CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

DECEMBER 31, 2013

SAFRAN
AEROSPACE · DEFENCE · SECURITY

The Board of Directors’ meeting of February 19, 2014 adopted and authorized the publication of Safran’s consolidated financial statements and adjusted income statement for the year ended December 31, 2013.

Contents

Foreword

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

Readers are reminded that the Safran Group:

- is the result of the May 11, 2005 merger of the Sagem and Snecma groups, accounted for in accordance with IFRS 3, Business Combinations, in its consolidated financial statements;

- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting (see Note 1.f).

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

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programs revalued at the time of the Sagem-Snecma merger. With effect from the 2010 interim consolidated financial statements, the Group decided to restate the impact of purchase price allocations for all business combinations. In particular, this concerns the amortization of intangible assets recognized at the time of the acquisition and amortized over extended periods due to the length of the Group's business cycles, along with the gain resulting from the remeasurement of the Group's previously held interests in a business combination achieved in stages;

- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
    - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy;
    - all mark-to-market changes on foreign currency derivatives hedging future cash flows are neutralized.

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)	**2013 consolidated data**	Currency hedges: Remeasurement of revenue (1)	Currency hedges: Deferred hedging gain (loss) (2)	Business combinations: Amortization of intangible assets from Sagem-Snecma merger (3)	Business combinations: PPA impacts – other business combinations (4)	**2013 adjusted data**
Revenue	**14,490**	**205**	**-**	**-**	**-**	**14,695**
Other recurring operating income and expenses	(13,195)	(2)	13	150	127	(12,907)
Recurring operating income	**1,295**	**203**	**13**	**150**	**127**	**1,788**
Other non-recurring operating income and expenses	185	-	-	-	(216)	(31)
Profit from operations	**1,480**	**203**	**13**	**150**	**(89)**	**1,757**
Cost of debt	(42)	-	-	-	-	(42)
Foreign exchange gains (losses)	551	(203)	(374)	-	-	(26)
Other financial income and expense	(70)	-	-	-	-	(70)
Financial income (loss)	**439**	**(203)**	**(374)**	**-**	**-**	**(138)**
Income tax expense	(650)	-	110	(52)	52	(540)
Share in profit from associates	15	-	-	-	-	15
Gain on disposal of Ingenico shares	131	-	-	-	-	131
Profit from continuing operations	**1,415**	**-**	**(251)**	**98**	**(37)**	**1,225**
Profit (loss) for the period attributable to non-controlling interests	**(29)**	**-**	**(1)**	**(2)**	**-**	**(32)**
Profit for the period attributable to owners of the parent	**1,386**	**-**	**(252)**	**96**	**(37)**	**1,193**

(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 (€374 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (€13 millon).

(3) Cancelation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger.

(4) Cancelation of depreciation and amortization of identifiable property, plant and equipment and intangible assets, and the impacts of remeasuring inventories in connection with acquisitions, along with gains on remeasuring the Group's previously held interest in the RTM 322 program.

Readers are reminded that only the consolidated financial statements are audited by the Group's Statutory Auditors. This includes the revenue and operating profit indicators set out in the adjusted data in Note 5, “Segment information”.
Adjusted financial data other than the data provided in Note 5 are subject to verification procedures applicable to all of the information provided in the Registration Document.

The audit procedures on the consolidated financial statements have been completed. An audit opinion will be issued after the Board of Directors' meeting of March 20, 2014, once specific verifications and a review of events subsequent to February 19, 2014 have been performed.

Comparative adjusted consolidated income statement and segment information

Adjusted income statement

(in € millions)	2012 Adjusted data*	2013 Adjusted data
Revenue	**13,560**	**14,695**
Other income	209	264
Income from operations	**13,769**	**14,959**
Change in inventories of finished goods and work-in-progress	340	(6)
Capitalized production	642	911
Raw materials and consumables used	(8,160)	(8,639)
Personnel costs	(4,205)	(4,506)
Taxes	(270)	(276)
Depreciation, amortization, and increase in provisions, net of use	(601)	(531)
Asset impairment	(26)	(78)
Other recurring operating income and expenses	(45)	(46)
Recurring operating income	**1,444**	**1,788**
Other non-recurring operating income and expenses	(50)	(31)
Profit from operations	**1,394**	**1,757**
Cost of net debt	(54)	(42)
Foreign exchange gains (losses)	22	(26)
Other financial income and expense	(122)	(70)
Financial income (loss)	**(154)**	**(138)**
Profit before tax	**1,240**	**1,619**
Income tax expense	(254)	(540)
Share in profit from associates	19	15
Gain on disposal of Ingenico shares	-	131
Profit from continuing operations	**1,005**	**1,225**
Profit for the period	**1,005**	**1,225**
Attributable to:		
owners of the parent	979	1,193
non-controlling interests	26	32
Earnings per share attributable to owners of the parent (in €)		
Basic earnings per share	2.36	2.87
Diluted earnings per share	2.35	2.87

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

Segment information

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

At December 31, 2013

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**7,791**	**4,121**	**1,278**	**1,502**	**14,692**	**3**	**14,695**	**(205)**	**-**	**14,490**
Recurring operating income (1)	**1,359**	**380**	**87**	**120**	**1,946**	**(158)**	**1,788**	**(216)**	**(277)**	**1,295**
Other non-recurring operating income and expenses	(14)	(2)	7	(3)	**(12)**	(19)	**(31)**	-	216	**185**
Profit (loss) from operations	**1,345**	**378**	**94**	**117**	**1,934**	**(177)**	**1,757**	**(216)**	**(61)**	**1,480**
Free cash flow	**521**	**67**	**110**	**(42)**	**656**	**56**	**712**	**-**	**-**	**712**
Gross operating working capital	**(422)**	**1,088**	**389**	**150**	**1,205**	**(47)**	**1,158**	**-**	**-**	**1,158**
Segment assets	**10,587**	**5,032**	**1,692**	**2,506**	**19,817**	**1,371**	**21,188**	**-**	**-**	**21,188**
(1) of which depreciation, amortization and increase in provisions, net of use	(239)	(173)	(52)	(39)	**(503)**	(28)	**(531)**	(9)	(250)	**(790)**
of which impairment	(65)	4	(19)	1	**(79)**	1	**(78)**	(4)	-	**(82)**

At December 31, 2012

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**7,005**	**3,691**	**1,315**	**1,546**	**13,557**	**3**	**13,560**	**55**	**-**	**13,615**
Recurring operating income* (1)	**1,076**	**286**	**79**	**145**	**1,586**	**(142)**	**1,444**	**52**	**(253)**	**1,243**
Other non-recurring operating income and expenses	1	(16)	-	(25)	**(40)**	(10)	**(50)**	-	(6)	**(56)**
Profit (loss) from operations*	**1,077**	**270**	**79**	**120**	**1,546**	**(152)**	**1,394**	**52**	**(259)**	**1,187**
Free cash flow	**464**	**38**	**13**	**11**	**526**	**38**	**564**	**-**	**-**	**564**
Gross operating working capital	**(480)**	**1,059**	**442**	**118**	**1,139**	**(12)**	**1,127**	**-**	**-**	**1,127**
Segment assets	**9,616**	**4,463**	**1,746**	**2,649**	**18,474**	**1,071**	**19,545**	**-**	**-**	**19,545**
(1) of which depreciation, amortization and increase in provisions, net of use	(285)	(173)	(67)	(58)	**(583)**	(18)	**(601)**	-	(253)	**(854)**
of which impairment	(37)	2	5	4	**(26)**	-	**(26)**	(3)	-	**(29)**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

Revenue (adjusted data)

(in € millions)		2012	2013
Aerospace Propulsion			
Original equipment and related products and services		3,340	3,700
Services		3,287	3,746
Sales of studies		296	271
Other		82	74
	Sub-total	7,005	7,791
Aircraft Equipment			
Original equipment and related products and services		2,402	2,675
Services		1,054	1,214
Sales of studies		114	149
Other		121	83
	Sub-total	3,691	4,121
Defence			
Sales of equipment		939	887
Services		257	282
Sales of studies		107	106
Other		12	3
	Sub-total	1,315	1,278
Security			
Sales of equipment		1,212	1,187
Services		293	292
Sales of studies		13	17
Other		28	6
	Sub-total	1,546	1,502
Holding company and other			
Other		3	3
	Sub-total	3	3
Total		**13,560**	**14,695**

Information by geographic area

At December 31, 2013

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers	3,285	3,235	4,635	2,491	1,049	**14,695**	(205)	**14,490**
%	22%	22%	32%	17%	7%			
Non-current assets by location	7,399	1,407	1,914	128	161			**11,009**
%	67%	13%	18%	1%	1%			

At December 31, 2012

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers	3,069	3,139	4,103	2,149	1,100	**13,560**	55	**13,615**
%	23%	23%	30%	16%	8%			
Non-current assets by location	6,354	1,161	2,075	75	170			**9,835**
%	65%	11%	21%	1%	2%			

No individual customer accounted for more than 10% of Group revenue in 2013 or 2012.

Safran Group

consolidated financial statements

Consolidated income statement

(in € millions)	Note	2012*	2013
Revenue	6	**13,615**	**14,490**
Other income	6	209	**264**
Income from operations		**13,824**	**14,754**
Change in inventories of finished goods and work-in-progress		340	(32)
Capitalized production		642	911
Raw materials and consumables used	6	(8,160)	(8,648)
Personnel costs	6	(4,205)	(4,506)
Taxes		(270)	(276)
Depreciation, amortization, and increase in provisions, net of use	6	(854)	(790)
Asset impairment	6	(29)	(82)
Other recurring operating income and expenses	6	(45)	(36)
Recurring operating income		**1,243**	**1,295**
Other non-recurring operating income and expenses	6	(56)	185
Profit from operations		**1,187**	**1,480**
Cost of net debt		(54)	(42)
Foreign exchange gains		709	551
Other financial income and expense		(122)	(70)
Financial income (loss)	7	**533**	**439**
Profit before tax		**1,720**	**1,919**
Income tax expense	8	(433)	(650)
Share in profit from associates	14	19	15
Gain on disposal of Ingenico shares	4	-	131
Profit from continuing operations		**1,306**	**1,415**
Profit for the period		**1,306**	**1,415**
Attributable to:			
owners of the parent		1,282	1,386
non-controlling interests		24	29
Earnings per share attributable to owners of the parent (in €)	9		
Basic earnings per share		3.09	3.33
Diluted earnings per share		3.08	3.33

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

Consolidated statement of comprehensive income

(in € millions)	2012*	2013
Profit for the period	**1,306**	**1,415**
Other comprehensive income		
Items to be recycled to profit	**(29)**	**(101)**
Available-for-sale financial assets	5	4
Translation adjustments and net investment hedges (1)	(44)	(93)
Income tax related to components of other comprehensive income to be recycled to profit	10	(12)
Items not recycled to profit	**(101)**	**(15)**
Actuarial gains and losses on post-employment benefits	(147)	(21)
Income tax related to components of other comprehensive income not recycled to profit	46	6
Other comprehensive income (expense) for the period	**(130)**	**(116)**
Total comprehensive income for the period	**1,176**	**1,299**
Attributable to:		
- owners of the parent	1,156	1,274
- non-controlling interests	20	25

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

(1) Including €3 million in translation losses relating to associates (€5 million in translation gains in 2012).

In 2013, translation adjustments include losses of €6 million arising on long-term financing for foreign subsidiaries (losses of €22 million in 2012). This financing meets the criteria for classification as a net investment in a foreign operation and is treated in accordance with the applicable provisions of IAS 21. Translation adjustments also include gains of €39 million in 2013 (losses of €6 million in 2012) corresponding to exchange differences arising on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market classified as a hedge of the net investment in some of the Group's US operations.
The remaining balance consists of translation losses of €126 million arising on foreign subsidiaries (translation losses of €16 million in 2012).

As of January 1, 2013, and in accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and not subsequently recycled to profit (see Notes 3 and 21).

Consolidated balance sheet

ASSETS *(in € millions)*	*Note*	Dec. 31, 2012*	Dec. 31, 2013
Goodwill	*10*	3,078	3,495
Intangible assets	*11*	3,872	4,641
Property, plant and equipment	*12*	2,604	2,740
Non-current financial assets	*13*	281	384
Investments in associates	*14*	281	133
Non-current derivatives (positive fair value)	*27*	62	-
Deferred tax assets	*8*	243	205
Other non-current financial assets		13	12
Non-current assets		**10,434**	**11,610**
Current financial assets	*13*	176	198
Current derivatives (positive fair value)	*27*	585	864
Inventories and work-in-progress	*15*	4,131	4,135
Trade and other receivables	*16*	5,025	5,102
Tax assets	*8*	421	392
Cash and cash equivalents	*17*	2,193	1,672
Current assets		**12,531**	**12,363**
Total assets		**22,965**	**23,973**

EQUITY AND LIABILITIES *(in € millions)*	*Note*	Dec. 31, 2012*	Dec. 31, 2013
Share capital	*19*	83	83
Consolidated retained earnings	*19*	4,444	5,138
Net unrealized gains on available-for-sale financial assets	*19*	25	29
Profit for the period		1,282	1,386
Equity attributable to owners of the parent		**5,834**	**6,636**
Non-controlling interests		**163**	**178**
Total equity		**5,997**	**6,814**
Provisions	*20*	1,823	1,751
Borrowings subject to specific conditions	*22*	670	670
Non-current interest-bearing financial liabilities	*23*	2,259	1,295
Non-current derivatives (negative fair value)	*27*	12	36
Deferred tax liabilities	*8*	981	1,293
Other non-current financial liabilities	*25*	81	119
Non-current liabilities		**5,826**	**5,164**
Provisions	*20*	1,064	1,224
Current interest-bearing financial liabilities	*23*	916	1,435
Trade and other payables	*24*	8,767	8,920
Tax liabilities	*8*	156	202
Current derivatives (negative fair value)	*27*	213	150
Other current financial liabilities	*25*	26	64
Current liabilities		**11,142**	**11,995**
Total equity and liabilities		**22,965**	**23,973**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments and net investment hedges	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit for the period	Other	**Equity attributable to owners of the parent**	Non-controlling interests	**Total**
At Dec. 31, 2011	**83**	**3,360**	**(112)**	**20**	**162**	**979**	**-**	**478**	**(2)**	**4,968**	**154**	**5,122**
Change in accounting policy (IAS 19)	-	-	-	-	-	(20)	(132)	-	42 *	**(110)**	-	**(110)**
At Jan. 1, 2012	**83**	**3,360**	**(112)**	**20**	**162**	**959**	**(132)**	**478**	**40**	**4,858**	**154**	**5,012**
Comprehensive income for the period	-	-	-	5	(42)	-	(145)	1,282	56 *	**1,156**	20	**1,176**
Acquisitions/disposals of treasury shares	-	-	94	-	-	24	-	-	(20)	**98**	-	**98**
Dividends	-	-	-	-	-	(154)	-	-	-	**(154)**	(17)	**(171)**
2012 interim dividend	-	-	-	-	-	(133)	-	-	-	**(133)**	-	**(133)**
Other movements	-	-	-	-	-	478	-	(478)	9	**9**	6	**15**
At Dec. 31, 2012	**83**	**3,360**	**(18)**	**25**	**120**	**1,174**	**(277)**	**1,282**	**85**	**5,834**	**163**	**5,997**
Comprehensive income for the period	-	-	-	4	(90)	-	(20)	1,386	(6) *	**1,274**	25	**1,299**
Acquisitions/disposals of treasury shares	-	-	1	-	-	1	-	-	(3)	**(1)**	-	**(1)**
Dividends	-	-	-	-	-	(271)	-	-	-	**(271)**	(10)	**(281)**
2013 interim dividend	-	-	-	-	-	(200)	-	-	-	**(200)**	-	**(200)**
Other movements	-	-	-	-	-	1,282	-	(1,282)	-	**-**	-	**-**
At Dec. 31, 2013	**83**	**3,360**	**(17)**	**29**	**30**	**1,986**	**(297)**	**1,386**	**76**	**6,636**	**178**	**6,814**

* see table below:

	Tax impact on amended IAS 19	Tax impact on translation adjustments	Total
Change in accounting policy (IAS 19) at January 1, 2012	42		42
2012 comprehensive income	46	10	56
2013 comprehensive income	6	(12)	(6)

Consolidated statement of cash flows

(in € millions)		2012*	2013
I. Cash flow from operating activities			
Profit attributable to owners of the parent		**1,282**	**1,386**
Depreciation, amortization, impairment and provisions (1)		962	941
Share in profit from associates (net of dividends received)		(19)	(15)
Change in fair value of derivatives		(779)	(432)
Capital gains and losses on asset disposals		10	(382)
Profit attributable to non-controlling interests		24	29
Other		222	457
Cash flow from operations, before changes in working capital		**1,702**	**1,984**
Change in inventories and work-in-progress		(388)	45
Change in operating receivables and payables		228	178
Change in other receivables and payables		75	(68)
Change in working capital		**(85)**	**155**
	TOTAL I (2)	**1,617**	**2,139**
II. Cash flow used in investing activities			
Capitalization of R&D expenditure (3)		(512)	(720)
Payments for the purchase of intangible assets, net of proceeds		(122)	(215)
Payments for the purchase of property, plant and equipment, net of proceeds		(419)	(492)
Payments arising from the acquisition of investments or businesses, net		(193)	(733)
Proceeds arising from the sale of investments or businesses, net		-	353
Proceeds (payments) arising from the sale (acquisition) of financial assets, net		(86)	(35)
	TOTAL II	**(1,332)**	**(1,842)**
III. Cash flow from financing activities			
Change in share capital		-	-
Acquisitions and disposals of treasury shares		118	2
Repayment of borrowings and long-term debt		(119)	(111)
Increase in borrowings		917	9
Change in repayable advances		(9)	(27)
Change in short-term borrowings		(122)	(191)
Dividends paid to owners of the parent		(283)	(471)
Dividends paid to non-controlling interests		(17)	(10)
	TOTAL III	**485**	**(799)**
Effect of changes in foreign exchange rates	**TOTAL IV**	**(8)**	**(19)**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV**	**762**	**(521)**
Cash and cash equivalents at beginning of year		1,431	2,193
Cash and cash equivalents at end of year		2,193	1,672
Net increase (decrease) in cash and cash equivalents		**762**	**(521)**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

(1) In 2012, this caption includes €721 million in depreciation and amortization, €54 million in impairment, and €187 million in provisions. In 2013, this caption includes €762 million in depreciation and amortization, €103 million in impairment, and €76 million in provisions.

(2) Including €182 million in taxes paid in 2013 (€238 million in 2012), of which €93 million in interest paid in 2013 (€88 million in 2012) and €43 million in interest received in 2013 (€42 million in 2012).

(3) Including €26 million in capitalized interest in 2013 (€8 million in 2012).

Notes to the Safran Group consolidated financial statements

Safran (2, boulevard du Général Martial Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (joint-stock corporation) incorporated in France and permanently listed on Compartment A of the Euronext Paris Eurolist market.
The 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 19, 2014 adopted and authorized the publication of the 2013 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/internal_market/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 2013

- IFRS 13, Fair Value Measurement;
- Amendments to IAS 12, Income Taxes – Deferred Tax: Recovery of Underlying Assets;
- Amendments to IAS 19, Employee Benefits – Defined Benefit Plans;
- Amendments to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Improvements to IFRS published in May 2012.

The changes and impacts resulting from the amendments to IAS 19, Employee Benefits, are detailed in Note 3, "Change in accounting policy".

The other standards, amendments and interpretations effective as of January 1, 2013 do not have a material impact on the Group's financial statements, particularly IFRS 13, Fair Value Measurement, which requires counterparty risk to be taken into account in measuring derivative instruments (see Note 1.w).

New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2013

- Amendments to IAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.

The derivatives used by the Group are contracted under FBF (French Banking Federation) or ISDA (International Swaps and Derivatives Association) master agreements, in which amounts due and receivable are only offset in the event of default of one of the contracting parties. Consequently, these amendments to IAS 32, which clarify that financial assets and financial liabilities must be able to be offset in any circumstances if a net amount is to be presented on the balance sheet, do not impact the Group's consolidated financial statements.
Details of offsetting regarding derivatives carried in assets and liabilities are provided in Notes 18 and 26.

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

- IFRS 9, Financial Instruments – Classification and Measurement of Financial Assets and Liabilities;
- IFRS 9, Financial Instruments – Hedge Accounting;
- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosures of Interests in Other Entities;
- IAS 27 (revised 2011), Separate Financial Statements;
- IAS 28 (revised), Investments in Associates and Joint Ventures;
- Amendments to IAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions;
- Amendments to IAS 36, Impairment – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and to IFRS 9, Financial Instruments: Classification and Measurement of Financial Assets and Liabilities – Novation of Derivatives and Continuation of Hedge Accounting;
- Amendments to IFRS 9, Financial Instruments, regarding the deferral of the mandatory effective date of the standard;
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 12, Disclosure of Interests in Other Entities, dealing with retrospective application;
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 12, Disclosure of Interests in Other Entities; and IAS 27 (revised 2011), Separate Financial Statements – Investment Entities;
- Improvements to IFRS published in December 2013;
- IFRIC 21, Levies.

Most of these new standards, amendments and interpretations have been adopted by the European Union. Those texts not yet adopted (in particular IFRS 9) cannot be applied ahead of their effective date even if early adoption were permitted.
The Group has assessed or is in the process of assessing the impacts resulting from the first-time application of these standards, amendments and interpretations.

The application of IFRS 10, Consolidated Financial Statements, effective as of January 1, 2014, will not have a material impact on the consolidated financial statements.

IFRS 11, Joint Arrangements, effective as of January 1, 2014, eliminates proportionate consolidation for interests in jointly controlled entities. Based on the Group's analysis of the entities concerned, those entities which it currently proportionately consolidates have been classified as either joint operations or joint ventures within the meaning of the new standard. Of the 19 entities proportionately consolidated at December 31, 2013 (see Note 28), 12 will be classified as joint ventures as defined by IFRS 11 and will therefore be accounted for by the equity method as of January 1, 2014. Since the businesses of these 12 entities are closely linked to the Group's own operations, the Group's share of their net earnings will be presented in the Group's recurring operating income.
The Group has estimated the impact of applying IFRS 11 in its 2013 financial statements, which will be included alongside its 2014 financial statements for comparative purposes: consolidated revenue is expected to decrease by around €300 million while recurring operating income should fall by less than €10 million in relation to the figures for 2013 presented in this report.

IFRS 12, Disclosure of Interests in Other Entities, is effective as of January 1, 2014 and will result in additional disclosures regarding associates and joint ventures in the notes to the financial statements.

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.

Entities controlled jointly by Safran and another group are proportionately consolidated.

Entities over which Safran exercises significant influence, without having exclusive or joint control, are accounted for under the equity method. Significant influence is presumed to exist when the Group holds at least 20% of voting rights.

A company effectively enters the scope of consolidation at the date on which control is acquired or significant influence is exercised.

The removal of a company from the scope of consolidation is effective as of the date 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 from the owners' share in the income statement and in shareholders' equity.

IAS 27 (revised 2008) states that any changes in the ownership interest 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. Any residual interest is to be measured at fair value through profit or loss when control is relinquished.

Intragroup transactions

All material transactions between fully or proportionately consolidated companies are eliminated, as are internally generated Group profits.

Transactions between fully and proportionately consolidated companies are eliminated to the extent of the percentage held in the jointly controlled company, regardless of whether or not they have an impact on consolidated profit. Such transactions are not eliminated when the jointly held company acts solely as an intermediary 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 has applied IFRS 3 and IAS 27 (revised 2008) since January 1, 2010. As the application of these revised standards is prospective, business combinations carried out prior to January 1, 2010 continue to be accounted for under the previous IFRS 3 and IAS 27.

Business combinations carried out after January 1, 2010

Acquisition method

Business combinations are accounted for using the acquisition method at the date on which control is obtained:

- identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value;
- where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments). This option is available for all business combinations based on a case-by-case analysis of each transaction;
- acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred;
- adjustments to contingent consideration for a business combination are measured at fair value at the acquisition date, even if it is unlikely that an outflow of resources will be required to settle the obligation. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. The cost of the combination, including where appropriate the estimated fair value of any contingent consideration, is finalized within the 12 months following the acquisition (measurement period). Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss.

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 or proportionately consolidated companies, 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 equity-accounted companies is recorded on the line "Investments in associates", 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. 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), as described in Note 1.l. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 1.l. Impairment charged against goodwill is taken to profit or loss and may not be reversed.

Business combinations carried out prior to January 1, 2010

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

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

Options used on the first-time adoption of IFRS

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

d) Discontinued operations and assets (or disposal groups) held for sale

A non-current asset or group of non-current assets and associated liabilities are classified as held for sale if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable. Non-current assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented on separate lines of the consolidated balance sheet.

A discontinued operation represents a separate major line of business or geographic area of operations for the Group that either has been disposed of, or is classified as held for sale. The results and cash flows attributable to the activities disposed of or held for sale are presented on separate lines of the consolidated financial statements for all periods presented.

e) Translation methods

The financial statements of subsidiaries with a different functional currency than that used by the Group are translated into euros as follows:

- assets and liabilities are translated at the year-end closing exchange rate, while income statement and cash flow items are translated at the average exchange rate for the year;
- translation gains and losses resulting from the difference between the closing exchange rate at the previous year-end and the closing exchange rate at the end of the current reporting period, and from the difference between the average and closing exchange rates for the period, are recorded in equity as translation adjustments.

On disposal of a foreign operation, cumulative foreign exchange differences are recognized in the income statement as a component of the gain or loss on disposal.

Note 1.w. discusses the net investment hedge set up by the Group for some of its foreign operations.

Options used on the first-time adoption of IFRS

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

f) Translation of foreign currency transactions and foreign currency derivatives

Transactions denominated in currencies other than the presentation currencies of Group entities are translated into euros at the exchange rate prevailing at the transaction date.

At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any resulting foreign exchange gains and losses are recognized in "Financial income (loss)" for the period, except for translation differences relating to a financial instrument designated as a net investment hedge, which are reported in other comprehensive income (see Note 1.w).

Long-term monetary assets held by a Group entity on a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, represent an investment in a foreign operation. In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, exchange differences arising on these items are recorded in other comprehensive income (OCI) up to the date on which the investment is sold. If the transaction does not qualify as a net investment in a foreign operation, the corresponding exchange differences are recognized in the income statement.

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign currency purchases. The Group's forex hedging policy along with the forward currency contracts and options it uses are described in Note 27, "Management of market risks and derivatives".

Pursuant to IAS 39, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem-Snecma business combination, the Group decided that none of its foreign currency derivatives qualified for hedge accounting. Accordingly, any changes in the fair value of these derivatives are recognized in "Financial income (loss)".

g) Revenue

The main types of contracts identified in the Safran Group are standard product and spare part sales contracts, installed base maintenance and/or support contracts, and design sales contracts.

If a payment deferral has a material impact on the calculation of the fair value of the consideration to be received, it is taken into account by discounting future payments.

Standard product and spare part sales contracts

Revenue is only recognized if the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and if it is probable that the economic benefits associated with the transaction will flow to the entity. If there is a risk that the transaction will be canceled or that the receivable identified at the inception of the contract cannot be collected, no revenue is recognized. When this is no longer the case, revenue is recorded.

Service contracts (including design sales contracts, installed base maintenance and support contracts).

Under service contracts, revenue may only be recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred in respect of the contract and the costs to complete the contract can be measured reliably.

Income from Group service contracts is recorded under the percentage-of-completion method, based on the technical objectives formally set down in such contracts.

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

If revenue is representative of the contractual stage of completion, the costs to be recognized are measured on the basis of the margin set forth in the contract. If calculated costs are less than actual costs, the temporarily excess costs are maintained in inventories and work-in-progress. If calculated costs are greater than actual costs, a provision for services to be rendered is recognized for the difference.

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable.

h) Current and deferred tax

Tax expense (tax income) is the aggregate of current tax and deferred tax recorded in the income statement.

Current tax expense is the amount of income tax payable for a period, calculated in accordance with the rules established by the relevant tax authorities on the basis of taxable profit for the period. Current tax expense also includes any penalties recognized in respect of tax adjustments recorded in the period. The tax expense is recognized in profit or loss unless it relates to items recognized directly in equity, in which case the tax expense is recognized directly in equity.
Deferred tax assets and liabilities are calculated for each entity on temporary differences arising between the carrying amount of assets and liabilities and their corresponding tax base. The tax base depends on the tax regulations prevailing in the countries where the Group manages its activities. Tax losses and tax credits that can be carried forward are also taken into account.

Deferred tax assets are recognized in the balance sheet if it is more likely than not that they will be recovered in subsequent years. The value of deferred tax assets is reviewed at the end of each 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 introduced by the amending French Finance Law for 2012 is recognized as a tax expense in the period in which the related dividends were paid.

Research tax credits in France, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development expenses incurred during the period.

Accordingly, they are classified under the heading “Other income” in the income statement, and not as a decrease in income tax expense. The recognition of all or part of research tax credits received in the year as revenue can be deferred over several periods provided the tax credits relate to development expenditures capitalized in the Group's consolidated financial statements.
The "CICE" tax credit introduced to boost competitiveness and employment in France is also recognized in "Other income" as it is treated as an operating subsidy.

i) Earnings per share

Basic earnings per share is calculated by dividing profit by the weighted average number of ordinary shares issued and outstanding during the period, less the average number of ordinary shares purchased and held as treasury shares.

Diluted earnings per share is calculated by dividing profit by the weighted average number of shares issued or to be issued at the end of the reporting period, including the impact of all potentially dilutive ordinary shares and the dilutive impact of stock options but excluding treasury shares. The dilutive impact of stock options and free share grants is calculated using the treasury stock method taking into account the average share price for the period concerned.

j) Intangible assets

Intangible assets are recognized on the balance sheet at fair value, historical cost or production cost, depending on the method of acquisition. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset are included in the cost of that asset when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months). The initial amount recorded on the balance sheet is reduced by accumulated amortization and impairment losses, where appropriate.

Intangible assets acquired in a business combination

These assets are recognized at fair value at the date control was acquired and are amortized on a straight-line basis, as described below.

- intangible assets recognized at the time of the 2005 Sagem-Snecma merger and 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 16 years);
- other aircraft brand names with a finite life are amortized over 20 years.

Indefinite-lived brands are not amortized but are tested for impairment as described in Note 1.l.

Separately acquired intangible assets

Software is recognized at acquisition cost and amortized on a straight-line basis over its useful life (between one and five years).

Patents are capitalized at acquisition cost and amortized over their useful life, i.e., the shorter of the period of legal protection and their economic life.

Contributions paid to third parties in connection with aircraft programs (participation in certification costs, etc.) are considered as acquired intangible assets and are therefore capitalized unless the program proves unprofitable.

Research and development costs

Research and development costs are recognized as expenses in the period in which they are incurred. However, internally financed development expenditures are capitalized if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset and the intention and ability (availability of technical, financial and other resources) to complete the intangible asset and use or sell it;
- the probability that future economic benefits will flow from the asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

In the Group's businesses, all criteria for capitalizing development expenditures are met when the decision to launch the development concerned is taken by management and program/project profitability as validated by relevant internal or external sources can be demonstrated. Development expenditures cannot be capitalized before this time.
Capitalization ceases as soon as the product to which the development expenditures relate is brought into service.

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

Capitalized development expenditures are stated at production cost and amortized using the straight-line method as from the initial delivery of the product, over a useful life not exceeding 20 years.

Intangible assets are tested for impairment in accordance with the methods set out in Note 1.l.

k) Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical purchase cost or production cost less accumulated depreciation and impairment losses.
Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are included in the cost of that item when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months).
Replacement and major overhaul costs are identified as components of property, plant and equipment. Other repair and maintenance costs are expensed as incurred.

For finance leases, the capitalized asset and the borrowing cost at the inception of the lease are stated at the lower of market value and the present value of minimum lease payments.
During the lease period, payments are apportioned between the finance cost and the amortization of the borrowing 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
Capitalized engines	
- Frames	20 years
- Major overhauls	based on flying hours
Technical facilities	5-40 years
Equipment, tooling and other	5-15 years

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.l.

l) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units (CGUs)[1]. Two types of CGUs are defined within the Group:

- CGUs corresponding to programs, projects, or product families associated with specific assets: development expenditures, property, plant and equipment used in production;
- CGUs 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

[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.

using a benchmark rate that reflects the Group's weighted average cost of capital. This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

Future cash flows are calculated differently depending on the assets tested:

- (i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group's operating cycles (aircraft and defence), where assets tend to have a long useful life and slow product development;

- (ii) goodwill: expected future cash flows are calculated based on the medium-term plans established for the next four years and estimated cash flows for years five to ten, discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years five to ten, taking into account a perpetual growth rate.

Should a test on a CGU's assets indicate an impairment loss, the Group first establishes the recoverable amount of the assets considered separately. Any impairment loss is initially allocated to goodwill and then to the assets of the CGU prorata to their carrying amount.

An impairment loss recognized against goodwill may not be reversed. For other assets, indications of impairment loss are analyzed at the end of each subsequent reporting period, and if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed through profit or loss.

m) Equity investments, loans and receivables

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, equity investments in non-consolidated companies are classified as available-for-sale and therefore measured at fair value. For listed securities, fair value corresponds to market price. If fair value cannot be measured reliably, investments are recognized at amortized cost. Changes in fair value are recognized directly in equity, unless there is an objective indication that the financial asset is impaired (see below). In this case, an impairment loss is recognized in profit or loss. The impairment loss is reversed through profit or loss only upon the disposal of the investments.

Loans and receivables are carried at cost and may be written down if there is an objective indication of impairment. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount, and is recognized in profit or loss. It may be reversed if the recoverable amount subsequently increases to above the carrying amount.

An objective indication of impairment is a significant or prolonged reduction in the value of the asset:
- for assets available for sale, an objective indication results from a significant drop in the estimated future cash flows associated with these assets, major difficulties of the issuer, a substantial drop in the expected return on these assets, or a significant or prolonged fall in the fair value of listed financial assets;
- for loans and receivables, an objective indication results from the Group's awareness that the debtor is in financial difficulty (payment default, liquidation, etc.).

n) Inventories and work-in-progress

Inventories and work-in-progress are measured at the lower of cost determined using the weighted average cost formula, and net realizable value.
Cost is calculated based on normal production capacity and therefore excludes any idle capacity costs.

Net realizable value represents the estimated selling price less the costs required to complete the asset or make the sale.
Borrowing costs incurred during the production phase are included in the value of inventories when the eligibility conditions are met.

o) Cash and cash equivalents

Cash and cash equivalents include available funds (cash in hand, bank accounts, etc.), highly liquid short-term investments (less than three months) and term deposits with exit options exercisable at no penalty within less than three months that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

p) Treasury shares

All treasury shares held by the Group are deducted from consolidated shareholders' equity based on their acquisition price. Gains and losses on the disposal of treasury shares are recorded directly in equity and do not impact profit or loss for the period.

q) Share-based payment

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

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

Free share plan

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

Group leveraged savings plan

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

Options used on the first-time adoption of IFRS

The Safran Group decided to apply the provisions of IFRS 2, Share-based Payment, solely to compensation settled in equity instruments granted after November 7, 2002 and that had not yet vested at January 1, 2004.

r) Provisions

The Group records provisions when it recognizes a present probable or potential (in the event of a business combination) legal or constructive obligation as a result of a past event for which an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

Provisions for losses on completion and losses arising on delivery commitments

A provision for losses on completion is recognized for contracts managed on a percentage-of-completion basis, and a provision for losses arising on delivery commitments is recognized for standard sales contracts, when:

- it is highly probable that a contract will be onerous (the unavoidable costs of meeting the obligations under the contract exceed the associated economic benefits);
- the contract, signed before the end of the reporting period, gives rise to obligations for the Group in the form of the delivery of goods, the provision of services or the payment of some form of termination indemnities;
- a reliable estimate can be made of the Group's obligation.

Unavoidable costs for which a provision is recognized represent the lower of the net cost of executing the contract (i.e., the forecast loss on the contract) and the cost of failing to execute the contract (e.g., withdrawal costs in the event of early termination).

In the aviation industry, standard sales contracts may be onerous particularly when they do not specifically provide for spare part sales. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when it is firmly committed to delivering goods under an onerous contract.
The cash flows used in this analysis are discounted to take into account their spread over time.

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

Provisions for financial guarantees on sales

As part of its civil engine sales campaigns, the Safran Group grants two types of guarantees to its customers:
- financial guarantees under which it provides a guarantee to the lending institutions that finance its customer;
- guarantees covering the value of assets, under which Safran grants the customer an option to return the aircraft at a given date for an agreed price.

These commitments are undertaken by Safran together with General Electric, and form part of financing packages proposed by aircraft manufacturers to airline companies. They correspond to the share represented by Group engines in the financing of the aircraft.

Financial commitments are generally granted on signature of the sales agreement, but do not actually take effect until the customer so requests.

These guarantees generate risks. However, the total gross amount of the guarantees does not reflect the net risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, i.e., the aircraft pledged.

A provision is recognized in respect of these guarantees, reflecting events likely to generate a future outflow of resources for the Group.

Provisions for performance warranties

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

s) Post-employment benefits

In compliance with the laws and practices of each country in which it operates, the Group grants its employees post-employment benefits (pensions, termination payments, early retirement plans, etc.) as well as other long-term benefits including long-service awards, jubilee benefits and loyalty premiums.

For its basic plans and other defined contribution plans, the contribution paid in the period is recognized in expenses when due. No provision is recorded.

Provisions recognized for obligations under defined benefit plans are valued 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.

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

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 amended IAS 19, changes in actuarial gains and losses arising on defined benefit plans are recognized in "Other comprehensive income" and not subsequently recycled to profit. They are shown on the statement of financial position within equity for their net-of-tax amount.

The Group distinguishes between operating components and financial components when presenting defined benefit expense:

- service cost for the period is shown in profit from operations, along with past service costs arising on the introduction of a new plan or curtailments or settlements of an existing plan, which are now 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 Safran Group receives public financing in the form of repayable advances to develop aircraft and defence projects. These advances are repaid based on the revenue generated by future sales of engines or equipment.

Repayable advances are treated as sources of financing and are recognized in liabilities in the consolidated balance sheet under the heading "Borrowings subject to specific conditions".

At inception, they are measured at the amount of cash received or, when acquired, at the value of probable future cash flows discounted at market terms at the acquisition date. They are subsequently measured at amortized cost at the end of each reporting period, taking into account the most recent repayment estimations.

The present value of estimated repayments, based on management's best estimates, is regularly compared with the net carrying amount of repayable advances, defined as the sum of amounts received, plus any interest capitalized at the end of the reporting period, less repayments made. If as a result of this analysis the present value of estimated repayments is durably more or less than the carrying amount of the repayable advances over three consecutive years, that unrecognized portion of the present value of the advance which is higher or lower than the carrying amount is taken to profit or loss.

For certain contracts, the Safran Group has to pay a fee based on replacement sales realized under the program once the advance has been fully repaid. This fee is not considered as repayment of an advance but as an operating expense.

u) Interest-bearing financial liabilities

On initial recognition, interest-bearing financial liabilities are measured at the fair value of the amount received, less any directly attributable transaction costs. Besides the specific conditions applicable to hedge accounting (Note 1.w), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

v) Commitments to purchase non-controlling interests

In accordance with IAS 32, commitments undertaken by the Group to purchase non-controlling (minority) interests in its subsidiaries as part of business combinations carried out prior to January 1, 2010 are recognized in financial liabilities for the present value of the purchase amount. The matching entry is a reduction in non-controlling interests. When the value of the commitment exceeds the amount of non-controlling interests, the Group recognizes the difference as goodwill, in the absence of any IFRS guidance. Similarly, any subsequent change in present value is recognized in financial liabilities and offset against goodwill, except for the impact of unwinding the discount, which is recognized in "Other financial income and expenses".
If the non-controlling interests have not been acquired by the time the commitment expires, the previously recognized entries are reversed. If the non-controlling interests have been purchased, the amount recognized in financial liabilities is closed out by the amount paid to purchase them.

w) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates. Derivatives are also used to hedge changes in interest rates and to a lesser extent, changes in commodity prices. The derivatives used can include forward currency contracts and currency options or interest rate swaps. The Group's market risk management policy is described in Note 27, "Management of market risks and derivatives".

Most derivatives are traded over-the-counter and no quoted prices are available. Consequently, they are measured using models commonly used by market participants to price such instruments (discounted cash flow method or option pricing models).

The counterparty risk taken into account in pricing derivatives is not material.

For a derivative or non-derivative hedging instrument to be eligible for hedge accounting, the hedging relationship must be formally designated and documented at inception and its effectiveness must be demonstrated throughout the life of the instrument using documented effectiveness tests.

The accounting principles applicable to foreign currency derivatives used to hedge foreign exchange risk are set out in Note 1.f.

The Group contracted a net investment hedge of some of its US operations using USD debt. Changes in the fair value of the debt attributable to the hedged foreign exchange risk are recognized within other comprehensive income for the effective portion of the hedge. Changes in fair value attributable to the ineffective portion of the hedge are taken to profit or loss. Amounts carried in equity are taken to profit or loss when the hedged investment is sold or unwound. The interest rate component of the hedging instrument is shown in "Financial income (loss)".

Certain derivatives used to hedge interest rate risk on fixed-rate financial assets and liabilities may be designated as hedging instruments in a fair value hedging relationship. In this case, the borrowings hedged by the interest rate derivatives (mainly interest rate swaps) are adjusted to reflect the change in fair value attributable to the hedged risk. Changes in the fair value of hedged items are taken to profit or loss for the period and offset by symmetrical changes in the fair value of the interest rate swaps (effective portion).

The Group uses derivative instruments to hedge the risk of fluctuations in the price of certain listed commodities. This price risk affects its purchases of semi-finished products with a high raw material component. The Group's commodity price hedging strategy is described in Note 27, "Management of market risks and derivatives". Pursuant to IAS 39, these commodity derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. Given the difficulty in documenting hedging relationships between these derivatives and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

x) Sale of receivables

Some Group subsidiaries sell their trade receivables. In the case of sales involving the transfer of substantially all of the risks and rewards associated with the asset (payment default, late-payment risk, etc.), the asset may be removed from the balance sheet.

y) 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.

z) Recurring operating income

To make the Group's operating performance more transparent, Safran includes an intermediate operating indicator known as "Recurring operating income" in its reporting.
This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature, such as:

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., negotiated sales agreements, changes in production processes, etc.);
- capital gains and losses on disposals of operations;

- gains on remeasuring any previously held equity interests in entities in which the Group has acquired a controlling interest;
- other unusual and/or material items not directly related to the Group's ordinary operations.

Note 2 - Main sources of estimates

The preparation of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) described above requires management to make certain estimates and assumptions that affect the reported amounts of consolidated assets, liabilities, income and expenses.

The assumptions used vary from one business to the next, but are considered reasonable and realistic in all cases. The resulting estimates are based on the Group's past experience and factor in the economic conditions prevailing at the end of the reporting period and any information available as of the date of preparation of the financial statements, in particular of a contractual or commercial nature.
Estimates and underlying assumptions are reviewed on an ongoing basis.

When unforeseen developments in events and circumstances occur, particularly as regards global economic trends and the Group's own business environment, actual results may differ from these estimates. In such a case, the assumptions and where appropriate the reported amounts of assets and liabilities concerned are adjusted accordingly.

The Group also tests its sensitivity to changes in the assumptions underlying its main estimates in order to anticipate the impact of volatility and lack of visibility in the global economic environment and particularly in certain Group sectors. These analyses are regularly reviewed by management.

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

a) Estimates relating to programs and contracts

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

The assumptions applied and resulting estimates used for programs and contracts cover periods that are sometimes very long (up to several decades), and take into account the technological, commercial and contractual constraints of each such program and contract.

These estimates primarily draw on assumptions about the volumes, output and selling prices of products sold, associated production costs, exchange rates for foreign currency-denominated sales and purchases as well as normal risks and uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each contract. Where such information is available, particularly for major civil aviation programs and contracts, volume and output assumptions used by the Group for products sold are analyzed in light of the assumptions published by major contractors.

Cash flow forecasts, which may or may not be discounted, are used to determine the following:

- impairment of non-current assets: Goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.l The recoverable amount of these assets is generally determined using cash flow forecasts 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 contracts. Under this method, it recognizes revenue based on the percentage of work completed, calculated by reference to the technical objectives met or costs incurred. This method requires an accurate 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 accurate estimate of the contract's stage of completion.
When the total costs that are necessary to cover the Group's risks and obligations under the contract are likely to exceed total contract revenue, the expected loss is recognized within losses on completion;

- **losses arising on delivery commitments:** In the aviation industry, standard sales contracts may be onerous when they do not specifically provide for spare part sales. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when it is firmly committed to delivering goods under an onerous contract and is likely to incur a loss within the foreseeable future. It uses estimates, notably as regards the term of the firm production/delivery commitment and projected production costs;

- repayable advances: The forecast repayment of advances received from the State is based on income from future sales of engines, equipment and spare parts, as appropriate. As a result, they are closely related to the business plans prepared by the operating divisions using the main assumptions discussed above.

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

b) Provisions

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

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

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

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

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

c) Post-employment benefits

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

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

d) Trade and other receivables

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

e) Allocation of the cost of business combinations

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

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

f) Disputes and litigation

Certain Group subsidiaries may be party to governmental, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group’s financial position (see Note 31, “Disputes and litigation”).

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

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

Note 3 - Change in accounting policy

The Group has applied the amended IAS 19, Employee Benefits, since January 1, 2013.
In accordance with IAS 8 on changes in accounting policy applied retrospectively, comparative information for the prior period is presented in the 2013 consolidated financial statements. The change in accounting policy consists in recognizing all of the Group's post-employment benefit obligations in the consolidated financial statements, including actuarial gains and losses and past service costs that had not previously been fully recognized as a result of applying the "corridor" method. This change in accounting policy had a negative €110 million impact on equity at

January 1, 2012. The impacts of this change in accounting policy on the 2012 consolidated financial statements are shown below.

Main changes introduced by the amended IAS 19

As of January 1, 2013, and in accordance with the amended IAS 19, the corridor method has been discontinued. Changes in actuarial gains and losses are shown in "Other comprehensive income" and are not subsequently recycled to profit.
The past service cost is recognized immediately in the event of plan curtailments or modifications, or at the date the plan is settled, whereas it was previously recognized over the residual term of the plan.
In addition, the interest component is now calculated based on obligations under defined benefit plans, the fair value of plan assets, the impact of the asset ceiling and the discount rate, all as of the beginning of the reporting period. Previously, the interest component related to plan assets was calculated based on the expected return on those assets.
The other changes induced by the amended IAS 19 are not material.

Impact of the change in accounting policy on the 2012 consolidated financial statements

a) Impact on the consolidated balance sheet at January 1, 2012

ASSETS *(in € millions)*	Jan. 1, 2012 Published	Impact of the amended IAS 19	Jan. 1, 2012 Restated
Deferred tax assets	251	30	281
Other non-current assets	9,641	(20)	9,621
Non-current assets	**9,892**	**10**	**9,902**
Current assets	10,810		10,810
Current assets	**10,810**	**-**	**10,810**
Total assets	**20,702**	**10**	**20,712**

EQUITY AND LIABILITIES *(in € millions)*	Jan. 1, 2012 Published	Impact of the amended IAS 19	Jan. 1, 2012 Restated
Share capital	83		83
Consolidated retained earnings	4,387	(110)	4,277
Net unrealized gains on available-for-sale financial assets	20		20
Profit for the period	478		478
Equity attributable to owners of the parent	**4,968**	**(110)**	**4,858**
Non-controlling interests	**154**		**154**
Total equity	**5,122**	**(110)**	**5,012**
Provisions	1,374	132	1,506
Deferred tax liabilities	718	(12)	706
Other non-current liabilities	2,333		2,333
Non-current liabilities	**4,425**	**120**	**4,545**
Current liabilities	11,155		11,155
Current liabilities	**11,155**	**-**	**11,155**
Total equity and liabilities	**20,702**	**10**	**20,712**

b) Impact on the consolidated income statement and consolidated statement of comprehensive income for 2012

Consolidated income statement for 2012

(in € millions)	2012 Published	Impact of the amended IAS 19	2012 Restated
Revenue	**13,615**		**13,615**
Depreciation, amortization, and increase in provisions, net of use	(827)	(27)	**(854)**
Other recurring operating income and expenses	(11,518)		(11,518)
Recurring operating income	**1,270**	**(27)**	**1,243**
Other non-recurring operating income and expenses	(56)		(56)
Profit from operations	**1,214**	**(27)**	**1,187**
Cost of net debt	(54)		(54)
Foreign exchange gains	709		709
Other financial income and expense	(120)	(2)	(122)
Financial income (loss)	**535**	**(2)**	**533**
Profit before tax	**1,749**	**(29)**	**1,720**
Income tax expense	(442)	9	(433)
Share in profit from associates	19		19
Profit from continuing operations	**1,326**	**(20)**	**1,306**
Profit for the period	**1,326**	**(20)**	**1,306**
Attributable to:			
owners of the parent	1,302	(20)	1,282
non-controlling interests	24		24

The negative €27 million impact on recurring operating income results chiefly from the discontinuation of the amortization of actuarial gains and losses and past service costs (positive €10 million impact) and the immediate recognition of past service costs relating to two agreements entered into in 2012 (negative €36 million impact) (see Note 21).

Consolidated statement of comprehensive income for 2012

(in € millions)	2012 Published	Impact of the amended IAS 19	2012 Restated
Profit for the period	**1,326**	**(20)**	**1,306**
Other comprehensive income			
Items to be recycled to profit	**(29)**		**(29)**
Items not recycled to profit		**(101)**	**(101)**
Actuarial gains and losses on post-employment benefits		(147)	(147)
Income tax related to components of other comprehensive income not recycled to profit		46	46
Other comprehensive income (expense) for the period	**(29)**	**(101)**	**(130)**
Total comprehensive income for the period	**1,297**	**(121)**	**1,176**
Attributable to:	1,374	132	1,506
owners of the parent	1,275	(119)	1,156
non-controlling interests	22	(2)	20

Consolidated statement of cash flows for 2012

(in € millions)	2012 Published	Impact of the amended IAS 19	2012 Restated
Profit attributable to owners of the parent	1,302	(20)	1,282
Depreciation, amortization, impairment and provisions	933	29	962
Other	232	(9)	223
Other non-cash income and expense items	(765)		(765)
Cash flow from operations, before changes in working capital	**1,702**		**1,702**
Change in working capital	**(85)**		**(85)**
Total cash flow from operating activities	**1,617**		**1,617**
Total cash flow used in investing activities	**(1,332)**		**(1,332)**
Total cash flow from financing activities	**485**		**485**
Other	(8)		(8)
Net increase (decrease) in cash and cash equivalents	**762**		**762**
Cash and cash equivalents at beginning of year	1,431		1,431
Cash and cash equivalents at end of year	2,193		2,193
Net increase in cash and cash equivalents	**762**		**762**

Impact on the consolidated balance sheet at December 31, 2012

ASSETS *(in € millions)*	Dec. 31, 2012 Published	Impact of the amended IAS 19	Dec. 31, 2012 Restated
Deferred tax assets	193	50	243
Other non-current financial assets	33	(20)	13
Other non-current assets	10,178		10,178
Non-current assets	**10,404**	**30**	**10,434**
Current assets	12,531		12,531
Current assets	**12,531**	**-**	**12,531**
Total assets	**22,935**	**30**	**22,965**

EQUITY AND LIABILITIES *(in € millions)*	Dec. 31, 2012 Published	Impact of the amended IAS 19	Dec. 31, 2012 Restated
Share capital	83		83
Consolidated retained earnings	4,653	(209)	4,444
Net unrealized gains on available-for-sale financial assets	25		25
Profit for the period	1,302	(20)	1,282
Equity attributable to owners of the parent	**6,063**	**(229)**	**5,834**
Non-controlling interests	**165**	**- 2**	**163**
Total equity	**6,228**	**(231)**	**5,997**
Provisions	1,515	308	1,823
Deferred tax liabilities	1,028	(47)	981
Other non-current liabilities	3,048		3,048
Non-current liabilities	**5,591**	**261**	**5,852**
Current liabilities	11,116		11,116
Current liabilities	**11,116**	**-**	**11,116**
Total equity and liabilities	**22,935**	**30**	**22,965**

Note 4 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2013

Acquisition of Goodrich Electrical Power Systems (GEPS)

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

The provisional allocation of the purchase price at December 31, 2013 is summarized below:

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

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

GEPS' contribution to the Group's performance in 2013 was as follows:

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

(1) Excluding depreciation and amortization charged agast inventory consumption and property, plant and equipment and intangible assets identified in connection with the provisional allocation of the purchase price (€9 million at December 31, 2013).

Acquisition of Rolls Royce's stake in the RTM 322 program

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

Since this transaction is classified as a business combination within the meaning of IFRS 3, the Group's has remeasured to fair value its previously-held interest in the venture. The resulting net gain of €216 million was booked under “Other non-recurring operating income and expenses”.

The provisional allocation of the total value of this business at December 31, 2013 is summarized below:

(in € millions)	**Provisional allocation**
Acquisition price of 50% share (A)	**293**
Fair value of previously-held interest in the venture (B)	**281**
Net assets at acquisition date	70
Fair value of technology acquired	117
Remeasurement of inventories	41
Fair value of identifiable assets and liabilities (C)	**228**
Goodwill (A) + (B) - (C)	**346**

The definitive allocation of this value to the identifiable assets and liabilities will be completed within the 12 months following the acquisition.

The contribution of the 50% stake in RTM322 activity acquired to the Group’s performance in 2013 was as follows:

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

(1) Excluding depreciation and amortization charged against inventory consumption and property, plant and equipment and intangible assets identified in connection with the provisional allocation of the purchase price (€28 million at December 31, 2013).

Disposal of Ingenico shares

Pursuant to the authorizations granted by the Boards of Directors of Safran on March 13, 2013 and of Morpho on March 14, 2013, Safran, through its subsidiary Morpho, divested part of its stake in payment solutions provider Ingenico on March 15, 2013. The divestment was carried out by way of a private placement through an accelerated book building process.
A total of 6.6 million shares, representing 12.57% of the share capital of Ingenico, were sold at a per-share price of €43.45, for a total amount of €287 million. The transaction generated €131 million in profit after tax for Safran. Safran intends to remain a significant shareholder of Ingenico with 10.25% of its share capital and approximately 17% of its voting rights at December 31, 2013.

Sale of Globe Motors Inc.

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

Agreement for a future acquisition

On January 20, 2014, Safran announced that it had signed a definitive agreement to acquire the aerospace power distribution management solutions and integrated cockpit solutions business of Eaton Aerospace, a North American supplier positioned in the commercial and military aviation market.

The acquisition is consistent with Safran's strategy addressing the market for 'more electric aircraft', and reinforces its new electrical power business, Labinal Power Systems. The cash consideration for the transaction is around €200 million.

The acquisition, which is awaiting regulatory clearance and must meet other conditions usually applicable in such circumstances, should be finalized in the first half of 2014.

The power distribution activities will be consolidated within the Aircraft Equipment business, while the integrated cockpit solutions will join the Defence business.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2012

Acquisition of an additional 10% interest in Sofradir

On January 25, 2012, Safran and Thales acquired Areva's 20% stake in Sofradir, their jointly-owned subsidiary in infrared detector technology. As a result of this transaction, Thales and Safran each raised their stake in Sofradir from 40% to 50%.
Sofradir is proportionately consolidated in the Safran Group's financial statements. The €14 million difference between the acquisition cost of the shares (€24 million) and the Group's share in the net assets acquired (€10 million) is recognized as goodwill.

Acquisition of the residual 19% non-controlling interest in Morpho Detection Inc. (MDI)

In December 2012, Safran acquired General Electric's residual 19% interest in Morpho Detection Inc. (MDI) for €90 million. This transaction results from the exercise of an option provided for in the September 2009 agreements concerning Safran's purchase from General Electric of an 81% stake in MDI. The acquisition was financed out of Group cash and increased Safran's stake in Morpho Detection Inc. to 100%. The difference between the value of the commitment to purchase non-controlling interests and the price of the December 2012 transaction gave rise to a €45 million decrease in goodwill.

Note 5 - Segment information

Segments presented

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

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

Aerospace Propulsion

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

Aircraft Equipment

Safran specializes in mechanical, hydromechanical and electromechanical equipment. The Group designs and builds landing gear, wheels, brakes and associated systems, thrust reversers and nacelles, composite material parts, engine control systems and associated equipment, ventilation systems and hydraulic filters, wiring, and electrical connection (including onboard electronics) and power systems. Aircraft Equipment also includes maintenance, repair and related services and the sale of spare parts.

Defence

Defence includes all businesses serving naval, land and aviation defence industries. The Group designs, develops, manufactures and markets optronic, avionic and electronic solutions and services, and critical software for civil and defence applications.
Safran develops inertial navigation systems for aviation, naval and land applications, flight commands for helicopters, tactical optronic systems and drones (gyrostabilized optronic pods, periscopes, infrared cameras, multifunction binoculars, air surveillance systems), and defence equipment and systems.

Security

The Security businesses include a suite of solutions developed by the Group to increase the safety and security of travel, critical infrastructure, electronic transactions and individuals. These solutions meet emerging needs for the safety and security of people, companies, critical facilities and countries. The Security businesses offer biometric technologies for fingerprint, iris and face recognition, identity management solutions, access management and transaction security (smart cards), as well as tomographic systems for the detection of dangerous or illicit substances in baggage.

Holding company and other

In “Holding company and other”, the Group includes Safran SA’s activities and holding companies in various countries.

Business segment performance indicators

The segment information presented in the tables on page 7 is identical to that presented to Executive Management, which - in accordance with the Group's governance structure - has been identified as the “Chief Operating Decision Maker” for the assessment of the performance of business segments and the allocation of resources between the different businesses.

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

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

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

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

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, 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 associates.

Quantified segment information for 2012 and 2013 is presented on pages 7-9.

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

REVENUE

(in € millions)	2012	2013
Original equipment and related products and services	5,774	6,278
Sales of defence and security equipment	2,146	2,055
Services	4,917	5,455
Sales of studies	532	536
Other	246	166
Total	**13,615**	**14,490**

OTHER INCOME

Other income mainly comprises research tax credits and operating subsidies.

(in € millions)	2012	2013
Research tax credit*	124	140
Competitiveness and employment tax credit (CICE)	-	25
Other operating subsidies	67	86
Other operating income	18	13
Total	**209**	**264**

(*) Of which €9 million in connection with additional research tax credits in respect of 2012, included in 2013 income (€4 million in respect of 2011 included in 2012 income).

The third amending French Finance Law for 2012 introduced a tax credit known as the "CICE" to boost competitiveness and employment in France, effective January 1, 2013. The CICE is calculated for each calendar year and in 2013 represents 4% of remuneration paid that is equal to or less than 2.5 times the minimum wage (SMIC). The Group recognizes accrued income to match the corresponding payroll charge.
Given the characteristics of this tax credit and based on the treatment applied to the research tax credit, the Group considers the CICE as an operating subsidy.

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

(in € millions)	2012	2013
Raw materials, supplies and other	(2,495)	(2,625)
Bought-in goods	(361)	(300)
Changes in inventories	48	(13)
Sub-contracting	(2,915)	(3,059)
Purchases not held in inventory	(391)	(440)
External service expenses	(2,046)	(2,211)
Total	**(8,160)**	**(8,648)**

PERSONNEL COSTS

(in € millions)	2012	2013
Wages and salaries	(2,712)	(2,889)
Social security contributions	(1,105)	(1,163)
Share grants and leveraged savings plan	(2)	-
Statutory employee profit-sharing	(73)	(91)
Optional employee profit-sharing	(131)	(142)
Additional contributions	(31)	(48)
Profit-sharing bonus for employees	(8)	(4)
Corporate social contribution	(50)	(61)
Other employee costs	(93)	(108)
Total	**(4,205)**	**(4,506)**

The increase in wages and salaries reflects compensation policies, the rise in headcount resulting from new hires recruited by Group companies in response to the growth in business, and to a lesser extent changes in the scope of consolidation in 2013.

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

In both 2013 and 2012, since the dividends per share paid by Safran were up on the average dividend paid in the previous two years, the Group paid its employees a profit-sharing bonus. In 2013, this bonus was determined in accordance with the Group's new profit-sharing agreement signed in 2012. Based on the analysis that the profit-sharing bonus mechanism introduced by the Law of July 28, 2011 is also a form of profit redistribution, the Group's profit-sharing agreement states that an additional amount is payable if dividends increase (starting from dividends payable in 2013 in respect of 2012 profit). Up until 2012, the bonus awarded was a fixed amount representing the amount negotiated and granted in respect of dividends paid.

The second amending French Finance Law for 2012 increased the corporate social contribution (*forfait social*) to 20% for amounts paid out as of August 1, 2012, compared to the 8% applicable to payouts before this date. This contribution comprises employer taxes on certain ancillary components of salaries. It covers optional and statutory employee-profit sharing, additional employer contributions to the employee savings plan and employee retirement savings plan, pension top-up payments and the profit-sharing bonus.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

(in € millions)	2012*	2013
Net depreciation and amortization expense		
- intangible assets	(381)	(399)
- property, plant and equipment	(340)	(363)
Total net depreciation and amortization expense (1)	**(721)**	**(762)**
Net increase in provisions	**(133)**	**(28)**
Depreciation, amortization, and increase in provisions, net of use	**(854)**	**(790)**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €150 million in 2013 and €156 million in 2012; and during acquisitions: €100 million in 2013 and €97 million in 2012.

ASSET IMPAIRMENT

(in € millions)	Impairment expense		Reversals	
	2012	2013	2012	2013
Property, plant and equipment and intangible assets	(16)	(16)	15	8
Financial assets	(6)	(24)	4	7
Inventories and work-in-progress	(319)	(190)	303	189
Receivables	(42)	(94)	32	38
Total	**(383)**	**(324)**	**354**	**242**

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2012	2013
Capital gains and losses on asset disposals	(14)	(11)
Royalties, patents and licenses	(12)	(16)
Losses on irrecoverable receivables	(10)	(6)
Other operating income and expenses*	(9)	(3)
Total	**(45)**	**(36)**

* Of which an expense of €4 million in 2013 relating to the review of the probability that borrowings subject to specific conditions will be repaid (income of €29 million in 2012).

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2012	2013
Gains on remeasuring previously held equity interests	-	216
Capital gains on asset disposals	1	39
Impairment net of reversals on intangible assets	(7)	(17)
Other non-recurring items	(50)	(53)
Total	**(56)**	**185**

In 2013, gains on remeasuring the Group's previously held interest in the RTM322 program (see Note 4) were recognized in non-recurring operating items.
Capital gains for €39 million were recognized on the disposal of Globe Motors (see Note 4) and on the sale of property.
Impairment losses of €17 million were recognized against intangible assets relating to various programs (see Note 11).

Other non-recurring items correspond mainly to past service costs of €40 million arising on a defined benefit supplementary pension plan for which around 400 senior executives within the Group are currently eligible (see Note 21), and to transaction and integration costs of €10 million relating to recent business combinations.

At December 31, 2012, other non-recurring items related mainly to the write-down of receivables arising before Group customer Hawker Beechcraft filed for Chapter 11 bankruptcy protection (€16 million), and to transaction-related costs and other costs incurred in connection with recent business combinations (€34 million).

Note 7 - Financial income (loss)

(in € millions)	2012*	2013
Financial expense on interest-bearing financial liabilities	(97)	(85)
Financial income on cash and cash equivalents	43	43
Cost of net debt	**(54)**	**(42)**
Gain (loss) on foreign currency hedging instruments	742	374
Foreign exchange gains and losses	(42)	155
Net foreign exchange gains (losses) on provisions	9	22
Foreign exchange gains (losses)	**709**	**551**
Gain or loss on interest rate and commodity hedging instruments	(1)	(6)
Net expenses on disposals of financial assets	-	(1)
Impairment of available-for-sale financial assets	(3)	(8)
Write-downs of loans and other financial receivables	-	2
Dividends received	2	3
Other financial provisions	-	2
Interest component of IAS 19 expense*	(23)	(24)
Impact of discounting	(90)	(50)
Other	(7)	12
Other financial income and expense	**(122)**	**(70)**
Financial income (loss)	**533**	**439**
of which financial expense	**(263)**	**(174)**
of which financial income	**796**	**613**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

Note 8 - Income tax

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

(in € millions)	2012*	2013
Current income tax expense	(105)	**(303)**
Deferred tax expense	(328)	**(347)**
Total tax expense	**(433)**	**(650)**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

(in € millions)	2012	2013
Profit before tax	1,720	1,919
Standard tax rate applicable to the parent company	36.10%	38.00%
Tax expense at standard rate	**(621)**	**(729)**
Impact of permanent differences	128	19
Impact of research and CICE tax credits	44	61
Impact of reduced tax rates	36	34
Impact of unrecognized tax	(17)	2
Impact of tax on dividends	-	(14)
Impact of other items	(3)	(23)
Current income tax expense recognized in profit or loss	**(433)**	**(650)**
Effective tax rate	25.17%	33.87%

At the end of 2011, the fourth amending French Finance Law for 2011 established a one-off, temporary 5% tax increase for the 2011 and 2012 financial years for French companies with revenue over €250 million. The amending French Finance Law for 2013, which was adopted in late 2013, increased this surtax to 10.7% for the 2013 and 2014 financial years.

The 3% tax on dividend distributions introduced by the amending French Finance Law for 2012 is recognized as a tax expense in the period in which the dividends were paid.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets (liabilities) in the balance sheet

(in € millions)	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2012	**243**	**981**	**(738)**
Deferred taxes recognized in profit or loss	(26)	321	(347)
Deferred taxes recognized directly in equity	-	(6)	6
Reclassifications	(5)	-	(5)
Translation adjustments	(8)	(3)	(5)
Changes in scope of consolidation	1	-	1
Net deferred tax assets (liabilities) at December 31, 2013	**205**	**1,293**	**(1,088)**

Deferred tax asset bases

(in € millions)		Dec. 31, 2012	Dec. 31, 2013
Deferred tax asset bases			
Property, plant and equipment and intangible assets		(3,463)	(4,444)
Inventories		127	139
Current assets/liabilities		337	407
Financial assets/liabilities		(536)	(795)
Provisions		1,589	1,866
Tax adjustments		(376)	(399)
Losses carried forward and tax credits		611	530
Total deferred tax asset bases		**(1,711)**	**(2,696)**
Total gross deferred tax balance	**(a)**	**(663)**	**(1,024)**
Total unrecognized deferred tax assets	**(b)**	**75**	**64**
Total net deferred taxes recognized	**(a) - (b)**	**(738)**	**(1,088)**

CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities break down as follows:

(in € millions)	Assets	Liabilities	Net
Net tax assets (liabilities) at December 31, 2012	**421**	**156**	**265**
Movements during the period (1)	(20)	50	(70)
Translation adjustments	(7)	(9)	2
Other movements	(2)	5	(7)
Net tax assets (liabilities) at December 31, 2013	**392**	**202**	**190**

* Of which a negative €303 million impact in the income statement.

Note 9 - Earnings per share

At December 31, 2013, the Group's potentially dilutive ordinary shares correspond to the free share plan (see Note 19e).

Earnings per share break down as follows:

	Index	2012*	Dec. 31, 2013
Numerator (in € millions)			
Profit for the period attributable to owners of the parent	(a)	1,282	1,386
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	1,121,419	581,104
Number of shares excluding treasury shares	(d)=(b-c)	415,908,166	416,448,481
Weighted average number of shares (excluding treasury shares)	(d)	415,280,826	416,292,736
Potentially dilutive ordinary shares:			
Dilutive impact of share grants and leveraged savings plan	(e)	639,059	132,493
Weighted average number of shares after dilution	(f)=(d'+e)	415,919,885	416,425,229
Ratio: earnings per share (in €)			
Basic earnings per share	(g)=(a*1million)/(d')	3.09	3.33
Diluted earnings per share	(h)=(a*1million)/(f)	3.08	3.33

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

Note 10 - Goodwill

Goodwill breaks down as follows:

(in € millions)	**Dec. 31, 2012** Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	**Dec. 31, 2013** **Net**
Snecma – Aircraft engines	417	-	-	-	-	(1)	416
Turbomeca (incl. Microturbo) – Helicopter engines	237	346	-	-	-	-	583
Techspace Aero – Aircraft engine components	47	-	-	-	-	-	47
Herakles – Aerospace and strategic propulsion	228	-	-	-	-	-	228
Other	1	-	-	-	-	-	1
Total Propulsion	**930**	**346**	**-**	**-**	**-**	**(1)**	**1,275**
Aircelle – Nacelles and aerostructures	213	-	-	-	-	-	213
Labinal – Electrical wiring	228	-	-	-	-	(2)	226
Safran Engineering Services - Engineering	78	-	-	-	-	-	78
Messier-Bugatti-Dowty (incl. Sofrance) – Landing and braking systems	171	-	-	-	-	-	171
Technofan – Ventilation systems	10	-	-	-	-	-	10
Globe Motors Inc.	10	(10)	-	-	-	-	-
Safran Power – Power generation	-	137	-	-	-	(4)	133
Total Aircraft Equipment	**710**	**127**	**-**	**-**	**-**	**(6)**	**831**
Sagem – Defence	119	-	-	-	-	(1)	118
Total Defence	**119**	**-**	**-**	**-**	**-**	**(1)**	**118**
Morpho – Identification	955	-	-	-	-	(33)	922
Morpho – Cards	58	-	-	-	-	(1)	57
Morpho – Detection	306	-	-	-	-	(14)	292
Total Security	**1,319**	**-**	**-**	**-**	**-**	**(48)**	**1,271**
Total	**3,078**	**473**	**-**	**-**	**-**	**(56)**	**3,495**

Movements in the period

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

- the controlling interest taken by the Group in the RTM322 program as a result of acquiring Rolls Royce's 50% stake in this previous 50/50 joint venture, adding €346 million to the goodwill of the Turbomeca CGU after the preliminary purchase price allocation (see Note 4);
- the acquisition by Safran of Goodrich Electrical Power Systems (see Note 4);
- the disposal of Globe Motors (see Note 4).

Annual impairment tests

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

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

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

Operating forecasts 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 macro-economic assumptions. Expected future cash flows are calculated based on the medium-term plans established for the next four years and standardized cash flows are based on long-term plans for years five to ten. The average USD exchange rate adopted is 1.26 for years 2014 to 2017 and

1.35 thereafter (2012: 1.29 for years 2013 to 2016 and 1.35 thereafter). These exchange rate assumptions were used for forecasting during the first half of the year.

- The growth rate used to calculate terminal value was set at 1.5% for Aircraft Equipment and Defence CGUs and at 2% for Aerospace Propulsion and Security CGUs (unchanged from 2012).
- The benchmark post-tax discount rate used is 8% (unchanged from 2012) and is applied to post-tax cash flows. However, a post-tax discount rate of 9% is used for the CGUs in the Security business line (2012: 9.5%).

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 2012.

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 2013 as in 2012, the above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances.

Note 11 - Intangible assets

Intangible assets break down as follows:

	Dec. 31, 2012			Dec. 31, 2013		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs (1)	2,670	(1,448)	1,222	2,670	(1,630)	1,040
Development expenditures	1,853	(435)	1,418	2,540	(483)	2,057
Commercial agreements and concessions	422	(143)	279	520	(165)	355
Software	416	(343)	73	473	(367)	106
Brands	147	(11)	136	147	(17)	130
Commercial relationships	569	(174)	395	743	(225)	518
Technology	298	(72)	226	341	(101)	240
Other	178	(55)	123	272	(77)	195
Total	**6,553**	**(2,681)**	**3,872**	**7,706**	**(3,065)**	**4,641**

(1) Remeasured at fair value in connection with the Sagem-Snecma merger in 2005.

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

The weighted average remaining amortization period for aircraft programs is approximately five years.

Movements in intangible assets break down as follows:

(in € millions)	**Gross**	**Amortization/ impairment**	**Net**
At December 31, 2012	**6,553**	**(2,681)**	**3,872**
Capitalization of R&D expenditure (1)	720	-	720
Internally produced assets excluding R&D	94	-	94
Separate acquisitions	161	-	161
Disposals and retirements	(25)	13	(12)
Amortization	-	(399)	(399)
Impairment losses recognized in profit or loss	-	(16)	(16)
Reclassifications	(15)	10	(5)
Changes in scope of consolidation	256	(7)	249
Translation adjustments	(38)	15	(23)
At December 31, 2013	**7,706**	**(3,065)**	**4,641**

(1) Including capitalized interest of €26 million.

Research and development expenditure recognized in recurring operating income for the year totaled €681 million including amortization (€667 million in 2012).

Amortization was recognized in respect of revalued assets for €250 million (allocation of the cost of the Snecma group business combination for €150 million and other recent acquisitions for €100 million).

2013 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 1.26 for years 2014 to 2017 and 1.35 thereafter (2012: 1.29 for years 2013 to 2016 and 1.35 thereafter). These exchange rate assumptions correspond to the assumptions updated during the second half of the year;
- the benchmark discount rate used is 8% (unchanged from 2012). 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 8% to 11%, as in 2012.

As a result of the impairment tests carried out in 2013, intangible assets relating to Propulsion projects were written down for a cumulative amount of €15 million, while intangible assets relating to Security projects were written down in an amount of €2 million. These write-downs are shown in non-recurring operating expenses for the year (see Note 5).

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 2013 as in 2012, the above changes in the main assumptions taken individually do not result in a material risk with respect to the recoverable amounts of intangible assets relating to programs, projects and product families.

2012 impairment tests

As a result of the impairment tests carried out in 2012, intangible assets relating to a Security project were written down for a cumulative amount of €7 million. This write-down is shown within non-recurring operating expenses (see Note 5).

Note 12 - Property, plant and equipment

Property, plant and equipment break down as follows:

	Dec. 31, 2012			Dec. 31, 2013		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	233	-	233	226	-	226
Buildings	1,333	(697)	636	1,353	(690)	663
Technical facilities, equipment and tooling	4,241	(3,008)	1,233	4,310	(3,112)	1,198
Assets in progress, advances	321	(4)	317	464	(4)	460
Site development and preparation costs	50	(27)	23	54	(31)	23
Buildings on land owned by third parties	96	(50)	46	98	(53)	45
Computer hardware and other equipment	495	(379)	116	515	(390)	125
Total	**6,769**	**(4,165)**	**2,604**	**7,020**	**(4,280)**	**2,740**

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

(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**
At December 31, 2012	**6,769**	**(4,165)**	**2,604**
Internally produced assets	97	-	97
Additions	481	-	481
Disposals and retirements	(187)	136	(51)
Depreciation	-	(363)	(363)
Impairment losses recognized in profit or loss	-	(7)	(7)
Reclassifications	(14)	22	8
Changes in scope of consolidation	(24)	47	23
Translation adjustments	(102)	50	(52)
At December 31, 2013	**7,020**	**(4,280)**	**2,740**

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

	Dec. 31, 2012			Dec. 31, 2013		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	5	-	5	5	-	5
Buildings	156	(31)	125	139	(30)	108
Technical facilities, equipment and tooling	50	(34)	16	13	(4)	9
Computer hardware and other equipment	21	(19)	2	20	(19)	1
Total	**232**	**(84)**	**148**	**177**	**(53)**	**124**

Note 13 - Current and non-current financial assets

Financial assets include:

(in € millions)	Dec. 31, 2012 Gross	Dec. 31, 2012 Impairment	Dec. 31, 2012 Net	Dec. 31, 2013 Gross	Dec. 31, 2013 Impairment	Dec. 31, 2013 Net
Non-consolidated investments (1)	359	(150)	209	516	(208)	308
Other financial assets	356	(108)	248	381	(107)	274
Total	**715**	**(258)**	**457**	**897**	**(315)**	**582**

(1) Of which listed securities for €52 million at December 31, 2013 and €50 million at end-2012 (Embraer and Myriad).

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

The main changes in the gross value of non-consolidated equity investments in 2013 were as follows:

- in January 2013, Safran agreed to invest €30 million in the creation of Aerofund III, an investment fund set up to promote SMEs in the Aerospace sector. Only €3 million of this amount had been released at December 31, 2013 (see Note 20);
- in December 2013, Safran recapitalized Société de Motorisation Aéronautique (SMA) in an amount of €49 million.

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.

The main changes in impairment on non-consolidated equity investments in 2013 were as follows:

- impairment loss recognized against SMA shares for €46.3 million (this impairment loss was recognized in recurring operating income in an amount of €11.6 million; the balance of €34.7 million results from the reclassification of the provision for negative net equity booked prior to the December 2013 recapitalization);
- impairment loss recognized against Myriad shares for €2.7 million (€3.4 million in 2012).

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Loans to non-consolidated companies	148	168
Loans to employees	28	29
Deposits and guarantees	9	9
Other (1)	63	68
Total	**248**	**274**
Non-current	72	**76**
Current	176	**198**

(1) Of which a net receivable of €35 million at December 31, 2013 in respect of warranties received in connection with the SME acquisition (€38 million at December 31, 2012).

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2012	**248**
Increase	45
Decrease	(12)
Impairment (reversal/allowance)	1
Reclassifications	(2)
Changes in scope of consolidation	(6)
At December 31, 2013	**274**

Note 14 - *Investments in associates*

The Group's share in the net equity and profit or loss from associates breaks down as follows:

	Dec. 31, 2012	Dec. 31, 2013			
(in € millions)	Net	% interest	Shareholders' equity	Share in profit from associates	Net
Ingenico (1)	272	10.25%	118	15	133
Other (2)	9	N/A	-	-	-
Total	**281**		**118**	**15**	**133**

(1) Due to the lack of published data for Ingenico at the date of publication of this report, the share of profit or loss for second-half 2013 was determined based on consensus forecasts provided by analysts. The stock market value was €317 million at December 31, 2013 (5,442,257 shares with a market value of €58.28) versus €514 million at December 31, 2012 (11,950,583 shares with a market value of €43). On March 15, 2013, Safran sold a 12.57% stake in Ingenico, representing 6.6 million shares with a market value of €43.45 (see Note 4).
(2) Deconsolidated companies whose retained earnings have been frozen.

Ingenico has been accounted for under the equity method since March 31, 2008.
An assessment of impairment indicators was performed for this investment and did not result in the recognition of any impairment.

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

(in € millions)	
At December 31, 2012	**281**
Share in profit from associates	15
Disposal of Ingenico shares	(151)
Other movements (1)	(12)
At December 31, 2013	**133**

(1) Of which a decrease of €3 million with respect to Ingenico (see consolidated statement of comprehensive income and Note 19c).

Note 15 - *Inventories and work-in-progress*

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

	Dec. 31, 2012	Dec. 31, 2013
(in € millions)	Net	Net
Raw materials and supplies	597	594
Finished goods	1,656	1,690
Work-in-progress	1,834	1,814
Bought-in goods	44	37
Total	**4,131**	**4,135**

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

(in € millions)	Gross	Impairment	Net
At December 31, 2012	**4,685**	**(554)**	**4,131**
Movements during the period	(45)	-	(45)
Net impairment expense	-	(1)	(1)
Changes in scope of consolidation	91	(5)	86
Translation adjustments	(42)	6	(36)
At December 31, 2013	**4,689**	**(554)**	**4,135**

Note 16 - *Trade and other receivables*

(in € millions)	Dec. 31, 2012 Net	Movements during the period	Impairment/ Reversal	Changes in scope of consolidation	Reclassifications	Translation adjustments	Dec. 31, 2013 Net
Operating receivables	**4,546**	**99**	**(57)**	**16**	**3**	**(28)**	**4,579**
Debit balances on trade payables/advance payments to suppliers	279	47	(24)	-	-	(1)	301
Trade receivables	4,252	43	(33)	16	3	(27)	4,254
Current operating accounts	3	10	-	-	-	-	13
Employee-related receivables	12	(1)	-	-	-	-	11
Other receivables	**479**	**47**	**1**	**2**	**(1)**	(5)	**523**
Prepayments	67	6	-	1	-	(1)	73
VAT receivables	338	52	-	-	-	(2)	388
Other State receivables	13	4	-	-	(1)	(1)	15
Other receivables	61	(15)	1	1	-	(1)	47
Total	**5,025**	**146**	**(56)**	**18**	**2**	**(33)**	**5,102**

In both 2013 and 2012, the Group sold trade receivables under three agreements requiring derecognition under IFRS. The terms and conditions of these agreements are presented in Note 23, "Interest-bearing financial liabilities".
Under the agreement with General Electric Capital Corp. regarding CFM Inc., the Group retains a continuing involvement in the form of a guarantee deposit pledged to protect the purchaser against the risks associated with the receivables sold. The carrying amount of this guarantee deposit at December 31, 2013 was USD 6.9 million compared to USD 5.8 million at December 31, 2012 (amounts based on a 50% interest).

The table below provides a breakdown of trade receivables by maturity:

(in € millions)	**Carrying amount at Dec. 31**	Neither past due nor impaired	Past due but not impaired at Dec. 31 (in days) < 30	31-90	90-180	181-360	> 360	Total past due but not impaired	Past due and impaired
At December 31, 2012									
Trade receivables	**4,252**	3,791	218	105	47	37	50	457	4
At December 31, 2013									
Trade receivables	**4,254**	3,842	128	100	69	55	49	401	11

Note 17 - Cash and cash equivalents

Cash and cash equivalents break down as follows at December 31, 2013:

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Negotiable debt securities	3	-
Money-market funds	14	14
Short-term investments	1,350	1,146
Sight deposits	826	512
Total	**2,193**	**1,672**

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2012	**2,193**
Movements during the period	(497)
Changes in scope of consolidation	(5)
Translation adjustments	(19)
At December 31, 2013	**1,672**

Note 18 - Summary of financial assets

The table below presents the carrying amount of the Group's financial assets at December 31, 2012 and December 31, 2013:

At December 31, 2012	Carrying amount				
	At amortized cost		At fair value		Total
(in € millions)	Loans and receivables (a)	Assets held to maturity (b)	Financial assets at fair value (through profit or loss) (c)	Financial assets available for sale (through equity) (d)	= a+b+c+d
Non-current financial assets					
Non-consolidated investments				209	209
Non-current derivatives (positive fair value)			62		62
Other non-current financial assets	72				72
Sub-total non-current financial assets	**72**	**-**	**62**	**209**	**343**
Other current financial assets	176				176
Current derivatives (positive fair value)			585		585
Trade receivables	4,252				4,252
Current operating accounts and other receivables	64				64
Cash and cash equivalents	2,193				2,193
Sub-total current financial assets	**6,685**	**-**	**585**	**-**	**7,270**
Total financial assets	**6,757**	**-**	**647**	**209**	**7,613**

At December 31, 2013	Carrying amount				
	At amortized cost		At fair value		Total
(in € millions)	Loans and receivables (a)	Assets held to maturity (b)	Financial assets at fair value (through profit or loss) (c)	Financial assets available for sale (through equity) (d)	= a+b+c+d
Non-current financial assets					
Non-consolidated investments				308	308
Non-current derivatives (positive fair value)			-		-
Other non-current financial assets	76				76
Sub-total non-current financial assets	**76**	**-**	**-**	**308**	**384**
Other current financial assets	198				198
Current derivatives (positive fair value)			864		864
Trade receivables	4,254				4,254
Current operating accounts and other receivables	60				60
Cash and cash equivalents	1,672				1,672
Sub-total current financial assets	**6,184**	**-**	**864**	**-**	**7,048**
Total financial assets	**6,260**	**-**	**864**	**308**	**7,432**

The Group did not reclassify any financial assets between the amortized cost and fair value categories in 2012 or 2013.

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, 2012 are shown below:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments*	50	-	-	50
Derivatives (positive fair value)	-	647	-	647
Total	**50**	**647**	**-**	**697**

* Excluding investments at cost.

The Group's financial assets carried at fair value at December 31, 2013 are shown below:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments*	52	-	-	52
Derivatives (positive fair value)	-	864	-	864
Total	**52**	**864**	**-**	**916**

* Excluding investments at cost.

In 2012 and 2013, 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 Dec. 31, 2012 (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)	**647**	**-**	**647**	**218**	**429**

(1) See Note 27.

At Dec. 31, 2013 (in € millions)	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet (1) (c)	Amount subject to offset agreement but not offset (d)	Net (c) - (d)
Derivatives (positive fair value)	**864**	**-**	**864**	**179**	**685**

(1) See Note 27.

The tables above show the financial assets for which an offsetting agreement exists with respect to financial liabilities.
At both December 31, 2013 and December 31, 2012, 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

19a – SHARE CAPITAL

At December 31, 2013, 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.

19b – BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

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

December 31, 2012

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights (*)
Private investors	225,492,451	54.07%	232,460,825	47.00%
French State	125,940,227	30.20%	143,752,222	29.07%
Current and former employee shareholders	64,475,488	15.46%	118,355,148	23.93%
Treasury shares	1,121,419	0.27%	-	-
Total	**417,029,585**	**100.00%**	**494,568,195**	**100.00%**

(*) Exercisable voting rights.

December 31, 2013

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

(*) Exercisable voting rights.

On March 27, 2013, the French State finalized the sale of a 3.12% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. On November 15, 2013, the French State carried out a similar operation on 4.7% of Safran's share capital. The French State's interest in Safran following these two transactions was 22.41%.
The French State has indicated that in accordance with article 11 of Law 86-912 of August 6, 1986, it will offer shares of the Company to Safran employees at a later date.

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

The 581,104 treasury shares have no voting rights.

Treasury shares

The number of treasury shares has declined since December 31, 2012 following:

- the delivery of 495,700 shares in April 2013 to settle obligations to employees of European subsidiaries under the free share plan launched on April 3, 2009 (see Note 19e);
- the sale of 44,615 shares under the liquidity agreement.

On May 31, 2012, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.
This authorization was renewed by the Shareholders' Meeting held on May 28, 2013.

Pursuant to these authorizations, in 2013 the Company purchased 2,957,646 shares for €115 million, and sold 3,002,261 shares for €117 million. These transactions were carried out within the scope of a liquidity agreement.
In January 2012, the Group signed a liquidity agreement with Oddo aimed at enhancing the liquidity for the market in Safran shares. A total of €10 million was assigned to this agreement.
At December 31, 2013, 62,500 shares were held in connection with the Group's liquidity agreement.

19c – Equity

Movements in equity are as follows:

	(€m)
Equity prior to profit at December 31, 2012	**4,552**
- 2012 profit	1,282
- Dividend distribution	(271)
- 2013 interim dividend	(200)
- Change in translation adjustment and net investment hedges	(90)
- Current taxes on net investment hedges recognized in equity	(12)
- Deferred taxes recognized in equity (IAS 19)	6
- Delivery and sale of treasury shares	2
- Current taxes on disposals of treasury shares recognized in equity	(3)
- Change in actuarial gains and losses on post-employment benefits	(20)
- Available-for-sale financial assets	4
Equity prior to profit at December 31, 2013	**5,250**

19d – Dividend distribution

A dividend payout of €0.96 per share was approved in respect of 2012 and partially paid in that year in the form of an interim dividend of €0.31 per share, representing a total of €129 million. The remaining €0.65 dividend per share was paid in first-half 2013, representing a total payout of €271 million.

The Board of Directors' meeting of December 11, 2013 approved payment of an interim dividend of €0.48 per share in respect of 2013, representing a payout of €200 million.

At the Shareholders' Meeting to be called on May 27, 2014 in order to approve the financial statements for the year ended December 31, 2013, the Board of Directors will recommend payment of a dividend of €1.12 per share in respect of 2013, representing a total payout of €467 million (before deducting the interim dividend paid). Taking account of the interim dividend already paid, the amount still to be distributed totals €267 million.

19e – Share-based payment

Free share grants

Pursuant to the authorization granted by the Shareholders' Meeting of May 28, 2008, the Executive Board decided to implement a free share plan on April 3, 2009. The plan was intended for employees of Group companies based in the European Union and on the payroll at April 3, 2009. A total of 42,345 beneficiaries based in ten different countries each received 100 shares under the plan.

Terms and conditions of the share grants

Shares granted to employees of Group companies headquartered in France vest fully after a period of two years. The shares are also subject to a minimum two-year lock-up period, which begins on the date the shares fully vest. Shares granted to employees of Group companies headquartered outside France vest fully after a period of four years and are not subject to a lock-up period.

These shares are not subject to any specific performance conditions other than the employee's effective presence in the company throughout the vesting period.

All shares granted by Safran under such plans are equity-settled.

Measurement of rights to free share grants

Rights to shares were measured at their fair value at the grant date. The value of the shares at the grant date was reduced by (i) the estimated present value of future dividends forfeited by employees during the vesting period, and (ii) the cost to the Group's French employees of the minimum lock-up period.

	France	Other countries (excl. France)
Grant date	4/3/2009	4/3/2009
Vesting date	4/3/2011	4/3/2013
Post vesting lock-up period	2 years	none
Number of employee beneficiaries at the grant date	36,785	5,560
Number of shares granted per employee	100	
Total number of shares granted	3,678,500	556,000
Expected dividend payout rate	3.17%	
Risk-free rate at the grant date	2.675%	
Market value of shares at the grant date	€7.54	
Fair value per share	€6.75	€6.64

The expense recognized in respect of these shares in 2013 was €0.2 million (€0.9 million in 2012). Fully vested shares granted to employees of European companies were delivered at the beginning of April 2013 (495,700 shares).

Leveraged Group savings plan

In November 2011, the Group launched a leveraged employee shareholding plan allowing employees working in France to acquire Safran shares under preferential conditions. A total of six million Safran treasury shares were available for subscription under this plan.
The plan was rolled out to Group employees working outside France in the first half of 2012.

Terms and conditions of the leveraged plan

Under the leveraged plan, employees can subscribe to Safran shares at a lower-than-market price (i.e., 20% less than the average of the closing share price between November 11, 2011 and December 8, 2011 for employees of Group companies headquartered in France and between March 21, 2012 and April 19, 2012 for employees of Group companies headquartered outside France). These shares are subject to a five-year lock-up period.

For each share purchased by employees, a bank mandated by the Group contributes nine additional shares. Employees are guaranteed a return at least equal to the amount they invested. In addition, all amounts invested are indexed to the share price so that employees accrue a return on their investment if the share price rises above the undiscounted reference share price.

As consideration for the bank top-up and guarantees (capital and indexation) included in this plan, employees have waived their right to the 20% discount granted by Safran and to any dividends payable on the shares over the period.

All of the shares subscribed are held in a leveraged fund set up specifically for this purpose within the Group's employee savings plan.

Cost of the leveraged plan

The cost of this plan has been measured in accordance with the recommendation issued by the French National Accounting Board (*Conseil National de la Comptabilité – CNC*), taking into account the applicable five-year lock-up period. This approach uses a replication strategy based on a market participant selling the share at the end of the five-year lock-up period, borrowing the amount needed to purchase the share immediately on the market, and financing the amount borrowed by a forward sale and by the dividends paid over the lock-up period. The cost of the leveraged plan also factors in the implicit opportunity gain whereby employees are able to access institutional rather than retail rates for derivative instruments.

The first part of the plan, launched by the Group in 2011, represented a total expense of €8.2 million which was recognized in personnel costs in second-half 2011. The second international part of the plan represented an expense of €0.6 million, recognized in the first half of 2012. No expenses have since been recognized in respect of this plan. The characteristics and assumptions used to measure the plan are set out in Note 19e, section 3.1 of the 2012 Registration Document.

Note 20 - Provisions

Provisions break down as follows:

			Reversals					
(in € millions)	**Dec. 31, 2012**	Additions	Utilizations	Reclassifications	Surplus	Changes in scope of consolidation	Other	**Dec. 31, 2013**
Performance warranties	642	244	(119)	(2)	(84)	23	(2)	702
Financial guarantees	28	7	(7)	-	(2)	-	-	26
Services to be rendered	487	270	(221)	-	(8)	-	(5)	523
Post-employment benefits*	739	111	(76)	-	(4)	-	28	798
Sales agreements and long-term receivables	129	72	(22)	(2)	(38)	7	10	156
Provisions for losses on completion and losses arising on delivery commitments	518	139	(89)	(88)	(10)	5	-	475
Disputes and litigation	36	12	(9)	-	(4)	-	1	36
Other (1)	308	61	(49)	-	(6)	1	(56)	259
Total	**2,887**	916	(592)	(92)	(156)	36	(24)	**2,975**
Non-current	1,823							**1,751**
Current	1,064							**1,224**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

(1)Of which a provision of €85 million (December 31, 2012: €90 million) for environmental liabilities and contingent liabilities subject to a specific guarantee granted by SNPE to Safran in connection with the acquisition of SME and its subsidiaries (see Note 30).

(in € millions)	**2013**
Net amount recognized in operating items	(72)
Net amount recognized in financial items	(4)
Total net amount recognized in the income statement	**(76)**

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

Note 21 - Post-employment benefits

The Group has various commitments in respect of defined benefit pension plans, retirement termination benefits and other commitments, mainly in France and the United Kingdom. The accounting treatment applied to these commitments is detailed in Note 1.s.

21a – Presentation of post-employment benefits

a) France

- Defined benefit pension plans

The Group's supplementary defined benefit retirement plan is closed and has been frozen since 1995. The plan is funded by contributions paid to an insurance company which then manages payment of the pensions. At December 31, 2013, around 205 claimants were still in active service and the last retirement is planned for 2015.
Following the closure of this plan, managerial-grade staff (*cadres*) were moved to a new supplementary defined contribution pension plan.

In late 2013, the Board of Directors approved a new supplementary pension plan in France, for which around 400 senior executives within the Group are currently eligible.
The plan, effective as of January 1, 2014, provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to 10 years are taken into account in determining entitlement) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement).
The benefits payable are capped at three times the annual social security ceiling ("PASS") in France.
The combined amount of benefits under all pension regims cannot exceed 35% of the benchmark compensation.

- Retirement termination benefits

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry.
The Group also signed a three-year agreement starting in 2012 increasing retirement termination benefits for the over 50s.

- Other long-term benefits

In France, this heading mainly comprises obligations in respect of long-service awards, loyalty premiums and executive bonuses.

b) United Kingdom

- Defined benefit pension plans

There are three pension funds in place at Messier-Dowty/Messier Services Ltd, Aircelle Ltd and Safran UK. These pension funds have been contracted out, which means they replace the mandatory supplementary pension plan. The plans are managed by trusts. Employees participate in the funding through salary-based contributions. With the exception of the Safran UK pension fund, the average breakdown of contributions between the employer and the employee is 88% and 12%, respectively.
The Safran UK pension fund only covers pensions for retired employees of Cinch UK, which was sold in 2009.

c) Rest of the world

The Group offers its other employees post-employment benefits and long-service bonuses in accordance with local laws and practices. The main regions concerned are:

- Americas: pension funds mainly in Canada and to a lesser extent in the US; retirement termination benefits in Mexico;
- Europe: pension funds in Belgium, Germany, the Netherlands and Switzerland; retirement termination benefits in Poland; long-service bonuses in the Netherlands and Poland;
- Asia: retirement termination benefits in India.

21b – Financial position

(in € millions)	Dec. 31, 2012*	**Dec. 31, 2013**	France	United Kingdom	Rest of the world
Gross obligations	1,146	**1,243**	639	457	147
Fair value of plan assets	407	**445**	9	354	82
Provision recognized in the accounts	**739**	**798**	630	103	65
- Defined benefit pension plans	*188*	***221***	*69*	*103*	*49*
- Retirement termination benefits	*514*	***538***	*524*	-	*14*
- Long-service bonuses and other employee benefits	*37*	***39***	*37*	-	*2*
Recognized net plan assets	**-**	**-**	-	-	-

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

(in € millions)	Dec. 31, 2012*	**Dec. 31, 2013**	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligations	1,146	**1,243**	666	538	39
Fair value of plan assets	407	**445**	445	-	-
Provision recognized in the accounts	**739**	**798**	221	538	39
Recognized net plan assets	**-**	**-**	-	-	-

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

The €97 million increase in the Group's gross obligation chiefly results from a new retirement plan set up within the Group (recognition of past service costs in non-recurring operating expenses for €40 million - see Note 6) and from the change in actuarial assumptions used to measure post-employment benefits (decrease of 0.25 points in the discount rate for the eurozone, increase of 0.4 points in the inflation rate for the UK region).

The cost of the Group’s pension obligations in 2012 and 2013 can be analyzed as follows:

(in € millions)	**Dec. 31, 2012***	**Dec. 31, 2013**
Current service cost	(33)	(41)
Actuarial gains and losses (on other long-term benefits)	(3)	-
Change in retirement plans (implementation, curtailment and settlement)	(36)	(39)
Plan administration costs	(1)	(1)
Total operating component of the pension expense	**(73)**	**(81)**
Interest cost on the net benefit obligation	(23)	(24)
Total financing component of the pension expense	**(23)**	**(24)**
Total	**(96)**	**(105)**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

The Group expects to pay a total of €26 million into its defined benefit pension plans in 2014 (€25 million in 2013 and €27 million in 2012).

Main assumptions used to calculate the gross benefit obligation:

(in € millions)		Eurozone	United Kingdom
Discount rate	*Dec. 31, 2012*	*3.25%*	*4.50%*
	Dec. 31, 2013	**3.00%**	**4.50%**
Inflation rate	*Dec. 31, 2012*	*2.00%*	*2.95%*
	Dec. 31, 2013	**2.00%**	**3.35%**
Rate of annuity increases	*Dec. 31, 2012*	*2.00%*	*2.90%*
	Dec. 31, 2013	**2.00%**	**3.20%**
Rate of future salary increases	*Dec. 31, 2012*	*1.50%-5.00%*	*N/A*
	Dec. 31, 2013	**1.5%-5.00%**	***N/A***
Retirement age	Dec. 31, 2012	*Managerial: 64/65 years Non-managerial: 62/65 years*	*65 years*
	Dec. 31, 2013	**Managerial: 64/65 years Non-managerial: 62/65 years**	**65 years**

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

Sensitivity analysis

A 0.5% increase or decrease in the main actuarial assumptions would have the following impacts on the gross value of the projected benefit obligation at December 31, 2013:

(in € millions)

Sensitivity (basis points)	**-0.50%**	**+0.50%**
Discount rate	88	(78)
Inflation rate	(37)	38
Rate of future salary increases	(39)	43

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.

21c – Change in the gross benefit obligation and plan assets

Change in gross benefit obligation

(in € millions)	2012	2013	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
Gross benefit obligation at beginning of year	**908**	**1,146**	**595**	**514**	**37**
A. Pension expense					
Current service cost	33	41	12	25	4
Actuarial gains and losses (on other long-term benefits)	3	-	-	-	-
Change in retirement plans (implementation, curtailment and settlement)	36	39	40	(1)	-
Interest cost	41	41	23	17	1
Total expense recognized in the income statement	**113**	**121**	**75**	**41**	**5**
B. Actuarial gains and losses arising in the year on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	4	3	3	-	-
Actuarial gains and losses resulting from changes in financial assumptions	127	36	23	13	-
Experience adjustments	28	1	(3)	4	-
Total remeasurement recognized in other comprehensive income for the period	**159**	**40**	**23**	**17**	**-**
C. Other items					
Employee contributions	4	3	3	-	-
Benefits paid	(45)	(64)	(18)	(43)	(3)
Changes in scope of consolidation	-	-	-	-	-
Other movements	-	9	-	9	-
Translation adjustments	7	(12)	(12)	-	-
Reclassification to liabilities held for sale	-	-	-	-	-
Total other items	**(34)**	**(64)**	**(27)**	**(34)**	**(3)**
Gross benefit obligation at end of year	**1,146**	**1,243**	**666**	**538**	**39**
Average weighted term of pension plans (years)	15	14	18	10	8

Change in fair value of plan assets

(in € millions)	2012	2013	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
Fair value of plan assets at beginning of year	**358**	**407**	**407**	**-**	**-**
A. Income					
Interest income on plan assets	18	17	17	-	-
Plan administration costs	(1)	(1)	(1)	-	-
Total income recognized in the income statement	**17**	**16**	**16**	**-**	**-**
B. Actuarial gains and losses arising in the year on post-employment plans					
Return on plan assets (excluding interest income component)	12	19	19	-	-
Total remeasurement recognized in other comprehensive income for the period	**12**	**19**	**19**	**-**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Employer contributions	27	28	28	-	-
Benefits paid	(17)	(18)	(18)	-	-
Changes in scope of consolidation	-	-	-	-	-
Other movements	-	-	-	-	-
Translation adjustments	7	(10)	(10)	-	-
Reclassification to assets held for sale	-	-	-	-	-
Total other items	**20**	**3**	**3**	**-**	**-**
Fair value of plan assets at end of year	**407**	**445**	**445**	**-**	**-**

21D – ASSET ALLOCATION

	United Kingdom % allocation at		**Other European countries** % allocation at	
	Dec. 31, 2012	**Dec. 31, 2013**	**Dec. 31, 2012**	**Dec. 31, 2013**
Shares	37.83%	36.13%	16.36%	15.41%
Bonds and debt instruments	33.73%	26.59%	63.69%	66.04%
Property	6.92%	6.68%	11.91%	8.39%
Mutual funds (OPCVM) and diversified funds	16.20%	25.59%	0.00%	0.00%
Cash and cash equivalents	1.34%	0.96%	1.86%	1.68%
Other	3.98%	4.05%	6.18%	8.48%

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

In the UK, the Group's long-term aim is to limit its exposure to defined benefit plans and ultimately endeavor to contract out these obligations to insurance firms under favorable market conditions. In the meantime, the Group is committed to ensuring that its pension obligations are adequately funded.

The Group's investment policy for pension funds in the UK combines safe harbor investments (in monetary funds, government bonds, bond funds), to secure the medium-term funding of obligations, with riskier investments such as in equity funds and real estate funds, whose expected profitability over the long term guarantees the financial stability of the plans.

21E - Contributions to defined contribution plans

The expense for 2013 in respect of defined contribution plans amounts to €335 million (€313 million in 2012).
The expense is broken down into contributions paid into standard retirement plans and contributions paid into Art. 83 supplementary retirement plans which have been set up within the Group's main French companies. The expense for the period also includes contributions paid into a multi-employer plan in the United Kingdom (€0.6 million). The Group does not expect the contributions to be paid into this multi-employer plan to increase in the medium-term due to the net shortfall of the plan.

21F - Individual training entitlement

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

Note 22 - Borrowings subject to specific conditions

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

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2012	**670**
New advances received	1
Advances repaid	(28)
Cost of borrowings	30
Translation adjustments	(7)
Adjustments to the probability of repayment of advances	4
At December 31, 2013	**670**

Note 23 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Bond issue	759	-
Senior unsecured notes in USD	945	832
Finance lease liabilities	118	106
Other long-term borrowings	437	357
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**2,259**	**1,295**
Bond issue	-	753
Finance lease liabilities	45	15
Other long-term borrowings	346	349
Accrued interest not yet due	14	11
Current interest-bearing financial liabilities, long-term at inception	**405**	**1,128**
Commercial paper	407	250
Short-term bank facilities and equivalent	104	57
Current interest-bearing financial liabilities, short-term at inception	**511**	**307**
Total current interest-bearing financial liabilities (less than 1 year)	**916**	**1,435**
Total interest-bearing financial liabilities	**3,175**	**2,730**

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2012	**3,175**
Increase in borrowings	11
Accrued interest	(3)
Decrease in borrowings	(151)
Change in short-term borrowings	(191)
Changes in scope of consolidation	(17)
Foreign exchange differences	(13)
Reclassifications and other	(81)
At December 31, 2013	**2,730**

MAIN LONG-TERM BORROWINGS AT INCEPTION

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

  A USD interest rate hedge (floating-rate swap on 6-month US Libor) was taken out in respect of tranches B and C, issued at 10 and 12 years, respectively. Tranche A has been kept at a fixed rate.
  The issue's initial fixed-rate interest came out at 2.47% in 2013 after taking account of interest rate derivatives.

- Safran five-year bonds: €750 million issued to French and international investors on November 26, 2009 and maturing on November 26, 2014. The bonds' initial 4.0% fixed-rate interest came out at 3.31% in 2013 after taking account of interest rate derivatives.

- European Investment Bank (EIB) borrowings: €263 million (€300 million at December 31, 2012). This loan bears floating-rate interest indexed to 3-month Euribor plus 0.73% and is repayable in equal six-monthly installments between December 17, 2013 and December 17, 2020.

- Employee savings financing under the Group employee savings plan: €418 million (€430 million at December 31, 2012).
  The maximum maturity is five years and the amount falling due within one year is €293 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 1.62% for 2013 and 3.56% for 2012.
  The interest rate used for 2014 is 1.87%. A fixed-rate borrower/floating-rate lender interest rate swap was taken out in respect of this financing for €75 million with the aim of fixing the interest rate over a period of four years from the end of 2012. The swap was unwound in the first six months of 2013.

- Messier Bugatti Dowty USA Inc. real estate lease financing contract with a fixed rate of 5.2%: this was repaid in full in July 2013 (USD 38 million, or €29 million, at December 31, 2012).

- Turbomeca real estate lease financing contract: €45 million (€50 million at December 31, 2012), of which €5 million was due within one year. The lease bears fixed-rate interest of 4.7% and expires in November 2021.

- Sagem real estate lease financing contract: €42 million (€47 million at December 31, 2012), bearing floating-rate interest indexed to 3-month Euribor. The lease expires in January 2022.

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

MAIN SHORT-TERM BORROWINGS

- Commercial paper: €250 million (€407 million at December 31, 2012).
  This amount comprises several drawdowns made under market terms and conditions, mostly with maturities of less than one year.

- Financial current accounts with non-consolidated subsidiaries: €31 million (€33 million at December 31, 2012). Interest is indexed to Euribor.

Other short-term borrowings are not material taken individually.

ANALYSIS BY MATURITY

(in € millions)	**Dec. 31, 2012**	**Dec. 31, 2013**
Maturing in:		
1 year or less	916	1,435
More than 1 year and less than 5 years	1,139	340
Beyond 5 years	1,120	955
Total	**3,175**	**2,730**

Analysis by currency:

(in millions of currency units)	Dec. 31, 2012 Currency	Dec. 31, 2012 EUR	Dec. 31, 2013 Currency	Dec. 31, 2013 EUR
EUR	2,119	2,119	1,864	1,864
USD	1,354	1,026	1,189	862
CAD	1	-	-	-
GBP	3	4	-	-
Other	N/A	26	N/A	4
Total		**3,175**		**2,730**

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

	Total		Non-current				Current			
	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012		**Dec. 31, 2013**		Dec. 31, 2012		**Dec. 31, 2013**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,873	1,690	1,774	4.16%	898	4.29%	99	3.38%	792	3.91%
Floating rate	1,302	1,040	485	2.08%	397	1.21%	817	1.54%	643	0.94%
Total	**3,175**	**2,730**	**2,259**	**3.71%**	**1,295**	**3.34%**	**916**	**1.74%**	**1,435**	**2.58%**

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

	Total		Non-current				Current			
	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012		**Dec. 31, 2013**		Dec. 31, 2012		**Dec. 31, 2013**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,045	970	946	3.26%	178	4.02%	99	3.38%	792	3.26%
Floating rate	2,130	1,760	1,313	2.38%	1,117	1.90%	817	1.54%	643	0.94%
Total	**3,175**	**2,730**	**2,259**	**2.75%**	**1,295**	**2.19%**	**916**	**1.74%**	**1,435**	**2.22%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Cash and cash equivalents (A)	2,193	1,672
Interest-bearing financial liabilities (B)	3,175	2,730
Fair value of interest rate derivatives hedging borrowings (C)	50	(31)
Total (A) - (B) + (C)	**(932)**	**(1,089)**

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 foreign exchange swaps were taken out in this respect. Changes in the euro value of this issue had a positive impact of €39 million on the Group's net debt at December 31, 2013.

Net debt at both December 31, 2013 and December 31, 2012 does not include the following three assigned trade receivables without recourse:

- CFM Inc.:
  - Confirmed 24-month facility for USD 200 million (automatically renewable for further 12-month periods at the end of the first 24 months) granted in October 2009 by General Electric Capital Corp. and renewed under the same terms in October 2013 for a maximum period of four years. A total of USD 124 million (USD 62 million at 50%) had been drawn on this facility at December 31, 2013, versus USD 105 million (USD 52.5 million at 50%) at December 31, 2012.
  - Confirmed 364-day facility for USD 1,000 million, renewed in December 2013 by a syndicate of ten banks led by Royal Bank of Scotland (USD 1,500 million in 2012), on which USD 998 million (USD 499 million at 50%) had been drawn at December 31, 2013, versus USD 1,498 million (USD 749 million at 50%) at December 31, 2012.

- CFM SA:
  - Confirmed 24-month facility for an equivalent value of USD 110 million granted in July 2010 (automatically renewable for further 12-month periods at the end of the first 24 months) by Medio Factoring (Intesa San Paolo group), on which USD 55 million (USD 27.5 million at 50%) had been drawn at December 31, 2013, versus USD 48 million (USD 24 million at 50%) at December 31, 2012.

(in € millions)	Dec. 31, 2012		Dec. 31, 2013
Net debt	(932)		(1,089)
Total equity	5,997	*	6,814
Gearing ratio	**15.54%**		**15.98%**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

Note 24 - Trade and other payables

(in € millions)	Dec. 31, 2012	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2013
Operating payables	**7,787**	**183**	**18**	**(40)**	**3**	**7,951**
Credit balances on trade receivables	1,182	(57)	-	-	-	1,125
Advance payments from customers	3,509	(6)	2	(5)	-	3,500
Trade payables	2,021	139	20	(31)	2	2,151
Current operating account	3	10	(6)	-	1	8
Employee-related liabilities	1,072	97	2	(4)	-	1,167
Other payables	**980**	**(1)**	**5**	**(9)**	**(6)**	**969**
State aid, accrued payables	19	(1)	-	-	-	18
State, other taxes and duties	180	8	-	(2)	-	186
Deferred income	617	(2)	4	(4)	-	615
Other	164	(6)	1	(3)	(6)	150
Total	**8,767**	**182**	**23**	**(49)**	**(3)**	**8,920**

Trade payables carry no interest and fall due in less than one year.
Deferred income primarily concerns revenue recognized under the percentage-of-completion method or revenue deferred.

Trade and other payables fall due as shown below:

(in € millions)	Less than 12 months	More than 12 months
Operating payables	7,498	453
Other payables	823	146
Total	**8,321**	**599**

Note 25 - Other current and non-current financial liabilities

(in € millions)	Dec. 31, 2012	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	Dec. 31, 2013
Payables on purchases of property, plant and equipment and intangible assets	93	48	-	1	-	**142**
Payables on purchases of investments*	14	28	-	-	-	**42**
Total	**107**	**76**	**-**	**1**	-	**184**
Non-current	81					**120**
Current	26					**64**

* Including €27 million corresponding to the unpaid portion of the investment in the "Aerofund III" fund (see Note 13).

Note 26 - Summary of financial liabilities

The table below presents the carrying amount of the Group's financial liabilities at December 31, 2012 and December 31, 2013:

At December 31, 2012 *(in € millions)*	Carrying amount		
	Financial liabilities at amortized cost	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	670		**670**
Non-current interest-bearing financial liabilities	2,259		**2,259**
Current interest-bearing financial liabilities	916		**916**
Trade payables	2,021		**2,021**
Payables on purchases of investments	14	-	**14**
Payables on purchases of property, plant and equipment and intangible assets	93		**93**
Current operating accounts	3		**3**
Non-current derivatives (negative fair value)		12	**12**
Current derivatives (negative fair value)		213	**213**
Total financial liabilities	**5,976**	**225**	**6,201**

At December 31, 2013 *(in € millions)*	Carrying amount		
	Financial liabilities at amortized cost	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	670		**670**
Non-current interest-bearing financial liabilities	1,295		**1,295**
Current interest-bearing financial liabilities	1,435		**1,435**
Trade payables	2,151		**2,151**
Payables on purchases of investments	42	-	**42**
Payables on purchases of property, plant and equipment and intangible assets	142		**142**
Current operating accounts	8		**8**
Non-current derivatives (negative fair value)		36	**36**
Current derivatives (negative fair value)		150	**150**
Total financial liabilities	**5,743**	**186**	**5,929**

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, 2013 and December 31, 2012, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

(in € millions)	**Dec. 31, 2012**		**Dec. 31, 2013**	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	670	N/A	670	N/A
Interest-bearing financial liabilities (1)	3,175	3,287	2,730	2,766

(1) This measurement relates to Level 2 in the fair value hierarchy (see Note 18).

Safran uses the fair value hierarchy described in Note 18 to determine the classification of financial liabilities at fair value.

The Group's financial liabilities carried at fair value at December 31, 2012 are shown below:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	225	-	225
Total	**-**	**225**	**-**	**225**

The Group's financial liabilities carried at fair value at December 31, 2013 are shown below:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	186	-	186
Total	**-**	**186**	**-**	**186**

In 2013 and 2012, 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, 2012	Gross carrying amount	Amount offset	Net amount on the balance sheet (1)	Amount subject to offset agreement but not offset	**Net**
(in € millions)	(a)	(b)	(c)	(d)	**(c) - (d)**
Derivatives (negative fair value)	**225**	**-**	**225**	**218**	**7**

At December 31, 2013	Gross carrying amount	Amount offset	Net amount on the balance sheet (1)	Amount subject to offset agreement but not offset	**Net**
(in € millions)	(a)	(b)	(c)	(d)	**(c) - (d)**
Derivatives (negative fair value)	**186**	**-**	**186**	**179**	**7**

(1) See Note 27.

The tables above show the financial liabilities for which an offsetting agreement exists with respect to financial assets.
At both December 31, 2013 and 2012, the Group did not offset any financial liabilities and financial assets on its balance sheet, since it did not meet the conditions specified in IAS 32. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.
The amounts subject to an offsetting agreement but not offset comprise a portion of the Group's derivatives with a positive fair value, since amounts can only be offset if they relate to the same counterparty.

Note 27 - Management of market risks and derivatives

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

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

(in € millions)	Dec. 31, 2012 Assets	Dec. 31, 2012 Liabilities	Dec. 31, 2013 Assets	Dec. 31, 2013 Liabilities
Interest rate risk management	***62***	***(12)***	***10***	***(41)***
Floating-for-fixed interest rate swaps	-	(12)	-	(5)
Fixed-for-floating interest rate swaps	62	-	10	*(36)*
Foreign currency risk management	***585***	***(210)***	***852***	***(134)***
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	311	(118)	652	(56)
Currency option contracts	274	(92)	200	(78)
Commodity risk management	***-***	***(3)***	***2***	***(11)***
Forward purchases of commodities	-	(3)	2	(11)
Total	**647**	**(225)**	**864**	**(186)**

FOREIGN CURRENCY RISK MANAGEMENT

Most Aerospace Propulsion and Aircraft Equipment revenue is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 5.6 billion for 2013 (USD 5.0 billion in 2012).

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting operating profitability and allowing it to adapt its cost structure to an unfavorable monetary environment.

HEDGING POLICY

Two basic principles underscore the foreign currency risk management policy defined by Safran SA for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance (first principle).

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly, over a four-year timeframe.

MANAGEMENT POLICY

The hedging policy is based on managing the financial instrument portfolio so that the exchange rate parity does not fall below a pre-defined minimum threshold.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and options (EUR call/USD put).
Optimization measures are also used with a view to improving the minimum exchange rate parity, and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities, without calling into question the original minimum threshold.
These products consist chiefly of forward purchases, accumulators, and purchases and sales of options (USD call/EUR put).

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

(in millions of currency units)	Dec. 31, 2012 Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years	Dec. 31, 2013 Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years
Forward exchange contracts	**193**				**596**			
Short USD position	157	13,323	5,764	7,559	620	12,348	8,317	4,031
Of which against EUR	*157*	*12,979*	*5,560*	*7,419*	*593*	*11,855*	*8,091*	*3,764*
Long USD position	28	(700)	(250)	(450)	(31)	(2,808)	(2,631)	(177)
Of which against EUR	*28*	*(700)*	*(250)*	*(450)*	*(31)*	*(2,808)*	*(2,631)*	*(177)*
Short CAD position against CHF	5	81	81	-	4	6	6	-
Short GBP position against EUR	-	-	-	-	1	75	75	-
Long EUR position against CHF	(7)	(78)	(28)	(50)	(3)	(56)	(32)	(24)
Long PLN position against EUR	2	(225)	(85)	(140)	1	(210)	(70)	(140)
Long MXN position against USD	8	(4,135)	(1,395)	(2,740)	4	(5,040)	(1,540)	(3,500)
Currency option contracts	**182**				**122**			
USD put purchased	75	2,750	2,350	400	82	8,000	7,900	100
USD put sold	(19)	(1,200)	(1,200)	-	(3)	(400)	(400)	-
USD call sold	(60)	9,607	5,224	4,383	(75)	18,083	15,583	2,500
USD call purchased	5	(350)	(350)	-	2	(1,983)	(1,983)	-
EUR put purchased					1	45	45	-
EUR call sold					-	90	90	-
Accumulators – sell USD (2)	167	9,020	2,778	6,242	110	5,299	4,181	1,118
Accumulators – buy USD (2)	13	(1,132)	(965)	(167)	-	(751)	(751)	-
Accumulators – sell GBP (2)	3	219	219	-	-	-	-	-
Accumulators – sell CAD (2)	(2)	341	-	341	5	73	73	-
Total	**375**				**718**			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.

(2) Notional amounts for accumulators represent the maximum cumulative amount until the instrument is unwound.

The €343 million increase in the fair value of foreign currency derivatives between December 31, 2012 and December 31, 2013 reflects an increase of €438 million in the fair value of currency hedging instruments not yet settled at December 31, 2013 and premiums received (negative impact of €95 million).

In view of the accounting constraints resulting from the application of IAS 39, the Group decided not to apply hedge accounting and to recognize all changes in the fair value of its derivatives in “Financial income (loss)”. Accordingly, the €438 million increase in the fair value of derivatives not yet settled at the end of the reporting period has been recognized in “Financial income (loss)”. Of this amount €374 million was recognized in “Gain or loss on foreign currency hedging instruments” for derivatives hedging revenue net of future purchases; €24 million was recognized in “Foreign exchange gains and losses” for derivatives hedging balance sheet positions; and €40 million was recognized in the same caption for premiums matured during the year.

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

In the first half of 2012, the Group hedged a portion of its US operations as part of a net investment hedge using the February 9, 2012 unsecured notes issue on the US private placement market (see Note 23).

Exposure and sensitivity to foreign currency risk

The exposure of the Group's financial instruments to EUR/USD foreign currency risk can be summarized as follows:

(in USD millions)	Dec. 31, 2012	Dec. 31, 2013
Total assets excluding derivatives	1,298	**1,527**
Total liabilities excluding derivatives	(2,309)	**(2,215)**
Derivatives hedging balance sheet positions*	(170)	**(369)**
Net exposure after the impact of derivatives hedging balance sheet positions	**(1,181)**	**(1,057)**

* Notional amount.

Assets and liabilities excluding derivatives primarily consist of operating receivables and payables denominated in USD in the balance sheets of Group subsidiaries whose functional currency is the euro, and unsecured notes issued by Safran on the US private placement market for USD 1.2 billion.

In addition to this exposure, Safran has EUR/USD currency derivatives hedging revenue net of future purchases. These have a fair value of USD 890 million, compared to a total fair value of USD 916 million of EUR/USD currency derivatives at December 31, 2013 (USD 417 million and USD 418 million, respectively, at December 31, 2012).

The sensitivity of financial instruments to a 5% increase or decrease in the EUR/USD exchange rate is as follows:

Impact on balance sheet positions (in € millions)	Dec. 31, 2012 USD		Dec. 31, 2013 USD	
Closing rate	**1.32**		**1.38**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.25	1.39	1.31	1.45
Impact recognized through profit or loss (before tax)	(615)	463	(377)	274
Impact recognized through equity (before tax)	(50)	45	(44)	40

Interest rate risk management

The Group's exposure to fluctuations in interest rates covers two types of risk:

- fair value risk in respect of fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of these assets and liabilities;
- cash flow risk in respect of floating-rate financial assets and liabilities. Interest rate fluctuations have a direct impact on the Group's profit or loss.

Within the framework of its interest rate risk management policy, the Group arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

Exposure to euro interest rate risk

The interest rate payable on the €750 million bond issue, which had been converted to a floating rate using floating-rate borrower/fixed-rate lender swaps, was converted back to a fixed rate in 2011. As a result, besides the floating-rate borrower/fixed-rate lender swaps for €750 million with a residual maturity of one to three years, the Group also held fixed-rate borrower/floating-rate lender swaps for the same maturity and amount. Interest rate swaps with a residual maturity of one year expired in 2012. The notional amount of each leg of the swaps was €250 million.

Changes in the fair value of the old and new swaps are recognized in "Gain or loss on interest rate and commodity hedging instruments" under "Financial income (loss)".

In 2012, a fixed-rate borrower/floating-rate lender interest rate swap maturing in December 2016 was taken out for €75 million, with the aim of fixing the interest rate on a portion of the financing for the employee savings plan as of January 1, 2013. The swap was unwound in the first six months of 2013.

	Dec. 31, 2012				Dec. 31, 2013			
(in € millions)	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years
Interest rate swaps								
Fixed-for-floating	22	500	-	500	10	500	500	-
Floating-for-fixed	(12)	575	-	575	(5)	500	500	-
Total	**10**				**5**			

Exposure to euro interest rate risk before and after hedging:

Dec. 31, 2012	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	24	793	824	478	**848**	**1,271**
Other financial assets	-	99	1	68	**1**	**167**
Cash and cash equivalents	33	1,828	-	-	**33**	**1,828**
Net exposure before hedging	**(9)**	**(1,134)**	**823**	**410**	**814**	**(724)**
Derivatives*	-	-	75	(75)	**75**	**(75)**
Net exposure after hedging	**(9)**	**(1,134)**	**898**	**335**	**889**	**(799)**

* Notional amount.

Dec. 31, 2013	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	777	625	65	397	**842**	**1,022**
Other financial assets	-	99	1	73	**1**	**172**
Cash and cash equivalents	136	1,134	**-**	**-**	**136**	**1,134**
Net exposure before hedging	**641**	**(608)**	**64**	**324**	**705**	**(284)**
Derivatives*	-	-	-	-	**-**	**-**
Net exposure after hedging	**641**	**(608)**	**64**	**324**	**705**	**(284)**

* Notional amount.

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market 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 was maintained at a fixed rate.

These swaps are eligible for fair value hedge accounting.

	Dec. 31, 2012				Dec. 31, 2013				
(in € millions)	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
USD interest rate swaps									
Fixed-for-floating – fair value hedge	40	1,045	-	1,045	(36)	1,045	-	-	1,045
Floating-for-fixed – fair value hedge	-	-	-	-	-	-	-	-	-
Total	**40**				**(36)**				

Changes in the fair value of the hedging instrument and hedged item within the scope of this hedge are recognized in "Financial income (loss)" as follows:

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Change in fair value of hedging instrument	40	(76)
Change in fair value of hedged item	(40)	75
Impact of fair value interest rate hedges on profit	**-**	**(1)**

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2012	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	65	28	1,251	10	**1,316**	**38**
Other financial assets	34	55	1	3	**35**	**58**
Cash and cash equivalents	62	134	-	-	**62**	**134**
Net exposure before hedging	**(31)**	**(161)**	**1,250**	**7**	**1,219**	**(154)**
Derivatives*	-	-	(1,045)	1,045	**(1,045)**	**1,045**
Net exposure after hedging	**(31)**	**(161)**	**205**	**1,052**	**174**	**891**

* Notional amount.

Dec. 31, 2013	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	18	24	1,147	-	**1,165**	**24**
Other financial assets	39	75	-	2	**39**	**77**
Cash and cash equivalents	96	355	-	-	**96**	**355**
Net exposure before hedging	**(117)**	**(406)**	**1,147**	**(2)**	**1,030**	**(408)**
Derivatives*	-	-	(1,045)	1,045	**(1,045)**	**1,045**
Net exposure after hedging	**(117)**	**(406)**	**102**	**1,043**	**(15)**	**637**

* 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, 2012	Dec. 31, 2013
Interest rate assumptions used	+1%	+1%
Impact on profit or loss (before tax)	1	(2)
Impact on equity (before tax)	-	-

Management of commodity risk

Since 2009, the Group’s policy has been to hedge its exposure to fluctuations in the price of certain listed commodities (nickel and platinum). Oil was included in the Group's commodity hedging policy in 2012, as was gold in 2013. The policy seeks to protect the Group’s economic performance from commodity price volatility.
Commodity hedges aiming to reduce uncertainty factors have been contracted for a term of five to six years. To hedge commodity prices, the Group uses forward purchases of commodities on the London Metal Exchange (LME).
These forward purchases are then used to hedge highly probable flows arising in Group companies and resulting from purchases of semi-finished parts with a major commodity component. These cash flows are determined based on the backlog and budget forecasts.

The notional amount of nickel forward purchase contracts at December 31, 2013 represented 3,671 tons of nickel (2,783 tons at December 31, 2012), including contracts for 975 tons maturing in less than one year (755 tons at end-2012) and 2,696 tons in one to five years (2,028 tons at end-2012).

The notional amount of platinum forward purchase contracts at December 31, 2013 represented 5,808 ounces (7,068 ounces at December 31, 2012), including contracts for 1,692 ounces maturing in less than one year (1,260 ounces at end-2012) and 4,116 ounces in one to five years (5,808 ounces at end-2012).

The notional amount of oil forward purchase contracts at December 31, 2013 represented 718,000 barrels (532,000 at December 31, 2012), including contracts for 67,000 barrels maturing in less than one year (33,000 at end-2012), 651,000 barrels in one to five years (350,000 at end-2012) and nil in more than five years (149,000 at end-2012).

The Group had no gold forward purchase contracts at December 31, 2013.

These instruments had a negative fair value of €9 million at end-2013. Given the difficulty in documenting hedging relationships between these derivatives and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in “Financial income (loss)”.

Equity risk management

Safran is exposed to fluctuations in the stock market price of Embraer and Myriad shares, the only listed shares it holds.

A 5% decrease in the price of these shares would have a net negative impact of €3 million on equity at end-2013 and end-2012.

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 investment-grade counterparties.

Counterparty risk related to trade receivables is limited due to the large number of customers in the portfolio and their wide geographic spread.

The maturity schedule for trade and other receivables is set out in Note 16.

LIQUIDITY RISK MANAGEMENT

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

Since some of the Group's liquidity lines have not been drawn, Safran is relatively insensitive to liquidity risk.

A number of financial covenants apply to the EIB borrowing set up in 2010 (see Note 23).
The following two ratios apply:

- Net debt/EBITDA < 2.5
- Net debt/total equity (gearing) < 1

Undrawn confirmed liquidity facilities at December 31, 2013 totaled €2,550 million and comprised two syndicated credit lines for €1,600 million and €950 million, maturing in December 2015 and October 2016, respectively. These two facilities must comply with a net debt/EBITDA ratio of less than 2.5.

This covenant also applies to the senior unsecured notes issued on the US private placement market (see Note 23).

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

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

Note 28 - Interests in joint ventures

The Group has interests in a number of joint ventures which are proportionately consolidated (their contribution is recognized line-by-line in the financial statements). The joint ventures are:

- CFM International Inc. and CFM International SA: coordination of the CFM56 engine program with General Electric and program marketing;
- Shannon Engine Support Ltd: leasing of CFM56 engines, modules, equipment and tooling to airline companies;
- Famat: manufacture of large casings subcontracted by Snecma and General Electric;
- Europropulsion: research, development, testing and manufacture of solid propellant propulsion systems;
- Ulis: manufacture of uncooled infrared detectors;
- Sofradir: manufacture of cooled infrared detectors;
- SEMMB: manufacture of ejectable seating;
- Matis: manufacture of aircraft wiring;
- CFAN: production of composite fan blades for turbo engines;
- Hydrep: repair of landing gear for regional and business jets;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts;
- Regulus: aerospace propulsion;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;
- Propulsion Technologies International: engine repair and maintenance;
- EIMASS: identification.

The table below shows the Group's share in the various financial indicators of these joint ventures, included in the consolidated financial statements:

(in € millions)	**Dec. 31, 2012**	**Dec. 31, 2013**
Current assets	522	557
Non-current assets	354	301
Current liabilities	459	461
Non-current liabilities	38	30
Operating income	545	508
Operating expenses	(459)	(434)
Financial income (loss)	(2)	(1)
Income tax expense	(15)	(24)
Profit for the period	70	51
Cash flows from operating activities (1)	42	76
Cash flows used in investing activities	(32)	(6)
Cash flows used in financing activities (1)	(37)	(46)

(1) See Note 23 discussing trade receivable assignment programs at CFM Inc.

Note 29 - Related parties

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

Transactions with equity-accounted companies were not material in 2013 or 2012, and they are not therefore included in the table below.

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Sales to related parties	3,577	3,646
Purchases from related parties	(199)	(172)

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Receivables from related parties	1,567	1,647
Payables to related parties	1,851	1,770

(in € millions)	Dec. 31, 2012	Dec. 31, 2013
Guarantees granted to related parties (off-balance sheet) (1)	954	1,456

(1) See Note 30.

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

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 the Group's strategy and future development, or with regular access to privileged information directly or indirectly concerning the Group.

(in € millions)	Dec. 31, 2012*	Dec. 31, 2013
Short-term benefits (1)	11.1	**9.7**
Post-employment benefits	1.3	**10.0**
Other long-term benefits	-	**-**
Termination benefits	-	**-**
Share-based payment	-	**-**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

(1) Compensation, social security contributions, attendance fees and benefit payments, where applicable.

All compensation and benefits awarded to members of the Supervisory Board/Board of Directors and to members of the Executive Board and Executive Management are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

The Group's total post-employment commitments in respect of management executives amounted to €11.4 million at December 31, 2013 and €2.9 million at December 31, 2012.

RELATIONS BETWEEN SAFRAN AND ITS SUBSIDIARIES

The main financial transactions between Safran and its subsidiaries are described below.

- cash is pooled at the level of the Safran Group. Cash pooling agreements therefore exist between Safran and each of the Group companies. These govern the terms and conditions of advances and investments;

- a foreign currency risk management policy is also implemented centrally by the head company for the entire Safran Group. This policy seeks to protect the economic performance of operating subsidiaries from random foreign currency fluctuations (mainly USD) and optimize the quality of the hedges implemented via a portfolio of hedging instruments;

- a commodity risk management policy is defined centrally in the same manner as the policy for managing foreign currency risk. This policy is designed to reduce uncertainty factors regarding the volatility of commodity prices (mainly nickel and platinum) affecting the economic performance of operating subsidiaries;

- in France, 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, pursuant to the provisions of article 223-A of the French Tax Code (*Code général des impôts*).
  In accordance with the tax consolidation agreement in France, tax-consolidated subsidiaries bear their own tax charge as if they were not members of the tax group, and pay the corresponding amounts to Safran as their contribution to the Group tax payment;

- Services rendered by the holding company to its subsidiaries are generally billed to beneficiaries based on assistance agreements.

Note 30 - Off-balance sheet commitments

ENDORSEMENTS, GUARANTEES AND OTHER COMMITMENTS

COMMITMENTS IN RESPECT OF ORDINARY ACTIVITIES

The various commitments given by the Safran Group are as follows:

(in € millions)	**Dec. 31, 2012***	**Dec. 31, 2013**
Employee-related commitments	73	28
Commitments given to customers (completion warranties, performance bonds)	318	315
Commitments given to third parties	1,415	2,420
Commitments given to customs authorities	77	79
Vendor warranties given (1)	21	11
Other commitments given	204	148
Total	**2,108**	**3,001**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).

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

Commitments given to third parties relate mainly to guarantees granted by Safran or its subsidiaries to customers and principals (essentially aircraft manufacturers), in which Safran or the subsidiary 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.
The increase in commitments given to third parties in 2013 results mainly from guarantees granted to aircraft manufacturers by Snecma in connection with contracts to supply Leap engines.

The amount of commitments granted to Airbus is shown within "Guarantees granted to related parties" in Note 29, "Related parties".

The various commitments received by the Safran Group are as follows:

(in € millions)	**Dec. 31, 2012**	**Dec. 31, 2013**
Commitments received from banks on behalf of suppliers	11	11
Completion warranties	28	33
Endorsements and guarantees received	52	47
Vendor warranties received (1)	12	10
Other commitments received	5	3
Total	**108**	**104**

(1) Vendor warranties received at December 31, 2013 do not include those received in connection with the SME acquisition, which are described below.

Warranties received from SNPE

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

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

Other contractual obligations and commitments

The Group also recognizes obligations or commitments to make future payments:

(in € millions)	Dec. 31, 2012 Total	**Dec. 31, 2013 Total**	Period to maturity Less than 1 year	1 to 5 years	Beyond 5 years
Long-term borrowings at inception	783	**705**	349	280	76
Finance lease commitments	163	**121**	15	59	47
Operating lease commitments	257	**321**	72	163	86
Bonds	763	**756**	756	-	-
Senior unsecured notes in USD	955	**841**	9	-	832
Total	**2,921**	**2,744**	**1,201**	**502**	**1,041**

Lease payments recognized in profit or loss for the period amounted to €129 million (€125 million at December 31, 2012).

Vendor warranties

Vendor warranties are given or received on the acquisition or sale of companies.
In the context of the Group's acquisition of SME, the environmental warranty given to Safran by SNPE (see the description above) is called upon an ongoing basis in proportion to the costs effectively incurred to treat pollution resulting from past operations.
At December 31, 2013, no other such warranties had been called, and no provisions were therefore recognized in the Group's consolidated financial statements.

Capital expenditure commitments

At December 31, 2013, capital expenditure commitments totaled €312 million versus €248 million at December 31, 2012.

At December 31, 2013, expenditure commitments in respect of intangible assets totaled €333 million versus €394 million at December 31, 2012.

Financial guarantees granted on the sale of Group products

These guarantees generate risks which represented a total gross amount of USD 72 million at December 31, 2013 (USD 72 million at December 31, 2012). This amount does not, however, reflect the actual risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, consisting of the aircraft pledged. Accordingly, only the net risk as calculated using the valuation model is covered by a provision in the financial statements (see Note 20).

Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation requests for late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the statutory performance warranties provisioned or included within contract costs (see Notes 2 b and 20). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized.
In the absence of an agreement between the parties, certain of these claims may give rise to litigation, the most significant of which is indicated in Note 31.

Note 31 - *Disputes and litigation*

Except for the matters described below, neither Safran nor any of its subsidiaries are, or have been, notably during the last 12 months, parties to any governmental, legal or arbitration proceedings that are likely to have, or have had, in the recent past, a significant effect on the financial position or profitability of Safran and/or the Safran Group. 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. The amount of the provisions booked is based on an evaluation of the level of risk for each case, and does not primarily depend on the status of the proceedings, although the occurrence of events during the proceedings can nonetheless lead to a reassessment of the risk. Safran believes that it has set aside adequate provisions to cover the risks of general or specific proceedings, either in progress or possible in the future.

- 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.

- In a decision dated May 26, 2011, the Paris Court of Appeals upheld the ruling of the Commercial Court and ordered Sagem Défense Sécurité to pay €10 million in damages to a supplier. As the Court of Appeals' decision was enforceable, Sagem Défense Sécurité paid these damages in full and adjusted the amount of its provisions accordingly. Sagem Défense Sécurité appealed this decision before the Court of Cassation.
  In a decision dated September 18, 2012, the Court of Cassation partially overturned the Court of Appeals' decision, ordering the supplier to reimburse Sagem Défense Sécurité in an amount of €9 million. The supplier has appealed this decision to the Court of Appeals. The parties entered into an agreement in June 2013 to settle the dispute under conditions deemed satisfactory for Sagem Défense Sécurité.

- SME, which was acquired by Safran from SNPE on April 5, 2011 and has been trading as Herakles since May 1, 2012, received a formal notice from the prefecture of Haute Garonne in July 2010 ordering the company to cease contaminating surface water supplies with perchlorate ion. Herakles filed an application for annulment of this order. Herakles then withdrew its application, the withdrawal being recorded by the Toulouse Administrative Court in an order dated April 2, 2013. A letter from the prefecture dated March 14, 2011 stated that an offense report would be drawn up for failure to comply with the prefecture's order. However, Herakles has not received any further information on this matter. In relation to this contamination, two reports were drawn up against Herakles for failure to separate networks and disclose pollution information, in addition to an offense report for the unauthorized discharge of a harmful substance.

  The urban community of Bordeaux (*Communauté Urbaine de Bordeaux* – CUB) served Herakles with a writ of summons for summary proceedings before the Paris Large Claims Court (*Tribunal de Grande Instance*). In an order handed down on May 3, 2012, a legal expert was appointed in order to determine the original cause and impact of the perchlorate-contaminated drinking water supply. Several meetings were held at which the legal expert requested various documents from the different parties. The proceedings are ongoing. At this stage, the urban community of Bordeaux has not disclosed the amount of its claim.

  The agreements governing the above-mentioned acquisition include environmental guarantees given by SNPE to Safran. Under these guarantees, Herakles is to carry out additional analyses and adopt a plan of action for perchlorate management (see Note 3), the content of which must be validated by the authorities. The implementation of the aforementioned plan should have a positive impact on 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 and in which Snecma's participation was approximately 10%. An agreement was signed by the parties in June 2003, whereby the claimant withdrew from the proceedings. In November 2012, the claimant filed a new request for arbitration on similar grounds to those invoked in 2002 and for a revised amount of €226 million. The parties are strongly challenging this claim. At the date of this report, it is not possible to evaluate any potential financial risk. Consequently, Safran has not recognized a provision. The proceedings are still ongoing.

- At the end of 2008, proceedings were brought against three employees of a Group subsidiary in connection with the alleged payment by Sagem SA of commissions to local intermediaries between 2000 and 2003. These payments were allegedly made in an attempt to corrupt employees of the Nigerian government with the aim of being awarded the State's electronic ID card contract. Safran was also placed under judicial investigation in connection with this case in February 2009. In a written statement dated January 18, 2011, the public prosecutor of Paris requested the partial dismissal of the claim in favor of Safran and one of the three employees indicted, and referral of the case of the other two employees to the Correctional Court. In an order dated February 28, 2011, the investigating judge decided to refer the case of Safran and the two employees to the Correctional Court. The third employee was acquitted. The case was heard before the Paris Correctional Court in June 2012. In a ruling on September 5, 2012, the Court acquitted the two employees involved in the case but declared Sagem SA guilty of corrupting foreign government officials. As a result, Safran was ordered to pay a fine of €500,000. The Company has appealed this decision. The proceedings are currently pending, and will be called before the Paris Court of Appeals in September 2014. In September 2009, a tax collection notice was issued for €11.7 million further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment was contested in a claim filed by Safran SA with the tax authorities in 2011. This claim was rejected by the authorities on June 20, 2012. Safran referred the case to the Montreuil Administrative Court on August 3, 2012 and the dispute is currently pending before this Court.

- In 2009 and 2010, Safran received several requests for information from the European Commission's Directorate General for Competition as part of an inquiry into activities previously carried out by Sagem SA. The activities concerned by the inquiry were sold to General Cable at the end of 2005. On July 5, 2011, Safran received a statement of objections from the European Commission. General Cable, which also received a statement of objections from the Commission in the same case, has filed a claim with Safran under the sale agreement in order to protect its rights in the event that an unfavourable decision against the entity sold is fully or partially covered by the vendor's warranty. Safran had access to the case file and replied to the objections in October 2011. The Commission is continuing its investigations and sent Safran a new questionnaire in May 2013. Safran was able to present its comments on the case during hearings organized by the European Commission in June 2012.
  Based on an analysis of all aspects of this case known to date, the Group's exposure to this risk is not considered material.

<u>Tax litigation and contingencies</u>

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expense between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007 before the tax authorities who rejected this claim on June 24, 2011. Safran filed a statement of claim with the Administrative Court. In a ruling handed down on July 4, 2013, the Montreuil Administrative Court ruled partially in Safran's favor by granting relief from the €7.2 million in additional tax payments. Safran appealed against this decision before the Versailles Administrative Court as regards the surplus. No provision has yet been set aside in respect of this dispute.

- In October 2010, a Group subsidiary in Brazil was served a tax deficiency notice for €56.2 million in connection with unpaid import levies and duties. In light of existing legislation and case law with regard to the customs clearance for aviation products, this tax adjustment was challenged, and in May 2012 a first ruling was handed down in favor of the subsidiary. This decision was upheld by a judgment handed down by a Brasilia Appeal Court. Since the Brazilian tax authorities are not challenging this latest decision, the dispute is now terminated.

- Another Group subsidiary in Brazil is accused of not having levied a value added tax known as ICMS in the period 2010-2011 when selling products to its customers. The amounts concerned came to BRL 172 million (around €52.8 million) at December 31, 2013, including BRL 144 million in penalties and interest. Following an analysis, the Company is challenging the grounds for this reassessment, based on initial case law decisions that have gone in favor of the taxpayer. No provision has therefore been set aside in this respect.

Note 32 - Subsequent events

None.

Note 33 - List of consolidated companies

	Country	2012 Consolidation method	2012 % interest	2013 Consolidation method	2013 % interest
Safran SA	**France**	**Parent company**			
Aerospace Propulsion					
Snecma	France	FC	100.00	FC	100.00
CFAN	United States	PC	50.00	PC	50.00
CFM International SA	France	PC	50.00	PC	50.00
CFM International Inc.	United States	PC	50.00	PC	50.00
CFM Materials LP	United States	PC	50.00	PC	50.00
Famat	France	PC	50.00	PC	50.00
Fan Blade Associates	United States	FC	100.00	FC	100.00
Shannon Engine Support Ltd	Ireland	PC	50.00	PC	50.00
Snecma America Engine Services	Mexico	FC	100.00	FC	100.00
Snecma Morocco Engine Services	Morocco	FC	51.00	FC	51.00
Snecma Participations SA	France	FC	100.00	FC	100.00
Snecma Participations Inc.	United States	FC	100.00	FC	100.00
Snecma Services Brussels	Belgium	FC	100.00	FC	100.00
Snecma Suzhou	China	FC	100.00	FC	100.00
Snecma Xinyi Airfoil Castings Co Ltd	China	FC	90.00	FC	90.00
Propulsion Technologies International	United States	PC	50.00	PC	50.00
Techspace Aero	Belgium	FC	67.19	FC	67.19
Cenco Inc.	United States	FC	67.19	FC	67.19
Techspace Aero Inc.	United States	FC	67.19	FC	67.19
Turbomeca SA	France	FC	100.00	FC	100.00
Microturbo SA	France	FC	100.00	FC	100.00
Turbomeca Africa Pty Ltd	South Africa	FC	51.00	FC	51.00
Turbomeca America Latina	Uruguay	FC	100.00	FC	100.00
Turbomeca Asia Pacific	Singapore	FC	100.00	FC	100.00
Turbomeca Australasia	Australia	FC	100.00	FC	100.00
Turbomeca Beijing Helicopter Engines Trading Cie Ltd (1)	China	FC	100.00	-	-
Turbomeca Canada	Canada	FC	100.00	FC	100.00
Turbomeca do Brasil	Brazil	FC	100.00	FC	100.00
Turbomeca Germany	Germany	FC	100.00	FC	100.00
Turbomeca Manufacturing Inc.	United States	FC	100.00	FC	100.00
Turbomeca Sud Americana (1)	Uruguay	FC	100.00	-	-
Turbomeca Tianjing Helicopter Engines Trading Cie Ltd	China	FC	100.00	FC	100.00
Turbomeca UK	United Kingdom	FC	100.00	FC	100.00
Turbomeca USA Inc.	United States	FC	100.00	FC	100.00
Turbomeca Mexico (2)	Mexico	-	-	FC	100.00
Herakles (formerly SME)	France	FC	100.00	FC	100.00
Europropulsion SA	France	PC	50.00	PC	50.00
Pyroalliance	France	FC	85.00	FC	85.00
Regulus	France	PC	40.00	PC	40.00
Roxel France SA	France	PC	50.00	PC	50.00
Roxel Ltd	United Kingdom	PC	50.00	PC	50.00
Roxel SAS	France	PC	50.00	PC	50.00
Structil	France	FC	80.00	FC	80.00

FC: Full consolidation. PC: Proportionate consolidation. EQ: Equity method.

(1) Left the Group in 2013.

(2) First-time consolidation in 2013.

	Country	2012 Consolidation method	2012 % interest	2013 Consolidation method	2013 % interest
Aircraft Equipment					
Aircelle	France	FC	100.00	FC	100.00
Aircelle Ltd	United Kingdom	FC	100.00	FC	100.00
Aircelle Maroc	Morocco	FC	100.00	FC	100.00
SLCA	France	FC	100.00	FC	100.00
Messier-Bugatti-Dowty	France	FC	100.00	FC	100.00
A-Pro Inc.	United States	PC	50.00	PC	50.00
Hydrep	France	PC	50.00	PC	50.00
Messier-Bugatti USA	United States	FC	100.00	FC	100.00
Messier-Bugatti-Dowty Malaisie	Malaysia	FC	100.00	FC	100.00
Messier-Dowty Inc.	Canada	FC	100.00	FC	100.00
Messier-Dowty Ltd	United Kingdom	FC	100.00	FC	100.00
Messier Dowty Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Messier Services Americas	Mexico	FC	100.00	FC	100.00
Messier Services Asia Pte Ltd	Singapore	FC	60.00	FC	60.00
Messier Services Inc.	United States	FC	100.00	FC	100.00
Messier Services Ltd	United Kingdom	FC	100.00	FC	100.00
Messier Services Mexico	Mexico	FC	100.00	FC	100.00
Messier Services Pte Ltd	Singapore	FC	100.00	FC	100.00
Sofrance SA	France	FC	100.00	FC	100.00
Suzhou II	China	FC	100.00	FC	100.00
Technofan SA	France	FC	95.15	FC	95.15
Technofan Inc.	United States	FC	100.00	FC	100.00
Labinal	France	FC	100.00	FC	100.00
Labinal de Chihuahua, SA de CV	Mexico	FC	100.00	FC	100.00
Labinal GmbH	Germany	FC	100.00	FC	100.00
Labinal Inc.	United States	FC	100.00	FC	100.00
Labinal Maroc	Morocco	FC	100.00	FC	100.00
Labinal de Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Labinal Salisbury Inc.	United States	FC	100.00	FC	100.00
Matis Aerospace	Morocco	PC	50.00	PC	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Hispano-Suiza SA	France	FC	100.00	FC	100.00
Hispano-Suiza Polska	Poland	FC	100.00	FC	100.00
Safran Power UK (1)	United Kingdom	-	-	FC	100.00
Safran Power US (1)	United States	-	-	FC	100.00
Globe Motors Inc. (2)	United States	FC	100.00	-	-
Globe Motors de Mexico, SA de CV (2)	Mexico	FC	100.00	-	-
Globe Motors Portugal (2)	Portugal	FC	100.00	-	-
SEM MB SA	France	PC	50.00	PC	50.00

FC: Full consolidation. PC: Proportionate consolidation. EQ: Equity method.

(1) First-time consolidation in 2013.

(2) Sale of Globe Motors on October 18, 2013.

		2012		2013	
	Country	Consolidation method	% interest	Consolidation method	% interest
Defence					
Sagem Défense Sécurité	France	FC	100.00	FC	100.00
Optics1 Inc.	United States	FC	100.00	FC	100.00
Safran Electronics Asia Pte Ltd	Singapore	FC	51.00	FC	51.00
Safran Electronics Canada	Canada	FC	100.00	FC	100.00
Sagem Avionics Inc.	United States	FC	100.00	FC	100.00
Sagem Navigation GmbH	Germany	FC	100.00	FC	100.00
Sofradir	France	PC	50.00	PC	50.00
ULIS	France	PC	42.51	PC	42.51
Vectronix AG	Switzerland	FC	100.00	FC	100.00
Vectronix Inc.	United States	FC	100.00	FC	100.00
REOSC (1)	France	-	-	FC	100.00

FC: Full consolidation. PC: Proportionate consolidation. EQ: Equity method.

(1) First-time consolidation in 2013.

	Country	2012 Consolidation method	2012 % interest	2013 Consolidation method	2013 % interest
Security					
Morpho	France	FC	100.00	FC	100.00
Aleat	Albania	FC	75.00	FC	75.00
Bioscrypt Canada Inc.	Canada	FC	100.00	FC	100.00
ComnetiX, Inc.	Canada	FC	100.00	FC	100.00
EIMASS	United Arab Emirates	PC	40.00	PC	40.00
Identix Incorporated (2)	United States	FC	100.00	-	-
Integrated Biometric Technology LLC (2)	United States	FC	100.00	-	-
Integrated Biometric Technology Services LLC (2)	United States	FC	100.00	-	-
L1 Identity Solutions Inc. (2)	United States	FC	100.00	-	-
L1 International Inc. (3)	United States	FC	100.00	-	-
L-1 Secure Credentialing, Inc.	United States	FC	100.00	FC	100.00
Morpho Australasia Pty Ltd	Australia	FC	100.00	FC	100.00
Morpho BV (formerly Sagem Identification BV)	Netherlands	FC	100.00	FC	100.00
Morpho Canada	Canada	FC	100.00	FC	100.00
Morpho Maroc	Morocco	FC	100.00	FC	100.00
Morpho South Africa (Pty) Ltd	South Africa	FC	100.00	FC	100.00
MorphoTrak Inc.	United States	FC	100.00	FC	100.00
Morpho Trust Inc.	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
SecuriMetrics, Inc.	United States	FC	100.00	FC	100.00
Trans Digital Technologies LLC	United States	FC	100.00	FC	100.00
Morpho Cards GmbH (formerly Sagem Orga GmbH)	Germany	FC	100.00	FC	100.00
Cassis America Inc	United States	FC	100.00	FC	100.00
Cassis International Europe	France	FC	100.00	FC	100.00
Cassis International Korea Co.Ltd (4)	South Korea	FC	100.00	-	-
Cassis International Pte Ltd	Singapore	FC	100.00	FC	100.00
Cassis Services Sdn Bhd	Malaysia	FC	100.00	FC	100.00
Morpho Cards do Brasil (formerly Sagem Orga do Brasil)	Brazil	FC	100.00	FC	100.00
Morpho Cards Colombia SAS	Colombia	FC	100.00	FC	100.00
Morpho Cards Indonesia	Indonesia	FC	100.00	FC	100.00
Morpho Cards Pte Ltd (formerly Sagem Orga Pte Ltd)	Singapore	FC	100.00	FC	100.00
Morpho Cards de Peru SAC	Peru	FC	100.00	FC	100.00
Morpho Cards Portugal (formerly Orga Card Portugal)	Portugal	FC	100.00	FC	100.00
Morpho Cards Romania SRL (formerly Sagem Orga SRL)	Romania	FC	100.00	FC	100.00
Morpho Cards UK Ltd (formerly Sagem Orga UK Ltd)	United Kingdom	FC	100.00	FC	100.00
Morpho Cards USA, Inc. (formerly Sagem Orga USA, Inc.)	United States	FC	100.00	FC	100.00
Morpho Cards South Africa Pty. Ltd (formerly Sagem Orga SA Pty Ltd)	South Africa	FC	100.00	FC	100.00
CPS Tecnologies (1)	France	-	-	FC	100.00
Morpho Cards Czech (1)	Czech Republic	-	-	FC	100.00
Orga Carte et Système (4)	France	FC	100.00	-	-
Orga Smart Chip Ltd	India	FC	100.00	FC	100.00
Orga Syscom Corporation Ltd	India	FC	100.00	FC	100.00
Orga Zelenograd Smart Cards and Systems	Russia	FC	100.00	FC	100.00
Sagem Orga FZ LLC	United Arab Emirates	FC	100.00	FC	100.00
Sagem Orga Mexico	Mexico	FC	100.00	FC	100.00
MorphoDetection Inc.	United States	FC	100.00	FC	100.00
Morpho Detection Hong Kong	China	FC	100.00	FC	100.00
Morpho Detection International Inc.	United States	FC	100.00	FC	100.00
Morpho Detection GmbH	Germany	FC	100.00	FC	100.00
Morpho Detection UK	United Kingdom	FC	100.00	FC	100.00
Quantum Magnetics Inc.	United States	FC	100.00	FC	100.00
Syagen Technology Inc.	United States	FC	100.00	FC	100.00
Ingenico	France	EQ	22.77	EQ	10.25

FC: Full consolidation. PC: Proportionate consolidation. EQ: Equity method.
(1) First-time consolidation in 2013.
(2) Merged into Morpho Trust Inc. on January 1, 2013.
(3) Merged into Morpho USA Inc. on January 1, 2013.
(4) Left the Group in 2013.

		2012		2013	
	Country	Consolidation method	% interest	Consolidation method	% interest
Holding co. and other					
Etablissements Vallaroche SA	France	FC	100.00	FC	100.00
Labinal Investments Inc.	United States	FC	100.00	FC	100.00
Lexvall 2 (1)	France	FC	100.00	-	-
Lexvall 13 (1)	France	FC	100.00	-	-
Safran UK	United Kingdom	FC	100.00	FC	100.00
Safran USA Inc.	United States	FC	100.00	FC	100.00
Sagem Mobiles	France	FC	100.00	FC	100.00
Soreval	Luxembourg	FC	100.00	FC	100.00

FC: Full consolidation. PC: Proportionate consolidation. EQ: Equity method.

(1) Merged into Etablissements Vallaroche SA at January 1, 2013.

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