
- the Board's decision will be publicly disclosed immediately after it has been made;
- the Board will be required to disclose the circumstances of and reasons for its allocation.

ATTENDANCE FEES

As the Chief Executive Officer is a Director, he receives attendance fees based on the allocation rules defined by the Board of Directors and set out in the Board's Internal Rules. These rules apply to all of the Company's Directors and are presented in sections 6.6.3.1 and 6.6.2.2 of this Registration Document.

BENEFITS-IN-KIND

The Chief Executive Officer has the use of a company car.

He is also entitled to be reimbursed for expenses incurred in connection with his role as Chief Executive Officer and he is provided with the material resources required for performing his duties.

OTHER BENEFITS SUBJECT TO THE PROCEDURE FOR RELATED-PARTY COMMITMENTS

In accordance with the applicable law, the benefits described below for which the Chief Executive Officer is currently eligible – and for which he was eligible prior to his appointment as Chief Executive Officer – have been approved by shareholders in a General Meeting by way of the special vote required for related-party commitments.

For information purposes, Philippe Petitcolin's employment contract with Safran has been suspended since April 23, 2015 rather than being terminated (see section 6.4). The Board opted for this solution as it enables in-house executives who have extensive experience (often associated with their length of service with the Group) to move into corporate officer positions without losing the rights and entitlements they have gradually built up over the years. If their employment contract were terminated they would lose such rights and entitlements, which would deter them from taking up such a position.

Supplementary pension plan

No specific supplementary pension plan has been set up for the Chief Executive Officer.

However, he may be a beneficiary under such a plan if the Board of Directors:

- authorizes the Chief Executive Officer to join the plan; or
- authorizes him to continue to be a beneficiary if he was already a beneficiary prior to his appointment as Chief Executive Officer.

Any such authorization must be submitted to a shareholder vote in a General Meeting in accordance with the procedure applicable for related-party commitments (Article L.225-42-1 of the French Commercial Code).

For information purposes, when the current Chief Executive Officer was appointed on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39) and the defined contribution supplementary pension plan (Article 83) set up within the Group in France (subject to the same terms and conditions as the other plan members). The commitments given by the Company to enable Mr. Petitcolin to continue to be a beneficiary under these plans were approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code (see section 6.6.2.1).

Changes to supplementary pension plans in 2017

The Board of Directors considers it necessary to supplement the statutory basic and top-up pension plans of its senior managers and has therefore decided to modify its supplementary pension system, as described in section 6.6.1.1 of this Registration Document.

For information purposes, at its meeting on March 23, 2017, the Board decided that the current Chief Executive Officer could be a beneficiary under this new system (see section 6.6.2.2). This commitment will be submitted to a shareholder vote at the June 15, 2017 Annual General Meeting.

Personal risk insurance plan

The Chief Executive Officer is a beneficiary under the personal risk insurance plan set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members.

Indemnities or benefits payable for termination of office, change in duties, or non-compete agreements

The Chief Executive Officer is not eligible for any indemnities or benefits if his office is terminated or if there is a change in his duties. Similarly, he is not entitled to any non-compete indemnity.

ADAPTATION OF THE POLICY FOR DEPUTY CHIEF EXECUTIVE OFFICERS

If the Company appoints any Deputy Chief Executive Officers, the compensation structure, principles and criteria set out in the "compensation and benefits" policy for the Chief Executive Officer would apply to them. The Board of Directors would then adapt this policy in line with the specific situation of the Deputy Chief Executive Officer concerned in order to set the objectives, performance levels, indicators, and structure of their compensation packages and the maximum that their variable compensation may represent as a proportion of their annual fixed compensation (it being specified that this proportion and the amount of their fixed annual compensation may not be higher than those set for the Chief Executive Officer).

6.6.2 Compensation and benefits of corporate officers for 2016 (and components of compensation and benefits for 2017 that have already been approved)

The following section sets forth the compensation and benefits of the Chairman of the Board of Directors and the Chief Executive Officer for 2016, as well as those components of their compensation and benefits for 2017 which have already been approved by the Board of Directors as of the date of this Registration Document.

6.6.2.1 Compensation and benefits of the Chairman of the Board of Directors for 2016 (and components of compensation and benefits for 2017 that have already been approved)

In his role as Chairman of the Board of Directors, in 2016 Ross McInnes received a fixed amount of annual compensation and attendance fees. He does not receive any variable compensation. Ross McInnes continued to be a beneficiary under the Group's personal risk insurance plan and supplementary pension plan, subject to the same terms and conditions as the other plan members. In addition, he had the use of a company car as a benefit-in-kind.

The structure of Ross McInnes' compensation package for 2016 was the same as for 2015, as described in the compensation policy for the Chairman of the Board of Directors in section 6.6.1.1 of this Registration Document.

The compensation and benefits of the Chairman of the Board of Directors are summarized in the tables in section 6.6.2.3 of this Registration Document.

FIXED COMPENSATION FOR 2016 AND 2017

At its meeting of February 24, 2016, the Board decided to keep the Chairman of the Board's gross annual fixed compensation at €350,000 for 2016, unchanged from 2015.

At its meeting of February 23, 2017, the Board approved the recommendation of the Appointments and Compensation Committee and decided to keep Ross McInnes' gross annual fixed compensation at €350,000 for 2017. This amount has remained unchanged since he was appointed as Chairman of the Board in 2015.

ATTENDANCE FEES

Ross McInnes receives attendance fees based on the allocation rules defined in the Board of Directors' Internal Rules (see section 6.6.3.1).

His attendance fees for 2016, as approved by the Board on February 23, 2017, amounted to €65,000.

DEFINED BENEFIT SUPPLEMENTARY PENSION PLAN

No specific supplementary pension plan has been set up for the Chairman of the Board of Directors.

When Ross McInnes was appointed as Chairman of the Board of Directors, the Board decided to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39⁽¹⁾) set up for Group senior managers in France, which took effect on January 1, 2014. Mr. McInnes was previously a beneficiary under the plan in his former capacity as Deputy Chief Executive Officer following a decision made by the Board of Directors.

The commitment given by the Company to enable Mr. McInnes to continue to be a beneficiary under the plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The methods used to calculate the annual retirement benefits payable to the Chairman are exactly the same as for the other plan members, namely:

- the amount of the benefits will be calculated based on the average compensation over the last three years before retirement and will take into account the seniority of the beneficiary concerned within the category of top executives (*hors statut*) and officers (with at least five years of service), and will be equal to 1.8% of this reference compensation per year of seniority, capped at 18%;
- the total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation;
- the annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid (the applicable ceiling in 2017 is €39,228);
- the payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

Accordingly, the potential annual retirement benefits to which Ross McInnes would be entitled, provided he meets the above conditions, would be capped at three times the annual social security ceiling, i.e., €117,684 per year based on the ceiling applicable in 2017.

During the phase when the retirement benefits accrue, the taxes and social security contributions payable by Safran correspond to 24% of the premiums paid to the insurer under this plan.

At December 31, 2016, the estimated theoretical amount⁽²⁾ of the annual retirement benefits that could be paid to Ross McInnes under the defined benefit supplementary pension plan was €117,142.

OTHER: PERSONAL RISK INSURANCE PLAN AND DEFINED CONTRIBUTION SUPPLEMENTARY PENSION PLAN

When Ross McInnes was appointed as Chairman of the Board of Directors on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary under Safran's personal risk insurance plan and the defined contribution supplementary pension plan (Article 83) set up in France for all Group managerial-grade staff (subject to the same terms and conditions as the other plan

(1) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code (*Code de la sécurité sociale*).

(2) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2017, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

members). Mr. McInnes was previously a beneficiary under these plans in his former capacity as a Company employee, then as Deputy Chief Executive Officer following a decision made by the Board of Directors.

The commitment given by the Company to enable Mr. McInnes to continue to be a beneficiary under these plans was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The contributions to the plans are based on the compensation that Ross McInnes receives for his role as Chairman of the Board of Directors. In 2016, the corresponding expenses recorded in Safran's financial statements totaled €5,926.32 for the personal risk insurance plan and €11,204.41 for the defined contribution supplementary pension plan.

At December 31, 2016, the estimated theoretical amount⁽¹⁾ of the annual retirement benefits that could be paid to Ross McInnes under the defined contribution supplementary pension plan was €5,414.

CHANGES TO SUPPLEMENTARY PENSION PLANS IN 2017

For the reasons set out in section 6.6.1.1. above, the Board of Directors has decided to change the supplementary pension system applicable to Safran's managerial-grade staff as from January 1, 2017.

The new system comprises three stages:

- closing the current defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries' entitlements;
- putting in place an additional component of the current defined contribution plan (Article 83); and
- setting up a new defined contribution plan (Article 82).

Closing the defined benefit plan to new entrants and freezing existing entitlements (Article 39)

Only beneficiaries who have five years of service with the Group at December 31, 2017 will be eligible to receive benefits under this plan (a closed group).

Their benefit entitlements will remain subject to the terms and conditions set when the plan was originally put in place.

Conditional entitlements under the plan will be frozen as at December 31, 2016. Consequently, for members of the closed group:

- the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions); and
- the length of service taken into account for the plan will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date.

To compensate for the closure of this plan, new plans will be set up for senior managers in France as from January 1, 2017 in addition to the defined contribution plan (Article 83) already in place.

Implementation of a mandatory collective defined contribution plan (Additional Defined Contribution Plan, Article 83)

This plan will apply to all managerial-grade staff whose gross annual compensation for the calendar year preceding the

assessment date (Y-1) is equal to or higher than four times the social security ceiling (PASS) for Y-1.

The contributions will be based on Tranches A, B and C of compensation as defined for the calculation of statutory top-up pensions (ARRCO-AGIRC plans).

Entitlements under the plan will accrue in return for the payment of monthly contributions representing 6% of Tranche A, 6% of Tranche B and 6% of Tranche C. All of these monthly payments are borne in full by the Company (in addition to the 2% contribution already paid by the Company under the existing defined contribution supplementary pension plan, Article 83).

The taxes and social security contributions on the monthly payments are also borne in full by the Company.

Implementation of a voluntary collective defined contribution plan (Article 82)

Unlike for the Company's defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits.

It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives (*hors statut*) whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short-term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue, the plan provides for:

- payment by the Company to an insurer of monthly contributions, the rate of which is set based on the beneficiary's reference compensation for year Y-1 (Insurer Contribution) and may amount to up to 12.73% of that reference compensation;
- payment by the Company to the beneficiary of a cash amount corresponding to the Insurer Contribution (Additional Payment). The plan provides for up-front taxation so that the capital accrued and received on beneficiaries' retirement is net of tax and social security contributions.

The above payments are borne in full by the Company and subject to social security contributions in the same way as salaries.

Application to the Chairman of the Board of Directors

At its meeting on March 23, 2017, the Board of Directors decided that the current Chairman of the Board could be a beneficiary under the new supplementary pension plan system. This commitment will be submitted for shareholder approval at the June 15, 2017 Annual General Meeting.

Concerning the voluntary collective defined contribution plan (Article 82), the Insurer Contribution and the Additional Payment to the Chairman of the Board for 2017 will each correspond to 11.29% of his reference compensation (i.e., a total of 22.58%). These amounts are estimated to represent €57,690 each (i.e., a total of €115,381).

The expenses payable by Safran under the Additional Defined Contribution Plan (Article 83) for 2017 are estimated at €18,829.

⁽¹⁾ Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2017, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

INDEMNITIES OR BENEFITS PAYABLE FOR THE TERMINATION OF OFFICE OR A CHANGE IN DUTIES – NON-COMPETE INDEMNITIES

As stated in section 6.6.1.1 above, the Chairman of the Board of Directors is not eligible for the payment of any indemnities or benefits for the termination of his office or a change in his duties and he has not been given any commitment by the Company in relation to the payment of a non-compete indemnity.

Ross McInnes' employment contract with Safran has been suspended since April 21, 2011 (see sections 6.6.2.3 and 6.4). This contract will resume if he ceases to be a corporate officer of the Company, and if it is then terminated at Safran's initiative, he may be entitled to termination benefits under the applicable collective bargaining agreement. Based on Mr. McInnes' seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, his termination benefits could represent a maximum gross amount of €143,821.50. These termination benefits are payable in accordance with general French labor law.

6.6.2.2 Compensation and benefits of the Chief Executive Officer for 2016 (and components of compensation and benefits for 2017 that have already been approved)

In his role as Chief Executive Officer, Philippe Petitcolin's compensation package for 2016 included annual fixed compensation, annual variable compensation and performance shares awarded under a long-term incentive plan. He also received attendance fees for his role as a Director of the Company and has the use of a company car as a benefit-in-kind.

The structure of Philippe Petitcolin's compensation package for 2016 is described in the compensation policy for the Chief Executive Officer in section 6.6.1.2 of this Registration Document.

The compensation and benefits of the Chief Executive Officer are summarized in the tables in section 6.6.2.3 of this Registration Document.

FIXED COMPENSATION FOR 2016 AND 2017

At its meeting of February 24, 2016, the Board of Directors decided to set the Chief Executive Officer's gross annual compensation at €600,000 for 2016, unchanged from 2015.

At its meeting of February 23, 2017, the Board approved the recommendation of the Appointments and Compensation Committee and decided to keep Philippe Petitcolin's gross annual fixed compensation at €600,000 for 2017. This amount has remained unchanged since he was appointed as Chief Executive Officer in 2015.

ANNUAL VARIABLE COMPENSATION FOR 2016

The Chief Executive Officer's annual variable compensation for 2016 was set in accordance with the terms and conditions described in section 6.6.1.2 of this Registration Document, which were unchanged from 2015, apart from the fact that the working capital objective included in the three financial performance

objectives for 2015 was not calculated by reference to Inventories and Doubtful Debts.

For 2016, the Chief Executive Officer's gross annual variable compensation could have totaled €700,000 (corresponding to 117% of his annual fixed compensation (the "Target")) if all of the applicable objectives had been achieved, or it could have increased to above €700,000 if the objectives had been exceeded, subject to a cap of 130% of this Target (i.e., 152% of his annual fixed compensation (the "Cap")).

The Board of Directors set the Chief Executive Officer's individual objectives for 2016 at its meeting on February 24, 2016.

These objectives related to:

- the Group's main industrial programs (LEAP and Silvercrest);
- the implementation of strategic decisions made by the Board of Directors (M&A transactions);
- HR organizational measures (grading system and promotion of senior managers).

At its meeting of February 23, 2017, the Board of Directors reviewed the achievement of the financial and individual objectives set for the variable compensation payable to the Chief Executive Officer for 2016, after consultation with the Appointments and Compensation Committee. Following this review, it set Philippe Petitcolin's variable compensation for 2016 at €745,500, based on the following achievement rates:

- 111% for the objectives related to the Group's financial performance (two-thirds weighting), breaking down as follows:
 - 106% for the ROI target (60% weighting),
 - 87% for the working capital target (10% weighting),
 - 129% for the free cash flow target (30% weighting);
- 97.5% for the individual performance objectives (one-third weighting).

ANNUAL VARIABLE COMPENSATION FOR 2017 (PERFORMANCE SHARES)

At its meeting of February 23, 2017, the Board of Directors decided that the financial objectives applicable for Philippe Petitcolin's variable compensation for 2017 would have the same structure as those described in section 6.6.1.2 of this Registration Document.

As in 2016, Philippe Petitcolin's gross annual variable compensation could represent 117% of his fixed compensation (the "Target") if all of the objectives are achieved in full, or could be increased to 130% of the target, representing 152% of his fixed compensation (the "Cap").

At the same meeting on February 23, 2017, the Board of Directors also determined the Chief Executive Officer's individual objectives for 2017. These objectives relate to:

- the Group's main industrial programs:
 - the LEAP program (quantitative objective),
 - the Silvercrest program (quantitative objective);
- strategic goals (qualitative objective); and
- R&T goals, including CSR aspects (qualitative objective).

They cannot be disclosed in further detail for reasons of strategic and competitive sensitivity.

The achievement of the financial and individual objectives set for the Chief Executive Officer's variable compensation for 2017 will be reviewed by the Board of Directors, after consultation with the Appointments and Compensation Committee.

ATTENDANCE FEES

Philippe Petitcolin receives attendance fees in his capacity as a Director of the Company, based on the allocation rules defined in the Board of Directors' Internal Rules (see section 6.6.3.1).

His attendance fees for 2016, as approved by the Board on February 23, 2017, amounted to €38,500.

LONG-TERM INCENTIVE PLAN FOR 2016

On the recommendation of the Appointments and Compensation Committee, at its meeting of July 28, 2016, the Board of Directors decided to grant 27,390 performance shares to Philippe Petitcolin, as part of an overall performance share plan set up for more than 500 Group senior managers (as described in section 6.6.4.2 of this Registration Document).

All of the performance shares granted to the Chief Executive Officer are subject to a continuing service condition as well as the same vesting conditions (internal and external performance conditions) as those applicable to the other plan beneficiaries. Details of these conditions (trigger threshold, target performance, ceiling, peer companies used for comparative purposes, etc.) are set out in section 6.6.4.2 of this Registration Document.

Summary of 2015 long-term incentive plan – multi-year variable compensation

On the recommendation of the Appointments and Compensation Committee, at its July 29, 2015 meeting the Board of Directors decided to introduce a multi-year variable compensation system in the form of the 2015 Performance Unit (PU) plan, designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over several years. This multi-year compensation plan applied to the Chief Executive Officer and other members of Safran's Executive Committee. The Chief Executive Officer was granted 17,050 PUs under the plan. Its main characteristics and terms and conditions are described in sections 6.3.1.2 and 6.3.3.3 of the 2015 Registration Document.

Summary table of multi-year variable compensation allocated to the Chief Executive Officer

	Period in which performance units were granted	Number of performance units granted	Value on grant date	Conditions
Philippe Petitcolin	2015	17,050	€701,620 ⁽¹⁾	The number of performance units that ultimately vest will depend on the extent to which internal and external performance conditions are met, as measured over a period of three years (2015-2017). Payments will be made in two installments, in October 2018 and October 2019. A plan description is presented in section 6.3.3.3 of the 2015 Registration Document.

(1) The value was measured at the grant date in accordance with IFRS 2.

2017 LONG-TERM INCENTIVE PLAN (PERFORMANCE SHARES)

At its meeting on March 23, 2017, the Board of Directors decided to award performance shares to certain Group managers and senior executives (see section 6.6.4.3).

As part of this decision, the Board of Directors granted 27,165 performance shares to the Chief Executive Officer, which represented less than 5% of the total grant and 0.007% of the Company's current share capital. All of the performance shares awarded to the Chief Executive Officer are subject to a continuing service condition and internal and external performance conditions (see sections 6.6.1.2 and 6.6.4).

The vesting period has been set at three years (2017-2019) and the number of shares that will ultimately vest will depend on the extent to which the applicable performance conditions are met over that period.

The vesting period has been set at three years (2016-2018) and the number of shares that will ultimately vest will depend on the extent to which the applicable performance conditions are met over that period.

The vesting period will be followed by a one-year lock-up period.

The Board has also decided that following this lock-up period and until his term of office ends, the Chief Executive Officer will be required to hold in registered form 40% of the vested performance shares granted under this plan and any future plans, until the number of shares he holds represents the equivalent of one year of his most recent annual fixed compensation.

In addition, the Chief Executive Officer has given a formal undertaking to refrain from using instruments to hedge the risks related to these shares until after the end of the lock-up period.

The estimated accounting value of these performance shares, as measured in accordance with IFRS 2 (see Note 1.q in section 3.1) at the grant date, corresponds to €858,780.

Further details of this performance share plan are provided in the tables in sections 6.6.2.3 and 6.6.4.2 of this Registration Document.

The vesting period will be followed by a one-year lock-up period.

The Board also confirmed that following this lock-up period and until his term of office ends, the Chief Executive Officer will be required to hold in registered form 40% of the vested performance shares granted under this plan and any future plans, until the number of shares he holds represents the equivalent of one year of his most recent annual fixed compensation.

In addition, the Chief Executive Officer has given a formal undertaking to refrain from using instruments to hedge the risks related to these shares until after the end of the lock-up period.

The estimated accounting value of these performance shares, as measured at the grant date in accordance with IFRS 2 (see Note 1.q in section 3.1), corresponds to €839,893.

6 CORPORATE GOVERNANCE

Compensation policy for corporate officers and Directors and compensation and benefits awarded

DEFINED BENEFIT SUPPLEMENTARY PENSION PLAN

No specific supplementary pension plan has been set up for the Chief Executive Officer.

In his former capacity as an employee, Philippe Petitcolin was a beneficiary under the defined benefit supplementary pension plan (Article 39) set up for Group senior managers in France (see section 6.6.2.1 above).

When Philippe Petitcolin was appointed as Chief Executive Officer on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary under this plan subject to the same terms and conditions as the other plan members.

The commitment given by the Company to enable Mr. Petitcolin to continue to be a beneficiary under this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The methods used to calculate the annual retirement benefits payable to Mr. Petitcolin under the plan are exactly the same as for the other plan members (see section 6.6.2.1), and they are subject to the same cap, i.e., three times the annual social security ceiling, representing €117,684 per year based on the ceiling applicable in 2017.

At December 31, 2016, the estimated theoretical amount⁽¹⁾ of the annual retirement benefits that could be paid to Philippe Petitcolin under the defined benefit supplementary pension plan corresponded to the €117,684 cap referred to above.

OTHER: PERSONAL RISK INSURANCE PLAN AND DEFINED CONTRIBUTION SUPPLEMENTARY PENSION PLAN

In his former capacity as a Company employee, Philippe Petitcolin was previously a beneficiary under Safran's personal risk insurance plan and the defined contribution supplementary pension plan (Article 83) set up in France for all Group managerial-grade staff.

When the Board of Directors appointed Philippe Petitcolin as Chief Executive Officer at its April 23, 2015 meeting, it decided to authorize him to continue to be a beneficiary under these plans subject to the same terms and conditions as the other plan members.

The commitment given by the Company to enable Mr. Petitcolin to continue to be a beneficiary under these plans was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.

The contributions to the plans are based on the annual compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

In 2016, the corresponding expenses recorded in Safran's financial statements totaled €6,159.96 for the personal risk insurance plan and €40,175.66 for the defined contribution supplementary pension plan.

At December 31, 2016, the estimated theoretical amount⁽¹⁾ of the annual retirement benefits that could be paid to Philippe Petitcolin under the defined contribution supplementary pension plan was €19,731.

CHANGES TO SUPPLEMENTARY PENSION PLANS IN 2017

At its meeting on March 23, 2017, the Board of Directors decided that the current Chief Executive Officer could be a beneficiary under the Company's new supplementary pension plan system, which took effect on January 1, 2017 (as described in section 6.6.2.1). This commitment will be submitted for shareholder approval at the June 15, 2017 Annual General Meeting.

Concerning the new voluntary collective defined contribution plan (Article 82), the Insurer Contribution and the Additional Payment to the Chief Executive Officer for 2017 will each correspond to 12.73% of his reference compensation (i.e., a total of 25.47%). These amounts are estimated to represent €154,747 each (i.e., a total of €309,493).

The expenses payable by Safran under the Additional Defined Contribution Plan (Article 83) for 2017 are estimated at €18,829.

INDEMNITIES OR BENEFITS PAYABLE FOR THE TERMINATION OF OFFICE OR A CHANGE IN DUTIES - NON-COMPETE INDEMNITIES

As stated in section 6.6.1.1 above, the Chief Executive Officer is not eligible for the payment of any indemnities or benefits for the termination of his office or a change in his duties and he has not been given any commitment by the Company in relation to the payment of a non-compete indemnity.

Philippe Petitcolin's employment contract with Safran has been suspended since April 23, 2015 (see sections 6.6.2.3 and 6.4). This contract will resume if he ceases to be a corporate officer of the Company, and if it is then terminated at Safran's initiative, he may be entitled to termination benefits under the applicable collective bargaining agreement. Based on Mr. Petitcolin's seniority within the Company at the date his employment contract was suspended, and the amount of his compensation at that date, in accordance with the collective bargaining agreement applicable to engineers and executives in the metallurgy industry, his termination benefits could represent a maximum gross amount of €906,044.67. These termination benefits are payable in accordance with general French labor law.

⁽¹⁾ Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2017, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

6.6.2.3 Summary tables for 2016

SUMMARY TABLES SHOWING THE INDIVIDUAL COMPENSATION AND BENEFITS OF ROSS MCINNES, CHAIRMAN OF THE BOARD OF DIRECTORS

Summary table of compensation, stock options and performance shares granted in 2015 and 2016 to the Chairman of the Board of Directors

Summary of compensation, stock options and performance shares granted	2015		2016
	In his capacity as Deputy Chief Executive Officer (period from Jan. 1 to April 23)	In his capacity as Chairman of the Board of Directors (period from April 24 to Dec. 31)	
Compensation due for the year	€319,594	€288,584	€418,764
Value of multi-year variable compensation allocated during the year	N/A	N/A	N/A
Value of stock options granted during the year	N/A	N/A	N/A
Value of performance shares granted during the year	N/A	N/A	N/A
TOTAL	€319,594	€288,584	€418,764

N/A: Not applicable.

Summary table of compensation of the Chairman of the Board of Directors

Summary of compensation (gross)	2015				2016	
	Amounts due for the year		Amounts paid during the year		Amounts due for the year	Amounts paid during the year
	In his capacity as Deputy Chief Executive Officer (period from Jan. 1 to April 23)	In his capacity as Chairman of the Board of Directors (period from April 24 to Dec. 31)	In his capacity as Deputy Chief Executive Officer (period from Jan. 1 to April 23)	In his capacity as Chairman of the Board of Directors (period from April 24 to Dec. 31)		
Fixed compensation	€157,196	€239,963	€157,196	€239,963	€350,000	€350,000
Annual variable compensation	€160,986	N/A	€546,667	N/A	N/A	€160,986
Multi-year variable compensation	N/A	N/A	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A	N/A	N/A
Attendance fees	N/A	€45,473	N/A	N/A	€65,000	€45,473
Benefits-in-kind ⁽¹⁾	€1,412	€3,148	€1,412	€3,148	€3,764	€3,764
TOTAL	€319,594	€288,584	€705,275	€243,111	€418,764	€560,223

⁽¹⁾ Company car.

N/A: Not applicable.

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Compensation policy for corporate officers and Directors and compensation and benefits awarded

SUMMARY TABLE SHOWING THE INDIVIDUAL COMPENSATION AND BENEFITS OF PHILIPPE PETITCOLIN, CHIEF EXECUTIVE OFFICER

Summary table of compensation, stock options and performance shares granted in 2015 and 2016 to the Chief Executive Officer

Summary of compensation, stock options and performance shares granted	2015	2016
	In his capacity as a corporate officer (period from April 24 to Dec. 31)	
Compensation due for the year	€934,059	€1,388,011
Value of multi-year variable compensation allocated during the year	€701,620 ⁽¹⁾	N/A
Value of stock options granted during the year	N/A	N/A
Value of performance shares granted during the year (see section 6.6.4.2)	N/A	€858,780 ⁽²⁾
TOTAL	€1,635,679	€2,246,791

(1) In accordance with IFRS 2, the value of the multi-year variable compensation was measured at the grant date and not based on compensation received by the beneficiary during the year (see sections 6.3.3.3 and 6.3.4 of the 2015 Registration Document).

(2) In accordance with IFRS 2, the value of the performance shares was measured at the grant date and not based on compensation received by the beneficiary during the year (see Note 1.q in section 3.1).

N/A: Not applicable.

Summary table of compensation of the Chief Executive Officer

Summary of compensation (gross)	2015		2016	
	In his capacity as a corporate officer (period from April 24 to Dec. 31)		In his capacity as a corporate officer	
	Amounts due for the year	Amounts paid during the year	Amounts due for the year	Amounts paid during the year
Fixed compensation	€411,365	€411,365	€600,000	€600,000
Annual variable compensation	€502,619	N/A	€745,500	€502,619
Multi-year variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	€17,323	N/A	€38,500	€17,323
Benefits-in-kind ⁽¹⁾	€2,752	€2,752	€4,011	€4,011
TOTAL	€934,059	€414,117	€1,388,011	€1,123,953

(1) Company car.

N/A: Not applicable.

In 2016, Philippe Petitcolin also received variable compensation due under his employment contract for the period from January 1 to April 23, 2015 (i.e., prior to his appointment as Chief Executive Officer) in an amount of €112,510, as well as the discretionary and statutory profit-share for this same period and the Company top-up contribution for 2016 in a total amount of €10,736.

Summary table of performance shares granted during the year to the Chief Executive Officer

	Plan date	Number of shares granted	Value of shares (measured using the method applied for the consolidated financial statements) ⁽¹⁾ (in €)	Vesting date	End of lock-up period	Performance conditions
Philippe Petitcolin	July 28, 2016	27,390	€858,780	July 30, 2019	July 31, 2020	All the shares are subject to the performance conditions described in section 6.6.4.2
TOTAL		27,390	€858,780			

(1) In accordance with IFRS 2, the value of the performance shares was measured at the grant date and not based on compensation received by the beneficiary during the year (see Note 1.q in section 3.1).

Performance shares granted to the Chief Executive Officer for which the lock-up period ended during the year

	Plan date	Total number of shares whose lock-up period ended
Philippe Petitcolin	July 28, 2016	0

SUMMARY TABLE OF EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION PLANS AND TERMINATION BENEFITS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

Name	Position	Employment contract	Supplementary pension plan	Indemnities or benefits payable for termination of office, change in duties, or non-compete agreements
Ross McInnes	Chairman of the Board of Directors	Yes, suspended ⁽¹⁾	Yes ⁽³⁾	No
Philippe Petitcolin	Chief Executive Officer	Yes, suspended ⁽²⁾	Yes ⁽³⁾	No

(1) Employment contract initially suspended on April 21, 2011, the date on which he was appointed Deputy Chief Executive Officer. This suspension was extended when he was appointed Chairman of the Board of Directors on April 23, 2015 (see section 6.4).

(2) Employment contract suspended since April 23, 2015, the date on which he was appointed Chief Executive Officer (see section 6.4).

(3) No pension plan has been set up specifically for the Chairman of the Board of Directors or the Chief Executive Officer. They are beneficiaries, subject to the same terms and conditions as the other plan members, under (i) the defined contribution supplementary pension plan set up in France for all of the Group's senior managers, and (ii) the defined benefit supplementary pension plan set up in France for the senior managers within the Group and effective from January 1, 2014 (following a decision by the Board of Directors on April 23, 2015 authorizing them to continue to be beneficiaries under this plan).

SUMMARY TABLES OF THE COMPONENTS OF INDIVIDUAL COMPENSATION AND BENEFITS DUE OR AWARDED TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER FOR 2016, SUBMITTED TO SHAREHOLDERS FOR A SAY-ON-PAY VOTE IN ACCORDANCE WITH THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

Components of compensation due or awarded to Ross McInnes, Chairman of the Board of Directors

Component of compensation due or awarded for 2016	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€350,000 (paid in 2016)	Ross McInnes' gross annual fixed compensation was set at €350,000 by the Board of Directors at its meeting of April 23, 2015 and has remained unchanged since that date.
Annual variable compensation	N/A⁽¹⁾	Ross McInnes does not receive any annual variable compensation.
Deferred variable compensation	N/A	Ross McInnes does not receive any deferred variable compensation.
Multi-year variable compensation	N/A	Ross McInnes does not receive any multi-year variable compensation.
Exceptional compensation	N/A	Ross McInnes did not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Stock options = N/A	Ross McInnes does not receive any stock options.
	Performance shares = N/A	Ross McInnes does not receive any performance shares or any other long-term compensation.
	Other long-term compensation = N/A	
Attendance fees	€65,000 (payable for 2016; paid in 2017)	Ross McInnes receives attendance fees in his capacity as a Director and Chairman of the Board of Directors, based on the allocation rules described in section 6.6.3 of this Registration Document.
Value of benefits-in-kind	€3,764 (accounting value)	Ross McInnes has the use of a company car.

(1) N/A = not applicable.

6 CORPORATE GOVERNANCE

Compensation policy for corporate officers and Directors and compensation and benefits awarded

Components of compensation due or awarded for 2016 that have been approved by shareholders pursuant to the procedure for related-party agreements and commitments		
	Amounts submitted to the shareholder vote	Presentation
Termination benefits	N/A ⁽¹⁾	Ross McInnes is not entitled to any termination benefits in his capacity as Chairman of the Board of Directors.
Non-compete indemnity	N/A	Ross McInnes is not subject to any non-compete clause.
Supplementary pension plan	€0	<p>Defined contribution supplementary pension plan (Article 83): At its April 23, 2015 meeting, when it appointed Ross McInnes as Chairman of the Board of Directors, the Board decided to authorize him to continue to be a beneficiary under the defined contribution supplementary pension plan set up for the Group's managerial-grade staff in France (subject to the same terms and conditions as the other plan members). Mr. McInnes was previously a beneficiary under the plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer following a decision made by the Board of Directors. The contributions to the plan are based on the compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors. The expense recorded in the 2016 financial statements relating to the contributions paid under this plan for Mr. McInnes amounted to €11,204.41. The commitment given by the Company to enable Mr. McInnes to continue to be a beneficiary under this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.</p> <p>At December 31, 2016, the estimated theoretical amount⁽²⁾ of the annual retirement benefits that could be paid to Ross McInnes under the defined contribution supplementary pension plan was €5,414.</p> <p>Defined benefit supplementary pension plan (Article 39): At its April 23, 2015 meeting, the Board of Directors decided to authorize Ross McInnes to continue to be a beneficiary under the defined benefit supplementary pension plan set up for Group senior managers in France (subject to the same terms and conditions as the other plan members). Mr. McInnes was previously a beneficiary under the plan in his former capacity as Deputy Chief Executive Officer, following a decision by the Board of Directors. The characteristics of the plan are described in section 6.6.2.1. The potential annual retirement benefits to which Ross McInnes would be entitled under this plan, provided he meets the required conditions, would be capped at three times the annual social security ceiling, i.e., €117,684 per year based on the ceiling applicable in 2017. At December 31, 2016, the estimated theoretical amount⁽²⁾ of the annual retirement benefits that could be paid to Ross McInnes under the defined benefit supplementary pension plan was €117,142. The commitment given by the Company to enable Mr. McInnes to continue to be a beneficiary under this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.</p>

(1) N/A = not applicable.

(2) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2017, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

Components of compensation due or awarded to Philippe Petitcolin, Chief Executive Officer

Components of compensation due or awarded for 2016	Amounts (or accounting value) submitted to the shareholder vote	Presentation
Fixed compensation	€600,000 (paid in 2016)	Philippe Petitcolin's gross annual fixed compensation was set at €600,000 by the Board of Directors at its meeting of April 23, 2015 and has remained unchanged since that date.
Annual variable compensation	€745,500 (payable for 2016; paid in 2017)	At its February 24, 2016 meeting, the Board of Directors determined the methods used to calculate Philippe Petitcolin's annual variable compensation, as described in section 6.6.2.2 of this Registration Document. At its February 23, 2017 meeting, based on the recommendation of the Appointments and Compensation Committee, the Board of Directors reviewed the achievement of the objectives set for the variable compensation payable to Philippe Petitcolin for 2016. The Board of Directors set Philippe Petitcolin's variable compensation for 2016 at €745,500, based on the following achievement rates: <ul style="list-style-type: none"> ■ 111% for the objectives related to the Group's financial performance (two-thirds weighting), breaking down as follows: <ul style="list-style-type: none"> ■ 106% for the ROI target (60% weighting), ■ 87% for the working capital target (10% weighting), ■ 129% for the free cash flow target (30% weighting); ■ 97.5% for the individual performance objectives (one-third weighting).
Deferred variable compensation	N/A⁽¹⁾	No deferred variable compensation was awarded to Philippe Petitcolin.
Multi-year variable compensation	€0 (no amount payable)	No multi-year variable compensation was awarded to Philippe Petitcolin in 2016. We remind you that he was granted multi-year variable compensation (performance units) in 2015. The plan's description and conditions are noted in sections 6.3.1.2 and 6.3.3.3 of the 2015 Registration Document.
Exceptional compensation	N/A⁽¹⁾	Philippe Petitcolin did not receive any exceptional compensation.
Stock options, performance shares and any other long-term compensation	Stock options = N/A	Philippe Petitcolin did not receive any stock options.
	Performance shares = €858,780 (accounting value)	On the recommendation of the Appointments and Compensation Committee, at its meeting of July 28, 2016, using the authorization granted in the 23 rd resolution of the May 19, 2016 Annual General Meeting, the Board of Directors decided to grant 27,390 performance shares to Philippe Petitcolin. The general terms and conditions of this performance share plan and those specific to the Chief Executive Officer are described in sections 6.6.4.2 and 6.6.2.2 of this Registration Document. The accounting value of these performance shares has been estimated at €858,780 ⁽²⁾ .
	Other long-term compensation = N/A	Philippe Petitcolin did not receive any other long-term compensation.
Attendance fees	€38,500 (payable for 2016; paid in 2017)	Philippe Petitcolin receives attendance fees in his capacity as a Director of the Company, in accordance with the allocation rules described in section 6.6.3 of this Registration Document.
Value of benefits-in-kind	€4,011 (accounting value)	Philippe Petitcolin has the use of a company car.

(1) N/A = not applicable.

(2) In accordance with IFRS 2, the value of the performance shares was measured at the grant date and not based on compensation received by the beneficiary during the year (see Note 1.q in section 3.1).

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Components of compensation due or awarded for 2016 that have been approved by shareholders pursuant to the procedure for related-party agreements and commitments	Amounts submitted to the shareholder vote	Presentation
Termination benefits	N/A ⁽¹⁾	Philippe Petitcolin is not entitled to any termination benefits in his capacity as Chief Executive Officer.
Non-compete indemnity	N/A	Philippe Petitcolin is not subject to any non-compete clause.
Supplementary pension plan	€0	<p>Defined contribution supplementary pension plan (Article 83): At its April 23, 2015 meeting, when it appointed Philippe Petitcolin as Chief Executive Officer, the Board of Directors decided to authorize him to continue to be a beneficiary under the defined contribution supplementary pension plan set up for the Group's managerial-grade staff (subject to the same terms and conditions as the other plan members). Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as a Company employee. The contributions to the plan are based on the annual compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer. The expense recorded in the 2016 financial statements relating to the contributions paid under this plan for Mr. Petitcolin amounted to €40,175.66. The commitment given by the Company to enable Mr. Petitcolin to continue to be a beneficiary under this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.</p> <p>At December 31, 2016, the estimated theoretical amount⁽²⁾ of the annual retirement benefits that could be paid to Philippe Petitcolin under the defined contribution supplementary pension plan was €19,731.</p> <p>Defined benefit supplementary pension plan (Article 39): At its April 23, 2015 meeting, the Board of Directors decided to authorize Philippe Petitcolin to continue to be a beneficiary under the defined benefit supplementary pension plan set up for Group senior managers in France (subject to the same terms and conditions as the other plan members). Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as a Company employee. The characteristics of the plan are described in section 6.6.2.1. The potential annual retirement benefits to which Philippe Petitcolin would be entitled under this plan, provided he meets the required conditions, would be capped at three times the annual social security ceiling, i.e., €117,684 per year based on the ceiling applicable in 2017. At December 31, 2016, the estimated theoretical amount⁽²⁾ of the annual retirement benefits that could be paid to him corresponded to this ceiling. The commitment given by the Company to enable Mr. Petitcolin to continue to be a beneficiary under this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.</p>

(1) N/A = not applicable.

(2) Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2017, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

6.6.3 Attendance fees paid to members of the Board of Directors

Directors receive attendance fees as provided for in Article 17 of Safran's bylaws.

The attendance fee allocation rules are approved by the Board of Directors and are described in the Board's Internal Rules.

In accordance with the applicable regulations, attendance fees allocated to the representative of the French State and Directors put forward by the French State in the capacity of public agent are paid to the French Treasury.

The members of the Board of Directors only receive attendance fees as compensation, except for the Chairman of the Board (see section 6.6.2.1), the Chief Executive Officer (see section 6.6.2.2), Directors representing employees and Directors representing employee shareholders (see section 6.6.3.3).

6.6.3.1 Allocation of attendance fees

On February 24, 2016, the Board of Directors approved new rules for allocating attendance fees, effective from 2016. These new rules give a greater weighting to the variable portion based on Directors' attendance at meetings of the Board and Board Committees and take into account their actual workload.

In addition, in the sixteenth resolution of the Annual General Meeting of May 19, 2016, the shareholders increased the overall maximum amount of attendance fees to €1,000,000 for 2016 and subsequent years.

The allocation of attendance fees - described in Article 23.2 of the Board's Internal Rules - and the amount of fees paid per meeting, are as follows:

- for attendance at Board meetings:
 - fixed annual fee:
 - per Director (including the Chairman) = €11,000,
 - calculated proportionately to the number of meetings held during the year if a Director leaves or joins the Board part way through the year;
 - variable fee per meeting:
 - for the Chairman and Vice-Chairman = €4,000,
 - for other Directors = €2,500;
- for attendance at meetings of the standing Board Committees (Audit and Risk Committee and Appointments and Compensation Committee) and special committees:
 - variable fee per meeting (no fixed fee):
 - for the Chairs of the standing Board Committees (Audit and Risk Committee and Appointments and Compensation Committee) = €6,000,
 - for other Committee members (including the Chairs of any special committees) = €2,500 (*no additional fees for the Chairman of any special committees*);
 - additional fee for geographical distance:
 - for Directors who live outside Metropolitan France, the variable fee will be increased by 50% for each meeting attended in person;
 - potential adjustment:
 - if applying these rules results in an overall amount of fees that is higher than the aggregate maximum amount authorized by shareholders at the Annual General Meeting, then the overall amount paid will be reduced proportionately until it reaches this maximum authorized amount;
 - cap:
 - the gross annual amount of attendance fees is capped at €100,000 per Director (*cap applicable if the calculation rules result in attendance fees representing more than this amount*).

6.6.3.2 Summary table of attendance fees paid to members of the Board of Directors

	Amount of attendance fees			
	2015		2016	
	Gross amount	Net amount paid in 2016	Gross amount	Net amount paid in 2017
Non-executive Directors (excluding representatives of the French State and Directors put forward by the French State)				
Christian Streiff	€80,517.20	€51,128.42 ⁽¹⁾	€73,500	€46,672.50
Marc Aubry (Director until May 19, 2016)	€38,976.48	€24,750.06 ⁽¹⁾	€16,500	€10,477.50
Giovanni Bisignani	€49,357.47	€34,550.23 ⁽²⁾	€61,000	€42,700
Frédéric Bourges	€29,232.36	€29,232.36 ⁽³⁾	€46,000	€38,870
Eliane Carré-Copin (Director since May 19, 2016)	N/A	N/A	€24,500 ⁽⁴⁾	€15,557.50 ⁽⁵⁾
Jean-Lou Chameau	€51,319.03	€35,923.32 ⁽²⁾	€71,000	€49,700
Monique Cohen	€49,029.94	€31,134.01 ⁽¹⁾	€61,000	€38,735
Odile Desforges	€77,952.96	€49,500.13 ⁽¹⁾	€84,500	€53,657.50
Jean-Marc Forneri	€45,472.56	€28,875.07 ⁽¹⁾	€66,000	€41,910
Christian Halary (Director until May 19, 2016)	€46,400.57	€29,464.36 ⁽¹⁾	€24,000	€15,240
Xavier Lagarde	€42,224.52	€26,812.57 ⁽¹⁾	€56,000	€35,560
Elisabeth Lulin	€38,976.48	€24,750.06 ⁽¹⁾	€53,500	€33,972.50
Gérard Mardiné (Director since May 19, 2016)	N/A	N/A	€32,000 ⁽⁴⁾	€27,040
Daniel Mazaltarim	€33,408.41	€33,408.41 ⁽³⁾	€53,500	€45,207.50
Total attendance fees paid to non-executive Directors excluding representatives of the French State and Directors put forward by the French State	€582,867.98	€399,529	€723,000	€495,300
Amount paid to the French Treasury	€177,095.51	€177,095.51 ⁽⁶⁾	€133,000	€133,000
Total attendance fees paid to non-executive Directors	€759,963.49	€576,624.51	€856,000	€628,300
The Chairman and the Chief Executive Officer				
Ross McInnes	€45,472.56 ⁽⁷⁾	€41,261.81 ⁽⁸⁾	€65,000	€58,948.50 ⁽⁸⁾
Philippe Petitcolin	€17,322.88 ⁽⁷⁾	€15,718.79 ⁽⁸⁾	€38,500	€34,915.65 ⁽⁸⁾
Total attendance fees paid to the Chairman and the Chief Executive Officer	€62,795.44	€56,980.60⁽⁸⁾	€103,500	€93,864.15
TOTAL ATTENDANCE FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS	€830,337.69	€638,417.62	€959,500	€722,164.15

(1) After the 21% withholding tax applicable for individuals domiciled in France for tax purposes (in accordance with Article 117 quater of the French Tax Code (Code général des impôts) and social security contributions of 15.5%.

(2) After the 30% withholding tax applicable for individuals not domiciled in France for tax purposes.

(3) As the Directors representing employees requested that their attendance fees be paid over to their trade union these amounts were exempt from tax and social security contributions.

(4) Calculated on a proportionate basis as from her appointment on May 19, 2016.

(5) The attendance fees of the Director representing employee shareholders are paid into Safran's personal risk insurance plan (after taxes and social security contributions).

(6) For representatives of the French State and Directors put forward by the French State.

(7) Calculated on a proportionate basis as from his appointment as a Director on April 23, 2015.

(8) Estimated amount. The gross amount is subject to social security contributions. These attendance fees will be taxed in the same way as for salaries.

6.6.3.3 Compensation of Directors representing employee shareholders and Directors representing employees

Frédéric Bourges received €42,429 in gross compensation in 2016 under his employment contract with Safran Aircraft Engines. He also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies.

Daniel Mazaltarim received €91,876 in gross compensation in 2016 under his employment contract with Safran Aircraft Engines. He also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2016, the estimated theoretical amount⁽¹⁾ of the annual retirement benefits that could be paid to Daniel Mazaltarim under the defined contribution supplementary pension plan (Article 83) of which he is a beneficiary was €1,332.

Eliane Carré-Copin received €43,199 in gross compensation for the period between May 20 and December 31, 2016 under her employment contract with Safran. She also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2016, the estimated theoretical amount⁽¹⁾ of the annual retirement benefits that could be paid to Eliane Carré-Copin under the defined contribution supplementary pension plan (Article 83) of which she is a beneficiary was €1,153.

Gérard Mardiné received €79,448 in gross compensation for the period between May 20 and December 31, 2016 under his employment contract with Safran Electronics & Defense. He also received statutory and discretionary profit-sharing as well as a Company top-up contribution to the Group savings plan on the same basis and under the same terms as the other employees of the Group's companies. At December 31, 2016, the estimated theoretical amount⁽¹⁾ of the annual retirement benefits that could be paid to Gérard Mardiné under the defined contribution supplementary pension plan (Article 83) of which he is a beneficiary was €1,723.

6.6.4 Long-term incentive plan

6.6.4.1 Stock options

No stock options were granted during 2016 and there are currently no stock options outstanding.

6.6.4.2 Performance shares (2016 free share grant)

Free share grants are a common method used by companies in order to strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders.

In the twenty-third resolution of the May 19, 2016 Ordinary and Extraordinary Shareholders' Meeting, the Company's shareholders authorized the Board of Directors to grant performance shares to (i) employees or certain categories of employees of the Company and/or of other entities in the Safran group, and/or (ii) corporate officers of the Company and/or other entities in the Group (except the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law. The shareholders gave full powers to the Board of Directors to determine the beneficiaries of the grants and set the terms and conditions thereof as well as the applicable eligibility criteria.

The total number of performance shares granted could not exceed (i) 0.35% of the Company's capital as at the date on which the Board of Directors decides to make the share grants (main ceiling), and (ii) 0.18% of the Company's capital in any given fiscal year (sub-ceiling).

In addition, it was specified that for each grant of performance shares the maximum number of shares granted to each of the Company's corporate officers could not exceed 5% of the total number of shares making up the grant (representing a sub-ceiling of 0.009% of the Company's capital per corporate officer per fiscal year).

On the recommendation of the Appointments and Compensation Committee, at its meeting of July 28, 2016 the Board of Directors decided to grant up to 558,840 performance shares to over 500 Group senior managers under the 2016 Long-Term Incentive Plan, which is designed to recognize contributions to the Group's operating performance and the creation of shareholder value, as measured over a period of several years.

The shares granted could either be new shares or existing shares previously bought back by the Company.

The main conditions and characteristics of these share grants authorized by the Board are the same as those presented at the Annual General Meeting of May 19, 2016 (see section 8.2.2 of the 2015 Registration Document) and are set out below.

⁽¹⁾ Calculated based on the assumption that the annual retirement benefits would be received as from January 1, 2017, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

6 CORPORATE GOVERNANCE

Compensation policy for corporate officers and Directors and compensation and benefits awarded

CONDITIONS

The vesting of all of the free shares is subject to the achievement of internal and external performance conditions, which are similar for all beneficiaries and are assessed over three full consecutive fiscal years, including 2016 – the year when the performance shares were granted. Beneficiaries of the grants are also subject to a continuing service condition within the Group.

■ The two internal performance conditions count for 70% of the total vested shares and are based on:

- ROI – 35%;
- FCF – 35%;
- the achievement levels for these conditions will be measured by reference to the average of the targets for ROI and FCF set for 2016 and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels have been set for these conditions:
 - lowest achievement level: if 80% of the MTP target is achieved, 40% of the shares contingent on that target will vest,
 - target achievement level: if 100% of the MTP target is achieved, 80% of the shares contingent on that target will vest,
 - highest achievement level (cap): if 125% of the MTP target is achieved, 100% of the shares contingent on that target will vest,
 - between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned will vest.

■ The external performance condition counts for 30% of the total vested shares and is based on Safran's total shareholder return (TSR) performance as measured relative to a group of peer companies operating in the same business sectors as Safran (Aerospace, Defense and Security). At the grant date, these companies comprised Airbus Group, BAe Systems, Boeing, Finmeccanica, MTU Aero Engines, Rolls Royce, Thales, Gemalto and Zodiac Aerospace, but the latter two companies have subsequently been removed.

The following performance achievement levels have been set for this condition:

- lowest achievement level: if Safran's TSR is equal to that of the peer companies, 40% of the shares contingent on the external performance condition will vest;
- target achievement level: if Safran's TSR is 8 points higher than the peer companies, 80% of the shares contingent on the external performance condition will vest;

- highest achievement level: if Safran's TSR is 12 points higher than the peer companies, 100% of the shares contingent on the external performance condition will vest;
- between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the external performance condition will vest.

■ In addition, under the terms and conditions of the plan, there are only a few exceptions to the continuing service condition, including the death, disability or retirement of the beneficiary or on the decision of the Board of Directors.

VESTING AND LOCK-UP PERIODS

The shares granted are subject to a three-year vesting period as set by the Board of Directors.

In addition, the shares granted to the Chief Executive Officer and members of Safran's Executive Committee⁽¹⁾ are subject to a lock-up period of at least one year following their vesting date.

In accordance with the Board of Directors' Internal Rules, the Chief Executive Officer is required to hold in registered form a proportion of his vested shares, as set by the Board of Directors, until his term of office as Chief Executive Officer ends.

In addition, each beneficiary has given a formal undertaking not to hedge the risks related to the shares granted to them until those shares become freely transferable (i.e., at the end of either the vesting period or the lock-up period set by the Board of Directors, depending on the beneficiary concerned).

PERFORMANCE SHARES GRANTED TO THE CHIEF EXECUTIVE OFFICER

On July 28, 2016, the Board of Directors decided to grant 27,390 performance shares to the Chief Executive Officer under the 2016 Long-Term Incentive Plan (see section 6.6.2.2 of this Registration Document), which represented less than 5% of the total grant and 0.007% of the Company's capital at the grant date.

6.6.4.3 Performance shares (2017 free share grant)

On the recommendation of the Appointments and Compensation Committee, at its meeting of March 23, 2017, using the authorization granted in the twenty-third resolution of the May 19, 2016 Annual General Meeting, the Board of Directors decided to grant performance shares to certain managers and executives of the Group (2017 Long-term Incentive Plan), including 27,165 performance shares to the Chief Executive Officer (see section 6.6.2.2).

(1) The Executive Committee comprises 16 members, including the Chief Executive Officer, other Safran corporate officers and the heads of the Group's main operating companies. This membership structure provides for a balanced representation across the Group's business activities, cross-business functions and operational domains and ensures that Safran's strategy is implemented consistently in all of the Group's entities throughout the world. The Executive Committee is responsible for running Safran's business operations in line with the strategy defined upstream by the Board of Directors.

SUMMARY TABLE OF PERFORMANCE SHARE PLANS AT DECEMBER 31, 2016

	July 28, 2016 Plan
Shareholder authorization	May 19, 2016
Grant date by the Board of Directors	July 28, 2016
Number of performance shares granted	558,840
Of which to corporate officers	27,390
<i>Philippe Petitcolin</i>	27,390
Of which to the ten employees (non-corporate officers) who received the most shares	57,300
Number of beneficiaries at the grant date	506
Vesting date	July 30, 2019
Availability date	July 30, 2019
<i>Availability date for the Chief Executive Officer (end of lock-up period)</i>	July 31, 2020
<i>Availability date for other Executive Committee members (end of lock-up period)</i>	July 31, 2020
Performance conditions	see section 6.6.4.2
Total number of shares canceled or forfeited	36,000
Number of performance shares vested at December 31, 2016	0
Number of performance shares outstanding at December 31, 2016	522,840

6.7 INTERNAL CONTROL AND RISK MANAGEMENT

Operating a business involves incurring a level of risk; risk factors are described in section 4.2 of this Registration Document. Risk management is a key component in the management of the Group's activities.

The framework used by Safran for controlling the Group's information, activities, processes and assets includes all the appropriate resources, rules of conduct and procedures.

In addition to relying on management principles, organizations, a quality approach and the information systems in place, it is also based on a general compliance framework (see section 6.7.1), a specific structure for managing major risks (see section 6.7.2), and an internal control system (see section 6.7.3). Key players are involved in the internal control system (see section 6.7.4).

6.7.1 General compliance framework

Ethical Guidelines, preventing and detecting fraud

The Group's Ethical Guidelines have been distributed to all of its staff worldwide and the Group is built on values shared by all of its employees (see section 5.2.1).

A system for centralizing information about fraud or attempted fraud identified within Group companies has also been put in place (see section 5.2.3).

The Compliance, Ethics and Anti-Fraud Committee oversees that the Group's employees respect this general compliance framework (see section 5.2.2).

Standards and regulations

Standards and regulations are monitored and followed up by specialist central departments which, within their respective areas of expertise, lead and coordinate a network of correspondents in the various Group companies.

Monitoring the proper application of processes in place in ISO 9000-compliant entities is an essential aspect of the internal control system.

For most of its activities, in France and in other countries, the Group is subject to controls imposed by civil and military authorities as well as by its customers. These controls form part of the Group's overall control environment.

Group organizational structure

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

The organizational structure is based on:

- a parent company, Safran, the issuer, which is responsible for the Group's strategic management, organization and development and has adopted a governance structure with a Board of Directors;

- companies operating by business line, whose strategies are defined by the Board of Directors of the parent company. Executive Management of the parent company ensures that the strategic guidelines defined for each business line are implemented and complied with at the operational level.

First-tier entities are responsible for overseeing the second-tier entities with which they have operational ties.

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

- it holds and manages shares in the Group's subsidiaries;
- it steers and develops the Group, determining Group strategy, research and technology (R&T) policy, sales policy, legal and financial policy, human resources policy, personnel training measures, retraining and skills matching programs run by Safran University, communications, and oversight of operations;
- it provides:
 - support services for legal, taxation and financial matters, particularly related to:
 - centralized cash pooling to govern the terms and conditions of advances and investments between Safran and each Group company,
 - foreign currency risk management policy, to reduce uncertainty and protect the financial performance of operating subsidiaries from the effect of foreign currency fluctuations (mainly USD),
 - commodity risk management policy, to reduce uncertainty and protect the financial performance of operating subsidiaries from the effect of commodity price volatility,
 - tax consolidation in France where Safran is liable for the entire income tax charge, additional income tax contributions and the minimal annual tax charge due by the tax group comprising itself and its French tax-consolidated subsidiaries;
 - services through Shared Services Centers (SSCs) in the following areas: payroll administration and management, recruitment, non-production purchases, materials purchases, IT, and some transaction accounting (receivables, payables and non-current assets).

Group operating procedures

The Group's main operating procedures are collated in a documentation system accessible via the Group intranet. This manual is primarily organized by major process and includes:

- corporate governance rules on management, ethics, protection of persons, data, property, operations and reputation, compliance with laws, regulations, procedures and contracts, integrity and reliability of operational and financial information, and anti-fraud measures;
- operational rules (manufacturing, purchasing, finance, programs, quality, security, IT, communications, etc.).

Every month, a list of updates to the manual is published and entities are required to keep their own manuals up-to-date so that they comply with Group rules.

Financial and accounting procedures

Financial and accounting procedures are grouped together in four different manuals:

- the Group IFRS accounting manual;
- rules for preparing the consolidated financial statements and rules concerning inter-company transactions and quarterly consolidation instructions issued to all companies concerned;
- the consolidation software user guide. This software contains the controls necessary for ensuring consistency between the various items included in the consolidated financial statements;

- other financial procedures (available in a documentation system) related to tax, banking, cash and financing transactions.

In terms of accounting standards, the Group applies IFRS as adopted by the European Union.

Reporting and management control systems

Each week, Safran's Executive Management receives a report from each entity summarizing the main events concerning its business operations.

The entities also prepare monthly budget and financial reports on their operations (overview and comments). The Group's Finance Department provides Executive Management with financial reporting packages.

Budget and planning meetings are organized regularly by the Group Finance Department and the management team of the entity concerned, in order to:

- review and validate the budget in the final quarter of the year;
- update the budget three times per year;
- review and validate the medium-term business plan in the first half of the year.

In addition, performance review meetings are held regularly with representatives from the main first-tier entities.

6.7.2 Organization and oversight of risk management

The purpose of risk management - which is embedded into the Group's organizational processes - is to identify the major risks to which the Group is exposed, measure the extent to which they could impair the achievement of objectives, and ensure that adequate measures and actions are implemented to bring critical risks to an acceptable level. Risk management is not a separate independent activity but instead forms part of a methodological

process that is common to all Group companies and is the responsibility of each company and department.

The risk management process is overseen by the Risk and Insurance Department. This process and the main risk factors involved are described in Chapter 4 of this Registration Document.

6.7.3 Organization and oversight of internal control

Definition and objectives

Safran implements its internal control system on the basis of general principles advocated by the AMF. Internal control is defined as a process implemented by the Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- compliance with applicable laws and regulations;
- application of instructions and strategies set by Executive Management;
- proper functioning of Safran's internal processes, particularly those contributing to the safeguarding of assets;
- reliability of financial information.

Internal control thus contributes to the safeguarding of the Company's assets, the management of its activities, the effectiveness of its operations, the efficient use of its resources and the prevention of any organizational dysfunctions. Nevertheless, as with all control systems, it can only provide reasonable assurance that the objectives described above will be achieved.

Position in the organization

The internal control system is managed by the Audit and Internal Control Department, which reports to the Corporate Secretary.

Internal control framework

The Audit and Internal Control Department has defined an internal control framework structured around:

- one process relating to the control environment;
- ten operating processes;
- two IT processes (general IT and IT system security controls);
- processes adapted to Shared Services Centers' risks.

For each process, the Audit and Internal Control Department and Group specialists in each of these areas has drawn up a list of control points and tests aimed at measuring for each entity:

- the conformity of its control procedures and activities with the framework's requirements; and
- the operational effectiveness of these procedures and activities.

Around 200 control points have been listed, which serve to ensure the integrity and security of financial and accounting information. Every year, internal control tests are performed, based on objectives related to scope, content, and the timeframes for carrying out action plans.

Appraisal principle

The Group applies the principle whereby each entity appraises its own internal control system based on the framework (conformity and effectiveness). A test program (for effectiveness) is devised annually, which covers all of the processes over two years in first-tier entities and over three years in second-tier entities. A set of rules and guidelines with around 50 control points applies for small entities, including a series of control points that must be formally tested annually, regardless of the entity's size.

Each year the Group's audit plan includes Internal Audits aimed at verifying that the assessments carried out by the subsidiaries comply with the rules and principles it has put in place.

Any disparity relative to the requirements of the internal control framework in the assessment of the conformity and effectiveness of procedures generates an action plan, with a project leader designated and a deadline established. The progress of such action plans is monitored monthly in the reporting system described below.

In 2016, the internal control system was up and running in 106 Safran entities, which represented 98.5% of the Group's consolidated revenue (data excluding Safran Identity & Security and its subsidiaries).

Within three months of completing a business acquisition, the first-tier entity in which the acquiree is merged for operational purposes must carry out an internal control assessment of the acquiree's business based on Safran's rules and guidelines.

Oversight

The central team that manages the internal control system is assisted by a network of internal control managers in each first-tier entity, with those managers supported by correspondents in each of the second-tier entities.

Each first-tier entity has an Internal Control Committee, comprising members of its management, to review progress made in appraisals and analyze results, including for the related second-tier entities.

At least once a year, the central team brings together internal control managers to conduct a review of obstacles encountered, suggest enhancements to the framework and define areas in which progress can still be made. These meetings also serve as a forum for sharing best practices about monitoring internal control.

For 2017, the main areas for progress identified by Safran are the adequacy and appropriateness of the internal control processes and procedures (annual revision) – particularly for the Shared Services Centers – and integrating these processes and procedures into best practices applied by operations managers.

Monitoring system

Group companies use the same reporting system for the results and conclusions of their internal control appraisals. Some 400 internal control players contribute to this system, which allows:

- direct access to the Group framework, methodology guide and practical operating procedures;
- monitoring of rectifications of disparities identified in relation to the framework.

In addition, this system – which is also used by the Risk and Insurance Department – covers the Group's risk map.

Awareness-raising and training

A training course on internal control has been set up within Safran University with a view to raising awareness of internal control issues among both finance and operations staff.

Internal control quality assurance

Every year, executives of first-tier entities send a representation letter to Safran's Chief Executive Officer on the internal control system put in place in their entity and their subsidiaries, in which they set out the work carried out during the year in the internal control domain and commit to a progress plan for the upcoming year.

Also every year, the Statutory Auditors examine the adequacy of the internal control procedures related to a selection of processes that contribute to the preparation of financial and accounting information (see section 6.7.4).

As part of the audits they perform, the internal auditors (i) assess the adequacy and appropriateness of the internal control procedures within the audit scope, (ii) verify that the relevant processes have been properly applied, and (iii) check the accuracy and reliability of the related test results.

Internal Audit

The Internal Audit plan takes into account the Group's risk map. It is drawn up on an annual basis and revised whenever necessary. The internal auditors from the Audit and Internal Control Department conduct compliance work and other work aimed at identifying ways to improve the efficiency of the Group and of its entities, programs, projects and processes, by addressing four types of major risks: strategic, financial, non-compliance and operations.

The Internal Audit function therefore contributes to:

- identifying, assessing and dealing with risks, via analyses and observations made in relation to the audited entities as well as the ensuing recommendations issued and the follow-up of action plans;
- continuously improving the internal control system, thanks to internal control compliance audits aimed at ensuring that the organizational structures and procedures in place are adequate and efficient;
- continuously assessing that compliance rules are respected by carrying out audits on the management, compliance and performance of subsidiaries and other entities included in the yearly audit plan.

The Group's Internal Audit function has been certified compliant with the international standards of the Institute of Internal Auditors.

6.7.4 Key players in internal control and risk management

The Board of Directors

The Board of Directors defines the primary features of the internal control and risk management systems, based on the recommendations of the Audit and Risk Committee.

The management executives of the first-tier entities assume full responsibility for the internal control systems implemented in their entities and in related second-tier entities; the system implemented must comply with the internal control principles determined by the Group.

The Corporate Secretary

The Audit and Internal Control Department reports to the Corporate Secretary.

Departments responsible for overseeing the internal control and risk management systems

AUDIT AND INTERNAL CONTROL DEPARTMENT

The Audit and Internal Control Department contributes to the management of the Group's activities, the effectiveness of its operations, the efficient use of its resources and the appropriate consideration of material risks. Its main responsibilities are to:

- define and implement the annual audit plan;
- define, organize and coordinate the internal control system.

Taken together, these responsibilities aim at ensuring compliance with applicable laws and regulations, the application of instructions and strategies set by Executive Management, the proper functioning of internal processes, particularly those contributing to the safeguarding of the Group's assets, and the reliability of financial information.

RISK AND INSURANCE DEPARTMENT

The Risk and Insurance Department is responsible for defining the methods and criteria to be used to organize risk management. Its main responsibilities are as follows:

- identifying risks that could affect the Group's strategy, earnings or image;
- defining and organizing risk and crisis management within the Group;
- ensuring the implementation of the PSIP Program (Proactive Safran Integrity Program);
- identifying areas requiring insurance coverage and taking out the appropriate policies.

The Group Finance Department

The Group Finance Department centralizes and coordinates financing, treasury, taxation, the budget process, reporting, accounts consolidation and risk management. It ensures compliance with the internal control procedures falling within the scope of its responsibilities. It also assists with carrying out any acquisitions and disposals decided by the Board of Directors.

Operational departments

Each operational department is responsible for ensuring that its activities are carried out in compliance with the applicable laws, regulations and procedures and for identifying and managing the risks that fall within its remit.

Inspection bodies

THE AUDIT AND RISK COMMITTEE (BOARD COMMITTEE)

This Committee reviews:

- the draft financial statements and the accounting procedures used for preparing the financial statements presented by Executive Management;
- the findings of audits and other work related to internal control procedures presented by the Audit and Internal Control Department;
- findings about the principal risks facing the Group presented by the Risk and Insurance Department;
- the results of the work carried out by the Statutory Auditors, whose independence it also verifies.

The draft report of the Chairman on internal control and risk management procedures is reviewed annually by the Audit and Risk Committee, before being submitted for the formal approval of the Board of Directors.

The Group's Internal Control Guidelines are approved by the Chair of the Audit and Risk Committee.

THE STATUTORY AUDITORS

As part of the audit and certification of the parent company and consolidated financial statements, the Statutory Auditors examine the procedures of a certain number of Safran's processes that contribute to the preparation of financial and accounting information. In particular, they base the work they conduct at selected entities on the Group's internal control framework.

They present their findings to the Audit and Risk Committee.

The Statutory Auditors carry out the following as part of their work in this domain:

- review of documentation on controls performed by the entities;
- tests to verify the operational effectiveness of the procedures implemented;
- review of completed action plans;
- review of results of tests performed by the entities.

6.8 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF JUNE 15, 2017, DRAWN UP IN ACCORDANCE WITH ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE – STATUTORY AUDITORS' REPORT

This report was reviewed by the Audit and Risk Committee and the Appointments and Compensation Committee (for the parts falling within their respective remits), before being submitted to the Board of Directors, which approved it at its meeting on March 23, 2017.

Prior to drawing up this report, the Chairman of the Board of Directors consulted the Audit and Internal Control Department and the Group Risk and Insurance Department.

6.8.1 Cross-reference table

The table below lists the references to the sections of this Registration Document in which information is provided on the topics required in the report of the Chairman of the Board of Directors:

Topics required in the Chairman's report	2016 Registration Document section(s)
1 Corporate governance rules applicable to the Company Reference Corporate Governance Code	6.1 6.4
2 Membership structure of the Board of Directors	6.2
3 Organization and operating procedures of the Board of Directors and the Board Committees	6.1.4 and 6.3
4 Self-assessment by the Board of its operating procedures	6.3.5
5 Principles and rules for determining the compensation of corporate officers	6.6.1
6 Participation of shareholders in General Meetings	7.1.2.2
7 Internal control and risk management	6.7
8 Financial risks related to the impacts of climate change and the measures taken by the Company to reduce these impacts by implementing a low-carbon strategy	4.2.2.1, 5.5.2.4 and 5.5.4

Information concerning items that could have an effect in the event of a public offering is provided in section 7.1.2.6 of this Registration Document.

6.8.2 Statutory Auditors' report on the report prepared by the Chairman of the Board of Directors

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH THE ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SAFRAN

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the shareholders,

In our capacity as statutory auditors of Safran and in accordance with article L.225-235 of the French commercial code (Code de commerce), we hereby report to you on the report prepared by the chairman of your company in accordance with article L.225-37 of the French commercial code for the year ended December 31, 2016.

It is the chairman's responsibility to prepare and submit to the board of directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French commercial code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the chairman's report on internal control and risk management and relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French commercial code, it being specified that it is not our responsibility to assess the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the chairman of the board's report in accordance with article L.225-37 of the French commercial code.

Other information

We attest that the chairman's report set out the other information required by article L.225-37 of the French commercial code.

Courbevoie and Paris-La Défense, March 24, 2017

The statutory auditors

French original signed by

Mazars

Ernst & Young et Autres

Gaël Lamant

Christophe Berrard

Jean-Roch Varon

Nicolas Macé

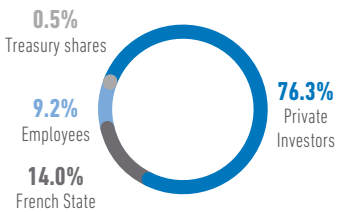




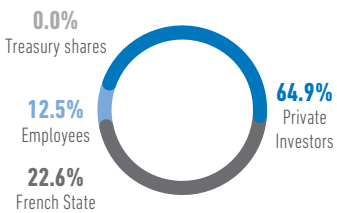
Portrait of a Safran Electrical & Power employee.

BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS (as of December 31, 2016)

Share capital



Exercisable voting rights



GENERAL INFORMATION

The Company is registered with the Paris Trade and Companies Registry under number 562 082 909.

Safran's registered office is located at 2, boulevard du Général Martial-Valin, 75015 Paris, France.

SHARE CAPITAL (AS OF DECEMBER 31, 2016)

As of December 31, 2016, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up shares with a par value of €0.20 each.

RELATIONS WITH SHAREHOLDERS

To ensure good relations with the financial community, the Financial Communications Department regularly organizes events to enable analysts and institutional investors to meet with Executive Management.

In addition to the Annual General Meeting, which is held in Paris every year, Safran organizes two meetings especially for individual shareholders, with a view to developing a close, trust-based relationship with them.

INDICES

Safran's share has been included in the CAC 40 index since September 19, 2011 and the Euro STOXX 50 index since September 21, 2015.

SAFRAN SHARE PRICE

Main stock market data over three years	2014	2015	2016
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Share price (in €)			
High	54.590	72.450	69.890
Low	43.240	50.620	48.865
Closing	51.250	63.370	68.420
Market capitalization as of December 31 (in € millions)	21,372	26,427	28,533

7 INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP



Space engine Vinci. Rated at nearly 18 tons of thrust (180 kN), the Vinci* engine is primarily designed to power the upcoming upper stage of the Ariane 5 ME and Ariane 6 launchers.*

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7.1 GENERAL INFORMATION AND BYLAWS

7.1.1 General information

Corporate name

Safran.

Registered office

2, boulevard du Général Martial-Valin, 75015 Paris, France.

Tel.: +33 1 40 60 80 80

Legal form

Safran is a French *société anonyme* (joint-stock corporation).

Registration

The Company is registered with the Paris Trade and Companies Registry under number 562 082 909.

Incorporation date and term

The Company was incorporated on August 16, 1924.

The Company's term has been set at 99 years from the date of registration with the Trade and Companies Registry, i.e., expiring on August 28, 2023, unless said term is extended or the Company is wound up in advance.

Corporate purpose

Under Article 3 of the bylaws, the Company's purpose, in any and all countries, for its own account, on behalf of third parties, or directly or indirectly in conjunction with third parties, is to

carry out research, design, development, testing, manufacturing, sales, maintenance and support operations for high-technology activities, and notably for:

- all aviation and Aerospace activities for the civilian and military markets, particularly those related to:
 - aviation and Aerospace Propulsion solutions, including the operation of systems that produce or use energy, and equipment designed to be used with such systems, and
 - equipment and sub-systems used in aircraft, helicopters, launch vehicles and missiles;
- all air, land and naval defense activities, particularly those related to:
 - optronics, avionics and navigation solutions and services, and
 - electronics and critical software for aerospace and defense applications;
- all Security activities, particularly those related to:
 - multi-biometric identification solutions, identity management solutions, smart cards and secure transactions, and
 - detection solutions for explosives and narcotics;

and generally, to conduct any and all transactions of a commercial, industrial or financial nature or involving movable assets or real estate that relate directly or indirectly to the above corporate purpose or to anything incidental or conducive to the achievement of said corporate purpose.

Fiscal year

The fiscal year begins on January 1 and ends on December 31.

7.1.2 Principal provisions of the bylaws

7.1.2.1 Board of Directors

MEMBERSHIP STRUCTURE

Under the terms of Article 14 of the bylaws, the Company is administered by a Board of Directors with at least three and no more than thirteen members, including, where applicable, a representative appointed by the French State and/or Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government *ordonnance* (order) 2014-948 dated August 20, 2014 regarding the governance of companies in which the French State has a stake and regarding corporate actions involving these companies.

The maximum number of thirteen Board members may be increased to allow for the inclusion of Directors representing employee shareholders, appointed as provided for in Article 14.8 of the bylaws, and Directors representing employees, appointed as provided for in Article 14.9 of the bylaws.

The Board of Directors appoints a Chairman and, if applicable, a Vice-Chairman from among its members, who must be individuals.

REPRESENTATIVES OF EMPLOYEE SHAREHOLDERS

The Safran Board of Directors includes two Directors representing employee shareholders, who were elected at the Annual General Meeting of May 19, 2016, in accordance with Article 14.8 of the bylaws.

REPRESENTATIVES OF EMPLOYEES

In accordance with the law on securing employment of June 14, 2013, the Safran Board of Directors includes two Directors representing employees, who were elected on November 20, 2014, under Article 14.9 of the Company's bylaws.

SHAREHOLDING

Under Article 14.5 of the bylaws, each member of the Board of Directors shall be required to own a certain number of shares in the Company for his or her entire term of office in accordance with the terms and conditions set down in the Board of Directors' Internal Rules. As an exception, this shareholding obligation shall not apply to the representative of the French State and/or Directors put forward by the French State in accordance with Articles 4 and/or 6 of French government *ordonnance* (order) 2014-948 of August 20, 2014, or Directors representing employees or Directors representing employee shareholders. However, under Article 14.8 of the bylaws, each Director representing employee shareholders shall be required to hold - either individually or through a corporate mutual fund set up as part of the Group's employee share ownership program - at least one share or a number of units in the fund equivalent to at least one share.

TERM OF OFFICE - AGE LIMIT

Members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting for a term of four years, ending at the close of the Ordinary Shareholders' Meeting held during the year in which their term of office expires in order to approve the financial statements for the previous year. Members of the Board of Directors may be re-appointed, it being specified that:

- the number of Directors (both individuals and permanent representatives of legal entities) over the age of 70 may not

exceed one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;

- no Director over the age of 70 may be appointed if such appointment would raise the number of Directors over the age of 70 to more than one quarter of the total number of Directors in office, rounded up to the nearest whole number where appropriate;
- if the number of Directors over the age of 70 exceeds one quarter of the total number of Directors in office, and if no Director over the age of 70 resigns, the oldest Board member shall automatically be deemed to have resigned.

Article 15 of the bylaws stipulates that the duties of the Chairman and Vice-Chairman shall end no later than at the close of the first Ordinary Shareholders' Meeting following the date on which they reach the age of 75.

MEETINGS

Under the terms of Article 18 of the bylaws, the Board of Directors shall meet as often as required in the interests of the Company and at least four times a year. Meetings shall be called by the Chairman, or if he is unable to do so, by the Vice-Chairman.

If the Board has not met for more than two months, a group of at least one-third of the Directors may ask the Chairman to call a meeting to discuss a specific agenda.

The Chief Executive Officer or the Deputy Chief Executive Officer(s) may also request that the Chairman call a Board meeting to consider a specific agenda.

In both of these cases the Chairman is bound by such requests and must call a Board meeting within seven days of receiving the request (or within a shorter timeframe in the event of urgency).

Board meetings shall only be validly constituted if at least half of the Directors are present.

Directors who participate in Board meetings by videoconference or any other telecommunications media that comply with the technical criteria set in the applicable laws and regulations shall be considered as being physically present for the purposes of calculating the quorum and voting majority, in accordance with the terms and conditions set out in the Board of Directors' Internal Rules.

Directors may give written proxy to another Director to represent them at Board meetings, provided that no Director holds more than one proxy at any single meeting.

POWERS

Under Article 19 of the bylaws, the Board of Directors shall determine the Company's overall business strategy and oversee its implementation. Subject to the powers directly vested in Shareholders' Meetings (appointment of Directors and Statutory Auditors, approval of the financial statements and related-party agreements, decisions that amend the bylaws), the Board is responsible for dealing with all matters concerning the efficient running of the Company and for making all related decisions, within the scope of the Company's corporate purpose.

Subject to the applicable laws and regulations and the terms and conditions set out in the Board of Directors' Internal Rules, the roles and responsibilities of the Board of Directors shall include, but shall not be limited to:

- calling the Annual General Meeting and drawing up its agenda;
- approving the Group's annual budget presented by the Chief Executive Officer as well as any amendments thereto;
- approving the Group's medium-term business plan;
- approving the financial statements of the Company and the Group and drawing up the annual management report;
- authorizing related-party agreements governed by Article L.225-38 of the French Commercial Code (*Code de commerce*);
- selecting the Company's management structure;
- appointing and removing from office (i) the Chairman of the Board of Directors, and the Vice-Chairman (if any), and (ii) the Chief Executive Officer and, on the recommendation of the Chief Executive Officer, the Deputy Chief Executive Officer(s) (if any);
- determining the powers of the Chief Executive Officer and, in agreement with the Chief Executive Officer, of the Deputy Chief Executive Officer(s) (if any);
- appointing Directors prior to ratification by shareholders;
- setting the compensation payable to the Chairman of the Board of Directors and the Vice-Chairman (if any), and the Chief Executive Officer and the Deputy Chief Executive Officer(s) (if any);
- appointing the members of the Audit and Risk Committee and the members of any other Board committees set up in accordance with the provisions of the bylaws and the Board of Directors' Internal Rules;
- allocating attendance fees among the Board members, in accordance with the Board of Directors' Internal Rules;
- approving the report of the Chairman of the Board of Directors on the organization of the Board's work and internal control and risk management procedures;
- deciding on issues of debt securities not carrying rights to shares;
- deciding whether to allocate compensation to any Board Advisors (*censeurs*);
- giving the Chief Executive Officer authorization (which may be delegated) to grant guarantees and endorsements, setting for each fiscal year:
 - an overall ceiling and, where appropriate,
 - a maximum amount per transaction;
- authorizing in advance any transactions that would result in exceeding the above-mentioned overall ceiling or maximum amount per transaction set by the Board, as indicated in the point above.

In addition to the legal and regulatory requirements concerning prior authorizations that must be obtained from the Board of Directors, a number of specific transactions must also be approved by the Board before they can be carried out by the Chief Executive Officer or a Deputy Chief Executive Officer, as required by the internal procedures (see section 6.1.4.2 and 6.3.1) of the Company and Group. These transactions are listed in the Board of Directors' Internal Rules.

The Board of Directors shall perform any checks and controls that it deems appropriate. Each Director shall be provided with all the information required to carry out his or her duties and may request any documents he or she deems useful.

ATTENDANCE FEES

Under Article 17 of the bylaws, at the Annual General Meeting, the Company's shareholders shall set an annual aggregate amount of attendance fees, effective for the current year and, if appropriate, subsequent years until the shareholders decide otherwise.

The Board of Directors shall allocate the attendance fees among its members as it deems fit, in accordance with the rules set out in the Board's Internal Rules (see section 6.6.3.1).

BOARD ADVISORS

Under Article 20 of the bylaws, shareholders in an Ordinary Shareholders' Meeting may appoint up to two Board Advisors to attend Board meetings in an advisory capacity. However, if the French State's interest in the Company's capital falls below 10%, the French State would automatically be entitled to appoint a Board Advisor and the maximum number would be increased to three. Board Advisors are appointed for four years and may be re-appointed. Any Board Advisor reaching the age of 70 shall be deemed to have resigned.

EXECUTIVE MANAGEMENT

Under Article 21 of the bylaws, the Company's management shall be placed under responsibility of either:

- the Chairman of the Board of Directors; or
- another individual appointed by the Board, who shall hold the title of Chief Executive Officer and who may or may not be a Director.

Under Article 22 of the bylaws, the Chief Executive Officer shall have the broadest powers to act in all circumstances in the Company's name. The Chief Executive Officer shall exercise these powers within the scope of the Company's corporate purpose and subject to:

- the powers expressly vested by the applicable laws and regulations in Shareholders' Meetings and the Board of Directors; and
- any restrictions placed on his powers and any matters that require the prior approval of the Board of Directors in accordance with the Board of Directors' Internal Rules.

The Board of Directors shall determine compensation payable to the Chief Executive Officer and the length of his term of office. The age limit for the Chief Executive Officer is set at 65 years. A proposal to change the bylaws in order to increase this age limit to 68 years will be put before the Annual General Meeting on June 15, 2017.

DEPUTY CHIEF EXECUTIVE OFFICER(S)

Under Article 23 of the bylaws, at the proposal of the Chief Executive Officer, the Board of Directors may appoint up to three Deputy Chief Executive Officers (who may or may not be Directors) to assist the Chief Executive Officer in his duties.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers vested in the Deputy Chief Executive Officer(s). The Board of Directors shall also set their compensation, in accordance with Article 24 of the bylaws.

The Deputy Chief Executive Officer(s) shall have the same powers as the Chief Executive Officer with respect to third parties.

The age limit for holding office as Deputy Chief Executive Officer is set at 65 years.

7.1.2.2 General Shareholders' Meetings

CONVENING AND PARTICIPATING

General Shareholders' Meetings shall be called in accordance with the applicable laws and regulations.

The conditions for the participation of shareholders in General Meetings are governed by the legal provisions and regulations in effect and by Articles 30 et seq. of Safran's bylaws. Any shareholder, regardless of the number of shares held, is entitled to attend General Meetings, on proof of identity and of his/her capacity as a shareholder, provided that the shareholder's shares are registered in his/her name in Safran's share register managed by BNP Paribas Securities Services, or in the securities accounts managed by the authorized intermediary, no later than zero hours (CET) on the second business day preceding the meeting.

Proxy/postal voting forms for General Shareholders' Meetings may be sent in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

Where a shareholder electronically submits a proxy or postal voting form, the shareholder's signature must be a secure electronic signature or be subject to a reliable identification procedure to ensure signature security, for example by registering a unique identification code and password.

Shareholders who have not paid up the amounts due on their shares within 30 days of a notice to pay issued by the Company shall not be entitled to participate in General Shareholders' Meetings and the shares concerned shall be deducted from the total of the Company's outstanding shares for the purposes of calculating the quorum.

EXERCISING VOTING RIGHTS - DOUBLE VOTING RIGHTS - RESTRICTION ON VOTING RIGHTS

Under Article 31 of the bylaws, each shareholder shall have a number of votes corresponding to the number of shares held or represented by proxy, unless otherwise provided for in the applicable laws or regulations.

The General Shareholders' Meeting of June 21, 1974 decided to allocate double voting rights in respect of all fully paid-up shares registered in the name of the same holder for at least two years (Article 31.8 of the bylaws).

In the event of a capital increase paid up by capitalizing retained earnings, profits or additional paid-in capital, the registered bonus shares allocated in respect of shares carrying double voting rights shall also carry double voting rights.

Double voting rights shall be forfeited if registered shares are converted into bearer shares or transferred. However, registered shares shall not be stripped of double voting rights and the qualifying period shall continue to run following a transfer of shares included in the estate of a deceased shareholder, or in

connection with the settlement of the marital estate, or an inter vivos gift to a spouse or a relative in the direct line of succession.

Any merger or demerger of the Company shall have no impact on double voting rights, which may be exercised in the surviving company if its bylaws so provide.

In accordance with the law, double voting rights may not be abolished by the Extraordinary Shareholders' Meeting unless this decision is first approved by a special meeting of holders of shares with double voting rights.

Under Article 31.12 of the bylaws, no shareholder may exercise more than 30% of the total voting rights attached to all of the Company's shares. The voting rights exercised by a shareholder for this purpose shall include the voting rights exercised directly by the shareholder himself/herself and in the capacity as proxy for another shareholder that are attached to shares (i) that he/she holds directly or indirectly and (ii) that are owned by another shareholder for which he/she is acting as proxy.

For the purposes of these provisions:

- the total number of voting rights attached to the Company's shares taken into account shall be calculated as at the date of the General Shareholders' Meeting concerned and the shareholders shall be informed thereof at the start of the meeting;
- the number of voting rights held directly or indirectly shall mean those voting rights attached to shares held by:
 - a private individual, either personally or as part of jointly-owned property, or
 - a company, group of entities, association or foundation;
- as well as voting rights attached to shares held by a company that is controlled - within the meaning of Article L.233-3 of the French Commercial Code - by a company, private individual, association, group of entities or foundation;
- the restrictions set out above shall not include voting rights exercised by the Chairman of a General Shareholders' Meeting when said voting rights are (i) attached to shares for which a proxy form has been returned to the Company without any named proxy, and (ii) do not individually infringe the specified restrictions.

The restrictions provided for above shall automatically become null and void, without the requirement for a new decision by shareholders in an Extraordinary Shareholders' Meeting, in the event that an individual or entity - acting alone or in concert with one or more other individuals or entities - acquires an interest in the Company representing two-thirds of the Company's capital or voting rights following a public tender offer for all of the Company's shares.

7.1.2.3 Rights and restrictions attached to shares

Under Article 9 of the bylaws, fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion, subject to compliance with the provisions of the applicable laws and regulations and the Board of Directors' Internal Rules concerning the form of shares held by certain categories of shareholders.

Under Article 12 of the bylaws, each share shall entitle its holder to a proportion of the Company's profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.

Where a shareholder must own a specific number of shares to exercise a particular right, notably in the event of an exchange or allocation of shares, a stock split, reverse stock-split, a capital increase or reduction, a merger, demerger, partial asset transfer, dividend payment or any other corporate action, any shares held that fall below the required number shall not confer any rights on their holders with respect to the Company, and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares or rights, including through purchases or sales of shares or rights where required.

7.1.2.4 Conditions governing changes to share capital and shareholders' rights

The Company's bylaws do not require that the conditions to change share capital and shareholders' rights be more restrictive than prevailing legislation. These changes are subject to the approval of the shareholders at the Extraordinary Shareholders' Meeting deliberating in accordance with the rules of quorum and majority set out in the applicable laws and regulations.

7.1.2.5 Disclosure obligation in the event of exceeding the threshold for ownership set out in the bylaws

Under Article 13 of the bylaws, in addition to the disclosures required under the applicable laws and regulations when certain ownership thresholds are crossed, any person or legal entity, acting alone or in concert with others, that becomes the owner – directly or indirectly through one or more companies controlled by said person or entity within the meaning of Article L.233-3 of the French Commercial Code – of 1% or more of the Company's capital or voting rights or any multiple thereof, as calculated

in accordance with Articles L.233-7 and L.233-9 of the French Commercial Code and the General Regulations of the French financial markets authority must notify the Company of the total number of shares and voting rights held as well as the total number of securities held that carry deferred rights to the Company's capital and the potential voting rights attached thereto.

Said notification shall be sent to the Company by registered letter with recorded delivery within four trading days of the relevant threshold being crossed.

The same disclosures are required – within the same timeframe and in accordance with the same conditions – in cases where a shareholder's interest falls below any of the thresholds referred to above.

The sanctions provided for by law in the event of a failure to comply with the disclosure requirements applicable when a legal threshold is crossed shall also apply if a shareholder does not comply with the disclosure requirements applicable in the bylaws, where requested by one or more shareholders holding at least 5% of the Company's capital or voting rights (with said request duly recorded in the minutes of the relevant General Shareholders' Meeting).

7.1.2.6 Provisions that could delay, postpone or prevent a change in control of the Company

The provisions of the bylaws or other contractual documents related to the Company that could delay, postpone or prevent a change in the Company's control are as follows: (i) the granting of double voting rights to any shareholder owning fully paid-up shares which the shareholder must prove have been registered in the name of the same shareholder for at least two years, (ii) the restriction on voting rights provided for by Article 31.12 of the bylaws, (iii) a three-way agreement with the French State (see section 7.1.4.2).

7.1.3 Information on investments

7.1.3.1 Direct and indirect investments as of December 31, 2016

The direct and indirect investments which meet the criteria defined by the European Securities and Markets Authority (ESMA) in its March 2013 recommendation are set out in Note 34 of section 3.1 and Note 3.1 of section 3.3.

7.1.3.2 Investments

In accordance with the provisions of Article L.233-6 of the French Commercial Code, in 2016 Safran acquired the following investments within the meaning of said Article:

- acquisition by Safran of the outstanding shares in Technofan that it did not hold, bringing Safran's holding to 100%. This acquisition was conducted as a public tender offer followed by a squeeze-out completed on July 4, 2016. On the completion of this public tender offer followed by a squeeze-out, the Technofan shares were delisted from Compartment C of the regulated market;
- acquisition of a stake of around 14.5% in Diotasoft by Safran Corporate Ventures;
- increase of Safran Corporate Ventures' stake in Krono-Safe from 12.8% to 15.8%.

7.1.4 Relations with related parties

The list of joint ventures and associates accounted for under the equity method is presented in Note 34 of section 3.1.

Quantified information on joint ventures is presented in Note 29 of section 3.1. Transactions with associates were not material in 2016 or 2015.

Information on management compensation is presented in Note 30 of section 3.1, Note 5.4 of section 3.3 and section 6.6.2.

Information on transactions with related parties other than joint ventures is presented in Note 29 of section 3.1.

7.1.4.1 Relations with the French State

In 2016, Safran generated adjusted revenue of €893 million⁽¹⁾ with the French State and entities in which it has interests, primarily in military areas.

The Aerospace Propulsion business (see section 1.3.1) develops, manufactures and maintains aircraft engines for the French armed forces. It is the industrial prime contractor for this equipment in major aviation projects. It also powered strategic and tactical missiles. Since July 1, 2016 this latter business has been operated via ASL.

The Aircraft Equipment business (see section 1.3.2) participates in the major French military aviation programs, primarily in terms of landing gear and braking systems.

The Defense business (see section 1.3.3) applies the following technology on behalf of French government agencies across all defense areas (national defense and security of information systems):

- inertia, for independent positioning, navigation and guidance systems for all types of vehicles and engines; inertia for flight command systems for helicopters;
- flight command systems for helicopters;
- optronics and signal processing for monitoring, observation, day/night imaging, warning and guidance systems;
- information technologies and systems integration.

The Security business (see section 1.3.4) applies advanced technology across all security areas (security of individuals, assets and transport) on behalf of French government agencies:

- biometrics for police systems and border checkpoints (visas, passports);
- systems to ensure French territorial security and safety of citizens.

7.1.4.2 Agreement with the French State relating to strategic assets and subsidiaries

In order to protect national interests and preserve national independence, and in the context of the proposed combination of Sagem and Snecma's businesses through the merger of these two companies, the French State reminded these companies of its right to a "golden share" with regard to Snecma of the kind defined in Article 10 of Law 86-912 of August 6, 1986. In exchange for the waiver of this right to a "golden share", the French State required sufficient contractual rights to ensure national interests are protected.

In view of this, a three-way agreement in lieu of a "golden share" was entered into by Sagem and Snecma (now Safran since the merger of Sagem and Snecma in 2005) and the French State on December 21, 2004. The agreement, as amended or supplemented by Addendum no. 1 of March 31, 2011, Addendum no. 2 of June 29, 2011, Addendum no. 3 of December 16, 2011, Addendum no. 4 of December 1, 2014 (effective as of January 14, 2015), and Addendum no. 5 of December 17, 2014 and of Addendum no. 6 of June 24, 2016 (effective as of June 30, 2016 and which will be proposed to the shareholders' vote at the Annual General Meeting on June 15, 2017, see section 7.1.4.3), provides, inter alia, that:

- the French State shall be entitled to appoint a non-voting representative to the Safran Board of Directors should its interest in the Company's share capital fall below 10%;
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries (Safran Ceramics and Safran Power Units) and subsidiaries holding assets with a connection to French combat aircraft engines;
- the French State shall have a prior right to approve or refuse the sale of certain assets of Group entities identified as strategic or sensitive for defense, the transfer of securities of Safran Ceramics, Safran Power Units and Airbus Safran Launchers Holding (ASLH), the acquisition of more than 33.33% or 50% of the capital or voting rights of companies in the Group holding defense assets, and any projects granting special management rights or rights to information over the strategic or sensitive assets or rights to be represented on the administrative or management bodies of Safran Ceramics and Safran Power Units, in which case, should the French State not make known its decision within 30 business days, it shall be deemed to have approved the transaction, except in the event where a sale of ASLH's securities is planned, in which case, should the French State not make its decision known, it shall be deemed as having been rejected;
- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic military and aerospace assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries Safran Ceramics and Safran Power Units and the stake in ASLH at a price to be set by a panel of experts, in which case the parties shall enter into an agreement for the provision of services and the transfer of technology relating to the assets sold.

(1) Not including Security activities that are classified as discontinued operations in accordance with IFRS 5 (see. Note 3 of section 3.1).

7.1.4.3 Other related-party agreements

An agreement, entitled “Arianespace Framework Protocol”, was entered into with the French State on February 8, 2016 after being approved by the Board of Directors at its meeting on December 17, 2015. Details on this agreement are provided in section 8.2.1 of the 2015 Registration Document and the Statutory Auditors’ special report in section 8.6.1 of the 2015 Registration Document. This agreement was submitted for shareholder approval and adopted under the ninth resolution at the Ordinary and Extraordinary Shareholders’ Meeting of May 19, 2016.

In the first-half of 2016, the following related-party agreements and addenda, governed by Article L.225-38 of the French Commercial Code (*Code de commerce*) were entered into with the French State and will be submitted for shareholder approval at the Annual General Meeting of June 15, 2017:

- ASLH Agreement;
- Arianespace Agreement;
- pre-emption Agreement;
- addendum no. 6 to the agreement of December 21, 2004;
- EGA (Environmental Guarantee Agreement) Addendum.

To boost competitive performance and safeguard the future of the European space launch vehicle sector, faced with increasing international competition, Safran and Airbus Group joined forces in the launch vehicle sector through ASLH and its wholly-owned subsidiary Airbus Safran Launchers (ASL SAS). This combination was carried out in two phases and finalized on June 30, 2016.

The agreements and the amendments submitted for shareholder approval at the Annual General Meeting of June 15, 2017 relate to the finalization of this combination. Together they make up a set of indivisible agreements that are required to establish the combination. Primarily required by the French State to ensure the protection of national interests, these agreements provide for the transfer of the French State’s protective rights over the strategic assets to ASLH and confer on it the benefits of the rights related to these assets.

The ASLH Agreement, Arianespace Agreement, Pre-emption Agreement and Addendum no. 6 to the agreement dated December 21, 2004 were authorized by the Board of Directors on December 17, 2015. They were signed on June 24, 2016 and entered into force on June 30, 2016.

Effective from June 30, 2016, the protection of the French State’s strategic interests is ensured via:

- the ASLH Agreement: a new agreement between the French State and ASLH relating to protected assets and strategic

subsidiaries and interests, entered into in the presence of Safran and Airbus Group SE; and

- the Arianespace Agreement: a new agreement between the French State and ASLH relating to Arianespace Participation and Arianespace SA shares, entered into in the presence of Safran and Airbus Group SE.

The following agreements were entered into at the same time:

- pre-emption Agreement: an agreement between Safran, Airbus Group SE and the French State, which sets out the conditions under which Airbus Group SE and Safran may exercise a pre-emptive right on shares of the other partner in ASLH if the French State exercises any of the call options granted to it by Airbus Group SE and Safran. The French State may only buy back ASLH shares once the pre-emptive rights of Safran and Airbus Group SE have been used or expire;
- addendum no. 6 of the Agreement dated December 21, 2004 described in section 7.1.4.2 between Safran and the French State, whose purpose is to exclude from the scope of the Agreement dated December 21, 2004 the assets, subsidiaries and interests henceforth protected by the ASLH Agreement, the Arianespace Agreement and the Pre-emption Agreement described above.

Moreover, the EGA Addendum, an addendum to the environmental warranty with SNPE, authorized by the Board of Directors on December 17, 2015, was signed on May 17, 2016 and entered into force on June 30, 2016. Some sites transferred to ASL SAS, as part of the operation bringing together the companies described above, are covered by an EGA granted to Safran by the company SNPE and counter-guaranteed by the French State. With the French State’s approval, the addendum to the EGA was entered into between SNPE, ASLH and Safran in order to transfer the benefit of the EGA to ASLH for said sites (Safran being substituted by ASLH).

The related-party agreements and commitments authorized in previous years and which had continuing effect during this period, are presented in the Statutory Auditors’ special report in section 7.6 of this Registration Document.

Related-party commitments made to the Chairman of the Board and the Chief Executive Officer and authorized by the Board of Directors on March 23, 2017 are presented in sections 6.6.2.1 and 6.6.2.2 of this Registration Document as well as in the Statutory Auditors’ special report in section 7.6. They will be submitted for approval at the Annual General Meeting of June 15, 2017.

Safran did not authorize any other related-party agreements and commitments between January 1, 2017 and the filing date of this Registration Document.

7.2 INFORMATION ON SHARE CAPITAL

7.2.1 Share capital

As of December 31, 2016, Safran's share capital amounted to €83,405,917, made up of 417,029,585 fully paid-up shares with a par value of €0.20 each.

There were no changes to the amount or structure of the share capital during 2016 and up until the filing date of the Registration Document.

7.2.2 Authorizations granted to the Board of Directors

7.2.2.1 Authorizations granted by the Annual General Meeting to the Board of Directors with respect to share capital increases

The financial authorizations in force, already granted by shareholders to the Board of Directors, are summarized below.

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at December 31, 2016
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders	April 23, 2015 AGM (18 th resolution) 26 months, i.e., until June 22, 2017	€20 million ⁽¹⁾⁽³⁾ €2 billion (debt securities) ⁽²⁾	None
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a public offering	April 23, 2015 AGM (19 th resolution) 26 months, i.e., until June 22, 2017	€8 million ⁽¹⁾⁽³⁾ €1.3 billion (debt securities) ⁽²⁾	None
Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offering initiated by the Company	April 23, 2015 AGM (20 th resolution) 26 months, i.e., until June 22, 2017	€8 million ⁽¹⁾⁽³⁾⁽⁴⁾ €1.3 billion (debt securities) ⁽²⁾⁽⁵⁾	None
Authorization for the Board of Directors to issue ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code	April 23, 2015 AGM (21 st resolution) 26 months, i.e., until June 22, 2017	€8 million ⁽¹⁾⁽³⁾⁽⁴⁾ €1.3 billion (debt securities) ⁽²⁾⁽⁵⁾	Amount used (debt securities): €650 million (see section 7.2.3.2) Amount remaining (debt securities): €650 million

(1) This amount is included in the €25 million sub-ceiling for capital increases set at the Annual General Meeting of April 23, 2015 (25th resolution).

(2) This amount is included in the €2 billion sub-ceiling for debt securities set at the Annual General Meeting of April 23, 2015 (25th resolution).

(3) This amount is included in the €30 million blanket ceiling for capital increases set at the Annual General Meeting of April 23, 2015 (25th resolution).

(4) This amount is included in the €8 million sub-ceiling for capital increases without pre-emptive subscription rights set at the Annual General Meeting of April 23, 2015 (19th resolution).

(5) This amount is included in the €1.3 billion sub-ceiling for issues of debt securities without pre-emptive subscription rights set at the Annual General Meeting of April 23, 2015 (19th resolution).

7 INFORMATION ABOUT THE COMPANY, THE CAPITAL AND SHARE OWNERSHIP

Information on share capital

Type of authorization	Date of the authorization, term and expiration	Maximum nominal amount of capital increases and maximum principal amount of debt securities authorized	Amount used at December 31, 2016
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights	April 23, 2015 AGM (22 nd resolution) 26 months, i.e., until June 22, 2017	15% of the original issue ⁽⁶⁾	None
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital	April 23, 2015 AGM (23 rd resolution) 26 months, i.e., until June 22, 2017	€12.5 million ⁽³⁾	None
Authorization for the Board of Directors to issue ordinary shares to employees who are members of a Group employee savings plan, without pre-emptive subscription rights for existing shareholders	April 23, 2015 AGM (24 th resolution) 26 months, i.e., until June 22, 2017	1% of the Company's capital ⁽³⁾	None
Blanket ceilings on authorizations to issue shares and/or other securities	April 23, 2015 AGM (25 th resolution)	Sub-ceiling: €25 million for the 18 th , 19 th , 20 th and 21 st resolutions of the April 23, 2015 AGM. Sub-ceiling: €2 billion (debt securities) for the 18 th , 19 th , 20 th and 21 st resolutions of the April 23, 2015 AGM. Blanket ceiling of €30 million for the 18 th , 19 th , 20 th , 21 st , 23 rd and 24 th resolutions of the April 23, 2015 AGM	None
Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Safran group entities, with a waiver of shareholders' pre-emptive subscription rights	May 19, 2016 AGM (23 rd resolution), 14 months, i.e., until July 18, 2017	0.35% of the Company's capital at the grant date	Amount used at December 31, 2016: 0.13% of capital Amount remaining at December 31, 2016: 0.21% of capital Total amount used at March 30, 2017: 0.27% of capital Amount remaining at March 30, 2017: 0.08% of capital (see section 7.3.7.1)

(3) This amount is included in the €30 million blanket ceiling for capital increases set at the Annual General Meeting of April 23, 2015 (25th resolution).

(6) The ceilings applicable to the 18th, 19th, 20th and 21st resolutions of the Annual General Meeting of April 23, 2015 still apply if the option provided for in the 22nd resolution is used.

The authorization to increase the Company's capital through a private placement granted to the Board of Directors in the twenty-first resolution of the April 23, 2015 Annual General Meeting was used in January 2016 to issue bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) (see section 7.2.3.2).

The authorization to make free share grants of the Company's existing shares or shares to be issued granted to the Board of Directors in the twenty-third resolution of the May 19, 2016 Annual General Meeting was used in July 2016 and in March 2017 (see section 7.3.7.1).

The other authorizations to increase the Company's capital granted to the Board of Directors by the Annual General Meeting were not used in 2016 and as of the filing date of this Registration Document.

7.2.2.2 Authorizations submitted for approval at the Annual General Meeting of June 15, 2017

At the Annual General Meeting of June 15, 2017, the shareholders will be asked to grant the Board of Directors new authorizations to replace those expiring in 2017.

7.2.3 The Company's securities

7.2.3.1 Other securities not representing the Company's capital

Other securities issued by Safran not representing the Company's capital as of the date of this Registration Document are set out Note 23 of section 3.1 and Note 3.9 of section 3.3 and in the section below.

France – apart from in the USA, Canada, Australia and Japan – among persons or entities falling within the scope of Article L.411-2-II of the French Monetary and Financial Code. The placement corresponded to an amount of €649,999,950.60, represented by 7,277,205 bonds with a nominal unit value of €89.32. In the event that Safran decided to provide only new shares, the maximum dilution would be 1.7%. The terms and conditions of the placement are described in Notes 19.b and 23 of section 3.1 and Note 3.9 of section 3.3.

The reports of the Chief Executive Officer and the Statutory Auditors on the use of this authorization can be found in section 8.3 and section 8.6.3 of the 2015 Registration Document.

7.2.3.2 Securities carrying rights to shares of the Company

Pursuant to the Board of Directors' decision of December 17, 2015 acting on the shareholder authorization granted in the twenty-first resolution of the Company's Annual General Meeting held on April 23, 2015, on January 5, 2016 Safran carried out an issue of "OCEANE" bonds maturing on December 31, 2020. The issue was carried out by way of a private placement in France and outside

7.2.3.3 Ratings

Safran has not, at this time, sought a rating from a financial rating agency. Moreover, to the best of the Company's knowledge, no unsolicited rating of Safran has been made by a financial rating agency.

7.2.4 History of the share capital since 2005

Date	Transaction	Safran share (in €)	Amount of share capital (in €)	Number of shares	Additional paid-in capital (in € thousands)
Situation as of December 31, 2016		0.20	83,405,917	417,029,585	3,288,568
May 11, 2005	Merger of Snecma into Sagem SA, now Safran	0.20	83,405,917	417,029,585	3,288,568
March 17, 2005	Settlement-delivery of Sagem shares exchanged as part of the Sagem public exchange offer for Snecma shares	0.20	73,054,834	365,274,170	3,214,696
Situation as of January 1, 2005		0.20	35,500,000	177,500,000	163,366

7.2.5 Pledging of shares

To the best of the Company's knowledge, 265,958 shares representing 0.06% of the share capital were pledged as of December 31, 2016, compared with 437,098 shares representing 0.11% of the share capital as of December 31, 2015.

7.2.6 Treasury shares

SITUATION AS OF DECEMBER 31, 2016

	Number of shares	% share capital	Carrying amount as of Dec. 31, 2016 (in €)	Total nominal value (in €)
Treasury shares, held directly	1,838,487	0.44	99,730,710	367,697.40
Treasury shares, held indirectly	-	-	-	-
TOTAL	1,838,487	0.44	99,730,710	367,697.40

7.2.7 Share buyback programs

The Annual General Meeting of May 19, 2016 by its twenty first resolution authorized the Board of Directors, for a period of 18 months, to set up a share buyback program with the following primary characteristics:

Purpose of the program:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the French association of financial and investment firms (*Association Française des Marchés Financiers – AMAFI*), approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions; and
- for cancellation in accordance with the authorization granted in the twenty-second resolution of the Annual General Meeting of May 19, 2016.

Maximum percentage of share capital to be bought back:

- 10% of share capital.

Maximum purchase price per share:

- €80.

Total maximum amount that may be invested in the share buyback program:

- €3.3 billion.

As of May 19, 2016, this program superseded the previous program authorized by the Annual General Meeting of April 23, 2015 (fifteenth resolution), with the same objectives, a maximum purchase price of €80 per share and a total maximum amount of €3.3 billion to be invested in the buyback program.

7.2.7.1 Treasury share transactions in 2016

LIQUIDITY AGREEMENT

The liquidity agreement has been managed by Oddo Corporate Finance since February 1, 2012.

On January 11, 2017, Safran announced that it had made an additional contribution of €24 million in cash to increase the total resources allocated to the liquidity agreement to €40,000,000. This additional contribution reflects the growth in Safran's market capitalization since 2012.

SHARE BUYBACKS

In accordance with the authorization granted in the twenty-first resolution of the Annual General Meeting of May 19, 2016, the Company bought back its own shares:

- buyback of 600,000 shares, completed on November 21, 2016, for an average purchase price of €62.38. These shares are to be remitted under share plans for employees and/or corporate officers of the Company or of other Group companies;
- on December 12, 2016, the Group announced it would proceed with the repurchase of its own shares and up to a maximum aggregate value of €450 million with the objective of neutralizing the dilutive effect of equity instruments on its balance sheet.

On December 8, 2016, Safran signed a share purchase agreement with an investment services provider for an initial buyback tranche. Under the terms of this agreement, Safran agrees to purchase a maximum amount of €250 million in shares, by April 7, 2017 at the latest. The average share price will be calculated on the basis of the arithmetic mean of the volume-weighted average price of the Company's shares during the term of the agreement. In any event the unit purchase price shall not exceed the maximum price of €80 set by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016.

The buyback of this first tranche was carried out in two phases with the first repurchase of 621,475 shares completed on December 30, 2016 at a daily weighted average price of €67.0448. These shares are earmarked to cover exchangeable debt securities.

In 2016, Safran purchased 2,645,456 treasury shares under a liquidity agreement (that complies with the AMAFI Code of Ethics) entered into with Oddo Corporate Finance:

- 1,115,783 shares were purchased between January 1 and May 19, 2016, at an average price of €58.42;
- 1,529,673 shares were purchased between May 20 and December 31, 2016, at an average price of €62.97.

SALES OF SHARES

In 2016, Safran sold 2,634,148 treasury shares under the abovementioned liquidity agreement:

- 1,072,512 shares were sold between January 1 and May 19, 2016, at an average price of €58.42;
- 1,561,636 shares were sold between May 20 and December 31, 2016, at an average price of €62.97.

CANCELLATION OF SHARES

None.

DELIVERY OF FREE SHARES

None.

SITUATION AS OF DECEMBER 31, 2016

As of December 31, 2016, Safran directly held 1,838,487 of its own shares, representing 0.44% of its capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees: 1,118,604 shares, representing 0.27% of the Company's capital;
- to cover exchangeable debt securities: 621,475 shares, representing 0.15% of the Company's capital;
- maintaining a liquid market in the Company's shares via a liquidity agreement: 98,408 shares, representing 0.02% of the Company's capital.

SITUATION AS OF FEBRUARY 28, 2017

Pursuant to Safran's announcement that it intended to repurchase its own securities and to the share purchase agreement signed with an investment services provider on December 8, 2016 (as described above), the buyback of the remaining shares in the initial tranche was completed on January 24, 2017 with the buyback of 3,135,023 shares at a daily weighted average price of €66.4535. On February 27, 2017, Safran signed a share purchase agreement with a new investment services provider for a second tranche. Under the terms of this agreement, Safran agrees to purchase a maximum amount of €200 million in shares, by June 14, 2017 at the latest. The average share price will be calculated on the basis of the arithmetic mean of the volume-weighted average price of the Company's shares during the term of the agreement. The unit purchase price shall not exceed the maximum price of €80 set by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016.

As of February 28, 2017, Safran directly held 5,057,040 of its own shares, representing 1.21% of its capital.

These treasury shares were held for the following purposes:

- allocating or selling shares to employees: 1,118,604 shares, representing 0.27% of the share capital;
- to cover exchangeable debt securities: 3,756,498 shares, representing 0.90% of the share capital;
- maintaining a liquid market in the Company's shares under the liquidity agreement: 181,938 shares, representing 0.04% of the share capital.

7.2.7.2 Description of the share buyback program to be approved by the Annual General Meeting of June 15, 2017

Under the fifteenth resolution, the Annual General Meeting of June 15, 2017, is invited to authorize a new share buyback program. Drafted in accordance with the provisions of Article 241-2 of the AMF's General Regulations, the program's description is presented below and will not be published separately pursuant to Article 241-3 of said Regulations.

The number of shares and percentage of share capital held directly or indirectly by the Company as of February 28, 2017 are set forth in section 7.2.7.1 of this Registration Document.

OBJECTIVES OF THE SHARE BUYBACK PROGRAM

In accordance with Regulation (EU) no. 596/2014 of the European Parliament, the AMF's General Regulations and market practices permitted by the AMF, the objectives of the share buyback program to be approved by the Annual General Meeting of June 15, 2017 are to purchase shares:

- to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the AMAFI, approved by the AMF, and entered into with an investment services firm;
- for allocation or sale to employees and/or corporate officers of the Company or of other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grant plan, stock option plan, the Group employee savings plan, or any company employee savings plan in place within the Group;
- for delivery on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to hold shares in treasury for subsequent delivery as payment or exchange for external growth transactions;
- for cancellation, pursuant to the share capital reduction authorization in effect, granted by the Annual General Meeting.

The program is also designed to enable any current or future market practices permitted by the AMF to be carried out and, more generally, to enable any other authorized operations or operations that would be authorized in the future by the applicable regulations. The Company will inform its shareholders in a press release prior to carrying out any such operations.

MAXIMUM PERCENTAGE OF SHARE CAPITAL, MAXIMUM NUMBER AND PURCHASE PRICE, AND CHARACTERISTICS OF THE SHARES THE COMPANY WISHES TO ACQUIRE

The number of shares that may be bought back under the program may not exceed 10% of the Company's total shares. This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery as payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity agreement, the number of shares included for the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the authorization period.

Under no circumstances may the use of this authorization have the effect of increasing the number of Safran shares held by the Company, either directly or indirectly, to more than 10% of its share capital.

As of December 31, 2016, the Company's capital comprised 417,029,585 shares. Given the 1,838,487 shares already directly held by the Company at this date, the maximum number of shares the Company could acquire in connection with this buyback program would be 41,519,109 shares.

Shares may not be purchased at a price of more than €80 per share and the maximum amount that may be invested in the program is €3.3 billion.

The maximum number of shares and the maximum purchase price as indicated above may be adjusted to reflect the impact on the share price of any share capital transactions carried out by the Company.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable regulations, except during, or in the run-up to, a public offer for the Company's shares.

SHARE BUYBACK PROGRAM PROCEDURES

Shares may be purchased, sold, or transferred in one or several transactions and by any method allowed under the laws and regulations applicable at the transaction date, including over-the-counter and through a block trade for all or part of the program, as well as via the use of derivative financial instruments.

TERM OF THE SHARE BUYBACK PROGRAM

This new share buyback program shall be valid for a period of 18 months as from the approval of the Annual General Meeting of June 15, 2017, i.e., until December 14, 2018 at the latest.

7.3 SHARE OWNERSHIP

7.3.1 Breakdown of share capital and voting rights

Situation as of December 31, 2016

To the best of the Company's knowledge, Safran's share capital and voting rights were held as follows as of December 31, 2016:

Shareholders	Shares		Exercisable voting rights		Theoretical voting rights ⁽⁵⁾	
	Number	% capital	Number	%	Number	%
Private investors ⁽¹⁾	295,517,241	70.87	311,122,027	60.26	289,576,430	58.31
French State	58,393,131	14	116,786,262	22.62	116,786,262	23.52
Employees ⁽²⁾	38,515,045	9.23	64,409,240	12.48	64,409,240	12.43
BlackRock, Inc.	21,545,597 ⁽³⁾	5.17	21,545,597	4.17	21,545,597	4.16
Club Sagem ⁽⁴⁾	1,220,084	0.29	2,440,168	0.47	2,440,168	0.47
Treasury shares, held directly	1,838,487	0.44	-	-	1,838,487	0.35
Treasury shares, held indirectly	-	-	-	-	-	-
TOTAL	417,029,585	100.00	516,303,294	100.00	518,141,781	100.00

(1) Less the shares and voting rights held by BlackRock, Inc. (see (3) below).

(2) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.

(3) Number of shares declared by BlackRock, Inc. at December 28, 2016 (AMF notification no. 216C2966).

(4) Club Sagem is a simplified corporation with variable share capital (*société par actions simplifiée à capital variable*) whose corporate purpose is the acquisition and management of securities and whose portfolio comprises Safran shares and shares in other companies resulting from activities previously carried out by the Sagem group. At December 31, 2016, Club Sagem was held at 61.1% by current and former employees of the Group (current and former employees of Sagem), notably via a corporate mutual fund and at 38.9% by the Crédit Mutuel-CIC group.

(5) Calculated based on all shares with voting rights, including treasury shares stripped of voting rights (Article 223-11 of the AMF's General Regulations).

To the best of the Company's knowledge, no shareholder apart from those listed in the table above holds more than 5% of Safran's share capital or voting rights at December 31, 2016.

DOUBLE VOTING RIGHTS

As of December 31, 2016, 101,112,196 shares are entitled to double voting rights pursuant to Article 31.8 of the Company's bylaws.

The main Safran shareholders do not have different voting rights from those of other shareholders. Any shareholder may be entitled to double voting rights in accordance with the conditions stipulated in Article 31.8 of the Company's bylaws (see section 7.1.2.2).

7.3.2 Breakdown of share ownership by geographic origin

According to a survey on identifiable bearer shares carried out by Euroclear France, as of December 31, 2016, Safran's free-float shareholders break down as approximately 88.3% institutional investors, 5.7% index funds and other institutional holdings, 4.6% individual investors and 1.4% unidentified.

The breakdown of the institutional investors identified by geographic area is as follows: 43% were from North America, 25% were from the UK and Ireland, 18% were from France and 14% were from other countries.

Individual shareholders represent around 3.4% of Safran's share capital, the majority of them being French.

7.3.3 Change in the breakdown of share capital and voting rights over the last three years

Shareholders	December 31, 2014			December 31, 2015			December 31, 2016		
	Number of shares	% capital	% voting rights ⁽³⁾	Number of shares	% capital	% voting rights ⁽³⁾	Number of shares	% capital	% voting rights ⁽³⁾
Private investors ⁽¹⁾	275,716,599	66.12	56.96	279,387,739	66.99	55.13	295,517,241	70.87	60.26
French State	91,693,131	21.99	25.47	64,193,131	15.39	23.96	58,393,131	14	22.62
Employees ⁽²⁾	34,262,121	8.22	11.82	33,100,170	7.94	11.03	38,515,045	9.23	12.48
BlackRock, Inc.	- ⁽⁴⁾	- ⁽⁴⁾	- ⁽⁴⁾	26,538,434 ⁽⁵⁾	6.36	4.95	21,545,597	5.17	4.17
Club Sagem	14,754,407	3.54	5.75	13,204,407	3.17	4.93	1,220,084	0.29	0.47
Treasury shares, held directly	603,327	0.14	-	605,704	0.14	-	1,838,487	0.44	-
Treasury shares, held indirectly	-	-	-	-	-	-	-	-	-
TOTAL	417,029,585	100.00	100.00	417,029,585	100.00	100.00	417,029,585	100.00	100.00

(1) Less the shares and voting rights held by BlackRock, Inc. (see section 7.3.1).

(2) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.

(3) Exercisable voting rights.

(4) Less than 5%.

(5) Number of shares declared by BlackRock, Inc. at December 28, 2016 (AMF notification no. 216C2966).

7.3.4 Disclosure thresholds

7.3.4.1 Significant movements during 2016

DISCLOSURE OF THE CROSSING OF LEGAL THRESHOLDS

The main legal thresholds that were crossed and disclosed were as follows:

- Following the off-market sale of 5,800,000 shares by way of a placement agreement guaranteed through an accelerated book building process, on November 23, 2016, the French State fell below the 15% legal threshold of share capital of the Company and disclosed that it held on this date 58,393,131 shares representing 14% of share capital and 22.07% of voting rights of the Company (AMF notice no. 216C2660).
- BlackRock, Inc. made several disclosures, on behalf of the clients and funds that it manages, that it had both exceeded and fallen below the 5% legal threshold. Most recently, it reported that it had exceeded on December 28, 2016 the 5% threshold of share capital and that it held on such date, on behalf of its clients and funds, 21,545,597 shares, representing 5.17% of the share capital and 4.07% of the voting rights of the Company (AMF notice no. 216C2966).
- HSBC Holding Plc reported that it had exceeded, indirectly on behalf of the companies that it controls, on December 1, 2016 the 5% legal threshold of share capital and that it held on such date 24,039,959 shares, representing 5.76% of the share capital and 4.49% of the voting rights of the Company. It then reported that it had fallen below the same threshold on December 28, 2016 and that it held on such date 13,183,783 shares representing 3.16% of the share capital and the 2.49% of the voting rights of the Company (AMF notice no. 217C0027).

DISCLOSURE OF THE CROSSING OF STATUTORY THRESHOLDS

The following are the material statutory thresholds that were disclosed to Safran:

Shareholder	Date of crossing	Statutory threshold crossed	Upward or downward	Reported number of shares post-crossing	Reported % of capital post-crossing	Reported % of voting rights ⁽¹⁾ post-crossing
French State	October 6, 2016	24% of voting rights	Upward ⁽²⁾	64,193,131	15.39%	24.02%
French State	November 23, 2016	15% of capital 24% and 23% of voting rights	Downward	58,393,131	14%	22.07%
Club Sagem	October 31, 2016	3% of capital	Downward	12,494,407	2.99%	4.67%
Club Sagem	December 23, 2016	2% and 1% of capital and voting rights	Downward	1,220,084	0.29%	0.46%
FCPE Avenir Sagem	December 23, 2016	2% of capital and voting rights	Upward	9,137,190	2.2%	2.3%
GIC Private Limited	December 2, 2016	1% of capital	Upward	4,248,844	1.01%	0.79%
Egerton Capital	September 22, 2016	2% of capital and voting rights	Upward	8,373,694	2.01%	2%
Harris Associates LP	October 27, 2016	1% of voting rights	Upward	5,459,120		1.02%
AMUNDI	September 2, 2016	1% of capital	Upward	4,220,100	1.01%	
TCI Fund Management Limited	November 25, 2016	4% of capital and 3% of voting rights	Upward	17,257,268 shares and 74,000 cash-settled derivatives ⁽³⁾	4.14%	3.23%
Lone Pine Capital LLC	December 29, 2016	3% of capital	Upward	12,653,215	3.03%	2.39%

(1) Theoretical voting rights.

(2) Passive crossing of threshold.

(3) TCI Fund Management Limited cannot exercise the voting rights attached to the underlying shares of these instruments, representing 0.02% of the share capital and 0.01% of the voting rights of the Company.

7.3.4.2 Significant movements since January 1, 2017

The main threshold crossings between January 1, 2017 and March 15, 2017 were as follows:

1. BlackRock, Inc. made several disclosures, on behalf of the clients and funds that it manages, that it had both exceeded and fallen below the 5% legal threshold since January 1, 2017. Most recently, it reported that it had exceeded on March 15, 2017 the 5% threshold of share capital and that it held on such date, on behalf of its clients and funds, 20,952,129 shares, representing 5.02% of the share capital and 4.04% of the voting rights of the Company (AMF notice no. 217C0657).
2. Meritage reported on January 19, 2017, on behalf of the clients and funds that it manages, that it held cash-settled derivatives, representing 1.06% of the share capital and the voting rights of the Company, it being provided that Meritage cannot exercise the voting rights attached to the underlying shares of these instruments.
3. Egerton Capital reported, on behalf of the funds that it manages, that it had fallen below on January 20, 2017 the 2% statutory threshold of share capital and that it held 7,867,738 shares representing 1.89% of the share capital of the Company.

4. Viking Global Investors LP reported, on behalf of the funds that it manages, that it had crossed the 1% statutory threshold of share capital on January 25, 2017, the 1% statutory threshold of voting rights on January 30, 2017, the 2% threshold of share capital on February 8, 2017 and finally the 2% threshold of voting rights on February 24, 2017. It reported that at such date it held 10,562,559 cash-settled derivatives, representing 2.5% of the capital and 2.03% of the voting rights of the Company. It cannot exercise the voting rights attached to the underlying shares of these instruments.
5. Harris Associates LP reported that it had fallen below on January 27, 2017 the 2% statutory threshold of share capital and that it held 8,759,855 shares, representing 2.10% of the capital of the Company.

7.3.4.3 Trigger level for mandatory bids – Grandfather clause

No shareholder benefits from a “grandfather” clause providing an exception from the legal trigger level for mandatory filing of a public offer.

The French State, a shareholder of the Company, benefited from a grandfather clause from February 2011 to March 2013 (described in section 7.3.4.3 of the 2013 Registration Document).

7.3.5 Control of the Company – shareholders' agreement

As of the date of filing of this Registration Document, no shareholder held, directly or indirectly, jointly or in concert with another shareholder, a percentage of voting rights conferring control of the Company.

To the best of the Company's knowledge, there are no current shareholder agreements relating to Safran shares.

7.3.6 Agreements whose implementation could lead to a change in control of the Company

To the best of the Company's knowledge, there are no agreements whose implementation at a later date could lead to a change in control of the Company.

Undertaking to hold securities

To the best of the Company's knowledge, there is no collective undertaking to hold securities relating to Safran shares.

7.3.7 Employee shareholders

7.3.7.1 Free share grants

The Board of Directors used the 14-month authorization delegated by the twenty-third resolution of the Annual General Meeting of May 19, 2016 to make free grants of existing or newly-issued Safran shares. On the recommendation of the Appointments and Compensation Committee, at its meeting of July 28, 2016, the Board of Directors authorized a grant of performance shares to 500 senior managers of the Group (2016 Long-Term Incentive Plan), designed to recognize contributions to Safran's operating performance and the creation of shareholder value, as measured over several years (including the grant to Safran's Chief Executive Officer, see section 6.6.2.2 of this Registration Document). Contingent on the continuing service condition, the number of performance shares that are ultimately delivered at the end of the vesting period will depend on the extent to which internal and external performance conditions are met over the 2016-2018 period.

At its March 23, 2017 meeting, once again using the authorization granted in the twenty-third resolution of the Annual General Meeting of May 19, 2016, the Board of Directors authorized a grant of performance shares to certain managers and executives of the Group (2017 Long-Term Incentive Plan), as described in section 6.6.4.3 of this Registration Document. This grant will be subject to the same continuing service and performance conditions as the grant authorized on July 28, 2016 (see section 6.6.4.2 of this Registration Document). The vesting period has been set at three years (2017-2019) and the number of shares that will ultimately vest will depend on the extent to which the applicable conditions are met over that period. Under the 2017 Long-Term Incentive Plan, 27,165 performance shares were also granted to the Chief Executive Officer (see section 6.6.2.2).

Safran affiliates have not granted free shares.

7.3.7.2 Other transactions

Following the sale by the French State of 2.64% of the Company's share capital on December 1, 2015 (see section 7.3.4.1 of the 2015 Registration Document) in accordance with Article 31.2 of the French government *ordonnance* (order) 2014-948 of August 20, 2014, regarding the governance of companies in which the French State has a stake and regarding corporate actions involving these companies, as amended by the French Act 2015-990 on growth, business and equal economic opportunities of August 6, 2015, 1,222,222 additional shares representing 0.29% of the capital will be offered to current and former employees of Safran and its subsidiaries at a later date.

Following the sale by the French State of 1.39% of the Company's share capital on November 23, 2016 (see section 7.3.4.1 of this Registration Document) in accordance with Article 31.2 of the French government *ordonnance* (order) 2014-948 of August 20, 2014, regarding the governance of companies in which the French State has a stake and regarding corporate actions involving these companies, as amended by the French Act 2015-990 on growth, business and equal economic opportunities of August 6, 2015, 644,444 additional shares representing 0.15% of the capital will be offered to current and former employees of Safran and its subsidiaries at a later date.

7.3.7.3 Stock options

No authorizations for the Board of Directors to give stock options granting entitlement to subscribe for new shares of the Company or to purchase existing shares were in force as of December 31, 2016 or the date of this Registration Document.

There is no stock subscription or stock purchase option plan in progress.

Safran affiliates do not grant stock subscription or purchase options.

7.3.8 Temporary transfer of Safran shares

In accordance with French law, any individual or legal entity (with the exception of the investment services firms described in paragraph IV-3 of Article L.233-7 of the French Commercial Code) holding alone or in concert a number of shares representing more than 0.5% of the Company's voting rights pursuant to one or more temporary transfers or similar transactions within the meaning of Article L.225-126 of the aforementioned Code is required to notify the Company and the AMF of the number of shares owned on a temporary basis no later than the second business day preceding the Shareholders' Meeting at zero hours.

If no notification is sent, any shares acquired under a temporary transfer will be stripped of voting rights at the Shareholders' Meeting concerned and at any Shareholders' Meeting that may be held until such shares are resold or returned.

No disclosures of temporary transfers were notified to the Company in 2016.

No disclosures of temporary transfers were notified to the Company between January 1, 2017 and the filing date of the Registration Document.

7.4 RELATIONS WITH SHAREHOLDERS

7.4.1 Accessible financial information

The following financial information and financial publications are available on the website at www.safran-group.com in the Finance section:

- the annual report (including the sustainable development report);
- the Registration Document (including the financial report) and the half-year financial report filed with the AMF;

- financial press releases and financial publications (results, Capital Markets Day, roadshow, etc.);
- documents relating to the Shareholders' Meeting;
- the shareholders' newsletter, the shareholders' guide, the site visit program (reserved for members of the Safran Shareholders' Club).

The information can be mailed upon request from the Financial Communications Department.

7.4.2 Relations with institutional investors and financial analysts

To ensure good relations with the financial community, the Financial Communications Department regularly organizes events to enable analysts and institutional investors to meet with Executive Management.

Executive Management participated in conference calls during which it presented first-quarter and third-quarter revenue, first-half and annual results for 2016 and answered questions from investors and analysts.

On March 14, 2016, Safran held an investor meeting (Capital Markets Day) in London for financial analysts and investors. This event was led by the Chief Executive Officer, assisted by members of the Executive Committee and the Executive Management team.

At the CMD, the Group's management executives presented Safran's strategy, business model and innovation drive during plenary sessions which focused on civil engines and aircraft equipment. To make the event accessible to the greatest number, the presentations were broadcast live and in full on a dedicated page of Safran's website. The broadcast and the related slides can be viewed at <http://www.safran-group.com/finance>, in the Investors > Capital Markets Day section.

In addition, throughout 2016, Executive Management and the Financial Communications Department participated in over 500 meetings and conference calls, in France and abroad, with portfolio managers and analysts. These regular contacts contribute to developing a relationship of trust.

The Safran share is monitored by more than 20 financial analysts.

7.4.3 Relations with individual shareholders

Safran organized two meetings in 2016 especially for individual shareholders, with a view to developing a close, trust-based relationship with them. The first of these meetings was held in Lyon on October 4, 2016, and the second in Reims on November 17, 2016.

To further strengthen these relationships, Safran proposes industrial-site visits to members of the Shareholders' Club. Four half-day visits were organized in 2016 during which more than 79 people got an insider's view of the Group's business activities. The Group also organized a visit to the Palais Brongniart, the historical home of the Paris stock exchange, followed by an introduction to the stock market provided by the French financial training institute *École de la Bourse*.

7.4.4 Provisional shareholders' calendar

First-quarter 2017 revenue: April 25, 2017.

Ordinary and Extraordinary Shareholders' Meeting: June 15, 2017 at "Espace Grande Arche", La Défense in Paris, France.

First-half 2017 results: July 28, 2017.

7.4.5 Investor relations' contacts

2, boulevard du Général-Martial-Valin

75724 Paris Cedex 15 - France

Tel.: +33 (0)1 40 60 80 80

Investors and analysts	Individual shareholders and Shareholders' Club
<ul style="list-style-type: none"> ■ Email: investor.relation@safrangroup.com 	<ul style="list-style-type: none"> ■ Toll-free number (France only): 0 800 17 17 17 ■ Email: actionnaire.individuel@safrangroup.com

7.5 STOCK MARKET INFORMATION

The Safran share (ISIN code: FR0000073272 – Ticker symbol: SAF) is listed on compartment A of the Euronext Paris Eurolist market and is eligible for deferred settlement (see Euronext notice 2005-1865 of May 11, 2005).

Since September 19, 2011, the Safran share has been included in the CAC 40, CAC 40 Equal Weight, CAC Large 60, SBF 120, CAC All-Tradable, CAC All-Share, CAC Industrials, CAC Aero. & Def., Euronext 100 and Euronext FAS IAS indices. Safran's share has been included in the LC 100 Europe index since March 21, 2011 and the Euro STOXX 50 index since September 21, 2015.

Main stock market data over three years	2014	2015	2016
Number of shares as of December 31	417,029,585	417,029,585	417,029,585
Safran share price (in €)			
High	54.590	72.450	69.890
Low	43.240	50.620	48.865
Closing	51.250	63.370	68.420
Market capitalization as of December 31 (in € millions)	21,372	26,427	28,533

Change in share price from January 1, 2016 to February 28, 2017	Average share price* (in €)	High (in €)	Low (in €)	Average daily transactions (in number of shares)	Average market capitalization** (in € millions)
January 2016	58.528	63.620	54.000	1,526,767	24,408
February	53.832	59.690	48.865	1,692,344	22,450
March	59.553	62.620	54.540	1,616,986	24,835
April	60.621	63.640	57.650	1,042,264	25,281
May	60.166	63.560	57.560	815,993	25,091
June	59.770	63.350	53.000	1,431,845	24,926
July	61.366	64.610	56.990	954,211	25,591
August	61.740	63.080	59.910	682,419	25,747
September	64.021	66.200	62.470	892,536	26,699
October	64.106	66.730	61.340	989,285	26,734
November	62.715	65.080	59.420	967,767	26,154
December	67.310	69.890	64.230	920,193	28,070
January 2017	66.239	69.870	62.700	1,328,839	27,624
February	64.511	67.550	61.510	1,107,872	26,903

* Average closing price.

** Out of the 417,029,585 shares that comprised the share capital from January 1, 2016 to February 28, 2017 Source: Euronext.

7.6 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.

This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related-party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, it is our responsibility, where applicable, to inform you in accordance with Article R.225-31 of the French Commercial Code concerning the implementation during the year of the agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures mainly consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the Annual General Meeting

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

We hereby inform you that we were not advised of any agreements or commitments authorized by the Board of Directors in the course of the year to be submitted for the approval of the Annual General Meeting in accordance with Article L.225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS AUTHORIZED IN 2015 AND SIGNED DURING THE YEAR

In accordance with Article L.225-40 of the French Commercial Code, we were informed that the following agreements and commitments were approved by the Annual General Meeting in previous years and were signed during the year.

With the French State (shareholder owning more than 10% of the Company's voting rights)

Airbus Safran Launchers Holding (ASLH) Agreement, Ariespace Agreement, Pre-emption Agreement, Addendum no. 6 to the Agreement of December 21, 2004, Addendum to the Environmental Guarantee Agreement (EGA)

PERSONS CONCERNED

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

NATURE, PURPOSE, TERMS AND CONDITIONS

The Board of Directors' meeting of December 17, 2015 authorized the following agreements and amendments, which were signed during the first half of 2016 and entered into force on June 30, 2016:

- Airbus Safran Launchers Holding Agreement (ASLH);
- Ariespace Agreement;
- pre-emption Agreement;
- addendum no. 6 to the agreement of December 21, 2004;
- addendum to the Environmental Guarantee Agreement (EGA).

Effective from June 30, 2016, the protection of the French State's strategic interests is ensured via:

- **ASLH Agreement:** a new agreement between the French State and ASLH relating to protected assets and strategic subsidiaries and interests, entered into in the presence of Safran and Airbus Group SE; and
- **Ariespace Agreement:** a new agreement between the French State and ASLH relating to Ariespace Participation and Ariespace SA shares, entered into in the presence of Safran and Airbus Group SE.

The following agreements were entered into at the same time:

- **Pre-emption Agreement:** an agreement between Safran, Airbus Group SE and the French State, which sets out the conditions under which Airbus Group SE and Safran may exercise a pre-emptive right on shares of the other partner in ASLH if the French State exercises any of the call options granted to it by Airbus Group SE and Safran. The French State may only buy back ASLH shares once the pre-emptive rights of Safran and Airbus have been used or expire.

■ Addendum no. 6 to the agreement of December 21, 2004 between Safran and the French State:

When Sagem SA and Snecma merged, the French State required adequate contractual rights to be put in place to protect France's national interests, as consideration for waiving its right to take a golden share in Snecma in accordance with Article 10 of Act no. 86-912 of August 6, 1986.

A three-way agreement in lieu of a golden share was therefore entered into on December 21, 2004 between the French State and Sagem SA and Snecma, which have now been merged into Safran. This agreement was approved by shareholders at the May 11, 2005 Annual General Meeting. The agreement, as amended or supplemented by the three addenda signed in 2011 and approved at the Annual General Meeting of May 31, 2012, and the two addenda signed in 2014 and approved at the Annual General Meeting of April 23, 2015, provides that:

- the French State shall be entitled to appoint a non-voting representative to the Safran Board of Directors should its interest in the Company's share capital fall below 10%,
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries and subsidiaries holding assets with a connection to French combat aircraft engines,
- the French State shall have a prior right to approve or refuse the sale of certain assets of Group entities identified as strategic, sensitive or for defense the acquisition of more than 33.33% or 50% of the capital or voting rights of companies in the Group holding strategic assets, and any projects granting special management rights or rights to information over the strategic assets or rights to be represented on the management bodies of subsidiaries or strategic interests,
- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic assets, the State shall be entitled to purchase the securities and assets of the strategic subsidiaries.

The new **addendum no. 6**, whose purpose is to exclude from the scope of the Agreement dated December 21, 2004 the assets, subsidiaries and interests henceforth protected by the ASLH Agreement, the Arianespace Agreement and the Pre-emption Agreement described above.

The **EGA Addendum** is an amendment to the Environmental Guarantee Agreement with SNPE. Some sites transferred to Airbus Safran Launchers SAS, as part of the operation bringing together the companies described above, are covered by an Environmental Guarantee Agreement (EGA) granted to Safran by the company SNPE and counter-guaranteed by the French State. With the French State's approval, the addendum to the EGA was entered into between SNPE, ASLH and Safran in order to transfer the benefit of the EGA to ASLH for said sites (Safran being substituted by ASLH).

REASON FOR THE AGREEMENTS

The Board of Directors signed these agreements for the following reason:

To boost competitive performance and safeguard the future of the European space launch vehicle sector, faced with increasing international competition, Safran and Airbus Group joined forces in the launch vehicle sector through Airbus Safran Launchers Holding (ASLH) and its wholly-owned subsidiary Airbus Safran Launchers SAS (ASL SAS). This combination was carried out in two phases and finalized on June 30, 2016.

The agreements and the amendments submitted for shareholder approval at the Annual General Meeting of June 15, 2017 relate to the finalization of this combination. Together they make up a set of indivisible agreements that are required to establish the combination. Primarily required by the French State to ensure the protection of national interests, these agreements provide for the transfer of the French State's protective rights over the strategic assets to ASLH and confer on it the benefits of the rights related to these assets.

Agreements and commitments authorized since the year-end

We have been advised of certain related-party agreements and commitments entered into since the end of the 2016 financial year which received prior authorization from your Board of Directors.

1. Changes to the pension plan of Ross McInnes, Chairman of the Board of Directors

NATURE, PURPOSE, TERMS AND CONDITIONS

We remind you that the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer at its April 23, 2015 meeting and subsequently appointed Ross McInnes as Chairman of the Board of Directors. At the same meeting, it decided - in accordance with Article L. 225-42-1 of the French Commercial Code - to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39) and the defined contribution supplementary pension plan (Article 83) set up in France (subject to the same terms and conditions as the other plan members).

These commitments were approved by the Annual General Meeting of May 19, 2016, as indicated in the Statutory Auditors' special report of March 29, 2016.

At its March 23, 2017 meeting, the Board of Directors decided to modify the defined benefit supplementary pension plans in order to align them with future needs, bring them more into line with market practices and enhance the Group's appeal.

The new pension system comprises three stages:

- closing the current defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries' entitlements as at December 31, 2016;
 - to compensate for the closure of this plan, new plans will be set up for senior managers in France as from January 1, 2017 in addition to the defined contribution plan (Article 83) already in place;
- putting in place an additional component of the current defined contribution plan (Additional Defined Contribution Plan, Article 83), effective from January 1, 2017; and
- setting up a new defined contribution plan (Article 82), effective from January 1, 2017.

CLOSING THE DEFINED BENEFIT PLAN TO NEW ENTRANTS AND FREEZING EXISTING ENTITLEMENTS (ARTICLE 39)

Only beneficiaries who have five years of service with the Group at December 31, 2017 will be eligible to receive benefits under this plan (a closed group).

Their benefit entitlements will remain subject to the terms and conditions set when the plan was originally put in place.

Conditional entitlements under the plan will be frozen as at December 31, 2016:

- the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions); and
- the length of service taken into account for the plan will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date.

**MANDATORY COLLECTIVE DEFINED CONTRIBUTION PLAN
 (ADDITIONAL DEFINED CONTRIBUTION PLAN, ARTICLE 83)**

This plan will apply to all managerial-grade staff whose gross annual compensation for the calendar year preceding the assessment date (Y-1) is equal to or higher than four times the social security ceiling (PASS) for Y-1.

The contributions will be based on Tranches A, B and C of compensation as defined for the calculation of statutory top-up pensions (ARRCO-AGIRC plans).

Entitlements under the plan will accrue in return for the payment of monthly contributions representing 6% of Tranche A, 6% of Tranche B and 6% of Tranche C. All of these monthly payments are borne in full by the Company (in addition to the 2% contribution already paid by the Company under the existing defined contribution supplementary pension plan, Article 83).

The taxes and social security contributions on the monthly payments are also borne in full by the Company.

**VOLUNTARY COLLECTIVE DEFINED CONTRIBUTION PLAN
 (ARTICLE 82)**

Unlike for the Company's defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits.

It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives (*hors statut*) whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue, the plan provides for:

- payment by the Company to an insurer of monthly contributions, the rate of which is set based on the beneficiary's reference compensation for year Y-1 (Insurer Contribution) and may amount to up to 12.7% of that reference compensation;
- payment by the Company to the beneficiary of a cash amount corresponding to the Insurer Contribution (Additional Payment). The plan provides for up front taxation so that the capital accrued and received on beneficiaries' retirement is net of tax and social security contributions.

The above payments are borne in full by the Company and subject to social security contributions in the same way as salaries.

At its meeting on March 23, 2017, the Board of Directors decided that the current Chairman of the Board could be a beneficiary under the new supplementary pension plan system.

Concerning the voluntary collective defined contribution plan (Article 82), the Insurer Contribution and the Additional Payment to the

Chairman of the Board for 2017 will each correspond to 11.29% of his reference compensation (i.e., a total of 22.58%). These amounts are estimated to represent €57,690 each (i.e., a total of €115,381). The expenses payable by Safran under the Additional Defined Contribution Plan (Article 83) for 2017 are estimated at €18,829.

This commitment will be submitted for shareholder approval at the June 15, 2017 Annual General Meeting.

REASON FOR THE COMMITMENT

The Board of Directors gave this commitment for the following reasons:

The Board of Directors considers it necessary to supplement the statutory basic and top-up pension plans of its senior managers. The benchmark surveys recently carried out in relation to comparable groups in France showed that this component of Safran's compensation policy is not sufficiently competitive to attract and retain the best talent. This is particularly important because:

- as a result of its demographic profile, in the coming years the Group will need to recruit senior managers in the international market, which is highly competitive; and
- like other groups, Safran will probably have to deal with higher turnover of managerial-grade staff in the future than is currently the case.

The underlying aim of these changes is to increase the replacement rate of the managerial-grade staff concerned (when they take their pension after 20 years' worth of contributions) as compared with what they would potentially have received under other existing plans (statutory and supplementary). This will be achieved by putting in place new defined contribution plans (without a guaranteed replacement rate).

2. Changes to the pension plan of Philippe Petitcolin, Chief Executive Officer

NATURE, PURPOSE, TERMS AND CONDITIONS

We remind you that the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer at its April 23, 2015 meeting and subsequently appointed Philippe Petitcolin as Chief Executive Officer. At the same meeting, it decided – in accordance with Article L. 225-42-1 of the French Commercial Code – to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39) and the defined contribution supplementary pension plan (Article 83) set up in France (subject to the same terms and conditions as the other plan members).

These commitments were approved by the Annual General Meeting of May 19, 2016, as indicated in the Statutory Auditors' special report of March 29, 2016.

At its March 23, 2017 meeting, the Board of Directors decided to modify the defined benefit supplementary pension plans in order to align them with future needs, bring them into line with market practices and enhance the Group's appeal.

The new pension system comprises three stages:

- closing the current defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries' entitlements as at December 31, 2016;
 - to compensate for the closure of this plan, new plans will be set up for senior managers in France as from January 1, 2017 in addition to the defined contribution plan (Article 83) already in place;
- putting in place an additional component of the current defined contribution plan (Additional Defined Contribution Plan, Article 83), effective from January 1, 2017; and

- setting up a new defined contribution plan (Article 82), effective from January 1, 2017.

CLOSING THE DEFINED BENEFIT PLAN TO NEW ENTRANTS AND FREEZING EXISTING ENTITLEMENTS (ARTICLE 39)

Only beneficiaries who have five years of service with the Group at December 31, 2017 will be eligible to receive benefits under this plan (a closed group).

Their benefit entitlements will remain subject to the terms and conditions set when the plan was originally put in place.

Conditional entitlements under the plan will be frozen as at December 31, 2016:

- the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions); and
- the length of service taken into account for the plan will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date.

MANDATORY COLLECTIVE DEFINED CONTRIBUTION PLAN (ADDITIONAL DEFINED CONTRIBUTION PLAN, ARTICLE 83)

This plan will apply to all managerial-grade staff whose gross annual compensation for the calendar year preceding the assessment date (Y-1) is equal to or higher than four times the social security ceiling (PASS) for Y 1.

The contributions will be based on Tranches A, B and C of compensation as defined for the calculation of statutory top-up pensions (ARRCO-AGIRC plans).

Entitlements under the plan will accrue in return for the payment of monthly contributions representing 6% of Tranche A, 6% of Tranche B and 6% of Tranche C. All of these monthly payments are borne in full by the Company (in addition to the 2% contribution already paid by the Company under the existing defined contribution supplementary pension plan, Article 83).

The taxes and social security contributions on the monthly payments are also borne in full by the Company.

VOLUNTARY COLLECTIVE DEFINED CONTRIBUTION PLAN (ARTICLE 82)

Unlike for the Company's defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits.

It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives (hors statut) whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue, the plan provides for:

- payment by the Company to an insurer of monthly contributions, the rate of which is set based on the beneficiary's reference compensation for year Y-1 (Insurer Contribution) and may amount to up to 12.7% of that reference compensation;

- payment by the Company to the beneficiary of a cash amount corresponding to the Insurer Contribution (Additional Payment). The plan provides for up front taxation so that the capital accrued and received on beneficiaries' retirement is net of tax and social security contributions.

The above payments are borne in full by the Company and subject to social security contributions in the same way as salaries.

At its meeting on March 23, 2017, the Board of Directors decided that the current Chief Executive Officer could be a beneficiary under the new supplementary pension plan system.

Concerning the new voluntary collective defined contribution plan (Article 82), the Insurer Contribution and the Additional Payment to the Chief Executive Officer for 2017 will each correspond to 12.73% of his reference compensation (i.e., a total of 25.47%). These amounts are estimated to represent €157,747 each (i.e., a total of €309,493). The expenses payable by Safran under the Additional Defined Contribution Plan (Article 83) for 2017 are estimated at €18,829.

This commitment will be submitted for shareholder approval at the June 15, 2017 Annual General Meeting.

REASON FOR THE COMMITMENT

The Board of Directors gave this commitment for the following reasons:

The Board of Directors considers it necessary to supplement the statutory basic and top-up pension plans of its senior managers. The benchmark surveys recently carried out in relation to comparable groups in France showed that this component of Safran's compensation policy is not sufficiently competitive to attract and retain the best talent. This is particularly important because:

- as a result of its demographic profile, in the coming years the Group will need to recruit senior managers in the international market, which is highly competitive; and
- like other groups, Safran will probably have to deal with higher turnover of managerial grade staff in the future than is currently the case.

The underlying aim of these changes is to increase the replacement rate of the managerial-grade staff concerned (when they take their pension after 20 years' worth of contributions) as compared with what they would potentially have received under other existing plans (statutory and supplementary). This will be achieved by putting in place new defined contribution plans (without a guaranteed replacement rate).

Agreements and commitments already approved by the General Meeting of Shareholders

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the General Meeting of Shareholders in previous years, continued during the year.

1. With the French State (shareholder owning more than 10% of the Company's voting rights)

Arianespace framework protocol entered into with the French State, Airbus Safran Launchers Holding and CNES, in the presence of Safran

PERSONS CONCERNED

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

NATURE, PURPOSE, TERMS AND CONDITIONS

The CNES (French National Space Studies Center), the French State and ASLH, in the presence of Airbus Group SE and Safran, signed the Arianespace Framework Protocol, which relates to the buying back by ASLH of Arianespace shares and Ariane brand names held by CNES and establishes the principal terms and conditions of the sale to ASLH of Arianespace shares held by CNES, as well as the parties' declarations and commitments. In its capacity as a shareholder of ASLH, Safran undertakes to ensure that ASLH fully complies with said agreement.

The protocol would provide for a new operating framework for European launchers.

The signature of this protocol was authorized by the Board of Directors on December 17, 2015. It was signed on February 8, 2016 and entered into force on June 30, 2016.

2. With Ross McInnes, Chairman of the Board of Directors

a) Continuation of the personal risk insurance and defined contribution supplementary pension plans for the Chairman of the Board of Directors

NATURE, PURPOSE, TERMS AND CONDITIONS

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Ross McInnes as Chairman of the Board of Directors. At the same meeting, the Board decided, in accordance with Article L.225-42-1 of the French Commercial Code, to authorize him to continue to be a beneficiary under:

- the personal risk insurance plan set up for all Safran group employees, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary under the plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer, as decided by the Board of Directors at its July 27, 2011 meeting. This includes, as decided by the Board of Directors at its December 17, 2014 meeting, the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015;
- the defined contribution supplementary pension plans set up for the Company's managerial-grade staff, in the same conditions as the other Safran personnel concerned, by which he was previously covered in his prior capacity as a Company employee, then as Deputy Chief Executive Officer as decided by the Board of Directors' meeting of July 27, 2011.

The contributions to the plans are based on the fixed compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors.

In respect of 2016, the corresponding expenses recorded in Safran's financial statements totaled €5,926 for the personal risk insurance plan and €11,204 for the defined contribution supplementary pension plan.

b) Continuation of the defined benefit supplementary pension plan for the Chairman of the Board of Directors

NATURE, PURPOSE, TERMS AND CONDITIONS

At its April 23, 2015 meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors also decided to authorize Ross McInnes to continue to be a beneficiary under the defined benefit plan set up for executive managers within the Group, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary under

the plan in his former capacity as Deputy Chief Executive Officer, as decided by the Board of Directors at its December 11, 2013 meeting.

The methods used to calculate the benefits payable to Mr. McInnes are the same as those used for the other plan members, namely:

- the amount of the benefits will be calculated based on the average compensation over the last three years before retirement and will take into account the seniority of the beneficiary concerned within the category of top executives (hors statut) and officers (with at least five years of service), and will be equal to 1.8% of this reference compensation per year of seniority, capped at 18%;
- the total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation;
- the annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid;
- the payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

As indicated in the "Agreements and commitments submitted for approval by the Annual General Meeting" section of this report, at its March 23, 2017 meeting, the Board of Directors decided to modify the defined benefit supplementary pension plan for which Ross McInnes is eligible.

3. With Philippe Petitcolin, Chief Executive Officer

a) Continuation of the personal risk insurance and defined contribution supplementary pension plans for the Chief Executive Officer

NATURE, PURPOSE, TERMS AND CONDITIONS

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Philippe Petitcolin as Chief Executive Officer. At the same meeting, the Board decided, in accordance with Article L.225-42-1 of the French Commercial Code, to authorize him to continue to be a beneficiary under:

- the personal risk insurance plan set up for all Safran employees, subject to the same conditions as the other plan members. Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as a Company employee. This includes the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015;
- the defined contribution supplementary pension plan set up for the Group managerial-grade staff, subject to the same terms and conditions as the other plan members, under which he was previously a beneficiary in his prior capacity as a Company employee.

The contributions to the plans are based on the compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

In respect of 2016, the corresponding expenses recorded in Safran's financial statements totaled €6,160 for the personal risk insurance plan and €40,176 for the defined contribution supplementary pension plan.

b) Continuation of the defined benefit supplementary pension plan for the Chief Executive Officer

NATURE, PURPOSE, TERMS AND CONDITIONS

At its April 23, 2015 meeting, in accordance with Article L.225-42-1 of the French Commercial Code, the Board of Directors also decided to authorize Philippe Petitcolin to continue to be a beneficiary under the defined benefit supplementary pension plan set up for executive managers within the Group and some 400 potential beneficiaries, subject to the same terms and conditions as the other plan members. Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as Company employee.

The methods used to calculate the benefits payable to Mr. Petitcolin are the same as those used for the other plan members, namely:

- the amount of the benefits will be calculated based on the average compensation over the last three years before retirement and will take into account the seniority of the beneficiary concerned within the category of top executives (hors statut) and officers (with at least five years of service), and will be equal to 1.8% of this reference compensation per year of seniority, capped at 18%;
- the total replacement rate (all basic, additional and supplementary retirement benefits) is capped at 35% of the reference compensation;
- the annual amount of the supplementary retirement benefits is capped at three times the annual social security ceiling in force at the date that the general social security retirement pension is paid;
- the payment of these supplementary retirement benefits is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

As indicated in the "Agreements and commitments submitted for approval by the Annual General Meeting" section of this report, at its March 23, 2017 meeting, the Board of Directors decided to modify the defined benefit supplementary pension plan for which Philippe Petitcolin is eligible.

4. With a pool of banks including BNP Paribas

Agreement relating to a credit facility

PERSON CONCERNED

Monique Cohen, a Director of Safran and BNP Paribas.

NATURE, PURPOSE, TERMS AND CONDITIONS

This agreement was authorized by the Board of Directors on October 29, 2015 and signed on December 4, 2015.

The facility amounts to €2,520 million and has a five-year term with two successive one-year extension options. It was granted by a pool of fifteen banks, including BNP Paribas, whose proportion of the facility is the same as that of the other banks which are parties to the agreement.

The first one-year extension option was exercised in November 2016, extending the term to December 2021.

This revolving credit facility was put in place to ensure that the Group will have sufficient liquidity over the medium term and to enable it to cover its general financing requirements. By refinancing and replacing its two existing €1,600 million and €950 million facilities (which had shorter terms than the new facility), the Group was able to take advantage of the current favorable market interest rates.

During 2016, a €188,528 expense was recorded in Safran's financial statements corresponding to BNP Paribas' share of the no-use fee (split between lenders based on their respective commitments).

Courbevoie and Paris-La-Défense, March 24, 2017

The Statutory Auditors

MAZARS

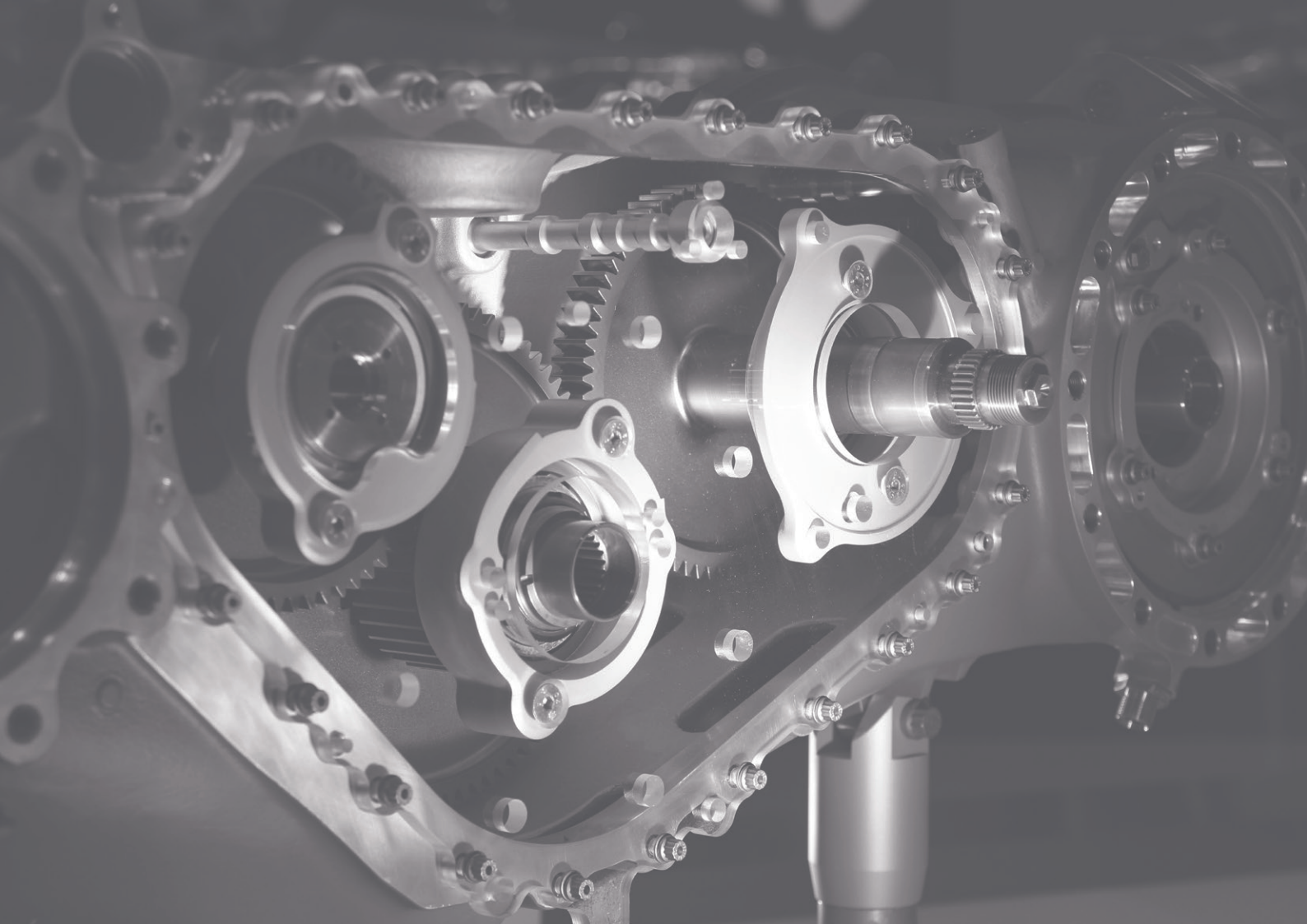
Gaël Lamant

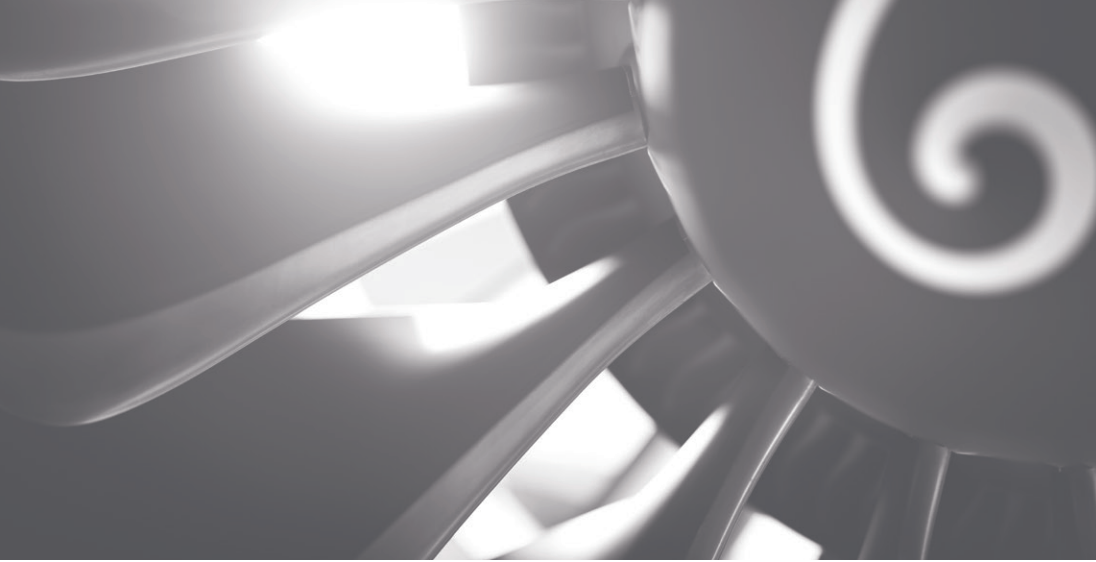
Christophe Berrard

ERNST & YOUNG et Autres

Jean-Roch Varon

Nicolas Macé





| LEAP-1A: chosen to power the Airbus A320neo.

PERSONS RESPONSIBLE

Person responsible for the Registration Document

Philippe Petitcolin
Chief Executive Officer

Person responsible for the financial information

Bernard Delpit
Chief Financial Officer

STATUTORY AUDITORS

Statutory Auditors

Mazars

61, rue Henri-Regnault
92400 Courbevoie

Ernst & Young et Autres

1-2, place des Saisons – Paris-La Défense 1
92400 Courbevoie

The terms of office of the Company's Statutory Auditors will expire at the close of the Annual General Meeting held to approve the financial statements for the year ending December 31, 2021.

CROSS-REFERENCE TABLES

- Board of Directors' management report cross-reference table.
- EC Regulation No. 809/2004 cross-reference table.
- Annual Financial Report cross-reference table.
- Social, environmental and community involvement cross-reference table.
- Annual General Meeting information cross-reference table.

ADDITIONAL INFORMATION

8



Adding coils of carbon fibers to the loom.

8.1 PERSONS RESPONSIBLE	344	8.4 CROSS-REFERENCE TABLES	346
8.1.1 Person responsible for the Registration Document	344	8.4.1 Board of Directors' management report cross-reference table	346
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8.1 PERSONS RESPONSIBLE

8.1.1 Person responsible for the Registration Document

Philippe Petitcolin

Chief Executive Officer of Safran

8.1.2 Declaration by the person responsible for the Registration Document

"I hereby declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings in the consolidation taken as a whole, and that the management report (the cross-reference table for which is shown in section 8.4.1) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings in the consolidation taken as a whole, and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the Statutory Auditors, Mazars and Ernst & Young et Autres, in which they state that they have audited the information contained in this document relating to the financial position and the financial statements contained herewithin, and that they have read this document in its entirety."

Paris, March 29, 2017

Chief Executive Officer,

Philippe Petitcolin

8.1.3 Person responsible for the financial information

Bernard Delpit

Chief Financial Officer

Telephone: +33 (0)1 40 60 81 24

Email: bernard.delpit@safrangroup.com

8.2 STATUTORY AUDITORS

For the period covered by the historical financial information, Safran's Statutory Auditors are as follows:

Statutory Auditors

Mazars	Ernst & Young et Autres
<p>Represented by: Gaël Lamant and Christophe Berrard 61, rue Henri-Regnault 92400 Courbevoie</p> <ul style="list-style-type: none"> Start date of first term of office: May 19, 2016 <p>Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)</p> <ul style="list-style-type: none"> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021 	<p>Represented by: Jean-Roch Varon and Nicolas Macé 1-2, place des Saisons - Paris-La Défense 1 92400 Courbevoie</p> <ul style="list-style-type: none"> Start date of first term of office: May 19, 2016 <p>Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)</p> <ul style="list-style-type: none"> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021

Mazars and Ernst & Young are members of the Versailles regional auditing body (*Compagnie régionale des commissaires aux comptes de Versailles*).

Alternate auditors

Gilles Rainaut	Auditex
<p>60, rue du Général-Leclerc 92100 Boulogne-Billancourt</p> <ul style="list-style-type: none"> Start date of first term of office: May 19, 2016 <p>Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)</p> <ul style="list-style-type: none"> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021 	<p>1-2, place des Saisons - Paris-La Défense 1 92400 Courbevoie</p> <ul style="list-style-type: none"> Start date of first term of office: May 19, 2016 <p>Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2016 for a term of six years (2016 to 2021)</p> <ul style="list-style-type: none"> Expiration of term of office: close of the Annual General Meeting, held to approve the financial statements for the year ending December 31, 2021

New terms of office and non-renewal

None.

8.3 DOCUMENTS ON DISPLAY

Availability of documents and information concerning the Company

Safran's legal documents that must be made available to shareholders, in accordance with the applicable regulations, may be consulted at the registered office located at 2, boulevard du Général Martial-Valin, 75015 Paris.

Safran provides its shareholders with a wide range of tools for the frequent communication of transparent and accessible information on the Group, its businesses and its results. The Group website (www.safran-group.com) contains information for the public, such as presentations to analysts, financial press releases, and Registration Documents (last five years).

8.4 CROSS-REFERENCE TABLES

8.4.1 Board of Directors' management report cross-reference table

This Registration Document includes the information contained in the Board of Directors' management report provided for by Articles L.225-100, L.225-100-2, L.225-102 and L.225-102-1 of the French Commercial Code.

The table below lists the references to excerpts of the Registration Document corresponding to the various sections of the management report as approved by the Board of Directors:

Board of Directors' management report headings		2016 Registration Document section(s)
1	Group activities in 2016	Profile and 2.1
	Summary of key figures by business (adjusted data)	Profile and 2.1.3
2	Human resources	
2.1	Headcount	5.4.2
2.2	Human resources policy	5.4.1 and 5.4.3
2.3	Labor relations	5.4.5
2.4	Statutory and optional profit-sharing schemes	5.4.4
2.5	Group employee savings plan and international Group employee savings plan	5.4.4
2.6	The importance of sub-contracting	5.3
2.7	Group ethics and values	5.2
3	CSR Information	5
4	Research and development	
4.1	Major technological focuses	1.5.1
4.2	Technical and scientific partnerships	1.5.2
4.3	Innovation and intellectual property	1.5.3
5	Operating and financial position	
5.1	Consolidated income statement	2.1.1 and 3.1
5.2	Consolidated balance sheet	2.2.2 and 3.1
5.3	Research and development expenditure	1.5.5
5.4	Information concerning supplier payment periods	2.3.3
5.5	Parent company financial statements	2.3 and 3.3
5.6	Non-deductible expenses	2.3.3
5.7	Proposed appropriation of profit	2.3.3
6	Risk factors	
6.1	Identified risk factors	4.2
6.2	General risk management policy	4.1
6.3	Insurance	4.3
6.4	Health, safety and environmental risks	5.5
7	Investments	7.1.3.2

Board of Directors' management report headings		2016 Registration Document section(s)
8	Share capital and share ownership	
8.1	Breakdown of share capital and voting rights	7.3.1
8.2	Shareholder agreements	7.3.5
8.3	Agreement with the French State	7.1.4.2
8.4	Undertaking to hold securities	7.3.6
8.5	Stock options	7.3.7.3
8.6	Free share grants	7.3.7.1
8.7	Share buyback programs	7.2.7
8.8	Safran share	7.5
9	Corporate officers	
9.1	Terms of office and duties	6.2.2
9.2	Compensation and benefits	6.6
9.3	Transactions in the Company's shares	6.4 and 6.5.3
10	Outlook for 2016 and significant subsequent events	2.4, 2.5 and 3.1 Note 33
11	Principal provisions of the bylaws	7.1.2
Appendices		
Appendix 1	List of subsidiaries and associates	3.1 Note 34
Appendix 2	Five-year financial summary	2.3.3
Appendix 3	Authorizations granted by the AGM to the Board of Directors with respect to share capital increases	7.2.2.1
Appendix 4	Dividends paid over the past three years	2.3.3

8.4.2 EC Regulation No. 809/2004 cross-reference table

This Registration Document includes the information to be included in Registration Documents as set out in Annex 1 of EC Regulation No. 809/2004.

The following table presents the cross-references between the two documents.

EC Regulation No. 809/2004 Annex 1 headings		2016 Registration Document section(s)
1	Persons responsible	
1.1	Name and positions of the persons responsible	8.1.1
1.2	Declaration by the persons responsible	8.1.2
2	Statutory Auditors	
2.1	Names and addresses of the issuer's auditors	8.2
2.2	Change in auditors, where applicable	8.2
3	Selected financial information	
3.1	Historical financial information	Profile
3.2	Interim financial information	N/A
4	Risk factors	4.2
5	Information about the issuer	
5.1	History and development of the issuer	
5.1.1	Legal and commercial name of the issuer	7.1.1
5.1.2	Place of registration of the issuer and its registration number	7.1.1
5.1.3	Date of incorporation and the length of life of the issuer	7.1.1
5.1.4	Domicile and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	7.1.1
5.1.5	Important events in the development of the issuer's business	1.1.1
5.2	Investments	
5.2.1	Past principal investments	1.1.1, 1.5.5, 1.6.2 and 1.7
5.2.2	Principal investments in progress	1.6.2
5.2.3	Future principal investments	1.5
6	Business overview	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and its principal activities	1.1.4 and 1.3
6.1.2	New products	1.3 and 2.1.3
6.2	Principal markets	1.3, 2.1.3 and 3.1 Note 5
6.3	Exceptional factors	N/A
6.4	Extent to which the issuer is dependent on patents or licenses, industrial contracts or manufacturing processes	1.5.3
6.5	Competitive position	1.4
7	Organizational structure	
7.1	Brief description of the Group	1.1.2, 1.1.3 and 1.1.4
7.2	List of significant subsidiaries	1.1.3, 1.1.4 and 3.1 Note 34
8	Property, plant and equipment	
8.1	Material property, plant and equipment	1.7
8.2	Environmental issues	1.7, 4.2.2.1 and 5.5

EC Regulation No. 809/2004 Annex 1 headings		2016 Registration Document section(s)
9	Operating and financial review	
9.1	Financial position	2.1 and 2.2
9.2	Operating results	
9.2.1	Significant factors materially affecting the issuer's income from operations	2.1
9.2.2	Explanation of material changes in net sales or revenue	2.1
9.2.3	Policies or factors that have materially affected, directly or indirectly, the issuer's operations	2.1
10	Capital resources	
10.1	Issuer's capital resources	3.1 Note 19 and 3.3 Note 3.7
10.2	Source and amounts of cash flows	3.1 (including the statement of cash flows)
10.3	Borrowing requirements and the funding structure of the issuer	3.1 Note 23
10.4	Restrictions on the use of capital resources	N/A
10.5	Information regarding the anticipated sources of funds	2.2.3, 2.4 and 3.1 Notes 17 and 23
11	Research and development, patents and licenses	1.5
12	Trend information	
12.1	Most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	N/A
12.2	Information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current fiscal year	2.4 and 2.5
13	Profit forecasts or estimates	N/A
14	Administrative, management, and supervisory bodies and Executive Management	
14.1	Members of the administrative and management bodies	6.1
14.2	Administrative and management bodies conflicts of interest	6.2.5
15	Compensation and benefits	
15.1	Compensation paid and benefits in kind	6.6.2
15.2	Amounts set aside or accrued to provide pension, retirement or similar benefits	6.6
16	Board practices	
16.1	Date of expiration of the current terms of office	6.2.6.2
16.2	Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	6.2.5
16.3	Information about Board committees	6.3.3
16.4	Statement of compliance with the corporate governance regime in force	6.1 and 6.4
17	Employees	
17.1	Number and breakdown of employees	5.4.2
17.2	Shareholdings and stock options	6.6 and 6.6.4
17.3	Arrangements for involving the employees in the capital of the issuer	5.4.4 and 7.3.7
18	Major shareholders	
18.1	Major shareholders	7.3.1
18.2	Breakdown of voting rights	7.3.1
18.3	Controlling shareholder	7.3.5
18.4	Change in control	7.3.6
19	Related-party transactions	7.1.4

EC Regulation No. 809/2004 Annex 1 headings		2016 Registration Document section(s)
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	
20.1	Historical financial information	3.1 and 3.3
20.2	Pro forma financial information	3.1 Note 3
20.3	Financial statements	3.1 and 3.3
20.4	Auditing of historical annual financial information	
20.4.1	Statement that the historical financial information has been audited	3.2, 3.4 and 8.1.2
20.4.2	Indication of other financial data that has been audited by the auditors	7.6
20.4.3	Indication of the source of the data and the absence of verification of the financial data appearing in the Registration Document that is not taken from the issuer's audited financial statements	N/A
20.5	Date of the latest financial information	December 31, 2016, 3.2 and 3.4
20.6	Interim and other financial information	
20.6.1	Quarterly or half-yearly financial information	N/A
20.6.2	Interim financial information	N/A
20.7	Dividend policy	
20.7.1	Amount of dividend	2.3.3
20.8	Legal and arbitration proceedings	3.1 Note 32
20.9	Significant change in the issuer's financial or trading position	3.1 Note 33
21	Additional information	
21.1	Share capital	
21.1.1	Amount of issued capital	7.2.1
21.1.2	Shares not representing capital	7.2.3
21.1.3	Shares held by the issuer	7.2.6
21.1.4	Convertible securities, exchangeable securities or securities with warrants	7.2.3.2
21.1.5	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	N/A
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	N/A
21.1.7	History of share capital	7.2.4
21.2	Bylaws	
21.2.1	Corporate purpose	7.1.1
21.2.2	Provisions of the issuer's bylaws with respect to administrative, management and supervisory bodies	7.1.2.1
21.2.3	Rights, preferential rights and restrictions attached to shares	7.1.2.3
21.2.4	Change in shareholder rights	7.1.2.4
21.2.5	Notice of meeting and admission to Shareholders' Meetings	7.1.2.2
21.2.6	Change in control	7.1.2.6
21.2.7	Share ownership thresholds	7.1.2.5 and 7.3.4
21.2.8	Description of conditions imposed by the bylaws governing changes in capital, where such conditions are more stringent than is required by law	7.1.2.4
22	Material contracts	7.1.4.2
23	Third party information, statements by experts and declarations of interest	
23.1	Statement or report attributed to a person as an expert	N/A
23.2	Information sourced from a third party	N/A
24	Documents on display	8.3
25	Information on investments	7.1.3, 3.1 Note 34 and 3.3 Note 3.1

8.4.3 Annual Financial Report cross-reference table

This Registration Document includes the information contained in the Annual Financial Report mentioned in paragraph 1 of Article L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations.

The following table presents the cross-references between the two documents.

Annual Financial Report headings	2016 Registration Document section(s)
Declaration by the person responsible	8.1.2
Board of Directors' management report	See the cross-reference tables, 8.4.1 and 8.4.4
Report of the Chairman of the Board of Directors	6.8
Statutory Auditors' report on the report prepared by the Chairman	6.8.2
Financial statements and reports	
Parent company financial statements	3.3
Consolidated financial statements	3.1
Disputes and litigation	3.1 Note 32
Significant change in the issuer's financial or trading position	3.1 Note 33
Statutory Auditors' reports	3.2, 3.4 and 7.6
Audit fees	3.1 Note 35

8.4.4 Social, environmental and community involvement cross-reference table

This Registration Document includes the labor, environmental and social information contained in the Board of Directors' management report in accordance with Article R.225-105-1 of the French Commercial Code.

The following table presents the cross-references between the two documents.

Headings from Article R.225-105 of the French Commercial Code		2016 Registration Document section(s)
1	Social information	
1.1	Employment	
1.1.1	Total headcount and breakdown of employees by gender, age and region	5.4.2 and 5.4.7
1.1.2	New hires and departures	5.4.2
1.1.3	Compensation and changes in compensation	5.4.4
1.2	Working hours	
1.2.1	Organization of working hours	5.4.5
1.2.2	Absenteeism	5.4.1
1.3	Labor relations	
1.3.1	Employer/employee relations, in particular procedures for informing, consulting and negotiating with employees	5.4.5
1.3.2	Collective bargaining agreements	5.4.5
1.4	Health and safety	
1.4.1	Occupational health and safety conditions	5.5.1 and 5.5.2
1.4.2	Agreements signed with trade unions and employee representatives concerning occupational health and safety	5.5.2.3
1.4.3	Occupational accidents, in particular frequency and severity, and occupational illnesses	5.5.2
1.5	Training	
1.5.1	Training policies	5.4.3
1.5.2	Total number of training hours	5.4.3
1.6	Equal Opportunity	
1.6.1	Measures taken to promote professional equality between men and women	5.4.6
1.6.2	Measures taken to integrate and maintain employees with disabilities	5.4.6
1.6.3	Policy concerning the fight against discrimination	5.4.6
1.7	Promotion of and compliance with the core conventions of the International Labour Organization as regards:	
1.7.1	The respect for the freedom of association and the right to collective bargaining	5.4.1 and 5.4.5
1.7.2	The elimination of discrimination in respect of employment and occupation	5.4.1 and 5.4.6
1.7.3	The abolition of forced and compulsory labor	5.2.1 and 5.4.1
1.7.4	The effective abolition of child labor	5.2.1 and 5.4.1
2	Environmental information	
2.1	General environmental policy	
2.1.1	Organization of steps taken by the Company to address environmental issues and, where applicable, environmental assessment and certification procedures	5.5.1, 5.5.2 and 5.5.3
2.1.2	Initiatives taken to train and raise awareness among employees on environmental protection	5.5.1.1 and 5.5.2.1
2.1.3	Resources assigned to the prevention of environmental risks and pollution	5.5.2.4 and 5.5.3
2.1.4	Amount of provisions set aside for environmental risks, provided that this information is not likely to cause serious prejudice to the Company in the context of ongoing proceedings	5.5.2.4 and 5.5.4

Headings from Article R.225-105 of the French Commercial Code		2016 Registration Document section(s)
2.2	Pollution	
2.2.1	Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant environmental impact	5.5.3
2.2.2	Measures taken to reduce noise and any other form of pollution relating to a specific activity	5.5.2.4 and 5.5.3
2.3	Circular economy	
	Waste reduction and management	
2.3.1	Measures taken to reduce, recycle and eliminate waste	5.5.2.4
2.3.2	Initiatives to fight against food waste	5.5.4
	Sustainable use of resources	
2.3.3	Water consumption and water supply in accordance with local regulations	5.5.2.4
2.3.4	Consumption of natural resources and measures taken to promote more efficient use	5.5.3.2
2.3.5	Energy consumption and measures taken to improve energy efficiency and use of renewable energy	5.5.2.4
2.3.6	Land use	5.5.4
2.4	Climate change	
2.4.1	The major sources of greenhouse gas generated by the Company's business, primarily through the use of products and services that it produces	5.5.2.4
2.4.2	Adapting to climate change	5.5.4
2.5	Protection of biodiversity	
2.5.1	Measures taken to protect and develop biodiversity	5.5.4
3	Information on community involvement promoting sustainable development	
3.1	Community, economic and social impact of the Company's activities on:	
3.1.1	Employment and regional development	5.4.5 and 5.3
3.1.2	Local community	5.4.5
3.2	Relationships with people and organizations who benefit from the Company's activities, in particular integration associations, educational institutions, environmental protection associations, consumer and local residents' associations	
3.2.1	Status of dialog conditions with these people and organizations	5.4.3, 5.4.5 and 5.4.6
3.2.2	Partnership and corporate sponsorship programs	5.6
3.3	Sub-contractors and suppliers	
3.3.1	Integration of social and environmental issues in purchasing policies	5.3
3.3.2	Scale of outsourcing and measures taken to raise awareness among suppliers and sub-contractors with respect to corporate social responsibility	5.2.1, 5.2.2 and 5.3
3.4	Fair practices	
3.4.1	Measures taken to fight against corruption	5.2
3.4.2	Measures taken to promote consumer health and safety	1.9 and 5.5
3.5	Other action taken, pursuant to paragraph 3 to promote human rights	5.2.1, 5.2.2 and 5.4.1
	Report by the independent third party on the consolidated human resources, environmental and social information included in the management report	5.7.2

8.5 GLOSSARY OF COMPANY NAMES

To consolidate its position as a leading world player in its industry and step up its development in France and abroad, the Group decided to combine its companies under a single brand name: Safran. Since May 19, 2016, the Safran logo has been the only symbol used throughout all Group companies.

The organization and scope of the Group companies have remained the same. This change has impacted solely their legal name which integrates the Safran brand into their company name as well as the description of their activities. The companies that appear in this Registration Document whose corporate names have changed since the 2015 Registration Document are as follows:

Corporate names adopted in 2016	Original names
Safran Aero Boosters SA Safran Aero Boosters, Inc. Safran Test Cells, Inc.	Techspace Aero Techspace Aero, Inc. Cenco, Inc.
Safran Aircraft Engines Safran Aircraft Engine Mexico Safran Aircraft Engines Guiyang Safran Aircraft Engine Services Americas Safran Aircraft Engine Services Morocco Safran Aircraft Engine Services Brussels	Snecma Snecma Mexico Snecma Xinyi Airfoil Castings Co Snecma America Engine Services SA de CV Snecma Morocco Engine Services Snecma Services Brussels
Safran Ceramics	Herakles
Safran Electrical Power Safran Electrical & Power Chihuahua SA de CV Safran Electrical & Power Mexico SA de CV Safran Electrical & Power Morocco SA Safran Electrical & Power UK, Ltd Safran Electrical & Power USA, LLC Safran Engineering Services GmbH	Labinal Power Systems Labinal de Chihuahua SA de CV Labinal de Mexico SA de CV Labinal Maroc SA Safran Power UK, Ltd Labinal, LLC Labinal GmbH
Safran Electronics & Defense Safran Colibrys AG Safran Electronics & Defense Germany GmbH Safran Electronics & Defense Services Asia Pte Ltd Safran Electronics & Defense, Avionics USA, LLC Safran Reosc	Sagem Défense Sécurité Colibrys AG Sagem Navigation GmbH Safran Electronics Asia Pte Ltd Sagem Avionics, LLC REOSC
Safran Helicopter Engines Safran Helicopter Engines Asia Pte Ltd Safran Helicopter Engines Australia PTY, Ltd Safran Helicopter Engines Brasil Industria e Comercio Ltda Safran Helicopter Engines Canada, Inc. Safran Helicopter Engines Germany GmbH Safran Helicopter Engines Mexico SA de CV Safran Helicopter Engines Tianjin Co, Ltd Safran Helicopter Engines UK Ltd Safran Helicopter Engines USA, Inc. Safran Power Units Safran Power Units San Diego, LLC	Turbomeca Turbomeca Asia Pacific Pte Ltd Turbomeca Australasia PTY, Ltd Turbomeca do Brasil Industria e Comercio Ltda Turbomeca Canada, Inc. Turbomeca Germany GmbH Turbomeca Mexico Turbomeca Tianjin Helicopter Engines Trading Co Ltd Turbomeca UK Ltd Turbomeca USA, Inc. Microturbo Microturbo APU, LLC

Corporate names adopted in 2016	Original names
Safran Landing Systems	Messier-Bugaty-Dowty
Safran Filtration Systems	Sofrance
Safran Landing Systems Canada, Inc.	Messier-Dowty, LLC
Safran Landing Systems Holdings Singapore Pte Ltd	Messier Services Pte, Ltd
Safran Landing Systems Kentucky, LLC	Messier-Bugatti USA, LLC
Safran Landing Systems Malaysia Sdn. Bhd.	Messier-Bugatti-Dowty Malaysia Sdn. Bhd.
Safran Landing Systems Mexico SA de CV	Messier Dowty Mexico SA de CV
Safran Landing Systems Services Miami Inc.	Messier Services Inc.
Safran Landing Systems Services Americas SA de CV	Messier Services Americas SA de CV
Safran Landing Systems Services Dinard	Hydrep
Safran Landing Systems Services Querétaro SA de CV	Messier Services Mexico SA de CV
Safran Landing Systems Services UK, Ltd	Messier Services UK, Ltd
Safran Landing Systems Services Singapore Pte Ltd	Messier Services Asia Pte Ltd
Safran Landing Systems Holdings Singapore Pte, Ltd	Messier Services Pte, Ltd
Safran Landing Systems Suzhou Co., Ltd	Messier Dowty Suzhou II Co., Ltd
Safran Landing Systems UK, Ltd	Messier-Dowty, Ltd
Safran Nacelles	Aircelle
Safran Nacelles, Ltd	Aircelle, Ltd
Safran Nacelles Morocco	Aircelle Maroc
Safran Nacelles Services Europe	Aircelle Europe Services
Safran System Aerostructures	SLCA
Safran Transmission Systems	Hispano-Suiza
Safran Transmission Systems Poland Sp.Z.O.O.	Hispano-Suiza Polska
Safran Identity & Security	Morpho

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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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