CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

DECEMBER 31, 2014

SAFRAN
AEROSPACE · DEFENCE · SECURITY

The Board of Directors' meeting of February 24, 2015 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the year ended December 31, 2014.

Contents

Foreword **3**

Comparative adjusted consolidated income statement and segment information **5**

Consolidated financial statements **10**

Consolidated income statement **11**
Consolidated statement of comprehensive income **12**
Consolidated balance sheet **13**
Consolidated statement of changes in shareholders' equity **14**
Consolidated statement of cash flows **15**

Notes to the Safran Group consolidated financial statements **16**
Note 1 - Accounting policies *17*
Note 2 - Main sources of estimates *34*
Note 3 - Change in accounting policy *36*
Note 4 - Scope of consolidation *43*
Note 5 - Segment information *46*
Note 6 - Breakdown of the main components of profit from operations *48*
Note 7 - Financial income (loss) *51*
Note 8 - Income tax *51*
Note 9 - Earnings per share *53*
Note 10 - Goodwill *54*
Note 11 - Intangible assets *56*
Note 12 - Property, plant and equipment *58*
Note 13 - Current and non-current financial assets *59*
Note 14 - Investments in equity-accounted companies *60*
Note 15 - Inventories and work-in-progress *61*
Note 16 - Trade and other receivables *62*
Note 17 - Cash and cash equivalents *63*
Note 18 - Summary of financial assets *63*
Note 19 - Consolidated shareholders' equity *65*
Note 20 - Provisions *68*
Note 21 - Post-employment benefits *68*
Note 22 - Borrowings subject to specific conditions *74*
Note 23 - Interest-bearing financial liabilities *75*
Note 24 - Trade and other payables *78*
Note 25 - Other current and non-current financial liabilities *79*
Note 26 - Summary of financial liabilities *79*
Note 27 - Management of market risks and derivatives *81*
Note 28 - Interests in joint operations *89*
Note 29 - Related parties *89*
Note 30 - Off-balance sheet commitments and contingent liabilities *91*
Note 31 - Disputes and litigation *93*
Note 32 - Subsequent events *95*
Note 33 - List of consolidated companies *96*

Foreword

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

Readers are reminded that Safran:

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

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

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

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

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

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

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

		Currency hedges		Business combinations		
(in € millions)	**2014 consolidated data**	Remeasurement of revenue (1)	Deferred hedging gain (loss) (2)	Amortization of intangible assets from Sagem-Snecma merger (3)	PPA impacts – other business combinations (4)	**2014 adjusted data**
Revenue	**15,044**	**311**	**-**	**-**	**-**	**15,355**
Other recurring operating income and expenses	(13,589)	5	(33)	147	159	(13,311)
Share in profit from joint ventures	45	-	-	-	-	45
Recurring operating income	**1,500**	**316**	**(33)**	**147**	**159**	**2,089**
Other non-recurring operating income and expenses	(107)	-	-	-	-	(107)
Profit from operations	**1,393**	**316**	**(33)**	**147**	**159**	**1,982**
Cost of debt	(42)	-	-	-	-	(42)
Foreign exchange gains (losses)	(1,654)	(316)	1,922	-	-	(48)
Other financial income and expense	(75)	-	-	-	-	(75)
Financial income (loss)	**(1,771)**	**(316)**	**1,922**	**-**	**-**	**(165)**
Income tax expense (benefit)	292	-	(717)	(51)	(46)	(522)
Share in profit from associates	18	-	-	-	-	18
Profit (loss) from continuing operations	**(68)**	**-**	**1,172**	**96**	**113**	**1,313**
Profit (loss) for the period attributable to non-controlling interests	**(58)**	**-**	**(5)**	**(2)**	**-**	**(65)**
Profit (loss) for the period attributable to owners of the parent	**(126)**	**-**	**1,167**	**94**	**113**	**1,248**

(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 (€1,922 million excluding tax), and the negative impact of taking into account hedges when measuring provisions for losses on completion (€33 million).

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

(4) Including cancellation of depreciation, amortization and impairment of identifiable property, plant and equipment and intangible assets (€142 million), and the impacts of remeasuring inventories and other assets and liabilities in connection with acquisitions (€25 million), along with losses on remeasuring the Group's previously held interest in Hydrep (€8 million).

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 17, 2015, once specific verifications and a review of events subsequent to February 24, 2015 have been performed.

Comparative adjusted consolidated income statement and segment information

Adjusted income statement

(in € millions)	2013 Adjusted data (published)	IFRS 11 impact*	2013 Adjusted data (restated)	2014 Adjusted data
Revenue	**14,695**	**(332)**	**14,363**	**15,355**
Other income	264	(6)	258	291
Income from operations	**14,959**	**(338)**	**14,621**	**15,646**
Change in inventories of finished goods and work-in-progress	(6)	(14)	(20)	275
Capitalized production	911	(4)	907	998
Raw materials and consumables used	(8,639)	196	(8,443)	(9,043)
Personnel costs	(4,506)	64	(4,442)	(4,744)
Taxes	(276)	5	(271)	(275)
Depreciation, amortization, and increase in provisions, net of use	(531)	31	(500)	(639)
Asset impairment	(78)	(4)	(82)	(66)
Other recurring operating income and expenses	(46)	4	(42)	(108)
Share in profit from joint ventures	-	52	52	45
Recurring operating income	**1,788**	**(8)**	**1,780**	**2,089**
Other non-recurring operating income and expenses	(31)	(3)	(34)	(107)
Profit from operations	**1,757**	**(11)**	**1,746**	**1,982**
Cost of net debt	(42)	-	(42)	(42)
Foreign exchange gains (losses)	(26)	-	(26)	(48)
Other financial income and expense	(70)	-	(70)	(75)
Financial income (loss)	**(138)**	**-**	**(138)**	**(165)**
Profit before tax	**1,619**	**(11)**	**1,608**	**1,817**
Income tax expense (benefit)	(540)	11	(529)	(522)
Share in profit from associates	15	-	15	18
Capital gain from the sale of Ingenico shares	131	-	131	-
Profit for the period	**1,225**	**-**	**1,225**	**1,313**
Attributable to:				
owners of the parent	1,193	-	1,193	1,248
non-controlling interests	32	-	32	65
Earnings per share attributable to owners of the parent (in €)				
Basic earnings per share	2.87	-	2.87	3.00
Diluted earnings per share	2.87	-	2.87	3.00

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

Segment information

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

At December 31, 2014

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**8,153**	**4,446**	**1,221**	**1,530**	**15,350**	**5**	**15,355**	**(311)**	**-**	**15,044**
Recurring operating income (loss) (1)	**1,633**	**426**	**71**	**134**	**2,264**	**(175)**	**2,089**	**(283)**	**(306)**	**1,500**
Other non-recurring operating income and expenses	(9)	(58)	3	(25)	**(89)**	(18)	**(107)**	-	-	**(107)**
Profit (loss) from operations	**1,624**	**368**	**74**	**109**	**2,175**	**(193)**	**1,982**	**(283)**	**(306)**	**1,393**
Free cash flow	**380**	**149**	**17**	**97**	**643**	**97**	**740**	**-**	**-**	**740**
Gross operating working capital	**(201)**	**1,137**	**398**	**151**	**1,485**	**(147)**	**1,338**	**-**	**-**	**1,338**
Segment assets	**12,102**	**5,585**	**1,815**	**2,697**	**22,199**	**1,021**	**23,220**	**-**	**-**	**23,220**
(1) of which depreciation, amortization and increase in provisions, net of use	(338)	(173)	(44)	(64)	**(619)**	(20)	**(639)**	26	(281)	**(894)**
of which impairment	(41)	(17)	(2)	(6)	**(66)**	-	**(66)**	7	-	**(59)**

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	**7,589**	**4,091**	**1,197**	**1,482**	**14,359**	**4**	**14,363**	**(205)**	**-**	**14,158**
Recurring operating income (loss) (1)	**1,358**	**376**	**84**	**120**	**1,938**	**(158)**	**1,780**	**(216)**	**(277)**	**1,287**
Other non-recurring operating income and expenses	(16)	(3)	7	(3)	**(15)**	(19)	**(34)**	-	216	**182**
Profit (loss) from operations	**1,342**	**373**	**91**	**117**	**1,923**	**(177)**	**1,746**	**(216)**	**(61)**	**1,469**
Free cash flow	**493**	**73**	**126**	**(49)**	**643**	**56**	**699**	**-**	**-**	**699**
Gross operating working capital	**(443)**	**1,060**	**368**	**141**	**1,126**	**(41)**	**1,085**	**-**	**-**	**1,085**
Segment assets	**10,474**	**5,032**	**1,679**	**2,508**	**19,693**	**1,372**	**21,065**	**-**	**-**	**21,065**
(1) of which depreciation, amortization and increase in provisions, net of use	(217)	(173)	(46)	(36)	**(472)**	(28)	**(500)**	(9)	(250)	**(759)**
of which impairment	(69)	4	(19)	1	**(83)**	1	**(82)**	(4)	-	**(86)**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Revenue (adjusted data)

(in € millions)		2013*	2014
Aerospace Propulsion			
Original equipment and related products and services		3,585	3,723
Services		3,666	4,080
Sales of studies		264	281
Other		74	69
	Sub-total	7,589	8,153
Aircraft Equipment			
Original equipment and related products and services		2,669	2,912
Services		1,190	1,280
Sales of studies		149	192
Other		83	62
	Sub-total	4,091	4,446
Defence			
Sales of equipment		806	790
Services		282	300
Sales of studies		106	127
Other		3	4
	Sub-total	1,197	1,221
Security			
Sales of equipment		1,167	1,209
Services		292	307
Sales of studies		17	6
Other		6	8
	Sub-total	1,482	1,530
Holding company and other			
Other		4	5
	Sub-total	4	5
Total		**14,363**	**15,355**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

Information by geographic area

At December 31, 2014

(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	3,227	3,325	5,029	2,686	1,088	**15,355**	(311)	**15,044**
%	21%	22%	33%	17%	7%			
Non-current assets by location	8,361	1,598	2,316	221	159			**12,655**
%	66%	13%	18%	2%	1%			

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	3,141	3,172	4,625	2,389	1,036	**14,363**	(205)	**14,158**
%	22%	22%	32%	17%	7%			
Non-current assets by location	7,423	1,459	1,945	174	161			**11,162**
%	67%	13%	17%	2%	1%			

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

In 2014, the General Electric group accounted for 12% of consolidated revenue. The bulk of revenue with General Electric derives from parts used in connection with fleet maintenance services provided to airline companies. Virtually all business with this customer is shown in the "North America" region and in the "Aerospace Propulsion" operating segment. No other individual customer alone accounted for more than 10% of Group revenue in 2014.

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

Safran Group

consolidated financial statements

Consolidated income statement

(in € millions)	Note	2013*	2014
Revenue	*6*	**14,158**	**15,044**
Other income	*6*	258	291
Income from operations		**14,416**	**15,335**
Change in inventories of finished goods and work-in-progress		(46)	255
Capitalized production		907	998
Raw materials and consumables used	*6*	(8,452)	(9,048)
Personnel costs	*6*	(4,442)	(4,744)
Taxes		(271)	(275)
Depreciation, amortization, and increase in provisions, net of use	*6*	(759)	(894)
Asset impairment	*6*	(86)	(59)
Other recurring operating income and expenses	*6*	(32)	(113)
Share in profit from joint ventures	*3 and 14*	52	45
Recurring operating income		**1,287**	**1,500**
Other non-recurring operating income and expenses	*6*	182	(107)
Profit from operations		**1,469**	**1,393**
Cost of net debt		(42)	(42)
Foreign exchange gains (losses)		551	(1,654)
Other financial income and expense		(70)	(75)
Financial income (loss)	*7*	**439**	**(1,771)**
Profit (loss) before tax		**1,908**	**(378)**
Income tax benefit (expense)	*8*	(639)	292
Share in profit from associates	*14*	15	18
Capital gain from the sale of Ingenico shares	*4*	131	-
Profit (loss) from continuing operations		**1,415**	**(68)**
Profit (loss) for the period		**1,415**	**(68)**
Attributable to:			
owners of the parent		1,386	(126)
non-controlling interests		29	58
Earnings per share attributable to owners of the parent (in €)	*9*		
Basic earnings (loss) per share		3.33	(0.30)
Diluted earnings (loss) per share		3.33	(0.30)

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Consolidated statement of comprehensive income

(in € millions)	2013*	2014
Profit (loss) for the period	**1,415**	**(68)**
Other comprehensive income (expense)		
Items to be recycled to profit	**(102)**	**318**
Available-for-sale financial assets	4	21
Foreign exchange differences and net investment hedges	(79)	230
Income tax related to components of other comprehensive income to be recycled to profit	(12)	30
Share in other comprehensive income of equity-accounted companies (net of tax)	(15)	37
Items not to be recycled to profit	**(15)**	**(79)**
Actuarial gains and losses on post-employment benefits	(21)	(113)
Income tax related to components of other comprehensive income not to be recycled to profit	6	34
Share in other comprehensive income of equity-accounted companies (net of tax) not to be recycled to profit	-	-
Other comprehensive income (expense) for the period	**(117)**	**239**
Total comprehensive income for the period	**1,298**	**171**
Attributable to:		
- owners of the parent	1,273	113
- non-controlling interests	25	58

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Changes in translation adjustments in 2014 include:

- €39 million in translation gains (€6 million in translation losses in 2013) arising on long-term financing for foreign subsidiaries. This financing meets the criteria for classification as a net investment in a foreign operation and is treated in accordance with the applicable provisions of IAS 21;
- €118 million in translation losses (gains of €39 million in 2013) 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;
- €309 million in translation gains (€112 million in translation losses in 2013) on foreign subsidiaries excluding equity-accounted companies.

In 2014, the portion of other comprehensive income of equity-accounted companies (net of tax) to be recycled to income for €37 million solely relates to changes in translation adjustments on foreign joint ventures. In 2013, this amount included €12 million in translation losses arising on foreign joint ventures and €3 million in translation losses arising on associates.

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 Note 21).

Consolidated balance sheet

ASSETS *(in € millions)*	*Note*	Jan. 1, 2013*	Dec. 31, 2013*	Dec. 31, 2014
Goodwill	*10*	2,981	3,399	3,420
Intangible assets	*11*	3,852	4,620	5,536
Property, plant and equipment	*12*	2,292	2,463	2,928
Non-current financial assets	*13*	268	370	446
Investments in equity-accounted companies	*14*	836	680	771
Non-current derivatives (positive fair value)	*27*	62	-	29
Deferred tax assets	*8*	240	203	228
Other non-current financial assets		13	12	-
Non-current assets		**10,544**	**11,747**	**13,358**
Current financial assets	*13*	171	195	221
Current derivatives (positive fair value)	*27*	585	864	377
Inventories and work-in-progress	*15*	4,001	3,998	4,265
Trade and other receivables	*16*	4,879	4,967	5,827
Tax assets	*8*	411	380	452
Cash and cash equivalents	*17*	2,083	1,547	1,633
Current assets		**12,130**	**11,951**	**12,775**
Total assets		**22,674**	**23,698**	**26,133**

EQUITY AND LIABILITIES *(in € millions)*	*Note*	Jan. 1, 2013*	Dec. 31, 2013*	Dec. 31, 2014
Share capital	*19*	83	83	83
Consolidated retained earnings	*19*	5,726	5,137	6,246
Net unrealized gains on available-for-sale financial assets	*19*	25	29	50
Profit (loss) for the period		-	1,386	(126)
Equity attributable to owners of the parent		**5,834**	**6,635**	**6,253**
Non-controlling interests		**163**	**178**	**225**
Total equity		**5,997**	**6,813**	**6,478**
Provisions	*20*	1,805	1,738	1,870
Borrowings subject to specific conditions	*22*	670	670	713
Non-current interest-bearing financial liabilities	*23*	2,249	1,291	1,658
Non-current derivatives (negative fair value)	*27*	12	36	-
Deferred tax liabilities	*8*	952	1,264	728
Other non-current financial liabilities	*25*	104	140	101
Non-current liabilities		**5,792**	**5,139**	**5,070**
Provisions	*20*	1,061	1,220	1,459
Current interest-bearing financial liabilities	*23*	941	1,445	1,507
Trade and other payables	*24*	8,493	8,668	9,638
Tax liabilities	*8*	151	199	220
Current derivatives (negative fair value)	*27*	213	150	1,636
Other current financial liabilities	*25*	26	64	125
Current liabilities		**10,885**	**11,746**	**14,585**
Total equity and liabilities		**22,674**	**23,698**	**26,133**

* The data published for January 1 and December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Notes 3.a and 3.b).

Consolidated statement of changes in shareholders' equity

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments and net investment hedges	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit (loss) for the period	Other	**Equity attributable to owners of the parent**	Non-controlling interests	**Total**
At January 1, 2013	**83**	**3,360**	**(18)**	**25**	**120**	**1,174**	**(276)**	**1,282**	**84**	**5,834**	**163**	**5,997**
Comprehensive income for the period	-	-	-	4	(91)	-	(21)	1,386	(5) (a)	**1,273**	25	**1,298**
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 December 31, 2013*	**83**	**3,360**	**(17)**	**29**	**29**	**1,986**	**(297)**	**1,386**	**76**	**6,635**	**178**	**6,813**
Comprehensive income for the period	-	-	-	21	267	-	(113)	(126)	64 (a)	**113**	58	**171**
Acquisitions/disposals of treasury shares	-	-	-	-	-	-	-	-	(1)	**(1)**	-	**(1)**
Dividends	-	-	-	-	-	(267)	-	-	-	**(267)**	(11)	**(278)**
2014 interim dividend	-	-	-	-	-	(233)	-	-	-	**(233)**	-	**(233)**
Other movements	-	-	-	-	-	1,386	-	(1,386)	6	**6**	-	**6**
At December 31, 2014	**83**	**3,360**	**(17)**	**50**	**296**	**2,872**	**(410)**	**(126)**	**145**	**6,253**	**225**	**6,478**

* The data published for January 1 and December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b). The impact on consolidated equity was a negative €1 million in 2013.

(a) see table below:

	Tax impact on actuarial gains and losses	Tax impact on translation adjustments	Total
Comprehensive income (expense) for 2013 (attributable to owners of the parent)	7	(12)	(5)
Comprehensive income (expense) for 2014 (attributable to owners of the parent)	34	30	64

14

Consolidated statement of cash flows

(in € millions)		*Note*	2013*	2014
I. Cash flow from operating activities				
Profit (loss) attributable to owners of the parent			**1,386**	**(126)**
Depreciation, amortization, impairment and provisions (1)			916	1,160
Share in profit from associates (net of dividends received)		*14*	(26)	(36)
Change in fair value of currency and commodity derivatives (2)		*27*	(432)	1,934
Capital gains and losses on asset disposals (3)			(385)	(12)
Profit (loss) attributable to non-controlling interests			29	58
Other			458	(510)
Cash flow from operations, before changes in working capital			**1,946**	**2,468**
Change in inventories and work-in-progress		*15*	54	(185)
Change in operating receivables and payables (4)		*16, 24, 27*	193	(58)
Change in other receivables and payables (5)		*16, 24*	(73)	132
Change in working capital			**174**	**(111)**
	TOTAL I (6)		**2,120**	**2,357**
II. Cash flow used in investing activities				
Capitalization of R&D expenditure (7)		*11*	(720)	(676)
Payments for the purchase of intangible assets, net of proceeds (8)			(212)	(267)
Payments for the purchase of property, plant and equipment, net of proceeds (9)			(489)	(674)
Payments arising from the acquisition of investments or businesses, net			(733)	(272)
Proceeds arising from the sale of investments or businesses, net			353	5
Proceeds (payments) arising from the sale (acquisition) of investments and loans			(35)	(70)
	TOTAL II		**(1,836)**	**(1,954)**
III. Cash flow used in financing activities				
Change in share capital			-	-
Acquisitions and disposals of treasury shares		*19.c*	2	(1)
Repayment of borrowings and long-term debt		*23*	(98)	(850)
Increase in borrowings		*23*	9	209
Change in repayable advances		*22*	(27)	3
Change in short-term borrowings		*23*	(210)	809
Dividends and interim dividends paid to owners of the parent		*19.c*	(471)	(500)
Dividends paid to non-controlling interests			(10)	(11)
	TOTAL III		**(805)**	**(341)**
Effect of changes in foreign exchange rates	**TOTAL IV**		**(15)**	**24**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV**		**(536)**	**86**
Cash and cash equivalents at beginning of year			2,083	1,547
Cash and cash equivalents at end of year		*17*	1,547	1,633
Net increase (decrease) in cash and cash equivalents			**(536)**	**86**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Including in 2014 €818 million in depreciation and amortization (€730 million in 2013), €137 million in impairment (€107 million in 2013) and €205 million in provisions (€79 million in 2013).

(2) Including in 2014 change in fair value of currency derivatives of €1,924 million ((€438) million in 2013).

(3) Including in 2013 the capital loss on the disposal of Ingenico amounting to €131 million.

(4) Including in 2014 premiums for €36 million received on currency options (see Note 27), shown in the balance sheet under current derivatives with a negative fair value (€95 million in 2013).

(5) Excluding changes in deferred income arising on the research tax credit (see Note 1.h), which amounted to €13 million in 2014 (€22 million in 2013).

(6) Including in 2014 taxes paid amounting to €279 million (€171 million in 2013), of which €85 million in interest paid (€93 million in 2013) and €38 million in interest received (€43 million in 2013).

(7) Including in 2014 capitalized interest of €32 million (€26 million in 2013).

(8) Including in 2014 €265 million in disbursements for acquisitions of intangible assets (€265 million in 2013), €1 million in proceeds from disposals (€28 million in 2013) and adverse changes in amounts payable on acquisitions of non-current assets representing €3 million (positive changes of €25 million in 2013).

(9) Including in 2014 €727 million in disbursements for acquisitions of property, plant and equipment (€567 million in 2013), €38 million in proceeds from disposals (€55 million in 2013) and positive changes in amounts payable on acquisitions of non-current assets representing €15 million (€23 million in 2013).

Notes to the Safran Group 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 24, 2015 adopted and authorized the publication of the 2014 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders' Meeting.

Note 1 - Accounting policies

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union (available from http://ec.europa.eu/finance/accounting/ias/index_en.htm) at the date the consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 2014

- 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 IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 12, Disclosure of Interests in Other Entities: Transition Guidance;
- 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;
- Amendments to IAS 36, Impairment – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.

The changes and impacts resulting from the application of IFRS 11 are detailed Note 3, "Change in accounting policy". IFRS 12 introduces a host of new disclosure requirements regarding an entity's interests in other entities and particularly those accounted for by the equity method (see Note 14).

Other standards, interpretations and amendments effective for reporting periods beginning on or after January 1, 2014 do not have a material impact on the Group's financial statements.

New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2014

None.

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

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- Amendment to IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income and Disclosure Initiative;
- Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization;
- Amendments to IAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions;
- Amendments to IAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 12, Disclosure of Interests in Other Entities; and IAS 28, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception;
- Amendments to IFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations;
- Improvements to IFRS published in December 2013;
- Improvements to IFRSs published in September 2014;
- IFRIC 21, Levies.

Except for the amendments to IAS 19, annual IFRS improvements and IFRIC 21, these new standards, amendments and interpretations have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even if early adoption were permitted by the texts concerned.

The Group has assessed or is in the process of assessing the impacts resulting from the first-time application of these standards, amendments and interpretations.
The Group estimated the impact of the new interpretation IFRIC 21, Levies, on the 2014 accounts to be included for comparative purposes in the 2015 financial statements. As a result of IFRIC 21, the Group expects consolidated equity to increase by around €13 million at January 1, 2014 and around €25 million in recurring operating expenses (chiefly taxes levied in France and the US) will be accounted for in first-half 2014 instead of in the second half of that year.

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. These are entities over which the Group has the power to direct the relevant activities in order to earn returns and can affect those returns through its power over the investee. Power generally results from holding a majority of voting rights (including potential voting rights when these are substantive) or contractual rights. When the Group has a majority interest in an entity managed as part of a US proxy agreement, the Group has sole control over that entity since the proxy holders act as agents charged with carrying out the Group's strategy and do not hold any substantive rights.

Entities controlled jointly by Safran and another group, known as joint arrangements, are entities for which decisions about the relevant activities (budget, management appointments, etc.) require the unanimous consent of the parties sharing control. There are two types of joint arrangement:

- joint operations are entities where, based on the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement, and other facts and circumstances, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Each partner accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation, unless the arrangement specifies otherwise;
- joint ventures are entities where the parties that have joint control of the arrangement have rights to the net assets of the arrangement only. Each partner recognizes its share in the net assets of the venture using the equity method.

Entities over which Safran exercises significant influence ("associates") are accounted for under the equity method. Significant influence is presumed to exist when the Group holds at least 20% of voting rights. However, significant influence must be demonstrated when the Group holds less than 20% of the voting rights. The fact that the Group is represented on its investee's management body (Board of Directors, etc.) indicates that it exercises significant influence over that investee.

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

The removal of a company from the scope of consolidation is effective as of the date sole or joint control or significant influence is relinquished. If the loss of control occurs without any transfer of interest, for example due to dilution, the company's removal from the scope of consolidation is simultaneous with the event that triggers such loss of control or significant influence.

Non-controlling interests represent the portion of profit and net assets not held by owners of the parent, and are presented separately in the income statement, statement of comprehensive income and shareholders' equity.

IFRS 10 states that any changes in the percent interest in a fully consolidated company that do not result in the loss or acquisition of control are to be recognized in equity attributable to owners of the parent. This applies to acquisitions of additional shares in a subsidiary after control has been obtained in a previous acquisition or to sales of shares that do not result in a loss of control.

Sales of shares that result in a loss of control are to be recognized in profit or loss and the gain or loss on disposal is to be calculated on the entire ownership interest at the date of the transaction. Certain other items of comprehensive income attributable to majority shareholders will be recycled to income. Any residual interest retained is to be remeasured at fair value through profit or loss when control is relinquished.

Acquisitions of shares that give the Group sole control over an entity will be recognized in accordance with the policies governing business combinations described in Note 1.c.

<u>Intragroup transactions</u>

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

When a fully consolidated company carries out a transaction (e.g., sale of an asset) with one of its joint operations, any resulting gains or losses are recognized in the consolidated financial statements solely in proportion to the percentage interest held in the joint operation outside the Group.
However, when a fully consolidated company carries out a transaction (e.g., purchase of an asset) with one of its joint operations, its share of the gain or loss is only recognized in the consolidated financial statements when the fully consolidated entity resells that asset to a third party.
Such transactions are not eliminated when the joint operation acts solely as an intermediary (agent) or renders balanced services for the benefit of, or as a direct extension of, the businesses of its various shareholders.

When a fully consolidated company carries out a transaction with a joint venture or associate accounted for under the equity method, any resulting gains or losses are recognized in the consolidated financial statements solely to the extent of the percentage interest held in the joint venture or associate outside the Group.

c) Business combinations

The Group has applied the revised IFRS 3 since January 1, 2010. As the application of this revised standard is prospective, business combinations carried out prior to January 1, 2010 continue to be accounted for under the previous IFRS 3.

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. Only items that should have been taken into account at the date of the combination but for which the acquirer did not hold all of the relevant information at that date can give rise to an adjustment in the purchase price consideration.

Any previously held interests in the acquiree are remeasured to fair value, with the resulting gain or loss recognized in profit or loss.

Goodwill

At the acquisition date, goodwill is measured as the difference between:

- the acquisition-date fair value of the consideration transferred, plus the amount of any non-controlling interest in the acquiree, measured based on the share in the net assets acquired (including fair value adjustments), or on the overall value of the acquiree; and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

When goodwill arises on the acquisition of fully consolidated companies or interests in joint operations, it is carried under assets in the balance sheet under the heading "Goodwill". Negative goodwill is recorded immediately in profit or loss. However, goodwill arising on the acquisition of interests in joint ventures and associates is recorded on the line "Investments in equity-accounted companies", in accordance with IAS 28.

Goodwill may be adjusted within 12 months of the acquisition to take into account the definitive estimate of the fair value of the assets acquired and liabilities assumed. Only new information about facts and circumstances existing at the date of the combination can give rise to an adjustment against goodwill. Beyond this period, adjustments are recorded in profit or loss.

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs), 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 within a maximum period of one year. Non-current assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented on separate lines of the consolidated balance sheet.

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.v. 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.v).

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.

<u>Service contracts</u> (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. This concerns in particular design sales contracts or unit-based contracts (e.g., flying hours) as well as installed base maintenance and support 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 annual reporting period.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when tax is levied by the same tax authority and offsetting is permitted by the local tax authorities.

The liability method is applied and the impact of changes in tax rates is recognized in profit or loss for the period in which the corresponding tax law was enacted and the change in tax rate decided, unless the transactions concerned are recognized directly in equity.

The 3% tax on dividend distributions applicable in France is recognized as a tax expense in the period in which the related dividends were paid.

Research tax credits in France, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development expenses incurred during the period. Accordingly, they are classified under the heading “Other income” in the income statement, and not as a decrease in income tax expense. The recognition of all or part of research tax credits received in the year as revenue can be deferred over several periods provided the tax credits relate to development expenditures capitalized in the Group's consolidated financial statements.

The "CICE" tax credit introduced to boost competitiveness and employment in France is also recognized in "Other income" as it is treated as an operating subsidy.

i) Earnings per share

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

Diluted earnings per share is calculated by dividing profit by the weighted average number of shares issued or to be issued at the end of the reporting period, 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 on the acquisition of Rolls Royce's stake in the RTM322 program and classified under "Aircraft programs" are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;
- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangible assets acquired) are amortized over the estimated useful life of each identified intangible asset (3 to 23 years);
- 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 of development expenditures ceases as soon as the product to which the 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 reduction of the debt in order to produce a constant periodic rate of interest for the remaining balance of the liability for each period.

The gross amount of items of property, plant and equipment is depreciated over the expected useful life of their main components, mainly using the straight-line method.

If the transfer of ownership at the end of a finance lease term is certain, the item of property, plant and equipment is depreciated over its useful life. Otherwise, the item of property, plant and equipment is depreciated over the shorter of its useful life and the term of the lease.

The main useful lives applied are as follows:

Buildings	15-40 years
Technical facilities	5-40 years
Equipment, tooling and other	5-15 years

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 1.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 to which goodwill is allocated, corresponding to the business segments monitored by Group management and relating chiefly to the Group's main subsidiaries.

In the event of a sale or restructuring of the Group's internal operations which affects the composition of one or more of the CGUs to which goodwill has been allocated, the allocations are revised using a method based on relative value. This method takes the proportion represented by the business sold or transferred in the cash flows and terminal value of the original CGU at the date of sale or transfer.

Impairment tests are performed at least once a year (in the first half of the year) on assets with indefinite useful lives or on non-amortizable assets such as goodwill. Impairment tests are also carried out on amortizable assets, where the amortization/depreciation period has not yet begun. Impairment testing is carried out whenever there is an indication of impairment irrespective of whether the assets are amortizable/depreciable.

At the end of each reporting period, the Group's entities assess whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes which in the long-term impact the economic environment (commercial prospects, procurement sources, index or cost movements, etc.) or the Group's assumptions or objectives (medium-term plan, profitability analyses, market share, backlog, regulations, disputes and litigation, etc.).

If such events or circumstances exist, the recoverable amount of the asset is estimated. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered as impaired and its carrying amount is reduced to its recoverable amount by recognizing an impairment loss under "Profit from operations".

Recoverable amount is defined as the higher of an asset's or group of assets' fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, determined using a benchmark discount rate that reflects the Group's weighted average cost of capital (WACC). This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

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

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[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.

- (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.

In the event of an identified loss in value, any impairment loss recognized against goodwill cannot be reversed. For other assets, indications of impairment loss are analyzed at the end of each subsequent reporting period, and if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed through profit or loss.

m) Equity investments, loans and receivables

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, equity investments in non-consolidated companies are classified as available-for-sale and therefore measured at fair value. For listed securities, fair value corresponds to market price. If fair value cannot be measured reliably, investments are recognized at 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 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 or unleveraged 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 personnel 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 savings plans

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 calculated as described above, and the subscription price, and is expensed in full within profit or loss at the end of the subscription period.

For its employee share ownership scheme initiated by one of the Group's shareholders, the basis of measurement and recognition is identical to that described above, except that as the scheme does not offer any leverage, no opportunity gain is taken into account when measuring the fair value of the shares subscribed.

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, However, specific warranties may be granted for a longer period These provisions 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 measured using the projected unit credit method. This determines, for each employee, the present value of the benefits to which the employee's current and past services will grant entitlement on retirement. The actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial (discount rate, salary increase rate, etc.) assumptions, and are performed at the end of each reporting period for which accounts are published.

When 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 (revised).

When plans are funded, the plan assets are placed with entities that are responsible for paying the benefits in the countries concerned. These assets are measured at fair value. Provisions are recorded to cover shortfalls in the fair value of plan assets compared with the present value of the Group's obligations.

An asset surplus is only recognized in the balance sheet when it represents future economic benefits effectively available to the Group.

In accordance with the revised IAS 19, changes in actuarial gains and losses arising on defined benefit plans are recognized in "Other comprehensive income" and not subsequently recycled to profit. They are shown on the balance sheet 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 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.v), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

v) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates. 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).

Owing to the Group's select choice of counterparties, 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)".

w) Sale of receivables

Some Group subsidiaries sell their trade receivables. The asset may be removed from the balance sheet only 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.).

x) Structure of the consolidated balance sheet

The Group is engaged in a variety of activities, most of which have long operating cycles. Consequently, assets and liabilities generally realized or unwound within the scope of the operating cycle (inventories and work-in-progress, receivables, advances and downpayments received from customers, trade and other payables, and foreign currency and commodity derivatives, etc.) are presented with no separation between current and non-current portions. However, other financial assets and liabilities as well as provisions are considered as current if they mature within 12 months of the end of the reporting period. All other financial assets, liabilities and provisions are considered non-current.

y) Recurring operating income

To make the Group's operating performance more transparent, Safran includes an intermediate operating indicator known as "Recurring operating income" in its reporting.

This sub-total includes the share of profit from joint ventures accounted for under the equity method, since all joint ventures are involved in businesses directly related to the Group's core activities.

This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature, such as:

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., 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 cases, the assumptions and where appropriate the reported amounts of assets and liabilities concerned are adjusted accordingly.

The Group also tests its sensitivity to changes in the assumptions underlying its main estimates in order to anticipate the impact of volatility and lack of visibility in the global economic environment and particularly in certain Group 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 material estimates used by the Group to prepare its financial statements relate to forecasts of future cash flows under programs and contracts (business plans). Forecast future total cash flows under programs and contracts represent management's best estimate of the rights and obligations expected to derive from the program or contract.

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

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

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

- impairment of non-current assets: Goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.l. The recoverable amount of these assets is generally determined using cash flow forecasts as defined above;

- **capitalization of development expenditures**: The conditions for capitalizing development expenditures are set out in Note 1.j. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts drawing on the key assumptions described above. The Group also uses estimates when determining the useful life of its projects;

- **profit (loss) on completion of contracts accounted for under the percentage-of-completion method**: The Group uses the percentage-of-completion method to account for certain contracts. Under this method, it recognizes revenue based on the percentage of work completed, calculated by reference to the technical objectives met or costs incurred. This method requires an estimate of results on completion using future cash flow forecasts that take into account contractual indexes and commitments as well as other factors inherent to the contract based on historical and/or forecast data. This method also requires an estimate of the contract's stage of completion.
When the total costs that are necessary to cover the Group's risks and obligations under the contract are likely to exceed total contract revenue, the expected loss is recognized within losses on completion;

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

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

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

b) Provisions

Provisions reflect management's best estimates using available information, past experience and, in some cases, estimates 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 developments that could materially impact the provisions recognized.

c) Post-employment benefits

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

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

d) Trade and other receivables

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

e) Allocation of the cost of business combinations

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

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

f) Disputes and litigation

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 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 IFRS 11, Joint Arrangements, with effect from January 1, 2014. Under IFRS 11, jointly controlled entities may no longer be proportionately consolidated.
Entities that were previously proportionately consolidated by the Group have been classified as either joint operations or joint ventures as defined by IFRS 11. In all, 12 entities which were previously proportionately consolidated have been classified as joint ventures as defined by IFRS 11 and are therefore now accounted for by the equity method (see Note 14.b). Since the businesses of these entities are closely linked to the Group's own operations, the Group's share in their profit is presented in its recurring operating income.
The other seven joint arrangements previously proportionately consolidated have been classified as joint operations. Accordingly, the Group recognizes the assets, liabilities, income and expenses relating to its interest in these joint operations.
In accordance with IAS 8, since this represents a change in accounting policy, comparative information for the prior period is presented in the 2014 consolidated financial statements showing the impact of retrospective application.

The impacts of this change in accounting policy on the 2013 consolidated financial statements are shown below.

a) Impacts at January 1, 2013

Balance sheet at January 1, 2013

ASSETS

(in € millions)	**Jan. 1, 2013 (published)**	**IFRS 11 impact**	**Jan. 1, 2013 (restated)**
Goodwill	3,078	(97)	2,981
Intangible assets	3,872	(20)	3,852
Property, plant and equipment	2,604	(312)	2,292
Non-current financial assets	281	(13)	268
Investments in equity-accounted companies	281	555	836
Non-current derivatives (positive fair value)	62	-	62
Deferred tax assets	243	(3)	240
Other non-current financial assets	13	-	13
Non-current assets	**10,434**	**110**	**10,544**
Current financial assets	176	(5)	171
Current derivatives (positive fair value)	585	-	585
Inventories and work-in-progress	4,131	(130)	4,001
Trade and other receivables	5,025	(146)	4,879
Tax assets	421	(10)	411
Cash and cash equivalents	2,193	(110)	2,083
Current assets	**12,531**	**(401)**	**12,130**
Total assets	**22,965**	**(291)**	**22,674**

EQUITY AND LIABILITIES

(in € millions)	**Jan. 1, 2013 (published)**	**IFRS 11 impact**	**Jan. 1, 2013 (restated)**
Equity attributable to owners of the parent	5,834	-	5,834
Non-controlling interests	163	-	163
Total equity	**5,997**	**-**	**5,997**
Provisions	1,823	(18)	1,805
Borrowings subject to specific conditions	670	-	670
Non-current interest-bearing financial liabilities	2,259	(10)	2,249
Non-current derivatives (negative fair value)	12	-	12
Deferred tax liabilities	981	(29)	952
Other non-current financial liabilities	81	23	104
Non-current liabilities	**5,826**	**(34)**	**5,792**
Provisions	1,064	(3)	1,061
Current interest-bearing financial liabilities	916	25	941
Trade and other payables	8,767	(274)	8,493
Tax liabilities	156	(5)	151
Current derivatives (negative fair value)	213	-	213
Other current financial liabilities	26	-	26
Current liabilities	**11,142**	**(257)**	**10,885**
Total equity and liabilities	**22,965**	**(291)**	**22,674**

Net debt at January 1, 2013

(in € millions)	Jan. 1, 2013 (published)	IFRS 11 impact	Jan. 1, 2013 (restated)
Cash and cash equivalents (A)	2,193	(110)	2,083
Interest-bearing financial liabilities (B)	3,175	15	3,190
Fair value of interest rate derivatives hedging borrowings (C)	50	-	50
Total (A) - (B) + (C)	**(932)**	**(125)**	**(1,057)**

b) Impacts at December 31, 2013

Consolidated income statement for full-year 2013

(in € millions)	2013 (published)	IFRS 11 impact	2013 (restated)
Revenue	**14,490**	**(332)**	**14,158**
Other income	264	(6)	258
Income from operations	**14,754**	**(338)**	**14,416**
Change in inventories of finished goods and work-in-progress	(32)	(14)	(46)
Capitalized production	911	(4)	907
Raw materials and consumables used	(8,648)	196	(8,452)
Personnel costs	(4,506)	64	(4,442)
Taxes	(276)	5	(271)
Depreciation, amortization, and increase in provisions, net of use	(790)	31	(759)
Asset impairment	(82)	(4)	(86)
Other recurring operating income and expenses	(36)	4	(32)
Share in profit from joint ventures	-	52	52
Recurring operating income	**1,295**	**(8)**	**1,287**
Other non-recurring operating income and expenses	185	(3)	182
Profit from operations	**1,480**	**(11)**	**1,469**
Cost of debt	(42)	-	(42)
Foreign exchange gains (losses)	551	-	551
Other financial income and expense	(70)	-	(70)
Financial income (loss)	**439**	**-**	**439**
Profit before tax	**1,919**	**(11)**	**1,908**
Income tax expense	(650)	11	(639)
Share in profit from associates	15	-	15
Gain on disposal of Ingenico shares	131	-	131
Profit from continuing operations	**1,415**	**-**	**1,415**
Profit for the period	**1,415**	**-**	**1,415**
Attributable to:			
owners of the parent	1,386	-	1,386
non-controlling interests	29	-	29

Consolidated statement of comprehensive income for full-year 2013

(in € millions)	**2013 (published)**	**IFRS 11 impact**	**2013 (restated)**
Profit for the period	**1,415**	**-**	**1,415**
Other comprehensive income			
Items to be recycled to profit	**(101)**	**(1)**	**(102)**
Available-for-sale financial assets	4	-	4
Foreign exchange differences and net investment hedges	(90)	11	(79)
Income tax related to components of other comprehensive income to be recycled to profit	(12)	-	(12)
Share in other comprehensive income of equity-accounted companies (net of tax)	(3)	(12)	(15)
Items not to be recycled to profit	**(15)**	**-**	**(15)**
Actuarial gains and losses on post-employment benefits	(21)	-	(21)
Income tax related to components of other comprehensive income not to be recycled to	6	-	6
Share in other comprehensive income of equity-accounted companies (net of tax) not to be recycled to profit	-	-	-
Other comprehensive income (expense) for the period	**(116)**	**(1)**	**(117)**
o/w transferred to profit for the period	-	-	-
Total comprehensive income for the period	**1,299**	**(1)**	**1,298**
Attributable to:			
owners of the parent	1,274	(1)	1,273
non-controlling interests	25	-	25

In 2013, the retrospective application of IFRS 11 gave rise to a €1 million translation loss arising on goodwill relating to joint ventures. This is the only impact on consolidated equity resulting from the application of this new standard (see statement of changes in equity).

Consolidated balance sheet at December 31, 2013

ASSETS

(in € millions)	Dec. 31, 2013 (published)	IFRS 11 impact	Dec. 31, 2013 (restated)
Goodwill	3,495	(96)	3,399
Intangible assets	4,641	(21)	4,620
Property, plant and equipment	2,740	(277)	2,463
Non-current financial assets	384	(14)	370
Investments in equity-accounted companies	133	547	680
Non-current derivatives (positive fair value)	-	-	-
Deferred tax assets	205	(2)	203
Other non-current financial assets	12	-	12
Non-current assets	**11,610**	**137**	**11,747**
Current financial assets	198	(3)	195
Current derivatives (positive fair value)	864	-	864
Inventories and work-in-progress	4,135	(137)	3,998
Trade and other receivables	5,102	(135)	4,967
Tax assets	392	(12)	380
Cash and cash equivalents	1,672	(125)	1,547
Current assets	**12,363**	**(412)**	**11,951**
Total assets	**23,973**	**(275)**	**23,698**

EQUITY AND LIABILITIES

(in € millions)	Dec. 31, 2013 (published)	IFRS 11 impact	Dec. 31, 2013 (restated)
Equity attributable to owners of the parent	6,636	(1)	6,635
Non-controlling interests	178	-	178
Total equity	**6,814**	**(1)**	**6,813**
Provisions	1,751	(13)	1,738
Borrowings subject to specific conditions	670	-	670
Non-current interest-bearing financial liabilities	1,295	(4)	1,291
Non-current derivatives (negative fair value)	36	-	36
Deferred tax liabilities	1,293	(29)	1,264
Other non-current financial liabilities	119	21	140
Non-current liabilities	**5,164**	**(25)**	**5,139**
Provisions	1,224	(4)	1,220
Current interest-bearing financial liabilities	1,435	10	1,445
Trade and other payables	8,920	(252)	8,668
Tax liabilities	202	(3)	199
Current derivatives (negative fair value)	150	-	150
Other current financial liabilities	64	-	64
Current liabilities	**11,995**	**(249)**	**11,746**
Total equity and liabilities	**23,973**	**(275)**	**23,698**

Net debt at December 31, 2013

(in € millions)	Dec. 31, 2013 (published)	IFRS 11 impact	Dec. 31, 2013 (restated)
Cash and cash equivalents (A)	1,672	(125)	1,547
Interest-bearing financial liabilities (B)	2,730	6	2,736
Fair value of interest rate derivatives hedging borrowings (C)	(31)	-	(31)
Total (A) - (B) + (C)	**(1,089)**	**(131)**	**(1,220)**

Consolidated statement of cash flows for full-year 2013

(in € millions)	2013 (published)	IFRS 11 impact	2013 (restated)
Profit attributable to owners of the parent	1,386	-	1,386
Depreciation, amortization, impairment and provisions	941	(25)	916
Share in profit from equity-accounted companies (net of dividends received)	(15)	(11)	(26)
Capital gains and losses on asset disposals	(382)	(3)	(385)
Other changes related to operations	54	1	55
Cash flow from operations, before changes in working capital	**1,984**	**(38)**	**1,946**
Change in working capital	**155**	**19**	**174**
Total cash flow from operating activities	**2,139**	**(19)**	**2,120**
Capitalization of R&D expenditure	(720)	-	(720)
Payments for the purchase of intangible assets, net of proceeds	(215)	3	(212)
Payments for the purchase of property, plant and equipment, net of proceeds	(492)	3	(489)
Payments arising from the acquisition of investments and other financial assets, net of proceeds	(415)	-	(415)
Total cash flow used in investing activities	**(1,842)**	**6**	**(1,836)**
Increase in borrowings	9	-	9
Repayment of borrowings and long-term debt	(111)	13	(98)
Change in short-term borrowings	(191)	(19)	(210)
Dividends paid to owners of the parent and non-controlling interests	(481)	-	(481)
Other cash flows from financing activities	(25)	-	(25)
Total cash flow used in financing activities	**(799)**	**(6)**	**(805)**
Effect of changes in foreign exchange rates	(19)	4	(15)
Net increase (decrease) in cash and cash equivalents	**(521)**	**(15)**	**(536)**
Cash and cash equivalents at beginning of year	2,193	(110)	2,083
Cash and cash equivalents at end of year	1,672	(125)	1,547
Net increase (decrease) in cash and cash equivalents	**(521)**	**(15)**	**(536)**

Segment information for full-year 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**
Published revenue	7 791	4 121	1 278	1 502	**14 692**	3	**14 695**	(205)	-	**14 490**
IFRS 11impact	(202)	(30)	(81)	(20)	**(333)**	1	**(332)**	-	-	**(332)**
Restated revenue	**7 589**	**4 091**	**1 197**	**1 482**	**14 359**	**4**	**14 363**	**(205)**	-	**14 158**
Published recurring operating income	1 359	380	87	120	**1 946**	(158)	**1 788**	(216)	(277)	**1 295**
IFRS 11impact	(1)	(4)	(3)	-	**(8)**	-	**(8)**	-	-	**(8)**
Restated recurring operating income (loss)	**1 358**	**376**	**84**	**120**	**1 938**	**(158)**	**1 780**	**(216)**	**(277)**	**1 287**
Published free cash flow	521	67	110	(42)	**656**	56	**712**	-	-	**712**
IFRS 11impact	(28)	6	16	(7)	**(13)**	-	**(13)**	-	-	**(13)**
Restated free cash flow	**493**	**73**	**126**	**(49)**	**643**	**56**	**699**	-	-	**699**
Reported gross operating w orking capital	(422)	1 088	389	150	**1 205**	(47)	**1 158**	-	-	**1 158**
IFRS 11impact	(21)	(28)	(21)	(9)	**(79)**	6	**(73)**	-	-	**(73)**
Restated gross operating working capital	**(443)**	**1 060**	**368**	**141**	**1 126**	**(41)**	**1 085**	-	-	**1 085**
Reported segment assets	10 587	5 032	1 692	2 506	**19 817**	1 371	**21 188**	-	-	**21 188**
IFRS 11impact	(113)	-	(13)	2	**(124)**	1	**(123)**	-	-	**(123)**
Restated segment assets	**10 474**	**5 032**	**1 679**	**2 508**	**19 693**	**1 372**	**21 065**	-	-	**21 065**

Note 4 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2014

EATON

On May 9, 2014, Safran completed the acquisition of the aerospace power distribution solutions and integrated cockpit solutions business of Eaton Aerospace, a North American supplier positioned in the commercial and military aviation market.

The cash consideration for the transaction amounted to €197 million.

The provisional allocation of the purchase price at December 31, 2014 is summarized below:

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

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

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

The contribution of this business to the Group's performance in 2014 was as follows:

(in € millions)	**2014**
Revenue	50
Recurring operating income (1)	2

(1) Excluding depreciation and amortization expense on identified property, plant and equipment and intangible assets and consumption of inventories remeasured in connection with the provisional purchase price accounting (€6 million at December 31, 2014).

Acquisition of Sabena Technics' stake in Hydrep

On September 15, 2014, Safran finalized its acquisition of Sabena Technics' 50% stake in Hydrep, their 50/50 joint venture. Hydrep is a leading provider of repair services for landing gear on regional and business aircraft and helicopters.
Hydrep was considered to be a joint venture at January 1, 2014 within the meaning of IFRS 11, Joint Arrangements. Accordingly, it was accounted for under the equity method at 50% for the first three quarters of the year, and fully consolidated (100%) in the last quarter. Hydrep is part of Safran's "Aircraft Equipment" operating segment.

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

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

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

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. By combining GEPS and Safran’s complementary strengths, this transaction gives birth to a world leader in aerospace electrical power systems with a comprehensive product portfolio. GEPS is part of Safran's "Aircraft Equipment" operating segment.

The final purchase price accounting can be summarized as follows:

(in millions of USD)	**Provisional allocation**	**Final allocation**
Purchase price	390	390
Acquisition cost of shares	**390**	**390**
Fair value of net assets:		
Net assets at acquisition date	52	40
Fair value of technology	65	66
Fair value of customer relationships	89	92
Remeasurement of inventories	6	6
Other intangible assets	5	4
Fair value of identifiable assets acquired and liabilities assumed	**217**	**208**
Goodwill	**173**	**182**

The finalization of the purchase price accounting in first-quarter 2014 resulted in a USD 9 million increase in goodwill compared to end-2013.

The contribution of the business to the Group's performance in full-year 2013 based on its activity in the nine months following the acquisition was as follows:

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

(1) Excluding depreciation and amortization expense on identified property, plant and equipment and intangible assets and consumption of inventories remeasured in the scope of the provisional allocation of the purchase price (€9 million at December 31, 2013).

Acquisition of Rolls Royce's stake in the RTM322 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 has remeasured its previously held interest in the venture at fair value through profit or loss. The gains on this fair value remeasurement were recognized in "Other non-recurring operating income and expenses" in 2013 for €216 million, along with a deferred tax expense of €82 million.

The final allocation of the total value of this business (part of the "Aerospace Propulsion" operating segment) is summarized below:

(in € millions)	Provisional allocation	Final allocation
Acquisition price of 50% share (A)	**293**	**293**
Fair value of previously held interest (B)	**281**	**281**
Net assets at acquisition date	70	72
Fair value of aerospace programs	117	433
Remeasurement of inventories	41	41
Deferred tax liabilities	-	(41)
Fair value of identifiable assets and liabilities (C)	**228**	**505**
Goodwill (A) + (B) - (C)	**346**	**69**

The finalization of the purchase price accounting resulted in the allocation of €277 million in goodwill mainly to aircraft programs (see Note 1.j and Note 11) along with their related taxes impacts.
The aircraft programs will be depreciated over a period of 20 years.

The contribution of the 50% stake acquired in RTM322 to the Group's performance in 2013 based on its activity in the four months following the acquisition was as follows:

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

(1) Excluding depreciation and amortization expense on identified property, plant and equipment and intangible assets and consumption of inventories remeasured in the scope of 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 in 2013. Safran remains 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 " in second-half 2013. GEPS was part of Safran's "Aircraft Equipment" operating segment.

Note 5 - Segment information

Segments presented

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

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

Aerospace Propulsion

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

Aircraft Equipment

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

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

Safran's global Security businesses include a suite a solutions designed to increase safety and simplify the life of individuals in their roles as citizens, consumers or employers. They also protect critical infrastructure and ensure travel safety. The Security businesses offer digital technologies for fingerprint, iris and face recognition (biometric identification technologies), from smartcards that authenticate identity for a host of different applications to service platforms (corporate solutions), and systems for detecting dangerous or illicit substances (detection).

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.

Gross operating working capital represents the gross balance of trade receivables, inventories and trade payables.

Segment assets represent the sum of goodwill, intangible assets, property, plant and equipment, investments in joint ventures and all current assets except cash and cash equivalents and tax assets.

Non-current assets comprise goodwill, property, plant and equipment, intangible assets and investments in equity-accounted associates and joint ventures.

Quantified segment information for 2013 and 2014 is presented on pages 7-9.

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

REVENUE

(in € millions)	2013*	2014
Original equipment and related products and services	6,156	6,473
Sales of defence and security equipment	1,953	1,993
Services	5,351	5,840
Sales of studies	530	594
Other	168	144
Total	**14,158**	**15,044**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

OTHER INCOME

(in € millions)	2013*	2014
Research tax credit (1)	136	151
Competitiveness and employment tax credit (CICE)	26	39
Other operating subsidies	85	86
Other operating income	11	15
Total	**258**	**291**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which €11 million in connection with additional research tax credits in respect of 2013, included in 2014 income (€8 million in respect of 2012 included in 2013 income).

The "CICE" tax credit was introduced in France in January 2013 to boost competitiveness and employment. It is calculated for each calendar year and in 2013 represented 4% of remuneration paid that is equal to or less than 2.5 times the minimum wage (SMIC). This rate was increased to 6% in January 2014. 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)	Dec. 31, 2013*	Dec. 31, 2014
Raw materials, supplies and other	(2,591)	(2,681)
Bought-in goods	(186)	(200)
Changes in inventories	(8)	(70)
Sub-contracting	(3,058)	(3,391)
Purchases not held in inventory	(437)	(422)
External service expenses	(2,172)	(2,284)
Total	**(8,452)**	**(9,048)**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

PERSONNEL COSTS

(in € millions)	2013*	2014
Wages and salaries	(2,848)	(2,980)
Social security contributions	(1,145)	(1,214)
Statutory employee profit-sharing	(90)	(136)
Optional employee profit-sharing	(140)	(152)
Additional contributions	(48)	(62)
Profit-sharing bonus for employees	(4)	(5)
Corporate social contribution	(60)	(75)
Other employee costs	(107)	(120)
Total	**(4,442)**	**(4,744)**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The increase in wages and salaries reflects compensation policies and the rise in headcount resulting from new hires recruited by Group companies in response to the growth in business.

The increase in statutory and optional employee profit-sharing reflects the Group's improved profit.
To give employees a vested interest in the Group's good performance, Executive Management approved an additional profit-sharing bonus for 2014.

In both 2014 and 2013, 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, calculated within the scope of the amendment to the profit-sharing agreement signed in 2012.

Further to the French government's sale of some of its Safran shares in March and again in November 2013, an employee share ownership scheme was set up in the second half of 2014. Safran's contribution to this scheme represents €6.7 million. The IFRS 2 expense relating to the discount granted to employees amounts to €3.5 million (see Note 19.b).

The corporate social contribution comprises employer taxes on certain ancillary components of salaries. It is levied at 20% and covers optional and statutory employee-profit sharing, additional employer contributions to the employee savings plan 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)	2013*	2014
Net depreciation and amortization expense		
- intangible assets	(396)	(452)
- property, plant and equipment	(334)	(366)
Total net depreciation and amortization expense (1)	**(730)**	**(818)**
Net increase in provisions	**(29)**	**(76)**
Depreciation, amortization, and increase in provisions, net of use	**(759)**	**(894)**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €147 million in 2014 and €150 million in 2013; and during recent acquisitions: €134 million in 2014 and €100 million in 2013.

ASSET IMPAIRMENT

(in € millions)	Impairment expense 2013*	Impairment expense 2014	Reversals 2013*	Reversals 2014
Property, plant and equipment and intangible assets	(15)	(13)	3	5
Financial assets	(24)	(9)	7	4
Inventories and work-in-progress	(181)	(254)	182	235
Receivables	(94)	(76)	36	49
Total	**(314)**	**(352)**	**228**	**293**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2013*	2014
Capital gains and losses on asset disposals	(8)	1
Royalties, patents and licenses	(15)	(22)
Losses on irrecoverable receivables	(4)	(9)
Other operating income and expenses	(5)	(83)
Total	**(32)**	**(113)**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2013*	2014
Gains on remeasuring previously held equity interests	216	8
Capital gains on asset disposals	39	-
Impairment net of reversals on intangible assets	(17)	(53)
Other non-recurring items	(56)	(62)
Total	**182**	**(107)**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

In 2014, gains on remeasuring the Group's previously held interest in Hydrep (see Note 4) were recognized in non-recurring operating items.
An impairment loss of €15 million was recognized against intangible assets relating to technologies and commercial relationships (see Note 11).
Further to Bombardier Inc.'s January 15, 2015 announcement that it was to pause its Learjet 85 business aircraft program, Safran recognized a non-recurring operating expense of €52 million. This expense reflects €38 million in impairment taken against development expenditures (see Note 11) and €14 million in impairment taken against other assets pledged by the Group to meet its contractual commitments to Bombardier Inc. This second impairment charge was recognized in other non-recurring items.
Besides impairment, other non-recurring items chiefly include €36 million in non-recurring costs to adapt the industrial tool in Security and Aerospace Propulsion activities, and €17 million in transaction and integration costs arising on recent business combinations.

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 assets.

Impairment losses of €17 million were recognized against intangible assets relating to various programs (see Note 11).
Other non-recurring items corresponded mainly to past service costs of €40 million arising on a defined benefit supplementary pension plan with a current eligible population of around 400 Group executive managers (see Note 21), and to transaction and integration costs of €10 million relating to recent business combinations.

Note 7 - Financial income (loss)

(in € millions)	2013	2014
Financial expense on interest-bearing financial liabilities	(85)	(80)
Financial income on cash and cash equivalents	43	38
Cost of net debt	**(42)**	**(42)**
Gain (loss) on foreign currency hedging instruments	374	(1,922)
Foreign exchange gains and losses	155	343
Net foreign exchange gains (losses) on provisions	22	(75)
Foreign exchange gains (losses)	**551**	**(1,654)**
Gain or loss on interest rate and commodity hedging instruments	(6)	(11)
Net expenses on disposals of financial assets	(1)	3
Impairment of available-for-sale financial assets	(8)	(1)
Write-downs of loans and other financial receivables	2	(5)
Dividends received	3	3
Other financial provisions	2	(3)
Interest component of IAS 19 expense	(24)	(25)
Impact of discounting	(50)	(55)
Other	12	19
Other financial income and expense	**(70)**	**(75)**
Financial income (loss)	**439**	**(1,771)**
of which financial expense	**(174)**	**(2,177)**
of which financial income	**613**	**406**

In 2014, the loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to future cash flows. This loss results chiefly from the fall in the EUR/USD spot price (1.21 at end-2014 versus 1.38 at end-2013) and from the increase in the volume of foreign currency derivatives linked to the rise in future cash flows to be hedged.

Note 8 - Income tax

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

(in € millions)	2013*	2014
Current income tax benefit (expense)	(294)	(275)
Deferred tax benefit (expense)	(345)	567
Total tax benefit (expense)	**(639)**	**292**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

(in € millions)	**2013***	**2014**
Profit (loss) before tax	1,908	(378)
Standard tax rate applicable to the parent company	38.00%	38.00%
Tax expense at standard rate	**(725)**	**144**
Impact of permanent differences	19	41
Impact of research and CICE tax credits	61	72
Impact of different tax rates	34	19
Impact of unrecognized tax	2	(3)
Impact of tax on dividends paid by Safran	(14)	(15)
Impact of other items	(16)	34
Current income tax benefit (expense) recognized in profit or loss	**(639)**	**292**
Effective tax rate	33.49%	N/A

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The amending French Finance Law for 2013 increased the surtax to 10.7% for the 2013 and 2014 financial years. This exceptional and temporary surtax is payable by French companies with revenues over €250 million.

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 are 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, 2013*	**203**	**1,264**	**(1,061)**
Deferred taxes recognized in profit or loss	2	(565)	567
Deferred taxes recognized directly in equity	13	(21)	34
Reclassifications (1)	(16)	26	(42)
Foreign exchange differences	13	9	4
Changes in scope of consolidation	13	15	(2)
Net deferred tax assets (liabilities) at December 31, 2014	**228**	**728**	**(500)**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Including a deferred tax liability for €41 million recorded for Turbomeca in connection with the finalization of the purchase price accounting for the RTM322 program.

Deferred tax asset bases

(in € millions)		Dec. 31, 2013*	Dec. 31, 2014
Deferred tax asset bases			
Property, plant and equipment and intangible assets		(4,232)	(4,891)
Inventories		139	115
Current assets/liabilities		400	444
Financial assets/liabilities		(795)	1,075
Provisions		1,851	2,043
Tax adjustments		(397)	(426)
Losses carried forward and tax credits		518	376
Total deferred tax asset bases		**(2,516)**	**(1,264)**
Total gross deferred tax balance	**(a)**	**(1,006)**	**(437)**
Total unrecognized deferred tax assets	**(b)**	**55**	**63**
Total net deferred taxes recognized	**(a) - (b)**	**(1,061)**	**(500)**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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, 2013*	**380**	**199**	**181**
Movements during the period (1)	55	39	16
Current taxes recognized directly in equity	-	(30)	30
Changes in scope of consolidation	(2)	(4)	2
Foreign exchange differences	19	21	(2)
Other movements	-	(5)	5
Net tax assets (liabilities) at December 31, 2014	**452**	**220**	**232**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which a negative €275 million impact in the income statement.

Note 9 - Earnings per share

The Group's potentially dilutive ordinary shares at December 31, 2013 correspond to the free share plan. Earnings per share break down as follows:

	Index	Dec. 31, 2013	Dec. 31, 2014
Numerator (in € millions)			
Profit (loss) for the period attributable to owners of the parent	(a)	1,386	(126)
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	581,104	603,327
Number of shares excluding treasury shares	(d)=(b-c)	416,448,481	416,426,258
Weighted average number of shares (excluding treasury shares)	(d)	416,292,736	416,413,368
Potentially dilutive ordinary shares:			
Dilutive impact of share grants	(e)	132,493	-
Weighted average number of shares after dilution	(f)=(d'+e)	416,425,229	416,413,368
Ratio: earnings per share (in €)			
Basic earnings (loss) per share	(g)=(a*1million)/(d')	3.33	(0.30)
Diluted earnings (loss) per share	(h)=(a*1million)/(f)	3.33	(0.30)

Note 10 - Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2013* Net	Changes in scope of conso-lidation	Creation of Labinal Power Systems	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjust-ments and other	Dec. 31, 2014 Net
Snecma – Aircraft engines	405	-	-	-	-	-	405
Turbomeca (incl. Microturbo) – Helicopter engines	583	-	-	-	(277)	-	306
Techspace Aero – Aircraft engine components	47	-	-	-	-	-	47
Herakles – Aerospace and strategic propulsion	202	-	-	-	-	-	202
Other	1	-	-	-	-	-	1
Total Propulsion	**1,238**	**-**	**-**	**-**	**(277)**	**-**	**961**
Aircelle – Nacelles and aerostructures	213	-	-	-	-	-	213
Labinal – Electrical wiring	226	-	(226)	-	-	-	-
Safran Engineering Services – Engineering	78	-	-	-	-	-	78
Messier-Bugatti-Dowty (incl. Sofrance) – Landing and braking systems	168	20	-	-	-	-	188
Technofan – Ventilation systems	10	-	-	-	-	-	10
Labinal Power Systems – Electrical systems	-	73	359	-	7	25	464
Safran Power – Power generation	133	-	(133)	-	-	-	-
Total Aircraft Equipment	**828**	**93**	**-**	**-**	**7**	**25**	**953**
Sagem – Defence	98	21	-	-	-	4	123
Total Defence	**98**	**21**	**-**	**-**	**-**	**4**	**123**
Morpho – Identification	886	-	-	-	-	100	986
Morpho – Business Solutions	57	8	-	-	-	-	65
Morpho – Detection	292	-	-	-	-	40	332
Total Security	**1,235**	**8**	**-**	**-**	**-**	**140**	**1,383**
Total	**3,399**	**122**	**-**	**-**	**(270)**	**169**	**3,420**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Goodwill relating to joint ventures is now included within investments in equity-accounted companies (see Notes 3 and 14).

<u>Movements in the period</u>

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

- the finalization of the purchase price accounting for the RTM322 business, resulting in a decrease of €277 million in the Turbomeca CGU goodwill (see Note 4);
- the reorganization of the Group's electrical systems business within a single division (Labinal Power Systems), leading to the aggregation of the Labinal and Safran Power CGUs into a single "Labinal Power Systems" CGU;
- the final allocation of the purchase price of Goodrich Electrical Power Systems (GEPS), adding €7 million to the Labinal Power Systems CGU goodwill (see Note 4);
- the provisional allocation of the purchase price of Eaton Aerospace's power distribution solutions and integrated cockpit solutions businesses, adding €73 million to the Labinal Power Systems CGU goodwill and €13 million to the Sagem CGU goodwill (see Note 4);
- the controlling interest taken by the Group in Hydrep as a result of acquiring Sabena's 50% stake in this previous 50/50 joint venture, adding €20 million to the Messier-Bugatti-Dowty CGU goodwill (see Note 4);
- the first-time consolidation of Swiss company Colibrys SA specialized in the design and manufacture of high-performance MEMS-based (Micro Electro Mechanical Systems) sensors, adding €8 million to the Sagem CGU goodwill;

- acquisition of the French company Dictao, a leading software editor for security and trust solutions, and the provisional allocation of the purchase price for this business, adding €8 million to the Morpho – Business Solutions CGU goodwill.

Annual impairment tests

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

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

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

- Expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at 10 years but may be longer for businesses with a longer development and production cycle.
- Operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions. These forecasts and assumptions are based on the Group's medium-term plan for the next four years, while forecasts and assumptions beyond this period are based on its long-term plan.
- The value in use of cash-generating units is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year in the long-term plan.
- The average USD exchange rate adopted is 1.24 for years 2015 to 2017 and 1.35 thereafter (2013: 1.26 for years 2014 to 2016 and 1.35 thereafter). These exchange rate assumptions were used for forecasting during the first half of the year, and take into account the foreign currency hedging portfolio (see Note 21).
- The growth rate used to calculate terminal value was set at 1.5% for the Defence CGU (unchanged from 2013) and at 2.0% for the Aerospace Propulsion, Security and Equipment CGUs (2013: 2.0% for the Propulsion and Security CGUs and 1.5% for the Equipment CGUs).
- The benchmark post-tax discount rate used is 7.5% (2013: 8.0%) and is applied to post-tax cash flows. However, a post-tax discount rate of 8.5% is used for the Security CGUs (2013: 9.0%).

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 2013.

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 2014 as in 2013, 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, 2013*			Dec. 31, 2014		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs (1)	2,670	(1,630)	1,040	3,103	(1,841)	1,262
Development expenditures	2,535	(481)	2,054	3,241	(574)	2,667
Commercial agreements and concessions	520	(165)	355	587	(200)	387
Software	469	(363)	106	520	(406)	114
Brands	147	(13)	134	147	(14)	133
Commercial relationships (1)	742	(228)	514	752	(329)	423
Technology	327	(98)	229	406	(153)	253
Other	258	(70)	188	384	(87)	297
Total	**7,668**	**(3,048)**	**4,620**	**9,140**	**(3,604)**	**5,536**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Including €2,670 million remeasured to fair value in the context of the Sagem-Snecma merger in 2005, plus €433 million remeasured to fair value in connection with the acquisition of the RTM322 business as detailed in Note 4 (of which €117 million recorded in commercial relationships at December 31, 2013 was reclassified in aircraft programs at December 31, 2014).

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

Movements in intangible assets break down as follows:

(in € millions)	**Gross**	**Amortization/ impairment**	**Net**
At December 31, 2013	**7,668**	**(3,048)**	**4,620**
Capitalization of R&D expenditure (1)	676	-	676
Capitalization of other intangible assets	132	-	132
Acquisitions of other intangible assets	133	-	133
Disposals and retirements	(15)	12	(3)
Amortization	-	(452)	(452)
Impairment losses recognized in profit or loss (2)	-	(63)	(63)
Allocation adjustments regarding identifiable assets and liabilities (3)	319	-	319
Reclassifications	(8)	2	(6)
Changes in scope of consolidation	112	-	112
Foreign exchange differences	123	(55)	68
At December 31, 2014	**9,140**	**(3,604)**	**5,536**

(1) Including €32 million in capitalized interest in 2014 (€26 million in 2013).

(2) Including (€63) million recognized in recurring operating items (see Note 6).

(3) Including €316 million relating to the final purchase price allocation for RTM322 (see Note 4).

Research and development expenditure recognized in recurring operating income for the year totaled €898 million including amortization (€672 million in 2013).

Amortization was recognized in respect of revalued assets for €289 million (allocation of the cost of the Snecma group business combination for €147 million and other recent acquisitions for €142 million).

<u>2014 impairment tests</u>

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 1.24 for years 2015 to 2017 and 1.35 thereafter (2013: 1.26 for years 2014 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 7.5% (2013: 8%). 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 range from 7.5% to 9.5%.

As a result of the impairment tests carried out in 2014, intangible assets relating to a technology in the Security business were written down in an amount of €8 million, while intangible assets relating to Aircraft Equipment commercial relationships were written down in an amount of €7 million. Following Bombardier Inc.'s January 15, 2015 announcement that it was to pause its Learjet 85 business aircraft program, development expenditures relating to this Aircraft Equipment program were written down in an amount of €38 million. These write-downs are shown in non-recurring operating expenses for the year (see Note 6).

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 2014 as in 2013, 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.

<u>2013 impairment tests</u>

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 were shown in non-recurring operating expenses for the year (see Note 6).

Note 12 - *Property, plant and equipment*

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2013*			Dec. 31, 2014		
	Gross	Depreciation /impairment	Net	Gross	Depreciation /impairment	Net
Land	225	-	225	237	-	237
Buildings	1,343	(685)	658	1,564	(756)	808
Technical facilities, equipment and tooling	3,977	(2,911)	1,066	4,379	(3,131)	1,248
Assets in progress, advances	438	(3)	435	539	(2)	537
Site development and preparation costs	53	(31)	22	58	(34)	24
Buildings on land owned by third parties	73	(38)	35	73	(42)	31
Computer hardware and other equipment	401	(379)	22	449	(406)	43
Total	**6,510**	**(4,047)**	**2,463**	**7,299**	**(4,371)**	**2,928**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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

(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**
At December 31, 2013	**6,510**	**(4,047)**	**2,463**
Internally produced assets	190	-	190
Additions	603	-	603
Disposals and retirements	(152)	126	(26)
Depreciation	-	(366)	(366)
Impairment losses recognized in profit or loss	-	(8)	(8)
Reclassifications	(30)	23	(7)
Allocation adjustments regarding identifiable assets and liabilities	8	-	8
Changes in scope of consolidation	42	(31)	11
Foreign exchange differences	128	(68)	60
At December 31, 2014	**7,299**	**(4,371)**	**2,928**

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

(in € millions)	Dec. 31, 2013			Dec. 31, 2014		
	Gross	Depreciation / impairment	Net	Gross	Depreciation / impairment	Net
Land	5	-	5	14	-	14
Buildings	139	(30)	109	191	(36)	155
Technical facilities, equipment and tooling	13	(4)	9	13	(5)	8
Computer hardware and other equipment	20	(19)	1	20	(20)	1
Total	**177**	**(53)**	**124**	**239**	**(61)**	**178**

Note 13 - Current and non-current financial assets

Financial assets include:

(in € millions)	Dec. 31, 2013*			Dec. 31, 2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments (1)	504	(208)	296	546	(213)	333
Other financial assets	376	(107)	269	438	(104)	334
Total	**880**	**(315)**	**565**	**984**	**(317)**	**667**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which listed securities for €70 million at December 31, 2014 and €52 million at end-December 2013 (Embraer and Myriad), classified in Level 1 of the IFRS 13 fair value hierarchy (as at December 31, 2013).

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

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

No material write-downs were recognized in 2014.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Loans to non-consolidated companies	165	224
Loans to employees	29	30
Deposits and guarantees	7	8
Other (1)	68	72
Total	**269**	**334**
Non-current	74	**113**
Current	195	**221**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which a net receivable of €33 million at December 31, 2014 in respect of warranties received in connection with the SME acquisition (€35 million at December 31, 2013).

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, 2013	**269**
Increase	94
Decrease	(20)
Reclassifications	2
Changes in scope of consolidation	(11)
At December 31, 2014	**334**

The increase in other financial assets at December 31, 2014 results mainly from a rise in credit account advances granted to non-consolidated companies.

Note 14 - Investments in equity-accounted companies

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

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Associates (Ingenico)	133	153
Joint ventures	547	618
Total	**680**	**771**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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

(in € millions)	
At December 31, 2013	**680**
Share in profit from joint ventures	45
Share in profit from associates	18
Dividends received from joint ventures and associates	(27)
Changes in scope of consolidation	(2)
Foreign exchange differences	57
At December 31, 2014	**771**

There were no off-balance commitments relating to the Group's joint ventures and associates at either December 31, 2014 or December 31, 2013.

14a - Associates (Ingenico)

The Group holds a 9.6% ownership interest in Ingenico and around 17% of its voting rights. This gives it the right to appoint two directors on Ingenico's Board of Directors. Ingenico, a payment solutions provider, has been accounted for using the equity method since March 31, 2008.

Due to the lack of published data for Ingenico at the date of publication of this report, the share in profit for 2014 was determined based on consensus forecasts provided by analysts.

Ingenico's contribution to the Group's comprehensive income in 2014 was as follows:

(in € millions)	2013	2014
Profit from continuing operations	15	18
Other comprehensive income (expense)	(3)	-
Total comprehensive income	**12**	**18**

The stock market value of the Group's interest in Ingenico was €482 million at December 31, 2014 (5,518,664 shares with a market value of €87.28) versus €317 million at December 31, 2013 (5,442,257 shares with a market value of €58.28).
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).

An assessment of impairment indicators was performed for this investment and did not result in the recognition of any impairment.

14b - JOINT VENTURES

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

- Shannon Engine Support Ltd: leasing of CFM56 engines, modules, equipment and tooling to airline companies;
- 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;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;
- EIMASS: identification;
- Saifei: electrical wiring.

The contribution of these joint ventures to the Group's comprehensive income in 2014 was as follows:

(in € millions)	**2013***	**2014**
Profit from continuing operations	52	45
Other comprehensive income (expense)	(13)	37
Total comprehensive income	**39**	**82**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Note 15 - Inventories and work-in-progress

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

	Dec. 31, 2013*	**Dec. 31, 2014**
(in € millions)	Net	Net
Raw materials and supplies	563	541
Finished goods	1,679	1,883
Work-in-progress	1,737	1,825
Bought-in goods	19	16
Total	**3,998**	**4,265**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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

(in € millions)	Gross	Impairment	Net
At December 31, 2013*	**4,539**	**(541)**	**3,998**
Movements during the period	185	-	185
Net impairment expense	-	(19)	(19)
Reclassifications	13	2	15
Changes in scope of consolidation	35	(7)	28
Foreign exchange differences	69	(11)	58
At December 31, 2014	**4,841**	**(576)**	**4,265**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Note 16 - Trade and other receivables

(in € millions)	Dec. 31, 2013* Net	Movements during the period	Impairment/ Reversal	Changes in scope of consolidation	Reclassifications	Translation adjustments	Dec. 31, 2014 Net
Operating receivables	**4,455**	**748**	**(43)**	**121**	**(8)**	**43**	**5,316**
Debit balances on trade payables/advance payments to suppliers	236	(90)	-	53	19	1	219
Trade receivables	4,195	852	(42)	55	(30)	42	5,072
Current operating accounts	13	(22)	(1)	12	3	-	5
Employee-related receivables	11	8	-	1	-	-	20
Other receivables	**512**	**(19)**	**(1)**	**10**	**2**	7	**511**
Prepayments	71	(6)	-	1	-	3	69
VAT receivables	381	1	-	(1)	-	2	383
Other State receivables	15	-	-	-	-	-	15
Other receivables	45	(14)	(1)	10	2	2	44
Total	**4,967**	**729**	**(44)**	**131**	**(6)**	**50**	**5,827**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

In both 2014 and 2013, 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, 2014 was USD 8.9 million compared to USD 6.9 million at December 31, 2013 (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, 2013									
Trade receivables	**4,195**	3,785	122	95	67	54	49	387	23
At December 31, 2014									
Trade receivables	**5,072**	4,609	160	108	75	50	69	462	1

Note 17 - Cash and cash equivalents

Cash and cash equivalents break down as follows at December 31, 2014:

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Money-market funds	10	22
Short-term investments	1,089	795
Sight deposits	448	816
Total	**1,547**	**1,633**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2013	**1,547**
Movements during the period	46
Changes in scope of consolidation	17
Foreign exchange differences	24
At December 31, 2014	**1,633**

Note 18 - Summary of financial assets

The table below presents the carrying amount of the Group's financial assets at December 31, 2013 and December 31, 2014:

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				296	296
Non-current derivatives (positive fair value)			-		-
Other non-current financial assets	74				74
Sub-total non-current financial assets	**74**	**-**	**-**	**296**	**370**
Other current financial assets	195				195
Current derivatives (positive fair value)			864		864
Trade receivables	4,195				4,195
Current operating accounts and other receivables	58				58
Cash and cash equivalents	1,537		10		1,547
Sub-total current financial assets	**5,985**	**-**	**874**	**-**	**6,859**
Total financial assets	**6,059**	**-**	**874**	**296**	**7,229**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

At December 31, 2014	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				333	333
Non-current derivatives (positive fair value)			29		29
Other non-current financial assets	113				113
Sub-total non-current financial assets	**113**	**-**	**29**	**333**	**475**
Other current financial assets	221				221
Current derivatives (positive fair value)			377		377
Trade receivables	5,072				5,072
Current operating accounts and other receivables	49				49
Cash and cash equivalents	1,611		22		1,633
Sub-total current financial assets	**6,953**	**-**	**399**	**-**	**7,352**
Total financial assets	**7,066**	**-**	**428**	**333**	**7,827**

The Group did not reclassify any financial assets between the amortized cost and fair value categories in 2013 or 2014.

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, 2013 are shown below:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments*	52	-	-	52
Derivatives (positive fair value)	-	864	-	864
Cash and cash equivalents	10	-	-	10
Total	**62**	**864**	**-**	**926**

* Excluding investments at cost.

The Group's financial assets carried at fair value at December 31, 2014 are shown below:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments*	70	-	-	70
Derivatives (positive fair value)	-	406	-	406
Cash and cash equivalents	22	-	-	22
Total	**92**	**406**	**-**	**498**

* Excluding investments at cost.

In 2013 and 2014, no items were transferred between level 1 and level 2, and none were transferred to or from level 3.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At December 31, 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.

At December 31, 2014 *(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)	**406**	**-**	**406**	**401**	**5**

(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, 2014 and December 31, 2013, 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, 2014, 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, 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.

December 31, 2014

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

(*) Exercisable voting rights.

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

The 603,327 treasury shares have no 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. At December 31, 2013, the French State held 22.41% of Safran's share capital.

Following these two transactions, the Group's current and former employees (in 13 countries) subscribed to 1.7 million Safran shares offered for sale by the French State in the second half of 2014 (pursuant to Article 11 of the 1986 Privatization Act (No. 86-912) of August 6, 1986, at a price of €41.58. The French State's interest in Safran following these two transactions stood at 21.99%.

The IFRS 2 share-based payment expense for the discount granted to employees amounts to €3.5 million (recognized in personnel costs).

To coincide with the French State's share offer, the Group set up two share purchase schemes, one of which included a matching employer contribution. An expense of €6.7 million was booked in respect of this contribution.

Treasury shares

Since December 31, 2013, the number of treasury shares has increased following the Group's net purchase of 22,223 of its own shares in connection with its liquidity agreement.

On May 31, 2012, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations. In 2012, the Group signed a liquidity agreement with Oddo aimed at enhancing the liquidity for the market in Safran shares. A total of €10 million was assigned to this agreement.
This authorization was renewed by the Shareholders' Meeting of May 27, 2014.

Pursuant to these authorizations and the liquidity agreement, in 2014 the Company purchased 1,690,322 shares for €83 million, and sold 1,668,099 shares for €82 million.

At December 31, 2014, 84,723 shares were held in connection with the liquidity agreement.

19c – EQUITY

Movements in equity are as follows:

	(€m)
Equity attributable to owners of the parent prior to profit at December 31, 2013*	**5,249**
- Appropriation of 2013 profit	1,386
- Payment of the outstanding dividend for 2013	(267)
- Payment of the 2014 interim dividend	(233)
- Change in translation adjustment and net investment hedges	267
- Current taxes on net investment hedges recognized in equity	30
- Change in actuarial gains and losses on post-employment benefits	(113)
- Deferred taxes on changes in actuarial gains and losses recognized in equity	34
- Delivery and sale of treasury shares	(1)
- Available-for-sale financial assets	21
- Other	6
Equity attributable to owners of the parent prior to profit at December 31, 2014	**6,379**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

19d – DIVIDEND DISTRIBUTION

A dividend payout of €1.12 per share was approved in respect of 2013 and partially paid in that year in the form of an interim dividend of €0.48 per share, representing a total of €200 million. The remaining €0.64 dividend per share was paid in first-half 2014, representing a total of €267 million.

The Board of Directors' meeting of December 17, 2014 approved payment of an interim dividend of €0.56 per share in respect of 2014, representing a payout of €233 million.

At the Shareholders' Meeting to be called on April 23, 2015 in order to approve the financial statements for the year ended December 31, 2014, the Board of Directors will recommend payment of a dividend of €1.20 per share in respect of 2014, representing a total payout of €500 million (before deducting the interim dividend paid). Taking account of the interim dividend already paid, the amount still to be distributed totals €267 million.

Note 20 - Provisions

Provisions break down as follows:

(in € millions)	**Dec. 31, 2013***	Additions	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus	Changes in scope of conso-lidation	Other	**Dec. 31, 2014**
Performance warranties	700	268	(154)	-	(72)	10	13	765
Financial guarantees	26	10	-	-	(16)	-	4	24
Services to be rendered	523	468	(257)	-	(10)	-	10	734
Post-employment benefits	790	80	(75)	(1)	-	5	119	918
Sales agreements and long-term receivables	156	58	(31)	-	(22)	1	11	173
Provisions for losses on completion and losses arising on delivery commitments	474	172	(88)	(77)	(66)	-	(11)	404
Disputes and litigation	34	10	(7)	-	(6)	-	-	31
Other (1)	255	106	(71)	-	(14)	2	2	280
Total	**2,958**	1,172	(683)	(78)	(206)	18	148	**3,329**
Non-current	1,738							**1,870**
Current	1,220							**1,459**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Of which a provision of €79 million (December 31, 2013: €85 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)	**2014**
Net amount recognized in profit from operations (1)	94
Net amount recognized in financial income (loss)	111
Total net amount recognized	**205**

(1) Including €76 million recognized in recurring operating items (see Note 6).

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 pension plan for former managerial-grade staff (*cadres*) of Snecma between 1985 and 1995 and still employed by the Group 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, 2014, around 175 claimants were still in active service and the last retirement is planned for 2015.

Following the closure of this plan, the managerial-grade staff were moved to a new supplementary defined contribution pension plan, in place at most Group companies.

In late 2013, the Board of Directors approved a new supplementary pension plan in France for Group executive managers.

The plan, effective as of January 1, 2014, provides for the payment of benefits based on years of service within the beneficiary category (at least five years of service are required to be eligible for the benefits, and up to ten years are taken into account in determining entitlement) and benchmark compensation (corresponding to the average compensation in the 36 months preceding retirement).

The additional benefits payable are capped at three times the annual social security ceiling ("PASS") in France. Total benefits under all regimes cannot exceed 35% of the benchmark compensation.

- Retirement termination benefits

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry. 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 87% and 13%, 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, 2013*	**Dec. 31, 2014**	France	United Kingdom	Rest of the world
Gross obligation	1,232	**1,460**	701	578	181
Fair value of plan assets	442	**542**	11	428	103
Provision recognized in the accounts (*)	**790**	**918**	690	150	78
- Defined benefit pension plans	*220*	***275***	*63*	*150*	*62*
- Retirement termination benefits	*531*	***601***	*587*	*-*	*14*
- Long-service bonuses and other employee benefits	*39*	***42***	*40*	*-*	*2*
Recognized net plan assets	**-**	**-**	-	-	-

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(in € millions)	Dec. 31, 2013*	**Dec. 31, 2014**	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,232	**1,460**	817	601	42
Fair value of plan assets	442	**542**	542	-	-
Provision recognized in the accounts	**790**	**918**	275	601	42
Recognized net plan assets	**-**	**-**	-	-	-

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The €228 million increase in the Group's gross obligation chiefly results from a change in the actuarial assumptions used to measure post-employment benefits (decrease of 1.25 points in the discount rate for the eurozone, and decrease of 1.00 points for the UK).

The cost of the Group’s pension obligations in 2013 and 2014 can be analyzed as follows:

(in € millions)	2013*	2014
Current service cost	(40)	(47)
Actuarial gains and losses (on other long-term benefits)	-	(3)
Change in retirement plans (implementation, curtailment and settlement)	(39)	2
Plan administration costs	(1)	(1)
Total operating component of the pension expense	**(80)**	**(49)**
Interest cost on the net benefit obligation	(24)	(25)
Total financing component of the pension expense	**(24)**	**(25)**
Total	**(104)**	**(74)**

* The data published for 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

The Group expects to pay a total of €37 million into its defined benefit pension plans in 2015.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	*Dec. 31, 2013*	*3.00%*	*4.50%*
	Dec. 31, 2014	**1.75%**	**3.50%**
Inflation rate	*Dec. 31, 2013*	*2.00%*	*3.35%*
	Dec. 31, 2014	**1.75%**	**3.20%**
Rate of annuity increases	*Dec. 31, 2013*	*2.00%*	*3.20%*
	Dec. 31, 2014	**1.75%**	**3.20%**
Rate of future salary increases	*Dec. 31, 2013*	*1.50%-5.00%*	*N/A*
	Dec. 31, 2014	**1.12%-5.00%**	**N/A**
Retirement age	Dec. 31, 2013	*Managerial: 64/65 years* *Non-managerial: 62/65*	*65 years*
	Dec. 31, 2014	**Managerial: 64/65 years** **Non-managerial: 62/65**	**65 years**

The discount rates are determined by reference to the yield on investment-grade bonds (AA), using the Iboxx index for the Group's 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, 2014:

(in € millions)

Sensitivity (basis points)	-0.50%	0.50%
Discount rate	112	(97)
Inflation rate	(43)	50
Rate of future salary increases	(46)	54

For the purpose of the analysis, it was assumed that all other variables remained the same.

The change in the value of the gross projected benefit obligation would have mainly affected actuarial gains and losses recognized in other comprehensive income.

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

Change in gross benefit obligation

(in € millions)	2013	2014	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
Gross benefit obligation at beginning of year	**1,135**	**1,232**	**663**	**531**	**38**
A. Pension expense					
Current service cost	40	47	16	27	4
Actuarial gains and losses (on other long-term benefits)	-	3	-	-	3
Change in retirement plans (implementation, curtailment and settlement)	39	(2)	-	(1)	(1)
Interest cost	41	45	28	16	1
Total expense recognized in the income statement	**120**	**93**	**44**	**42**	**7**
B. Actuarial gains and losses arising in the year on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	3	7	(1)	8	-
Actuarial gains and losses resulting from changes in financial assumptions	36	143	92	51	-
Experience adjustments	1	(2)	(19)	17	-
Total remeasurement recognized in other comprehensive income for the year	**40**	**148**	**72**	**76**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Benefits paid	(63)	(72)	(21)	(48)	(3)
Changes in scope of consolidation	-	18	18	-	-
Other movements	9	-	-	-	-
Foreign exchange differences	(12)	38	38	-	-
Reclassification to liabilities held for sale	-	-	-	-	-
Total other items	**(63)**	**(13)**	**38**	**(48)**	**(3)**
Gross benefit obligation at end of year	**1,232**	**1,460**	**817**	**601**	**42**
Average weighted term of pension plans	14	14	17	11	8

Change in fair value of plan assets

(in € millions)	Dec. 31, 2013	Dec. 31, 2014	Defined benefit pension plans	Retirement termination benefits	Other employee benefits
Fair value of plan assets at beginning of year	**404**	**442**	**442**	**-**	**-**
A. Income					
Interest income on plan assets	17	20	20	-	-
Plan administration costs	(1)	(1)	(1)	-	-
Total income recognized in the income statement	**16**	**19**	**19**	**-**	**-**
B. Actuarial gains and losses arising in the year on post-employment plans					
Return on plan assets (excluding interest income component)	19	35	35	-	-
Total remeasurement recognized in other comprehensive income for the year	**19**	**35**	**35**	**-**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Employer contributions	28	20	20	-	-
Benefits paid	(18)	(21)	(21)	-	-
Changes in scope of consolidation	-	13	13	-	-
Other movements	-	2	2	-	-
Foreign exchange differences	(10)	29	29	-	-
Reclassification to assets held for sale	-	-	-	-	-
Total other items	**3**	**46**	**46**	**-**	**-**
Fair value of plan assets at end of year	**442**	**542**	**542**	**-**	**-**

21d – Asset allocation

	United Kingdom % allocation at		**Other European countries** % allocation at	
	Dec. 31, 2013	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2014**
Shares	36.13%	35.17%	15.41%	16.57%
Bonds and debt instruments	26.59%	28.27%	66.04%	64.89%
Property	6.68%	6.77%	8.39%	10.09%
Mutual funds (OPCVM) and diversified funds	25.59%	20.62%	0.00%	0.00%
Cash and cash equivalents	0.96%	0.65%	1.68%	2.02%
Other	4.05%	8.52%	8.48%	6.43%

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 2014 in respect of defined contribution plans amounts to €352 million (€331 million in 2013, amount restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements).
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.

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.

Pursuant to Act No. 2014-288 of March 5, 2014, this scheme will be replaced as of January 1, 2015 by an individual training account; the hours vested under the individual training entitlement but not used at December 31, 2014 will be carried over to the new account.

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, 2013	**670**
New advances received	46
Advances repaid	(43)
Cost of borrowings and discounting	32
Foreign exchange differences	-
Adjustments to the probability of repayment of advances	8
At December 31, 2014	**713**

Estimates as to the repayable amounts and the timing of repayments are made regarding borrowings subject to specific conditions. No reliable estimate can be made of the fair value of such borrowings.

Note 23 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Bond issue	-	214
Senior unsecured notes in USD	832	999
Finance lease liabilities	104	143
Other long-term borrowings	355	302
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**1,291**	**1,658**
Bonds	753	-
Finance lease liabilities	15	19
Other long-term borrowings	343	347
Accrued interest not yet due	11	12
Current interest-bearing financial liabilities, long-term at inception	**1,122**	**378**
Commercial paper	250	946
Short-term bank facilities and equivalent	73	183
Current interest-bearing financial liabilities, short-term at inception	**323**	**1,129**
Total current interest-bearing financial liabilities (less than 1 year)	**1,445**	**1,507**
Total interest-bearing financial liabilities	**2,736**	**3,165**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2013	**2,736**
Increase in borrowings (1)	271
Accrued interest	1
Decrease in borrowings	(850)
Change in short-term borrowings	809
Changes in scope of consolidation	5
Foreign exchange differences	126
Reclassifications and other	67
At December 31, 2014	**3,165**

(1) Including €61 million in finance lease liabilities.

Analysis by maturity:

(in € millions)	Dec. 31, 2013	Dec. 31, 2014
Maturing in:		
1 year or less	1,445	1,507
More than 1 year and less than 5 years	338	469
Beyond 5 years	953	1,189
Total	**2,736**	**3,165**

Analysis by currency:

(in millions of currency units)	Dec. 31, 2013 Currency	Dec. 31, 2013 EUR	Dec. 31, 2014 Currency	Dec. 31, 2014 EUR
EUR	1,873	1,873	2,001	2,001
USD	1,184	860	1,386	1,142
Other	N/A	3	N/A	22
Total		**2,736**		**3,165**

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

	Total		Non-current				Current			
	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013		**Dec. 31, 2014**		Dec. 31, 2013		**Dec. 31, 2014**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,680	1,320	893	4.28%	1,264	4.06%	787	3.93%	56	1.35%
Floating rate	1,056	1,845	398	1.21%	394	1.25%	658	0.91%	1,451	0.64%
Total	**2,736**	**3,165**	**1,291**	**3.33%**	**1,658**	**3.39%**	**1,445**	**2.56%**	**1,507**	**0.67%**

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

	Total		Non-current				Current			
	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013		**Dec. 31, 2014**		Dec. 31, 2013		**Dec. 31, 2014**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	959	**235**	172	3.99%	179	3.92%	787	3.27%	56	1.35%
Floating rate	1,777	**2,930**	1,119	1.90%	1,479	1.88%	658	0.91%	1,451	0.64%
Total	**2,736**	**3,165**	**1,291**	**2.18%**	**1,658**	**2.10%**	**1,445**	**2.19%**	**1,507**	**0.67%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2013*	Dec. 31, 2014
Cash and cash equivalents (A)	1,547	1,633
Interest-bearing financial liabilities (B)	2,736	3,165
Fair value of interest rate derivatives hedging borrowings (C)	(31)	29
Total (A) - (B) + (C)	**(1,220)**	**(1,503)**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Safran's issue of USD 1.2 billion in senior unsecured notes on the US private placement market on February 9, 2012 was maintained in US dollars and no currency swaps were taken out in this respect. Changes in the euro value of this issue had a negative impact of €118 million on the Group's net debt at December 31, 2014.

The Group’s gearing ratio is shown below:

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Net debt	(1,220)	(1,503)
Total equity	6,813	6,478
Gearing ratio	**17.91%**	**23.20%**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

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 2.42% in 2014 after taking account of interest rate derivatives.

- Safran's €750 million five-year bonds issued to French investors on November 26, 2009 were redeemed in full at maturity (November 26, 2014).

- Safran ten-year bonds: €200 million issued to French investors on April 11, 2014 and maturing on April 11, 2024. The interest rate on these bonds was hedged by a floating rate swap on 3-month Euribor.
  The issue’s initial fixed-rate interest came out at 1.60% in 2014 after taking account of interest rate derivatives.

- European Investment Bank (EIB) borrowings: €225 million (€263 million at December 31, 2013). These borrowings bear floating-rate interest indexed to 3-month Euribor plus 0.73% and are repayable in equal yearly installments between December 17, 2013 and December 17, 2020.

- Employee savings financing under the Group employee savings plan: €417 million (€418 million at December 31, 2013).
  The maximum maturity is five years and the amount falling due within one year is €306 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 1.87% for 2014 and 1.62% for 2013.

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

MAIN SHORT-TERM BORROWINGS

- Commercial paper: €946 million (€250 million at December 31, 2013).
  This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.

- Financial current accounts with subsidiaries: €126 million (€31 million at December 31, 2013). Interest is indexed to Euribor.

Other short-term borrowings are not material taken individually.

SALE OF RECEIVABLES WITHOUT RECOURSE

Net debt at both December 31, 2014 and December 31, 2013 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 160 million (USD 80 million at 50%) had been drawn on this facility at December 31, 2014, versus USD 124 million (USD 62 million at 50%) at December 31, 2013.
  - Confirmed 364-day facility for USD 1,650 million, renewed in December 2014 by a syndicate of ten banks led by Royal Bank of Scotland (USD 1,000 million at December 31, 2013), on which USD 1,126 million (USD 563 million at 50%) had been drawn at December 31, 2014, versus USD 998 million (USD 499 million at 50%) at December 31, 2013.

- CFM SA:
  - Confirmed USD facility for an equivalent amount of €110 million initially granted in July 2010 by Medio Credito (Intesa San Paolo group). A total of USD 70 million (USD 35 million at 50%) had been drawn on this facility at December 31, 2014, versus USD 55 million (USD 27.5 million at 50%) at December 31, 2013.

Note 24 - Trade and other payables

(in € millions)	**Dec. 31, 2013***	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	**Dec. 31, 2014**
Operating payables	**7,713**	**682**	**126**	**60**	**(25)**	**8,556**
Credit balances on trade receivables	1,124	382	1	-	(5)	1,502
Advance payments from customers	3,316	(158)	57	4	-	3,219
Trade payables	2,112	363	40	49	(18)	2,546
Current operating account	8	(27)	24	-	(1)	4
Employee-related liabilities	1,153	122	4	7	(1)	1,285
Other liabilities	**955**	**99**	**8**	**14**	**6**	**1,082**
State, other taxes and duties	180	23	1	1	-	205
Deferred income	610	76	4	9	-	699
Other	165	-	3	4	6	178
Total	**8,668**	**781**	**134**	**74**	**(19)**	**9,638**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Trade payables carry no interest and fall due in less than one year.
Deferred income primarily concerns revenue billed on a percentage-of-completion basis and revenue deferred.

Trade and other payables fall due as shown below:

(in € millions)	**Total**	**Less than 12 months**	**More than 12 months**
Operating payables	8,556	8,092	464
Other liabilities	1,082	843	239
Total	**9,638**	**8,935**	**703**

Note 25 - *Other current and non-current financial liabilities*

(in € millions)	**Dec. 31, 2013***	Movements during the period	Changes in scope of conso-lidation	Foreign exchange differences	Reclassifications	**Dec. 31, 2014**
Payables on purchases of property, plant and equipment and intangible assets	162	12	-	1	13	**188**
Payables on purchases of investments	42	(4)	-	-	-	**38**
Total	**204**	**8**	**-**	**1**	13	**226**
Non-current	140					**101**
Current	64					**125**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

Note 26 - *Summary of financial liabilities*

The table below presents the carrying amount of the Group's financial liabilities at December 31, 2013 and December 31, 2014:

*At December 31, 2013**	Carrying amount		
(in € millions)	Financial liabilities at amortized cost (1)	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	670		**670**
Non-current interest-bearing financial liabilities	1,291		**1,291**
Current interest-bearing financial liabilities	1,445		**1,445**
Trade payables	2,112		**2,112**
Payables on purchases of investments	42	-	**42**
Payables on purchases of property, plant and equipment and intangible assets	162		**162**
Current operating accounts	8		**8**
Non-current derivatives (negative fair value)		36	**36**
Current derivatives (negative fair value)		150	**150**
Total financial liabilities	**5,730**	**186**	**5,916**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).
(1) Including financial liabilities hedged by fair value hedge instruments.

At December 31, 2014	Carrying amount		
(in € millions)	Financial liabilities at amortized cost (1)	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	713		**713**
Non-current interest-bearing financial liabilities	1,658		**1,658**
Current interest-bearing financial liabilities	1,507		**1,507**
Trade payables	2,546		**2,546**
Payables on purchases of investments	38	-	**38**
Payables on purchases of property, plant and equipment and intangible assets	188		**188**
Current operating accounts	4		**4**
Current derivatives (negative fair value)		1,636	**1,636**
Total financial liabilities	**6,654**	**1,636**	**8,290**

(1) Including financial liabilities hedged by fair value hedge instruments.

The fair value of financial liabilities is determined by reference to the future cash flows associated with each liability, discounted at market interest rates at the end of the reporting period, with the exception of borrowings subject to specific conditions, whose fair value cannot be estimated reliably given the uncertainties regarding the amounts to be repaid and the timing of repayment.

At December 31, 2014 and December 31, 2013, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

(in € millions)	**2013**		**2014**	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	670	N/A	713	N/A
Interest-bearing financial liabilities (1)	2,736	2,772	3,165	3,184

(1) This fair value 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, 2013 are shown below:

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

The Group's financial liabilities carried at fair value at December 31, 2014 are shown below:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	1,636	-	1,636
Total	**-**	**1,636**	**-**	**1,636**

In 2014 and 2013, 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, 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 (negative fair value)	**186**	**-**	**186**	**179**	**7**

(1) See Note 27.

At December 31, 2014 *(in € millions)*	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet (1) (c)	Amount subject to offset agreement but not offset (d)	Net (c) - (d)
Derivatives (negative fair value)	**1,636**	**-**	**1,636**	**401**	**1,235**

(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, 2014 and 2013, 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:

	Dec. 31, 2013		Dec. 31, 2014	
(in € millions)	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	***10***	***(41)***	***29***	***-***
Floating-for-fixed interest rate swaps	-	(5)	-	-
Fixed-for-floating interest rate swaps	10	(36)	29	-
Foreign currency risk management	***852***	***(134)***	***375***	***(1,616)***
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	652	(56)	163	(364)
Currency option contracts	200	(78)	212	(1,252)
Commodity risk management	***2***	***(11)***	***2***	***(20)***
Forward purchases of commodities	2	(11)	2	(20)
Total	**864**	**(186)**	**406**	**(1,636)**

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 7.0 billion for 2014.

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

Hedging policy

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

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

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity 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, 2013 Fair value (1)	Dec. 31, 2013 Notional amount (1)	Dec. 31, 2013 Less than 1 year	Dec. 31, 2013 1 to 5 years	Dec. 31, 2014 Fair value (1)	Dec. 31, 2014 Notional amount (1)	Dec. 31, 2014 Less than 1 year	Dec. 31, 2014 1 to 5 years
Forward exchange contracts	**596**				**(201)**			
Short USD position	620	12,348	8,317	4,031	(307)	9,036	7,054	1,982
Of which against EUR	*593*	*11,855*	*8,091*	*3,764*	*(306)*	*8,457*	*6,675*	*1,782*
Long USD position	(31)	(2,808)	(2,631)	(177)	70	(917)	(667)	(250)
Of which against EUR	*(31)*	*(2,808)*	*(2,631)*	*(177)*	*48*	*(497)*	*(297)*	*(200)*
Short CAD position against CHF	4	6	6	-	3	36	36	-
Short GBP position against EUR	1	75	75	-	48	550	200	350
Long CAD position against EUR	-	-	-	-	27	240	-	240
Long EUR position against CHF	(3)	(56)	(32)	(24)	1	(11)	(11)	-
Long EUR position against SGD	-	-	-	-	(18)	(280)	(280)	-
Long PLN position against EUR	1	(210)	(70)	(140)	1	(255)	(85)	(170)
Long MXN position against USD	4	(5,040)	(1,540)	(3,500)	(26)	(6,900)	(2,300)	(4,600)
Currency option contracts	**122**				**(1,040)**			
USD put purchased	82	8,000	7,900	100	179	12,400	5,900	6,500
USD put sold	(3)	(400)	(400)	-	15	(1,800)	(1,800)	-
USD call sold	(75)	18,083	15,583	2,500	(1,001)	28,350	12,350	16,000
USD call purchased	2	(1,983)	(1,983)	-	6	(3,600)	(3,600)	-
EUR put purchased	1	45	45	-	3	280	280	-
EUR call sold	-	90	90	-	(3)	560	560	-
Accumulators – sell USD (2)	110	5,299	4,181	1,118	(198)	6,434	6,434	-
Accumulators – buy USD (2)	-	(751)	(751)	-	(41)	(503)	(503)	-
Accumulators – sell CAD (2)	5	73	73	-	-	-	-	-
Total	**718**				**(1,241)**			

(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 €1,959 million decrease in the fair value of foreign currency derivatives between December 31, 2013 and December 31, 2014 reflects a decrease of €1,923 million in the fair value of currency hedging instruments not yet settled at December 31, 2014 and premiums received (negative impact of €36 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 €1,923 million decrease in the fair value of derivatives not yet settled at the end of the reporting period has been recognized in “Financial income (loss)”: a loss of €1,922 million was recognized in “Gain or loss on foreign currency hedging instruments” for derivatives hedging revenue net of future purchases; a loss of €31 million was recognized in “Foreign exchange gains and losses” for derivatives hedging balance sheet positions; and a gain of €30 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).

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, 2013	Dec. 31, 2014
Total assets excluding derivatives	1,527	**1,655**
Total liabilities excluding derivatives	(2,215)	**(2,582)**
Derivatives hedging balance sheet positions (1)	(369)	**(334)**
Net exposure after the impact of derivatives hedging balance sheet positions	**(1,057)**	**(1,261)**

(1) Notional amount.

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

In addition to this exposure, Safran has EUR/USD currency derivatives hedging revenue net of future purchases. These had a negative fair value of USD 1,571 million, compared to a total negative fair value of USD 1,576 million for EUR/USD currency derivatives at December 31, 2014 (positive fair value of USD 890 million and USD 916 million, respectively, at December 31, 2013).

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

	Dec. 31, 2013		Dec. 31, 2014	
Impact on balance sheet positions (in € millions)	USD		USD	
Closing rate	1.38		1.21	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.31	1.45	1.15	1.27
Impact recognized through profit or loss (before tax)	(377)	274	(1,232)	1,058
Impact recognized through equity (before tax)	(44)	40	(53)	48

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 €750 million bond issue, which was not hedged at fair value, was redeemed in full in November 2014.

In 2014, an interest rate swap was taken out to convert the fixed rate payable on the new €200 million bond issue maturing in April 2024 to a floating rate.

	Dec. 31, 2013					Dec. 31, 2014				
(in € millions)	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years
Interest rate swaps										
Fixed-for-floating	10	500	500	-	-	14	200	-	-	200
Floating-for-fixed	(5)	500	500	-	-	-	-	-	-	-
Total	**5**					**14**				

For the new €200 million bond issue, 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, 2013	Dec. 31, 2014
Change in fair value of hedging instrument	-	14
Change in fair value of hedged item	-	(14)
Impact of fair value interest rate hedges on profit	**-**	**-**

Exposure to euro interest rate risk before and after hedging:

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	775	642	60	396	**835**	**1,038**
Other financial assets	-	99	1	73	**1**	**172**
Cash and cash equivalents	124	1,123	-	-	**124**	**1,123**
Net exposure before hedging	**651**	**(580)**	**59**	**323**	**710**	**(257)**
Derivatives (1)	-	-	-	-	**-**	**-**
Net exposure after hedging	**651**	**(580)**	**59**	**323**	**710**	**(257)**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Notional amount.

Dec. 31, 2014	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	15	1,327	265	394	**280**	**1,721**
Other financial assets	-	118	-	113	**-**	**231**
Cash and cash equivalents	51	1,276	**-**	**-**	**51**	**1,276**
Net exposure before hedging	**(36)**	**(67)**	**265**	**281**	**229**	**214**
Derivatives (1)	-	-	(200)	200	**(200)**	**200**
Net exposure after hedging	**(36)**	**(67)**	**65**	**481**	**29**	**414**

(1) 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 (USPP) has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been kept at a fixed rate.

These swaps are eligible for fair value hedge accounting.

	Dec. 31, 2013					Dec. 31, 2014				
(in € millions)	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
USD interest rate swaps										
Fixed-for-floating – fair value hedge	(36)	1,045	-	-	1,045	15	1,045	-	-	1,045
Floating-for-fixed – fair value hedge	-	-	-	-	-	-	-	-	-	-
Total	**(36)**					**15**				

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, 2013	Dec. 31, 2014
Change in fair value of hedging instrument	(76)	51
Change in fair value of hedged item	75	(51)
Impact of fair value interest rate hedges on profit	**(1)**	**-**

Exposure to USD interest rate risk before and after hedging:

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	13	24	1,147	-	**1,160**	**24**
Other financial assets	39	75	-	2	**39**	**77**
Cash and cash equivalents	55	261	-	-	**55**	**261**
Net exposure before hedging	**(81)**	**(312)**	**1,147**	**(2)**	**1,066**	**(314)**
Derivatives (1)	-	-	(1,045)	1,045	**(1,045)**	**1,045**
Net exposure after hedging	**(81)**	**(312)**	**102**	**1,043**	**21**	**731**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(1) Notional amount.

Dec. 31, 2014	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	29	145	1,212	-	**1,241**	**145**
Other financial assets	39	86	-	-	**39**	**86**
Cash and cash equivalents	161	83	**-**	**-**	**161**	**83**
Net exposure before hedging	**(171)**	**(24)**	**1,212**	**-**	**1,041**	**(24)**
Derivatives (1)	-	-	(1,045)	1,045	**(1,045)**	**1,045**
Net exposure after hedging	**(171)**	**(24)**	**167**	**1,045**	**(4)**	**1.021**

(1) Notional amount.

Sensitivity to interest rate risk

The aggregate sensitivity of net exposures to EUR and USD interest rate risk after the impact of hedging is shown below:

Impact of changes in interest rates (in € millions)	**Dec. 31, 2013**	**Dec. 31, 2014**
Interest rate assumptions used	+1%	+1%
Impact on profit or loss (before tax)	(2)	(13)
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. 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, 2014 represented 3,038 tons of nickel (3,671 tons at December 31, 2013), including contracts for 1,059 tons maturing in less than one year (975 tons at end-2013) and 1,979 tons in one to five years (2,696 tons at end-2013).

The notional amount of platinum forward purchase contracts at December 31, 2014 represented 4,257 ounces (5,808 ounces at December 31, 2013), including contracts for 2,073 ounces maturing in less than one year (1,692 ounces at end-2013) and 2,184 ounces in one to five years (4,116 ounces at end-2013).

The notional amount of oil forward purchase contracts at December 31, 2014 represented 1,085,000 barrels (718,000 at December 31, 2013), including contracts for 186,000 barrels maturing in less than one year (67,000 barrels at end-2013) and 899,000 barrels in one to five years (651,000 barrels at end-2013).

These instruments had a negative fair value of €18 million at December 31, 2014. Given the difficulty in documenting hedging relationships between these derivatives and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

Equity risk management

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

A 5% decrease in the price of these shares would have a net negative pre-tax impact of €3 million on equity at end-2014 and end-2013.

COUNTERPARTY RISK MANAGEMENT

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency, interest rate and commodity risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or over-the-counter with top-tier intermediaries.

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

Note 16 provides a breakdown of trade receivables by maturity.

LIQUIDITY RISK MANAGEMENT

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

Since 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 borrowings set up in 2010 (see Note 23).
The following two ratios apply:

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

Undrawn confirmed liquidity facilities at December 31, 2014 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 lines have to maintain a net debt to EBITDA ratio of less than 2.5, in accordance with the stipulated covenant.

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 the EIB borrowings, senior secured 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 operations*

The Group has interests in a number of joint operations whose contribution is recognized line-by-line in the financial statements. The joint operations are:

- CFM International Inc. and CFM International SA: coordination of the CFM56 engine program with General Electric and program marketing;
- Famat: manufacture of large casings subcontracted by Snecma and General Electric;
- Matis: manufacture of aircraft wiring;
- CFAN: production of composite fan blades for turbo engines;
- Regulus: aerospace propulsion;
- Propulsion Technologies International: engine repair and maintenance.

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

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Current assets	132	142
Non-current assets	140	155
Current liabilities	199	199
Non-current liabilities	4	5
Operating income	75	92
Operating expenses	(61)	(68)
Financial income (loss)	(1)	(2)
Income tax expense	(14)	(2)
Profit (loss) for the period	(1)	21
Cash flows from operating activities (1)	16	40
Cash flows used in investing activities	(1)	(3)
Cash flows used in financing activities (1)	(11)	(8)

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements (see Note 3.b).

(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, associates, joint ventures and management executives.

The French State also holds a golden share in Herakles allowing it to veto any change in control of the company or sale of company assets.

Transactions with associates were not material in 2013 or 2014, and they are not therefore included in the table below.

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

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Sales to related parties other than joint ventures	3,406	3,665
Purchases from related parties other than joint ventures	(135)	(139)

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Amounts receivable from related parties other than joint ventures	1,614	1,865
Amounts payable to related parties other than joint ventures	1,626	1,470

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Guarantees granted to related parties other than joint ventures (off-balance sheet commitments) (1)	1,456	1,815

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) See Note 30.a.

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

The following transactions were carried out with joint ventures:

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Sales to joint ventures	84	175
Purchases from joint ventures	(35)	(76)

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Amounts receivable from joint ventures	15	51
Amounts payable to joint ventures	66	247

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Guarantees granted to joint ventures (off-balance sheet commitments) (1)	-	-

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) See Note 14.

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, 2013**	**Dec. 31, 2014**
Short-term benefits (1)	9.7	**9.3**
Post-employment benefits	10.0	**1.6**
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-

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

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

The Group's total post-employment commitments in respect of management executives amounted to €13.7 million at December 31, 2014 and €11.4 million at December 31, 2013.

Note 30 - Off-balance sheet commitments and contingent liabilities

30a - Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities

(i) Commitments given and contingent liabilities

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

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Purchase commitments on intangible assets	333	367
Purchase commitments on property, plant and equipment	312	289
Guarantees given in connection with the performance of operating agreements	2,735	3,275
Operating lease commitments	306	385
Financial guarantees granted on the sale of Group products	52	43
Other commitments given	250	247
Total	**3,988**	**4,606**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

Guarantees given in connection with the performance of operating agreements

These guarantees relate mainly to guarantees granted by Safran to customers and principals (essentially aircraft manufacturers) in which Safran or the subsidiary provide a joint and several guarantee that its subsidiaries will perform their duties under their contractual obligations. These guarantees are given in respect of research, design, development, manufacturing, marketing and product support programs in place at Group subsidiaries. They are generally granted for the term of the program concerned, and are capped at a certain amount.

Guarantees granted to Airbus are shown within "Guarantees granted to related parties" in Note 29, "Related parties".

Operating lease commitments

Commitments under operating leases can be analyzed as follows:

	Dec. 31, 2013*	**Dec. 31, 2014**	Period to maturity		
(in € millions)	Total	**Total**	Less than 1 year	1 to 5 years	Beyond 5 years
Operating lease commitments	306	**385**	68	210	107
Total	**306**	**385**	**68**	**210**	**107**

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

Financial guarantees granted on the sale of Group products

The Group's gross exposure in respect of these financial guarantees in their transaction currency, shown within commitments given, represents USD 52 million at December 31, 2014 and USD 72 million at December 31, 2013. However, these amounts do not reflect the actual risk to which Safran is exposed. In view of the value of the underlying assets pledged as security, the net risk represents USD 35 million at December 31, 2014 (USD 47 million at December 31, 2013), for which a provision is booked 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.

(ii) Commitments received

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

(in € millions)	**Dec. 31, 2013**	**Dec. 31, 2014**
Commitments received from banks on behalf of suppliers	11	16
Completion warranties	33	32
Endorsements and guarantees received	47	52
Other commitments received	3	7
Total	**94**	**107**

30b - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES RELATING TO THE GROUP'S SCOPE OF CONSOLIDATION

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

(i) Vendor warranties given

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Vendor warranties given (1)	11	5

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.
(1) Vendor warranties, the amount of which may be fixed or determinable.

(i) Vendor warranties received

(in € millions)	**Dec. 31, 2013***	**Dec. 31, 2014**
Vendor warranties received (1)	10	38

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.
(1) Vendor warranties received at December 31, 2014 do not include those received from SNPE in connection with the SME acquisition, which are described below.

Warranties received from SNPE

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

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

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

At December 31, 2014, no other such warranties had been called, and no provisions were therefore recognized in the Group's consolidated financial statements.

30C - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES RELATING TO THE GROUP'S FINANCING

Commitments received in respect of financing relate to:

- the unused portion of the assigned trade receivables (see Note 23, "Interest-bearing financial liabilities"); and
- the confirmed, undrawn syndicated credit lines (see Note 27, "Management of market risks and derivatives").

Note 31 - Disputes and litigation

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

The amount of the provisions booked is based on the level of risk for each case, as assessed by Safran and its subsidiaries and largely depends on their assessment of the merits of the claims and defensive arguments, bearing in mind that the occurrence of events during the proceedings can lead to a reassessment of the risk at any time.
A provision is only booked to cover the expenses that may result from such proceedings when the expenses are probable and their amount can be either quantified or reasonably estimated.
Safran considers that the provisions booked are adequate to cover the risks it incurs.

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.

- Following a failure of SME (now Herakles) to comply with a prefectoral order dated June 18, 2009 that resulted in an offense report dated May 4, 2010, the public prosecutor has initiated proceedings against Herakles. The prefectoral order relates to the Toulouse site and required certain documents relating to legislation governing facilities classified for environmental protection (ICPE) to be disclosed and updated within a timeframe that SME was unable to respect. At hearings before the Toulouse Correctional Court on January 28, 2015, the public prosecutor requested that Herakles be ordered to pay a fine of €100,000. Two associations for the protection of the environment filed a civil action claiming a total €8,000 in damages. The court's decision will be handed down on March 25, 2015.

  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. The proceedings are ongoing. At this point in time, the urban community of Bordeaux which owns the water supply source, has not disclosed the amount of its claim. Lyonnaise des Eaux, holder of the concession, has filed for damages of around €1.5 million. A preliminary expert report is planned in the first quarter of 2015.

  The agreements governing Safran's acquisition of SME (now Herakles) include an environmental guarantee given by SNPE to Safran. Under this guarantee, Herakles is also to carry out additional analyses and adopt a plan to manage the perchlorate (see Note 30).

- 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.

- Proceedings were brought against three employees of Sagem SA and Safran, alleging that they had made payments in an attempt to corrupt employees of the Nigerian government. The case against one of the employees was dismissed. In a ruling on September 5, 2012, the Paris Correctional Court acquitted the two other employees but found Sagem SA guilty of corrupting foreign government officials. As a result, Safran was ordered to pay a fine of €500,000. The Company appealed this decision. In an order dated January 7, 2015, the Paris Court of Appeal acquitted Safran and upheld the acquittal of the two employees. 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 dismissed by the tax authorities on June 20, 2012. On August 3, 2012, Safran referred the case to the Montreuil Administrative Court, which subsequently found against Safran on November 18, 2014. Following the favorable developments in the criminal proceedings discussed above, Safran has decided to file an appeal against this decision with the Versailles Administrative Court of Appeal.

- Safran was investigated by the European Commission's Directorate General for Competition as part of an inquiry into the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which is also being investigated, has filed a claim with Safran under the sale agreement in order to protect its rights in the event that an unfavorable decision against the entity sold is fully or partially covered by the vendor's warranty. On April 2, 2014, the Commission adopted a decision condemning the various parties concerned. Safran was fined €8.5 million and Safran and Silec Cable were ordered to pay a joint and several fine of €0.1 million. Safran decided not to appeal this decision. In view of the provisions previously set aside by Safran, this decision had no impact on its earnings for 2014.

Tax litigation and contingencies

- The €14 million tax adjustment notified in respect of the rules governing the allocation of tax expenses between the parent company Snecma and its consolidated subsidiaries up to the end of 2004 was contested in 2007 before the tax authorities who rejected this claim on June 24, 2011. Safran filed a statement of claim with the Administrative Court. In a ruling handed down on July 4, 2013, the Montreuil Administrative Court ruled partially in Safran's favor by granting relief from the €7.2 million in additional tax payments. Safran appealed against this decision before the Versailles Administrative Court as regards the surplus. In an order dated December 30, 2014, the Court granted Safran's requests.

- A Group subsidiary in Brazil is accused of not having levied a value added tax known as ICMS in the period 2010-2011 when selling products to its customers. The amounts concerned came to BRL 194 million (around €60 million) based on the December 2014 exchange rate, including BRL 166 million in penalties and interest. Although certain decisions of the lower courts have gone against the Company, it is challenging the grounds for the reassessments, based primarily on a legal opinion and on Brazilian Supreme Court case law. No provision has therefore been set aside in this respect.

To the best of Safran's knowledge and that of its subsidiaries, there are no other ongoing regulatory, legal or arbitration proceedings that could have a material impact on the financial position of the Company and/or Group.

Note 32 - Subsequent events

On 3 December 2014, following the decisions from ESA concerning development and production orientations for a new launcher Ariane 6, Safran and Airbus announced the creation of a 50/50 joint venture (Airbus Safran Launchers) intended to pool the expertise of both groups in order to boost the competitiveness and secure the long term profitability of the European space launcher business.

The partners decided to structure the operation in 2 successive phases:
During the initial phase, the coordination and the management of all the existing civil launchers programs and of some relevant participations have to be contributed quickly to the joint venture.
During the second phase, Safran and Airbus Group intend to integrate within the joint venture all the remaining contracts, assets and industrial resources, relating to space launchers and associated propulsion systems.

The MOU signed in December and amended on 14 January 2015, finalized all the phase 1 aspects enabling the joint venture to enter its operational phase since January 2015.
This agreement also laid down some key principles enabling both partners to make good progress on phase two. This phase will be initiated and implemented once Ariane 6 development contract has been awarded to the joint venture and all legal and financial terms and conditions have been finalized between both partners. The joint venture will be then ready to ensure all design, development, production and commercial activities for civil and military launchers and associated propulsion systems.

Due to the signing of the MOU on 3 December 2014 and progress made on phase 1 aspects on 31 December 2014, assets and liabilities that having to be contributed to the JV for this phase would fulfill the IFRS 5 criteria to be reclassified as “held for sale” as of 31 December 2014. However, for simplification purposes and lack of materiality of the related assets with regard to the Safran balance sheet, they have not been reclassified on a single line in the 31 December 2014 balance sheet.

Note 33 - List of consolidated companies

	Country	2013 Consolidation method	2013 % interest	2014 Consolidation method	2014 % interest
Safran SA	**France**	**Parent company**			
Aerospace Propulsion					
Snecma	France	FC	100.00	FC	100.00
CFAN Company	United States	JO*	50.00	JO	50.00
CFM International SA	France	JO*	50.00	JO	50.00
CFM International Inc.	United States	JO*	50.00	JO	50.00
CFM Materials LP	United States	EQ	50.00	EQ	50.00
Famat	France	JO*	50.00	JO	50.00
Fan Blade Associates, Inc.	United States	FC	100.00	FC	100.00
Shannon Engine Support Ltd	Ireland	EQ*	50.00	EQ	50.00
Snecma Americas Engine Services SA de CV	Mexico	FC	100.00	FC	100.00
Snecma Morocco Engine Services	Morocco	FC	51.00	FC	51.00
Snecma Participations	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 Co, Ltd	China	FC	100.00	FC	100.00
Snecma Xinyi Airfoil Castings Co	China	FC	90.00	FC	90.00
Propulsion Technologies International, LLC	United States	JO*	50.00	JO	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	France	FC	100.00	FC	100.00
Microturbo	France	FC	100.00	FC	100.00
Turbomeca Africa	South Africa	FC	51.00	FC	51.00
Turbomeca America Latina	Uruguay	FC	100.00	FC	100.00
Turbomeca Asia Pacific Pte Ltd	Singapore	FC	100.00	FC	100.00
Turbomeca Australasia Pty Ltd	Australia	FC	100.00	FC	100.00
Turbomeca Canada, Inc.	Canada	FC	100.00	FC	100.00
Turbomeca do Brasil Industria e Commercio Ltda	Brazil	FC	100.00	FC	100.00
Turbomeca Germany GmbH	Germany	FC	100.00	FC	100.00
Turbomeca Manufacturing, LLC	United States	FC	100.00	FC	100.00
Turbomeca Tianjin Helicopter Engines Trading Cie Ltd	China	FC	100.00	FC	100.00
Turbomeca UK Ltd	United Kingdom	FC	100.00	FC	100.00
Turbomeca USA, Inc.	United States	FC	100.00	FC	100.00
Turbomeca Mexico	Mexico	FC	100.00	FC	100.00
Herakles (formerly SME)	France	FC	100.00	FC	100.00
Europropulsion SA	France	EQ*	50.00	EQ	50.00
Pyroalliance	France	FC	85.00	FC	85.00
Regulus	France	JO*	40.00	JO	40.00
Roxel France	France	EQ*	50.00	EQ	50.00
Roxel Ltd	United Kingdom	EQ*	50.00	EQ	50.00
Roxel	France	EQ*	50.00	EQ	50.00
Structil	France	FC	80.00	FC	80.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

	Country	2013 Consolidation method	2013 % interest	2014 Consolidation method	2014 % 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	United States	EQ*	50.00	EQ	50.00
Hydrep	France	EQ*	50.00	FC	100.00
Messier-Bugatti USA, LLC	United States	FC	100.00	FC	100.00
Messier-Bugatti-Dowty Malaysia Sdn bhd	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 SA de CV	Mexico	FC	100.00	FC	100.00
Messier Services Pte Ltd	Singapore	FC	100.00	FC	100.00
Sofrance	France	FC	100.00	FC	100.00
Messier Dowty Suzhou II Co Ltd	China	FC	100.00	FC	100.00
Labinal Power Systems	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 LLC	United States	FC	100.00	FC	100.00
Labinal Maroc SA	Morocco	FC	100.00	FC	100.00
Labinal de Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Labinal Salisbury LLC	United States	FC	100.00	FC	100.00
Matis Aerospace	Morocco	JO*	50.00	JO	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India Pvt Ltd	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Safran Power UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Power USA, LLC	United States	FC	100.00	FC	100.00
Technofan	France	FC	95.15	FC	95.15
Technofan LLC	United States	FC	100.00	FC	100.00
SAIFEI (1)	China	-	-	EQ	49.00
Hispano-Suiza	France	FC	100.00	FC	100.00
Hispano-Suiza Polska	Poland	FC	100.00	FC	100.00
SEM MB	France	EQ*	50.00	EQ	50.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) First-time consolidation in 2014.

	Country	2013 Consolidation method	2013 % interest	2014 Consolidation method	2014 % 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, Inc.	Canada	FC	100.00	FC	100.00
Sagem Avionics, LLC	United States	FC	100.00	FC	100.00
Sagem Navigation GmbH	Germany	FC	100.00	FC	100.00
Sofradir	France	EQ*	50.00	EQ	50.00
ULIS	France	EQ*	42.51	EQ	50.00
Vectronix AG	Switzerland	FC	100.00	FC	100.00
Vectronix, Inc.	United States	FC	100.00	FC	100.00
REOSC	France	FC	100.00	FC	100.00
Colibrys AG(1)	France	-	-	FC	100.00
Colibrys Schweiz AG (1)	Switzerland	-	-	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) First-time consolidation in 2014.

	Country	2013 Consolidation method	2013 % interest	2014 Consolidation method	2014 % 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, LLC	United Arab Emirates	EQ*	40.00	EQ	40.00
Dictao (3)	France	-	-	FC	100.00
L-1 Secure Credentialing, LLC	United States	FC	100.00	FC	100.00
Morpho Australasia Pty Ltd	Australia	FC	100.00	FC	100.00
Morpho BV (formerly Sagem Identification BV)	Netherlands	FC	100.00	FC	100.00
Morpho Canada, Inc.	Canada	FC	100.00	FC	100.00
Morpho Maroc	Morocco	FC	100.00	FC	100.00
Morpho South Africa (Pty) Ltd	South Africa	FC	100.00	FC	100.00
MorphoTrak LLC.	United States	FC	100.00	FC	100.00
MorphoTrust USA LLC.	United States	FC	100.00	FC	100.00
Morpho UK Ltd	United Kingdom	FC	100.00	FC	100.00
Morpho USA Inc.	United States	FC	100.00	FC	100.00
SecuriMetrics Inc. (1)	United States	FC	100.00	FC	100.00
TransDigital Technologies LLC	United States	FC	100.00	FC	100.00
Morpho Cards GmbH	Germany	FC	100.00	FC	100.00
Cassis Americas Inc. (2)	United States	FC	100.00	-	-
Cassis International Europe (2)	France	FC	100.00	-	-
Cassis International Pte Ltd	Singapore	FC	100.00	FC	100.00
Morpho Cards Sdn Bhd	Malaysia	FC	100.00	FC	100.00
Morpho do Brasil S.A	Brazil	FC	100.00	FC	100.00
Morpho Cards de Colombia SAS	Colombia	FC	100.00	FC	100.00
PT Morpho Cards Indonesia	Indonesia	FC	100.00	FC	100.00
Morpho Cards (Singapore) Pte Ltd	Singapore	FC	100.00	FC	100.00
Morpho Cards de Peru SAC	Peru	FC	100.00	FC	100.00
Morpho Cards Ltda	Portugal	FC	100.00	FC	100.00
Morpho Cards Romania SRL	Romania	FC	100.00	FC	100.00
Morpho Cards UK Ltd	United Kingdom	FC	100.00	FC	100.00
Morpho Cards USA, Inc.	United States	FC	100.00	FC	100.00
Morpho South Africa Pty Ltd	South Africa	FC	100.00	FC	100.00
CPS Technologies	France	FC	100.00	FC	100.00
Morpho Cards Czech S.R.O	Czech Republic	FC	100.00	FC	100.00
Smart Chip Ltd	India	FC	100.00	FC	100.00
Syscom Corporation Ltd	India	FC	100.00	FC	100.00
Orga Zelenograd Smart Cards and Systems - ZAO	Russia	FC	100.00	FC	100.00
Morpho Cards FZ LLC	United Arab Emirates	FC	100.00	FC	100.00
Morpho Cards Mexico	Mexico	FC	100.00	FC	100.00
Morpho Detection LLC.	United States	FC	100.00	FC	100.00
Morpho Detection (HK) Ltd	China	FC	100.00	FC	100.00
Morpho Detection International LLC.	United States	FC	100.00	FC	100.00
Morpho Detection GmbH	Germany	FC	100.00	FC	100.00
Morpho Detection UK Ltd	United Kingdom	FC	100.00	FC	100.00
Quantum Magnetics LLC.	United States	FC	100.00	FC	100.00
Syagen Technology LLC.	United States	FC	100.00	FC	100.00
Ingenico	France	EQ	10.25	EQ	9.60

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

* The data published for December 31, 2013 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of IFRS 11, Joint Arrangements.

(1) Merged into Morpho Trak Inc. at December 31, 2014.

(2) Left the Group in 2014.

(3) Acquired in 2014.

		2013		2014	
	Country	Consolidation method	% interest	Consolidation method	% interest
Holding co. and other					
Etablissements Vallaroche	France	FC	100.00	FC	100.00
Labinal Investments LLC.	United States	FC	100.00	FC	100.00
Safran UK limited	United Kingdom	FC	100.00	FC	100.00
Safran USA, Inc.	United States	FC	100.00	FC	100.00
Sagem Mobiles (1)	France	FC	100.00	-	-
Soreval	Luxembourg	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(1) Merged into Etablissements Vallaroche SA at January 1, 2014.

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