CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

JUNE 30, 2014

SAFRAN
AEROSPACE · DEFENCE · SECURITY

The Board of Directors' meeting of July 30, 2014 adopted and authorized the publication of Safran's condensed interim consolidated financial statements and adjusted income statement for the six-month period ended June 30, 2014.

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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, section 3.1 of the 2013 Registration Document).

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 aforementioned adjustments on income statement items is as follows:

(in € millions)	Consolidated data First-half 2014	Currency hedges		Business combinations		Adjusted data First-half 2014
		Remeasurement of revenue (1)	Deferred hedging gain (loss) (2)	Amortization of intangible assets from Sagem-Snecma merger (3)	PPA impacts – other business combinations (4)	
Revenue	**6,972**	**236**	**-**	**-**	**-**	**7,208**
Other recurring operating income and expenses	(6,408)	(7)	15	74	81	(6,245)
Share in profit from joint ventures	18	-	-	-	-	18
Recurring operating income	**582**	**229**	**15**	**74**	**81**	**981**
Other non-recurring operating income and expenses	(10)	-	-	-	-	(10)
Profit from operations	**572**	**229**	**15**	**74**	**81**	**971**
Cost of debt	(21)	-	-	-	-	(21)
Foreign exchange gains (losses)	455	(229)	(206)	-	-	20
Other financial income and expense	(10)	-	-	-	-	(10)
Financial income (loss)	**424**	**(229)**	**(206)**	**-**	**-**	**(11)**
Income tax expense	(335)	-	81	(29)	(30)	(313)
Share in profit from associates	7	-	-	-	-	7
Profit from continuing operations	**668**	**-**	**(110)**	**45**	**51**	**654**
Profit (loss) for the period attributable to non-controlling interests	**(18)**	**-**	**(3)**	**(1)**	**-**	**(22)**
Profit for the period attributable to owners of the parent	**650**	**-**	**(113)**	**44**	**51**	**632**

(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 (€206 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (€15 millon).

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

(4) Including the cancelation of depreciation and amortization of identifiable assets (€57 million) and the impact of remeasuring inventories in connection with acquisitions (€19 million).

Readers are reminded that only the condensed interim consolidated financial statements are subject to a review by the Group's Statutory Auditors. The condensed interim consolidated financial statements include revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information".

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

Comparative adjusted interim consolidated income statement and segment information

Adjusted interim income statement

(in € millions)	First-half 2013 Adjusted data (published)	IFRS 11 impact*	First-half 2013 Adjusted data (restated)	First-half 2014 Adjusted data
Revenue	**7,066**	**(159)**	**6,907**	**7,208**
Other income	117	(3)	114	139
Income from operations	**7,183**	**(162)**	**7,021**	**7,347**
Change in inventories of finished goods and work-in-progress	272	(16)	256	416
Capitalized production	387	(1)	386	509
Raw materials and consumables used	(4,287)	103	(4,184)	(4,355)
Personnel costs	(2,314)	32	(2,282)	(2,405)
Taxes	(137)	3	(134)	(139)
Depreciation, amortization, and increase in provisions, net of use	(253)	15	(238)	(304)
Asset impairment	(9)	(2)	(11)	(47)
Other recurring operating income and expenses	5	1	6	(59)
Share in profit from joint ventures	-	22	22	18
Recurring operating income	**847**	**(5)**	**842**	**981**
Other non-recurring operating income and expenses	(23)	-	(23)	(10)
Profit from operations	**824**	**(5)**	**819**	**971**
Cost of net debt	(15)	-	(15)	(21)
Foreign exchange gains (losses)	(6)	-	(6)	20
Other financial income and expense	(46)	-	(46)	(10)
Financial income (loss)	**(67)**	**-**	**(67)**	**(11)**
Profit before tax	**757**	**(5)**	**752**	**960**
Income tax expense	(231)	5	(226)	(313)
Share in profit from associates	10	-	10	7
Capital gain from the sale of Ingenico shares	131	-	131	-
Profit for the period	**667**	**-**	**667**	**654**
Attributable to:				
owners of the parent	658	-	658	632
non-controlling interests	9	-	9	22
Earnings per share attributable to owners of the parent (in €)				
Basic earnings per share	1.58	-	1.58	1.52
Diluted earnings per share	1.58	-	1.58	1.52

* The data published for first-half 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).

Segment information

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

First-half 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	**3,763**	**2,137**	**584**	**722**	**7,206**	**2**	**7,208**	**(236)**	**-**	**6,972**
Recurring operating income (loss)	**745**	**202**	**44**	**65**	**1,056**	**(75)**	**981**	**(244)**	**(155)**	**582**
Other non-recurring operating income and expenses	(1)	-	2	(4)	**(3)**	(7)	**(10)**	-	-	**(10)**
Profit (loss) from operations	**744**	**202**	**46**	**61**	**1,053**	**(82)**	**971**	**(244)**	**(155)**	**572**
Free cash flow	**142**	**(19)**	**(22)**	**31**	**132**	**(91)**	**41**	**-**	**-**	**41**

First-half 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	**3,671**	**1,945**	**566**	**724**	**6,906**	**1**	**6,907**	**(46)**	**-**	**6,861**
Recurring operating income (loss)	**631**	**174**	**45**	**65**	**915**	**(73)**	**842**	**(46)**	**(126)**	**670**
Other non-recurring operating income and expenses	(15)	(3)	2	-	**(16)**	(7)	**(23)**	-	-	**(23)**
Profit (loss) from operations	**616**	**171**	**47**	**65**	**899**	**(80)**	**819**	**(46)**	**(126)**	**647**
Free cash flow	**198**	**(60)**	**55**	**(59)**	**134**	**33**	**167**	**-**	**-**	**167**

* The data published for first-half 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) **Aerospace Propulsion**		First-half 2013*	First-half 2014
Original equipment and related products and services		1,768	1,751
Services		1,742	1,864
Sales of studies		134	115
Other		27	33
	Sub-total	3,671	3,763
Aircraft Equipment			
Original equipment and related products and services		1,295	1,438
Services		555	590
Sales of studies		52	91
Other		43	18
	Sub-total	1,945	2,137
Defence			
Sales of equipment		384	379
Services		115	137
Sales of studies		52	66
Other		15	2
	Sub-total	566	584
Security			
Sales of equipment		572	571
Services		144	140
Sales of studies		4	4
Other		4	7
	Sub-total	724	722
Holding company and other			
Other		1	2
	Sub-total	1	2
Total		**6,907**	**7,208**

* The data published for first-half 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

First-half 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	1,534	1,580	2,387	1,205	502	**7,208**	(236)	**6,972**
%	21%	22%	33%	17%	7%			

First-half 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	1,436	1,592	2,241	1,110	528	**6,907**	(46)	**6,861**
%	21%	23%	32%	16%	8%			

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

Condensed interim consolidated financial statements

Consolidated income statement

(in € millions)	Note	First-half 2013*	First-half 2014
Revenue	6	**6,861**	**6,972**
Other income	6	114	**139**
Income from operations		**6,975**	**7,111**
Change in inventories of finished goods and work-in-progress		251	397
Capitalized production		386	509
Raw materials and consumables used	6	(4,188)	(4,354)
Personnel costs	6	(2,282)	(2,405)
Taxes		(134)	(139)
Depreciation, amortization, and increase in provisions, net of use	6	(360)	(448)
Asset impairment	6	(10)	(49)
Other recurring operating income and expenses	6	10	(58)
Share in profit from joint ventures	3 and 14	22	18
Recurring operating income		**670**	**582**
Other non-recurring operating income and expenses	6	(23)	(10)
Profit from operations		**647**	**572**
Cost of net debt		(15)	(21)
Foreign exchange gains (losses)		(126)	455
Other financial income and expense		(46)	(10)
Financial income (loss)	7	**(187)**	**424**
Profit before tax		**460**	**996**
Income tax expense	8	(124)	(335)
Share in profit from associates	14	10	7
Capital gain from the sale of Ingenico shares	4	131	-
Profit for the period		**477**	**668**
Attributable to:			
owners of the parent		470	650
non-controlling interests		7	18
Earnings per share attributable to owners of the parent (in €)	9		
Basic earnings per share		1.13	1.56
Diluted earnings per share		1.13	1.56

* The data published for first-half 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)	First-half 2013*	First-half 2014
Profit for the period	**477**	**668**
Other comprehensive income		
Items to be recycled to profit	**5**	**46**
Available-for-sale financial assets	15	8
Cumulative translation adjustments and net investment hedges	(12)	36
Income tax related to components of other comprehensive income to be recycled to profit	2	2
Share in other comprehensive income of equity-accounted companies (net of tax)	-	-
Items not recycled to profit	**(23)**	**(9)**
Actuarial gains and losses on post-employment benefits	(32)	(14)
Income tax related to components of other comprehensive income not recycled to profit	9	5
Share in other comprehensive income of equity-accounted companies (net of tax) not recycled to profit	-	-
Other comprehensive income (expense) for the period	**(18)**	**37**
Total comprehensive income for the period	**459**	**705**
Attributable to:		
- owners of the parent	452	687
- non-controlling interests	7	18

* The data published for first-half 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 first-half 2014, translation adjustments include gains of €3 million (gains of €1 million in first-half 2013) relating to 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. Translation adjustments also include losses of €8 million in first-half 2014 (losses of €8 million in first-half 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.

The remaining balance consists of translation gains of €41 million arising on foreign subsidiaries (translation losses of €5 million in first-half 2013).

In accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and are not subsequently recycled to profit.
The discount rates used to calculate post-employment benefit obligations are determined by reference to the yield on private investment-grade bonds (AA), using the Iboxx index. The main discount rate assumptions used to calculate post-employment benefit obligations at the dates shown were revised as follows:

	Dec. 31, 2012	**June 30, 2013**	Dec. 31, 2013	**June 30, 2014**
Eurozone	3.25%	**3.00%**	3.00%	**2.50%**
United Kingdom	4.50%	**4.50%**	4.50%	**4.50%**

The inflation rate assumption used to calculate obligations in the UK was as follows.

	Dec. 31, 2012	**June 30, 2013**	Dec. 31, 2013	**June 30, 2014**
UK inflation rate	2.95%	**3.60%**	3.35%	**3.35%**

Consolidated balance sheet

ASSETS *(in € millions)*	*Note*	Jan. 1, 2013*	Dec. 31, 2013*	June 30, 2014
Goodwill	*10*	2,981	3,399	3,322
Intangible assets	*11*	3,852	4,620	5,197
Property, plant and equipment	*12*	2,292	2,463	2,603
Non-current financial assets	*13*	268	370	385
Investments in equity-accounted companies	*14*	836	680	687
Non-current derivatives (positive fair value)	*21*	62	-	3
Deferred tax assets		240	203	239
Other non-current financial assets		13	12	-
Non-current assets		**10,544**	**11,747**	**12,436**
Current financial assets	*13*	171	195	257
Current derivatives (positive fair value)	*21*	585	864	1,025
Inventories and work-in-progress		4,001	3,998	4,365
Trade and other receivables		4,879	4,967	5,331
Tax assets		411	380	384
Cash and cash equivalents	*15*	2,083	1,547	1,523
Current assets		**12,130**	**11,951**	**12,885**
Total assets		**22,674**	**23,698**	**25,321**

EQUITY AND LIABILITIES *(in € millions)*	*Note*	Jan. 1, 2013*	Dec. 31, 2013*	June 30, 2014
Share capital	*16*	83	83	83
Consolidated retained earnings	*16*	5,726	5,137	6,284
Net unrealized gains on available-for-sale financial assets	*16*	25	29	37
Profit for the period		-	1,386	650
Equity attributable to owners of the parent		**5,834**	**6,635**	**7,054**
Non-controlling interests		**163**	**178**	**182**
Total equity		**5,997**	**6,813**	**7,236**
Provisions	*17*	1,805	1,738	2,023
Borrowings subject to specific conditions	*18*	670	670	669
Non-current interest-bearing financial liabilities	*19*	2,249	1,291	1,534
Non-current derivatives (negative fair value)	*21*	12	36	5
Deferred tax liabilities		952	1,264	1,458
Other non-current financial liabilities	*20*	104	140	94
Non-current liabilities		**5,792**	**5,139**	**5,783**
Provisions	*17*	1,061	1,220	1,061
Current interest-bearing financial liabilities	*19*	941	1,445	1,786
Trade and other payables		8,493	8,668	9,061
Tax liabilities		151	199	251
Current derivatives (negative fair value)	*21*	213	150	75
Other current financial liabilities	*20*	26	64	68
Current liabilities		**10,885**	**11,746**	**12,302**
Total equity and liabilities		**22,674**	**23,698**	**25,321**

* 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 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**	**(277)**	**1,282**	**85**	**5,834**	**163**	**5,997**
Comprehensive income for the period	-	-	-	15	(12)	-	(32)	470	11 (a)	**452**	7	**459**
Acquisitions/disposals of treasury shares	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Dividends	-	-	-	-	-	(271)	-	-	-	**(271)**	(9)	**(280)**
Other movements	-	-	-	-	-	1,282	-	(1,282)	(8)	**(8)**	(1)	**(9)**
At June 30, 2013	**83**	**3,360**	**(18)**	**40**	**108**	**2,185**	**(309)**	**470**	**88**	**6,007**	**160**	**6,167**
Comprehensive income for the period	-	-	-	(11)	(79)	-	12	916	(17) (a)	**821**	18	**839**
Acquisitions/disposals of treasury shares	-	-	1	-	-	1	-	-	(3)	**(1)**	-	**(1)**
Dividends	-	-	-	-	-	-	-	-	-	**-**	(1)	**(1)**
2013 interim dividend	-	-	-	-	-	(200)	-	-	-	**(200)**	-	**(200)**
Other movements	-	-	-	-	-	-	-	-	8	**8**	1	**9**
At Dec. 31, 2013*	**83**	**3,360**	**(17)**	**29**	**29**	**1,986**	**(297)**	**1,386**	**76**	**6,635**	**178**	**6,813**
Comprehensive income for the period	-	-	-	8	36	-	(14)	650	7 (a)	**687**	18	**705**
Acquisitions/disposals of treasury shares	-	-	(6)	-	-	-	-	-	-	**(6)**	-	**(6)**
Dividends	-	-	-	-	-	(266)	-	-	-	**(266)**	(11)	**(277)**
Other movements	-	-	-	-	-	1,386	-	(1,386)	4	**4**	(3)	**1**
At June 30, 2014	**83**	**3,360**	**(23)**	**37**	**65**	**3,106**	**(311)**	**650**	**87**	**7,054**	**182**	**7,236**

* The data published for January 1, June 30 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.c). The impact on consolidated equity was a negative €1 million in the second half of 2013.

(a) see table below:

	Tax impact on actuarial gains and losses	Tax impact on translation adjustments	Total
Comprehensive income for first-half 2013	9	2	11
Comprehensive income for second-half 2013	(3)	(14)	(17)
Comprehensive income for first-half 2014	5	2	7

Consolidated statement of cash flows

(in € millions)		First-half 2013*	First-half 2014
I. Cash flow from operating activities			
Profit attributable to owners of the parent		**470**	**650**
Depreciation, amortization, impairment and provisions (1)		406	522
Share in profit from equity-accounted companies (net of dividends received)		9	(7)
Change in fair value of derivatives		166	(251)
Capital gains and losses on asset disposals (2)		(142)	(1)
Profit attributable to non-controlling interests		7	18
Other		96	209
Cash flow from operations, before changes in working capital		**1,012**	**1,140**
Change in inventories and work-in-progress		(300)	(374)
Change in operating receivables and payables		155	80
Change in other receivables and payables		(73)	(25)
Change in working capital		**(218)**	**(319)**
	TOTAL I (3)	**794**	**821**
II. Cash flow used in investing activities			
Capitalization of R&D expenditure (4)		(297)	(374)
Payments for the purchase of intangible assets, net of proceeds		(103)	(107)
Payments for the purchase of property, plant and equipment, net of proceeds		(227)	(299)
Payments for the purchase of investments or businesses, net of proceeds		(353)	(221)
Proceeds arising from (payments for) the sale (purchase) of investments or businesses, net		287	3
Payments for the purchase of financial assets, net		(39)	(54)
	TOTAL II	**(732)**	**(1,052)**
III. Cash flow from financing activities			
Change in share capital		-	-
Acquisitions and disposals of treasury shares		-	(6)
Repayment of borrowings and long-term debt		(22)	(23)
Increase in borrowings		7	208
Change in repayable advances		(15)	(17)
Change in short-term borrowings		(263)	318
Dividends paid to owners of the parent		(271)	(266)
Dividends paid to non-controlling interests		(9)	(10)
	TOTAL III	**(573)**	**204**
Effect of changes in foreign exchange rates	**TOTAL IV**	**(4)**	**3**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV**	**(515)**	**(24)**
Cash and cash equivalents at beginning of period		2,083	1,547
Cash and cash equivalents at end of period		1,568	1,523
Net increase (decrease) in cash and cash equivalents		**(515)**	**(24)**

* The data published for first-half 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) In first-half 2013, this caption includes €353 million in depreciation and amortization, €26 million in impairment, and €27 million in provisions.
In first-half 2014, it includes: €381 million in depreciation and amortization, €50 million in impairment, and €91 million in provisions.
(2) In first-half 2013, this includes the capital loss on the disposal of Ingenico amounting to €131 million.

(3) In first-half 2014, this caption includes €117 million in taxes paid (€43 million in taxes received in first-half 2013), of which €31 million in interest paid (€34 million in first-half 2013) and €18 million in interest received (€26 million in first-half 2013).

(4) In first-half 2014, this includes €19 million in capitalized interest (€7 million in capitalized interest in first-half 2013).

Notes to the interim consolidated financial statements

Safran (2, boulevard du Général Martial Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (joint-stock corporation) incorporated in France and permanently listed on Compartment A of the Euronext Paris Eurolist market.
The condensed interim consolidated financial statements reflect the accounting position of Safran and the subsidiaries it controls, directly or indirectly and jointly or exclusively, as well as entities over which it exercises a significant influence (the "Group").
The condensed interim consolidated financial statements and accompanying notes are drawn up in euros and all amounts are rounded to the nearest million unless otherwise stated.
The Board of Directors' meeting of July 30, 2014 adopted and authorized the publication of the 2014 condensed interim consolidated financial statements.

Note 1 - Accounting policies

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union (available from http://ec.europa.eu/internal_market/accounting/ias/index_en.htm) at the date the 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).

The condensed interim consolidated financial statements at June 30, 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting and with all the standards and interpretations adopted by the European Union and applicable to accounting periods beginning on or after January 1, 2014.

In preparing these condensed interim consolidated financial statements at June 30, 2014, Safran applied the same accounting rules and methods as those applied in the preparation of its consolidated financial statements for the year ended December 31, 2013 (see Note 1, section 3.1 of the 2013 Registration Document), except as regards the specific requirements of IAS 34 (use of projected annual rates in calculating the Group's income tax, adjusted for the main permanent differences) and the changes described below.

Changes in accounting policies

New IFRS standards, amendments and interpretations effective as of January 1, 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 in Note 3, "Change in accounting policy". IFRS 12 introduces a host of new disclosure requirements regarding an entity's interests in other entities.

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 – Classification and Measurement of Financial Assets and Liabilities.
- IFRS 9, Financial Instruments – Hedge Accounting.
- IFRS 15, Revenue from Contracts with Customers.
- Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.
- Amendments to IAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions;
- Amendments to IFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.
- Improvements to IFRSs published in December 2013.
- IFRIC 21, Levies.

Except for 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.

Note 2 - Main sources of estimates

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

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

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

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

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

a) Estimates relating to programs and contracts

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

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

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

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

- impairment of non-current assets: Goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in Note 1.l, section 3.1 of the 2013 Registration Document. The recoverable amount of these assets is generally determined using cash flow forecasts based on the key assumptions described above;

- capitalization of development costs: The conditions for capitalizing development costs are set out in Note 1.j, section 3.1 of the 2013 Registration Document. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts drawing on the key assumptions described above. The Group also uses estimates when determining the useful life of its projects;

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

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

- repayable advances: The forecast repayment of advances received from the State is based on income from future sales of engines, equipment and spare parts, as appropriate. As a result, 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 situation that could materially impact the provisions recognized.

c) Post-employment benefits

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

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

d) Trade and other receivables

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

e) Allocation of the cost of business combinations

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

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

f) Disputes and litigation

Certain Group subsidiaries may be party to governmental, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 24, "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 now 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 June 30, 2013

Consolidated income statement for first-half 2013

(in € millions)	**First-half 2013 (published)**	**IFRS 11 impact**	**First-half 2013 (restated)**
Revenue	**7,020**	**(159)**	**6,861**
Other income	117	(3)	114
Income from operations	**7,137**	**(162)**	**6,975**
Change in inventories of finished goods and work-in-progress	267	(16)	251
Capitalized production	387	(1)	386
Raw materials and consumables used	(4,291)	103	(4,188)
Personnel costs	(2,314)	32	(2,282)
Taxes	(137)	3	(134)
Depreciation, amortization, and increase in provisions, net of use	(375)	15	(360)
Asset impairment	(8)	(2)	(10)
Other recurring operating income and expenses	9	1	10
Share in profit from joint ventures	-	22	22
Recurring operating income	**675**	**(5)**	**670**
Other non-recurring operating income and expenses	(23)	-	(23)
Profit from operations	**652**	**(5)**	**647**
Cost of debt	(15)	-	(15)
Foreign exchange gains (losses)	(126)	-	(126)
Other financial income and expense	(46)	-	(46)
Financial income (loss)	**(187)**	**-**	**(187)**
Profit before tax	**465**	**(5)**	**460**
Income tax expense	(129)	5	(124)
Share in profit from associates	10	-	10
Gain on disposal of Ingenico shares	131	-	131
Profit from continuing operations	**477**	**-**	**477**
Profit for the period	**477**	**-**	**477**
Attributable to:			
owners of the parent	470	-	470
non-controlling interests	7	-	7

Consolidated statement of comprehensive income for first-half 2013

(in € millions)	First-half 2013 (published)	IFRS 11 impact	First-half 2013 (restated)
Profit for the period	**477**	**-**	**477**
Other comprehensive income			
Items to be recycled to profit	**5**	**-**	**5**
Available-for-sale financial assets	15	-	15
Cumulative translation adjustments and net investment hedges	(10)	(2)	(12)
Income tax related to components of other comprehensive income to be recycled to profit	2	-	2
Share in other comprehensive income of equity-accounted companies (net of tax)	(2)	2	-
Items not recycled to profit	**(23)**	**-**	**(23)**
Actuarial gains and losses on post-employment benefits	(32)	-	(32)
Income tax related to components of other comprehensive income not recycled to profit	9	-	9
Share in other comprehensive income of equity-accounted companies (net of tax) not recycled to profit	-	-	-
Other comprehensive income (expense) for the period	**(18)**	**-**	**(18)**
Total comprehensive income for the period	**459**	**-**	**459**
Attributable to:			
owners of the parent	452	-	452
non-controlling interests	7	-	7

Net debt at June 30, 2013

(in € millions)	June 30, 2013 (published)	IFRS 11 impact	June 30, 2013 (restated)
Cash and cash equivalents (A)	1,663	(95)	1,568
Interest-bearing financial liabilities (B)	2,851	20	2,871
Fair value of interest rate derivatives hedging borrowings (C)	(14)	-	(14)
Total (A) - (B) + (C)	**(1,202)**	**(115)**	**(1,317)**

Consolidated statement of cash flows for first-half 2013

(in € millions)	**First-half 2013 (published)**	**IFRS 11 impact**	**First-half 2013 (restated)**
Profit attributable to owners of the parent	470	-	470
Depreciation, amortization, impairment and provisions	419	(13)	406
Share in profit from equity-accounted companies (net of dividends received)	(10)	19	9
Capital gains and losses on asset disposals	(139)	(3)	(142)
Other changes related to operations	271	(2)	269
Cash flow from operations, before changes in working capital	**1,011**	**1**	**1,012**
Change in working capital	**(223)**	**5**	**(218)**
Total cash flow from operating activities	**788**	**6**	**794**
Capitalization of R&D expenditure	(297)	-	(297)
Payments for the purchase of intangible assets, net of proceeds	(106)	3	(103)
Payments for the purchase of property, plant and equipment, net of proceeds	(228)	1	(227)
Payments for the purchase of securities and other financial assets, net of proceeds	(105)	-	(105)
Total cash flow used in investing activities	**(736)**	**4**	**(732)**
Increase in borrowings	7	-	7
Repayment of borrowings and long-term debt	(32)	10	(22)
Change in short-term borrowings	(259)	(4)	(263)
Dividends paid to owners of the parent and non-controlling interests	(279)	(1)	(280)
Other cash flows from financing activities	(15)	-	(15)
Total cash flow used in financing activities	**(578)**	**5**	**(573)**
Effect of changes in foreign exchange rates	(4)	-	(4)
Net increase (decrease) in cash and cash equivalents	**(530)**	**15**	**(515)**
Cash and cash equivalents at beginning of period	2,193	(110)	2,083
Cash and cash equivalents at end of period	1,663	(95)	1,568
Net increase (decrease) in cash and cash equivalents	**(530)**	**15**	**(515)**

Segment information for first-half 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	3,773	1,961	598	733	**7,065**	1	**7,066**	(46)	N/A	**7,020**
IFRS 11 impact	(102)	(16)	(32)	(9)	**(159)**	-	**(159)**	-	N/A	**(159)**
Restated revenue	**3,671**	**1,945**	**566**	**724**	**6,906**	**1**	**6,907**	**(46)**	**N/A**	**6,861**
Published recurring operating income	634	175	45	66	**920**	(73)	**847**	(46)	(126)	**675**
IFRS 11 impact	(3)	(1)	-	(1)	**(5)**	-	**(5)**	-	-	**(5)**
Restated recurring operating income	**631**	**174**	**45**	**65**	**915**	**(73)**	**842**	**(46)**	**(126)**	**670**
Published free cash flow	208	(68)	37	(53)	**124**	33	**157**	N/A	N/A	**157**
IFRS 11 impact	(10)	8	18	(6)	**10**	-	**10**	N/A	N/A	**10**
Restated free cash flow	**198**	**(60)**	**55**	**(59)**	**134**	**33**	**167**	**N/A**	**N/A**	**167**

c) 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 w ork-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	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:			
ow ners 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
Cumulative translation adjustments 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 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 recycled to profit	6	-	6
Share in other comprehensive income of equity-accounted companies (net of tax) not 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 for the purchase of securities 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 from 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 period	2,193	(110)	2,083
Cash and cash equivalents at end of period	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)	N/A	**14,490**
IFRS 11 impact	(202)	(30)	(81)	(20)	**(333)**	1	**(332)**	-	N/A	**(332)**
Restated revenue	**7,589**	**4,091**	**1,197**	**1,482**	**14,359**	**4**	**14,363**	**(205)**	**N/A**	**14,158**
Published recurring operating income	1,359	380	87	120	**1,946**	(158)	**1,788**	(216)	(277)	**1,295**
IFRS 11 impact	(1)	(4)	(3)	-	**(8)**	-	**(8)**	-	-	**(8)**
Restated recurring operating income	**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**	N/A	N/A	**712**
IFRS 11 impact	(28)	6	16	(7)	**(13)**	-	**(13)**	N/A	N/A	**(13)**
Restated free cash flow	**493**	**73**	**126**	**(49)**	**643**	**56**	**699**	**N/A**	**N/A**	**699**

Note 4 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN FIRST-HALF 2014

Eaton

On May 9, 2014, Safran completed the acquisition of the aerospace power distribution management solutions and integrated cockpit solutions business of Eaton Aerospace, a North American supplier positioned in the commercial and military aviation market.
The cash consideration for the transaction amounted to €197 million.

Goodwill (before allocation of the purchase price) is summarized below:

(in € millions)	
Acquisition cost of shares	197
Share in equity acquired	(20)
Goodwill	**177**

The definitive 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, while the integrated cockpit solutions are consolidated within the Defence business.
The contribution of this business to the Group's performance in first-half 2014 was not material.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2013

Acquisition of Goodrich Electrical Power Systems (GEPS)

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

The 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-half 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 definitive allocation of the total value of this business 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 aircraft 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 to intangible assets.
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.

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

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

Defence

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

Security

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

Holding company and other

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

Business segment performance indicators

The segment information presented in the tables on page 7 is identical to that presented to Executive Management, which 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, section 3.1 of the 2013 Registration Document), 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 disbursements relating to acquisitions of property, plant and equipment and intangible assets.

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

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

REVENUE

(in € millions)	**First-half 2013***	**First-half 2014**
Original equipment and related products and services	3,042	3,066
Sales of defence and security equipment	951	941
Services	2,538	2,638
Sales of studies	241	267
Other	89	60
Total	**6,861**	**6,972**

* The data published for first-half 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

Other income mainly comprises research tax credits and operating subsidies.

(in € millions)	**First-half 2013***	**First-half 2014**
Research tax credit (1)	63	73
Competitiveness and employment tax credit (CICE)	12	19
Other operating subsidies	33	38
Other operating income	6	9
Total	**114**	**139**

* The data published for first-half 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).

(*) Of which €11 million in connection with additional research tax credits in respect of 2013, included in first-half 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)	**First-half 2013***	**First-half 2014**
Raw materials, supplies and other	(1,372)	(1,368)
Bought-in goods	(100)	(87)
Change in inventories	49	(24)
Sub-contracting	(1,538)	(1,624)
Purchases not held in inventory	(212)	(207)
External service expenses	(1,015)	(1,044)
Total	**(4,188)**	**(4,354)**

* The data published for first-half 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)	First-half 2013*	First-half 2014
Wages and salaries	(1,461)	(1,517)
Social security contributions	(594)	(633)
Statutory employee profit-sharing	(42)	(51)
Optional employee profit-sharing	(67)	(71)
Additional contributions	(26)	(32)
Profit-sharing bonus for employees	(4)	(5)
Corporate social contribution	(32)	(32)
Other employee costs	(56)	(64)
Total	**(2,282)**	**(2,405)**

* The data published for first-half 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 earnings.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

(in € millions)	First-half 2013*	First-half 2014
Net depreciation and amortization expense		
- intangible assets	(189)	(213)
- property, plant and equipment	(164)	(168)
Total net depreciation and amortization expense (1)	**(353)**	**(381)**
Net increase in provisions	**(7)**	**(67)**
Depreciation, amortization, and increase in provisions, net of use	**(360)**	**(448)**

* The data published for first-half 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 (€74 million in first-half 2014 and €75 million in first-half 2013) and during recent acquisitions (€57 million in first-half 2014 and €46 million in first-half 2013).

ASSET IMPAIRMENT

	Impairment expense		Reversals	
(in € millions)	First-half 2013*	First-half 2014	First-half 2013*	First-half 2014
Property, plant and equipment and intangible assets	(10)	(5)	3	3
Financial assets	(2)	(3)	1	1
Inventories and work-in-progress	(87)	(112)	91	74
Receivables	(24)	(37)	18	30
Total	**(123)**	**(157)**	**113**	**108**

* The data published for first-half 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)	First-half 2013*	First-half 2014
Capital gains and losses on asset disposals	4	1
Royalties, patents and licenses	(9)	(7)
Losses on irrecoverable receivables	(1)	(6)
Other operating income and expenses	16	(46)
Total	**10**	**(58)**

* The data published for first-half 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)	First-half 2013*	First-half 2014
Gains on remeasuring previously-held equity interests	-	-
Capital gains on asset disposals	-	-
Impairment net of reversals on intangible assets	(15)	-
Other non-recurring items	(8)	(10)
Total	**(23)**	**(10)**

* The data published for first-half 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 first-half 2014, other non-recurring items chiefly include €6 million in transaction and integration costs arising on recent business combinations.

In first-half 2013, other non-recurring items chiefly include €7 million in transaction and integration costs arising on recent business combinations.
An impairment loss of €15 million was recognized against intangible assets relating to Propulsion programs (see Note 11).

Note 7 - Financial income (loss)

(in € millions)	First-half 2013	First-half 2014
Financial expense on interest-bearing financial liabilities	(41)	(40)
Financial income on cash and cash equivalents	26	19
Cost of net debt	**(15)**	**(21)**
Gain (loss) on foreign currency hedging instruments	(166)	206
Foreign exchange gains and losses	45	254
Net foreign exchange gains (losses) on provisions	(5)	(5)
Foreign exchange gains (losses)	**(126)**	**455**
Gain or loss on interest rate and commodity hedging instruments	(10)	14
Impairment of available-for-sale financial assets	-	(1)
Dividends received	2	2
Other financial provisions	1	1
Interest component of IAS 19 expense	(12)	(12)
Impact of discounting	(26)	(26)
Other	(1)	12
Other financial income and expense	**(46)**	**(10)**
Financial income (loss)	**(187)**	**424**
of which financial expense	**(261)**	**(65)**
of which financial income	**74**	**489**

Note 8 - Income tax

The Group tax charge is calculated by using the projected annual rates in each of the Group's tax jurisdictions, adjusted for the main permanent differences identified.
The effective tax rate for continuing operations comes out at 33.60% at June 30, 2014.
The difference compared to the standard tax rate of 38% is mainly attributable to the impact of the research tax credit and competitiveness/employment tax credit, and to the differences between the tax rates applicable within and outside France.
Income tax expense for first-half 2014 amounts to €335 million and includes current tax expense of €209 million and a deferred tax expense of €126 million.

Note 9 - Earnings per share

The Group's potentially dilutive ordinary shares at June 30, 2013 correspond to the free share plan (see Note 16e). Earnings per share break down as follows:

	Index	June 30, 2013	June 30, 2014
Numerator (in € millions)			
Profit for the period attributable to owners of the parent	(a)	470	650
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	644,319	701,604
Number of shares excluding treasury shares	(d)=(b-c)	416,385,266	416,327,981
Weighted average number of shares (excluding treasury shares)	(d)	416,151,726	416,440,876
Potentially dilutive ordinary shares:			
Dilutive impact of share grants	(e)	267,182	-
Weighted average number of shares after dilution	(f)=(d'+e)	416,418,908	416,440,876
Ratio: earnings per share (in €)			
Basic earnings per share	(g)=(a*1million)/(d')	1.13	1.56
Diluted earnings per share	(h)=(a*1million)/(f)	1.13	1.56

Note 10 - Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2013* Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	June 30, 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	-	-	-	-	-	168
Technofan – Ventilation systems	10	-	-	-	-	-	10
Labinal Power Systems – Electrical systems	-	118	359	-	7	5	489
Safran Power – Power generation	133	-	(133)	-	-	-	-
Total Aircraft Equipment	**828**	**118**	**-**	**-**	**7**	**5**	**958**
Sagem – Defence	98	59	-	-	-	1	158
Total Defence	**98**	**59**	**-**	**-**	**-**	**1**	**158**
Morpho – Identification	886	-	-	-	-	7	893
Morpho – Business Solutions	57	-	-	-	-	-	57
Morpho – Detection	292	-	-	-	-	3	295
Total Security	**1,235**	**-**	**-**	**-**	**-**	**10**	**1,245**
Total	**3,399**	**177**	**-**	**-**	**(270)**	**16**	**3,322**

* 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.c).

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

Movements in the period

The main movements in this caption during the period concern:

- 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 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 definitive allocation of the purchase price of Goodrich Electrical Power Systems (GEPS), leading to an increase of €7 million in the Labinal Power systems CGU (see Note 4);
- the acquisition of Eaton Aerospace's power distribution solutions and integrated cockpit solutions businesses, adding €118 million to the Labinal Power Systems CGU and €59 million to the Sagem CGU (see Note 4).

Annual impairment tests

The Group tests goodwill for impairment during the first half of each 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 calculated over a period consistent with the useful life of the assets included in each CGU, usually 10 years. However, they may be calculated over an extended period 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 1.25 for years 2014 to 2017 and 1.35 thereafter (2013: 1.27 for years 2013 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% (8.0% in 2013) and is applied to post-tax cash flows. However, a post-tax discount rate of 8.5% is used for the CGUs in the Security business line (9.0% in 2013).

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:

(in € millions)	Dec. 31, 2013*			June 30, 2014		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs (1)	2,670	(1,630)	1,040	3,103	(1,742)	1,361
Development expenditures	2,535	(481)	2,054	2,923	(501)	2,422
Commercial agreements and concessions	520	(165)	355	520	(180)	340
Software	469	(363)	106	502	(394)	108
Brands	147	(13)	134	147	(13)	134
Commercial relationships (2)	742	(228)	514	629	(254)	375
Technology	327	(98)	229	332	(115)	217
Other	258	(70)	188	312	(72)	240
Total	**7,668**	**(3,048)**	**4,620**	**8,468**	**(3,271)**	**5,197**

* 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.c).
(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 (see Note 4).
(2) Including €117 million recorded within commercial relationships at December 31, 2013 and reclassified within aircraft programs at June 30, 2014 following the finalization of the purchase price accounting for the RTM322 business (see Note 4).

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)	374	-	374
Capitalization of other intangible assets	68	-	68
Acquisitions of other intangible assets	28	-	28
Disposals and retirements	(2)	-	(2)
Amortization	-	(213)	(213)
Impairment losses recognized in profit or loss	-	(3)	(3)
Allocation adjustments regarding identifiable assets and liabilities (2)	318	-	318
Reclassifications	(3)	-	(3)
Changes in scope of consolidation	-	-	-
Translation adjustments	17	(7)	10
At June 30, 2014	**8,468**	**(3,271)**	**5,197**

(1) Including €19 million in capitalized interest at June 30, 2014 (€26 million in capitalized interest at December 31, 2013).
(2) Including €316 million relating to the definitive purchase price allocation for RRTM (see Note 4).

Research and development expenditure recognized in recurring operating income for the period totaled €393 million including amortization (€334 million in first-half 2013).

Amortization was recognized in respect of revalued assets for €131 million (allocation of the cost of the Snecma group business combination for €74 million and other recent acquisitions for €57 million).

No impairment losses were recognized as a result of the impairment tests carried out in first-half 2014.

As a result of the impairment tests carried out in first-half 2013, intangible assets relating to Propulsion programs were written down for a cumulative amount of €15 million. This write-down is shown within non-recurring operating expenses (see Note 6).

Note 12 - Property, plant and equipment

Property, plant and equipment break down as follows:

	Dec. 31, 2013*			June 30, 2014		
(in € millions)	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	225	-	225	232	-	232
Buildings	1,343	(685)	658	1,412	(717)	695
Technical facilities, equipment and tooling	3,977	(2,911)	1,066	4,095	(3,022)	1,073
Assets in progress, advances	438	(3)	435	524	(3)	521
Site development and preparation costs	53	(31)	22	54	(32)	22
Buildings on land owned by third parties	73	(38)	35	79	(40)	39
Computer hardware and other equipment	401	(379)	22	416	(395)	21
Total	**6,510**	**(4,047)**	**2,463**	**6,812**	**(4,209)**	**2,603**

* 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.c).

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	81	-	81
Additions	230	-	230
Disposals and retirements	(41)	25	(16)
Depreciation	-	(168)	(168)
Impairment losses recognized in profit or loss	-	-	-
Reclassifications	(8)	5	(3)
Changes in scope of consolidation	19	(14)	5
Translation adjustments	21	(10)	11
At June 30, 2014	**6,812**	**(4,209)**	**2,603**

Note 13 - Current and non-current financial assets

Financial assets include:

(in € millions)	Dec. 31, 2013* Gross	Dec. 31, 2013* Impairment	Dec. 31, 2013* Net	June 30, 2014 Gross	June 30, 2014 Impairment	June 30, 2014 Net
Non-consolidated investments (1)	504	(208)	296	530	(214)	316
Other financial assets	376	(107)	269	433	(107)	326
Total	**880**	**(315)**	**565**	**963**	**(321)**	**642**

* 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.c).
* Of which listed securities for €61 million at June 30, 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 equity 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 impairment losses were recognized in either first-half 2014 or first-half 2013.

Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2013*	June 30, 2014
Loans to non-consolidated companies	165	240
Loans to employees	29	28
Deposits and guarantees	7	8
Other (1)	68	50
Total	**269**	**326**
Non-current	74	**69**
Current	195	**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.c).

(1) Including a net receivable of €34 million at June 30, 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	76
Decrease	(21)
Reclassifications	-
Changes in scope of consolidation	2
At June 30, 2014	**326**

The increase in other financial assets at June 30, 2014 results mainly from a rise in credit account advances granted to non-consolidated companies.

The fair value of other financial assets recorded at amortized cost is close to their carrying amount.

Note 14 - Investments in equity-accounted companies

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

(in € millions)	Dec. 31, 2013*	June 30, 2014
Associates (Ingenico)	133	141
Joint ventures	547	546
Total	**680**	**687**

* 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.c).

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

(in € millions)	
At December 31, 2013	**680**
Share in profit from joint ventures	18
Share in profit from associates	7
Other movements (1)	(18)
At June 30, 2014	**687**

(1) Including €17 million in dividends paid to joint ventures.

14a - Associates (Ingenico)

The Group holds 10.19% of Ingenico, a payment solutions provider which 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 first-half 2014 was determined based on consensus forecasts provided by analysts.

Ingenico's contribution to the Group's comprehensive income in first-half 2013 was as follows:

(in € millions)	First-half 2013	First-half 2014
Profit from continuing operations	10	7
Other comprehensive income (expense)	(3)	(2)
Total comprehensive income	**7**	**5**

The stock market value of the Group's interest in Ingenico was €351 million at June 30, 2014 (5,518,664 shares with a market value of €63.55) 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;
- Hydrep: repair of landing gear for regional and business jets;
- A-Pro: repair of landing gear for regional and business jets;
- CFM Materials LP: sale of used CFM56 parts;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;
- EIMASS: identification.

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

(in € millions)	First-half 2013	First-half 2014
Profit from continuing operations	22	18
Other comprehensive income	2	2
Total comprehensive income	**24**	**20**

Note 15 - Cash and cash equivalents

Cash and cash equivalents break down as follows at June 30, 2014:

(in € millions)	Dec. 31, 2013*	June 30, 2014
Money-market funds	10	36
Short-term investments	1,089	840
Sight deposits	448	647
Total	**1,547**	**1,523**

* 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.c).

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

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2013	**1,547**
Movements during the period	(28)
Changes in scope of consolidation	2
Translation adjustments	2
At June 30, 2014	**1,523**

Note 16 - Consolidated shareholders' equity

16a – SHARE CAPITAL

At June 30, 2014, the share capital of Safran was fully paid up and comprised 417,029,585 shares, each with a par value of €0.20.

Safran's equity does not include any equity instruments issued other than its shares.

16b – 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.

June 30, 2014

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights (*)
Private investors	262,349,782	62.91%	268,081,222	52.08%
French State	93,440,227	22.41%	132,440,227	25.73%
Current and former employee shareholders	60,537,972	14.51%	114,239,328	22.19%
Treasury shares	701,604	0.17%	-	-
Total	**417,029,585**	**100.00%**	**514,760,777**	**100.00%**

(*) Exercisable voting rights.

On March 27, 2013, the French State finalized the sale of a 3.12% stake in Safran's share capital by way of a private institutional placement through an accelerated book building process reserved for institutional investors. On November 15, 2013, the French State carried out a similar operation on 4.7% of Safran's share capital. The French State's interest in Safran following these two transactions was 22.41%.
The French State has indicated that in accordance with article 11 of Law 86-912 of August 6, 1986, it will offer 3,611,111 shares of the Company to the Group's current and former employees at a price of €41.58.

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

The 701,604 treasury shares have no voting rights.

Treasury shares

Since December 31, 2013, the number of treasury shares has increased following the Group's net purchase of 120,500 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 for the year was assigned to this agreement.
This authorization was renewed by the Shareholders' Meeting held on May 27, 2014.

Pursuant to these authorizations and the liquidity agreement, in first-half 2014 the Company purchased 277,576 shares for €14 million, and sold 157,076 shares for €8 million.

At June 30, 2014, 183,000 shares were held in connection with the liquidity agreement.

16c – Equity

Movements in equity are as follows:

	(€m)
Equity attributable to owners of the parent prior to profit at December 31, 2013*	**5,249**
- Profit for the year ended December 31, 2013	1,386
- Dividend distribution	(266)
- Change in translation adjustment and net investment hedges	36
- Deferred taxes on net investment hedges recognized in equity	2
- Change in actuarial gains and losses on post-employment benefits	(14)
- Deferred taxes on changes in actuarial gains and losses recognized in equity	5
- Delivery and sale of treasury shares	(6)
- Available-for-sale financial assets	8
- Other	4
Equity attributable to owners of the parent prior to profit at June 30, 2014	**6,404**

* 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.c).

16d – 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 payout of €266 million.

16e – Share-based payment

Free share grants

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

Terms and conditions of the share grant plan

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

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

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

Measurement of rights to free share grants

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

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

These share grants no longer gave rise to an expense in first-half 2014 (expense of €0.2 million in first-half 2013).
Fully vested shares granted to employees of European companies were delivered at the beginning of April 2013 (495,700 shares).

Note 17 - Provisions

Provisions break down as follows:

(in € millions)	Dec. 31, 2013*	Additions	Reversals			Changes in scope of consolidation	Other	June 30, 2014
			Utilizations	Reclassifications	Surplus			
Performance warranties	700	86	(58)	-	(19)	9	4	722
Financial guarantees	26	4	-	-	(7)	-	-	23
Services to be rendered	523	319	(181)	-	(6)	-	1	656
Post-employment benefits	790	36	(42)	-	-	-	17	801
Sales agreements and long-term receivables	156	19	(14)	-	(8)	-	-	153
Provisions for losses on completion and losses arising on delivery commitments	474	83	(23)	(35)	(47)	-	1	453
Disputes and litigation	34	4	(3)	-	(5)	-	(1)	29
Other (1)	255	29	(36)	-	(5)	1	3	247
Total	**2,958**	580	(357)	(35)	(97)	10	25	**3,084**
Non-current	1,738							**2,023**
Current	1,220							**1,061**

* 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.c).

(1) Of which a provision of €83 million (December 31, 2013: €85 million) for environmental liabilities and contingent liabilities subject to a specific guarantee granted by SNPE to Safran as part of the acquisition of SME and its subsidiaries (see Note 23).

(in € millions)	June 30, 2014
Net amount recognized in profit from operations (1)	(71)
Net amount recognized in financial income (loss)	(20)
Total net amount recognized	**(91)**

(1) Including a negative €67 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 write-downs of inventories and work-in-progress.

Note 18 - 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	6
Advances repaid	(23)
Cost of borrowings	16
Translation adjustments	-
At June 30, 2014	**669**

The fair value of borrowings subject to specific conditions cannot be estimated reliably given the uncertainties regarding the amounts to be repaid and the timing of repayment.

Note 19 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities

(in € millions)	Dec. 31, 2013*	June 30, 2014
Bond issue	-	199
Senior unsecured notes in USD	832	873
Finance lease liabilities	104	119
Other long-term borrowings	355	343
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**1,291**	**1,534**
Bond issue	753	751
Finance lease liabilities	15	15
Other long-term borrowings	343	364
Accrued interest not yet due	11	25
Current interest-bearing financial liabilities, long-term at inception	**1,122**	**1,155**
Commercial paper	250	580
Short-term bank facilities and equivalent	73	51
Current interest-bearing financial liabilities, short-term at inception	**323**	**631**
Total current interest-bearing financial liabilities (less than 1 year)	**1,445**	**1,786**
Total interest-bearing financial liabilities (1)	**2,736**	**3,320**

* 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.c).
(1) The fair value of interest-bearing financial liabilities amounts to €3,491 million (€2,772 million at December 31, 2013).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2013	**2,736**
Increase in borrowings	246
Decrease in borrowings	(23)
Change in short-term borrowings	318
Foreign exchange differences	14
Reclassifications and other	29
At June 30, 2014	**3,320**

Analysis by maturity:

(in € millions)	Dec. 31, 2013	June 30, 2014
Maturing in:		
1 year or less	1,445	1,786
More than 1 year and less than 5 years	338	330
Beyond 5 years	953	1,204
Total	**2,736**	**3,320**

Analysis by currency:

(in millions of currency units)	Dec. 31, 2013 Currency	Dec. 31, 2013 EUR	June 30, 2014 Currency	June 30, 2014 EUR
EUR	1,873	1,873	2,407	2,407
USD	1,184	860	1,232	902
Other	N/A	3	N/A	11
Total		**2,736**		**3,320**

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

	Total		**Non-current**				**Current**			
	Dec. 31, 2013	**June 30, 2014**	Dec. 31, 2013		**June 30, 2014**		Dec. 31, 2013		**June 30, 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	1,942	893	4.28%	1,133	4.03%	787	3.93%	809	3.80%
Floating rate	1,056	1,378	398	1.21%	401	1.24%	658	0.91%	977	0.78%
Total	**2,736**	**3,320**	**1,291**	**3.33%**	**1,534**	**3.30%**	**1,445**	**2.56%**	**1,786**	**2.15%**

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

	Total		**Non-current**				**Current**			
	Dec. 31, 2013	**June 30, 2014**	Dec. 31, 2013		**June 30, 2014**		Dec. 31, 2013		**June 30, 2014**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	959	**984**	172	3.99%	175	3.94%	787	3.27%	809	3.18%
Floating rate	1,777	**2,336**	1,119	1.90%	1,359	1.85%	658	0.91%	977	0.78%
Total	**2,736**	**3,320**	**1,291**	**2.18%**	**1,534**	**2.09%**	**1,445**	**2.19%**	**1,786**	**1.87%**

The Group's net debt position is as follows:

(in € millions)	**Dec. 31, 2013***	**June 30, 2014**
Cash and cash equivalents (A)	1,547	1,523
Interest-bearing financial liabilities (B)	2,736	3,320
Fair value of interest rate derivatives hedging borrowings (C)	(31)	-
Total (A) - (B) + (C)	**(1,220)**	**(1,797)**

* 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.c).

Safran's issue of USD 1.2 billion in senior unsecured notes on the US private placement market on February 9, 2012 was maintained in US dollars and no foreign exchange swaps were taken out in this respect. Changes in the euro value of this issue had a negative impact of €8 million on the Group's net debt at June 30, 2014.

The Group's gearing ratio is shown below:

(in € millions)	**Dec. 31, 2013***	**June 30, 2014**
Net debt	(1,220)	(1,797)
Total equity	6,813	7,236
Gearing ratio	**17.91%**	**24.83%**

* 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.c).

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 2.39% in first-half 2014 after taking account of interest rate derivatives.

- Safran five-year bonds: €750 million issued to French investors on November 26, 2009 and maturing on November 26, 2014. The bonds' initial 4.0% fixed-rate interest came out at 3.34% in first-half 2014 after taking account of interest rate derivatives.

- Safran ten-year bonds: €200 million issued to French investors on April 11, 2014 and maturing on April 11, 2024. The bonds' initial 2.875% fixed-rate interest came out at 1.73% in 2014 after taking account of interest rate derivatives.

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

- Employee savings financing under the Group employee savings plan: €427 million (€418 million at December 31, 2013).
  The maximum maturity is five years and the amount falling due within one year is €318 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: €580 million (€250 million at December 31, 2013).
  This amount comprises several drawdowns made under market terms and conditions, mostly with maturities of less than one year.

- Financial current accounts with non-consolidated subsidiaries: €26 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 June 30, 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 114 million (USD 57 million at 50%) had been drawn on this facility at June 30, 2014, versus USD 124 million (USD 62 million at 50%) at December 31, 2013.
  - Confirmed 364-day facility for USD 1,100 million, renewed in May 2014 by a syndicate of ten banks led by Royal Bank of Scotland (USD 1,000 million at December 31, 2013), on which USD 1,099 million (USD 549.5 million at 50%) had been drawn at June 30, 2014, versus USD 998 million (USD 499 million at 50%) at December 31, 2013.

- CFM SA:
  - Confirmed 24-month facility for an equivalent value of USD 110 million granted in July 2010 (automatically renewable for further 12-month periods at the end of the first 24 months) by Medio Factoring (Intesa San Paolo group), on which USD 66.5 million (USD 33.25 million at 50%) had been drawn at June 30, 2014, versus USD 55 million (USD 27.5 million at 50%) at December 31, 2013.

Note 20 - Other current and non-current financial liabilities

(in € millions)	**Dec. 31, 2013***	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	**June 30, 2014**
Payables on purchases of property, plant and equipment and intangible assets	162	(49)	-	-	13	**126**
Payables on purchases of investments	42	(6)	-	-	-	**36**
Total	**204**	**(55)**	**-**	**-**	13	**162**
Non-current	140					**94**
Current	64					**68**

* 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.c).

Note 21 - Management of market risks and derivatives

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

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

(in € millions)	Dec. 31, 2013		June 30, 2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	***10***	***(41)***	***8***	***(8)***
Floating-for-fixed interest rate swaps	-	(5)	-	(3)
Fixed-for-floating interest rate swaps	10	(36)	8	(5)
Foreign currency risk management	***852***	***(134)***	***1,013***	***(70)***
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	652	(56)	459	(16)
Currency option contracts	200	(78)	554	(54)
Commodity risk management	***2***	***(11)***	***7***	***(2)***
Forward purchases of commodities	2	(11)	7	(2)
Total	**864**	**(186)**	**1,028**	**(80)**

All derivatives are categorized within level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2013).

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 3.10 billion for first-half 2014 (USD 2.60 billion for first-half 2013).

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

Hedging policy

The Group's foreign currency risk management policy is described in Note 27, section 3.1 of the 2013 Registration Document.

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

(in millions of currency units)	Dec. 31, 2013				June 30, 2014			
	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years
Forward exchange contracts	**596**				**443**			
Short USD position	620	12,348	8,317	4,031	381	7,236	5,191	2,045
Of which against EUR	*593*	*11,855*	*8,091*	*3,764*	*356*	*6,931*	*5,161*	*1,770*
Long USD position	(31)	(2,808)	(2,631)	(177)	(10)	(1,532)	(1,262)	(270)
Of which against EUR	*(31)*	*(2,808)*	*(2,631)*	*(177)*	*(1)*	*(972)*	*(772)*	*(200)*
Short CAD position against CHF	4	6	6	-	4	36	36	-
Short GBP position against EUR	1	75	75	-	29	650	250	400
Long CAD position against EUR	-	-	-	-	20	320	80	240
Long EUR position against CHF	(3)	(56)	(32)	(24)	1	(11)	(1)	(10)
Long EUR position against SGD	-	-	-	-	(1)	(140)	(140)	-
Long PLN position against EUR	1	(210)	(70)	(140)	2	(295)	(91)	(204)
Long MXN position against USD	4	(5,040)	(1,540)	(3,500)	17	(6,835)	(1,935)	(4,900)
Currency option contracts	**122**				**500**			
USD put purchased	82	8,000	7,900	100	388	11,350	10,250	1,100
USD put sold	(3)	(400)	(400)	-	(14)	(250)	(250)	-
USD call sold	(75)	18,083	15,583	2,500	(36)	23,750	18,950	4,800
USD call purchased	2	(1,983)	(1,983)	-	0	(450)	(450)	-
EUR put purchased	1	45	45	-	7	485	485	-
EUR put sold	-	-	-	-	(1)	(280)	(280)	-
EUR call sold	-	90	90	-	(3)	970	970	-
EUR call purchased	-	-	-	-	1	(140)	(140)	-
Accumulators – sell USD (2)	110	5,299	4,181	1,118	159	6,307	1,763	4,544
Accumulators – buy USD (2)	-	(751)	(751)	-	(1)	2,526	710	1,816
Accumulators – sell CAD (2)	5	73	73	-	-	-	-	-
Total	**718**				**943**			

(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 €225 million increase in the fair value of foreign currency derivatives between December 31, 2013 and June 30, 2014 reflects a €237 million increase in the fair value of currency hedging instruments not yet settled at June 30, 2014 and premiums received (negative €12 million impact).

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 €237 million increase in the fair value of derivatives not yet settled at the end of the reporting period has been recognized in “Financial income (loss)”. Of this amount €206 million was recognized in “Gain or loss on foreign currency hedging instruments” for derivatives hedging revenue net of future purchases; €14 million was recognized in “Foreign exchange gains and losses” for derivatives hedging balance sheet positions; and €17 million was recognized in the same caption for premiums matured during the year.

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

In the first half of 2012, the Group hedged a portion of its US operations as part of a net investment hedge using the February 9, 2012 unsecured notes issue on the US private placement market (see Note 19).

INTEREST RATE RISK MANAGEMENT

The Group's interest rate risk management policy is described in Note 27, section 3.1 of the 2013 Registration Document.

EXPOSURE TO EURO INTEREST RATE RISK

The interest rate payable on the €750 million bond issue, which had been converted to a floating rate using fixed-for-floating interest rate swaps, was converted back to a fixed rate in 2011.

In first-half 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 (see Note 19) to a floating rate.

	Dec. 31, 2013					June 30, 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
EUR interest rate swaps										
Fixed-for-floating	10	500	500	-		6	700	500		200
Floating-for-fixed	(5)	500	500	-		(3)	500	500		
Total	**5**			**-**		**3**				

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market has also been partially converted to a floating rate. At their inception, floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches, for USD 540 million and USD 505 million, respectively. The 7-year tranche for USD 155 million has been maintained at a fixed rate.

These swaps are eligible for fair value hedge accounting.

	Dec. 31, 2013					June 30, 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	(3)	1,045	-	-	1,045
Floating-for-fixed – fair value hedge	-	-	-	-		-	-	-	-	-
Total	**(36)**			**-**		**(3)**				

MANAGEMENT OF COMMODITY RISK

The Group's commodity risk management policy is described in Note 27, section 3.1 of the 2013 Registration Document.

The fair value of commodity derivatives (forward purchases on the LME) was €5 million at June 30, 2014 compared to a negative fair value of €9 million at December 31, 2013. Given the difficulty in documenting hedging relationships between these derivatives and purchases of semi-finished products including components other than hedged raw materials, the Group decided not to designate any of these commodity risk hedges as eligible for hedge accounting, and to recognize any changes in the fair value of these instruments in "Financial income (loss)".

Note 22 - 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.

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

(in € millions)	**First-half 2013***	**First-half 2014**
Sales to related parties	1,780	1,809
Purchases from related parties	(110)	(100)
(in € millions)	**Dec. 31, 2013***	**June 30, 2014**
Receivables from related parties	1,643	1,659
Payables to related parties	1,653	1,592
(in € millions)	**Dec. 31, 2013***	**June 30, 2014**
Guarantees granted to related parties (off-balance sheet) (1)	1,456	1,454

* The data published for first-half 2013 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.

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

Note 23 - *Off-balance sheet commitments*

23a - Off-balance sheet commitments of the Group and its subsidiaries

Endorsements, guarantees and other commitments

Commitments in respect of ordinary activities

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

(in € millions)	Dec. 31, 2013*	June 30, 2014
Employee-related commitments	28	31
Commitments given to customers (completion warranties, performance bonds)	315	353
Commitments given to third parties	2,420	2,482
Commitments given to customs authorities	77	70
Vendor warranties given (1)	11	11
Other commitments given	145	163
Total	**2,996**	**3,110**

* 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.

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

The amount of any such commitments granted to Airbus is shown within "Guarantees granted to related parties" in Note 22, "Related parties".

The various commitments received by Safran are as follows:

(in € millions)	Dec. 31, 2013	June 30, 2014
Commitments received from banks on behalf of suppliers	11	14
Completion warranties	33	37
Endorsements and guarantees received	47	47
Vendor warranties received (1)	10	6
Other commitments received	3	3
Total	**104**	**107**

(1) Vendor warranties received at June 30, 2014 do not include those received in connection with the SME acquisition, which are described below.

Warranties received from SNPE

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

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

OTHER CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

	Dec. 31, 2013*	**June 30, 2014**	Period to maturity		
(in € millions)	Total	**Total**	Less than 1 year	1 to 5 years	Beyond 5 years
Long-term borrowings at inception	697	**707**	364	263	80
Finance lease commitments	119	**208**	18	93	97
Operating lease commitments	306	**355**	60	193	102
Bond issue	756	**966**	767	-	199
Senior unsecured notes in USD	841	**882**	9	-	873
Total	**2,719**	**3,118**	**1,218**	**549**	**1,351**

* 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.

VENDOR WARRANTIES

Vendor warranties are given or received on the acquisition or sale of companies.
In the context of the Group's acquisition of SME, the environmental warranty given to Safran by SNPE (see the description above) is called upon on an ongoing basis in proportion to the costs effectively incurred to treat pollution resulting from past operations.
At June 30, 2014, no other such warranties had been called, and no provisions were therefore recognized in this respect in the Group's consolidated financial statements.

CAPITAL EXPENDITURE COMMITMENTS

At June 30, 2014, capital expenditure commitments in respect of property, plant and equipment totaled €257 million versus €312 million at December 31, 2013.

At June 30, 2014, capital expenditure commitments in respect of intangible assets totaled €334 million versus €333 million at December 31, 2013.

FINANCIAL GUARANTEES GRANTED ON THE SALE OF GROUP PRODUCTS

These guarantees generate risks which represented a total gross amount of USD 74 million at June 30, 2014 (USD 72 million at December 31, 2013). This amount does not, however, reflect the actual risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, consisting of the aircraft pledged. Accordingly, only the net risk as calculated using the valuation model is covered by a provision in the financial statements (see Note 17).

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 2b and 17). 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 24.

23b - OFF-BALANCE SHEET COMMITMENTS RELATING TO JOINT VENTURES AND ASSOCIATES

There were no off-balance commitments relating to the Group's joint ventures and associates at either June 30, 2014 or December 31, 2013.

Note 24 - Disputes and litigation

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

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

- SME, which was acquired by Safran from SNPE on April 5, 2011 and has been trading as Herakles since May 1, 2012, received a formal notice from the prefecture of Haute Garonne in July 2010 ordering the company to cease contaminating surface water supplies with perchlorate ion. Herakles filed an application for annulment of this order. Herakles then withdrew its

application, the withdrawal being recorded by the Toulouse Administrative Court in an order dated April 2, 2013, and agreed to draw up an action plan to manage the perchlorate ion under the supervision of the authorities. 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 stage, the urban community of Bordeaux has not disclosed the amount of its claim. A preliminary expert report is planned in late September 2014.
The agreements governing the abovementioned acquisition include environmental guarantees given by SNPE to Safran. Under these guarantees, Herakles is also to carry out additional analyses and adopt a plan to manage the perchlorate (see Note 23).

- 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 has appealed this decision. The proceedings are currently pending, and will be called before the Paris Court of Appeals in September 2014. In September 2009, a tax collection notice was issued for €11.7 million further to a tax deficiency notice sent at the end of 2006. The amount of the tax adjustment was contested in a claim filed by Safran SA with the tax authorities in 2011. This claim was rejected by the authorities on June 20, 2012. Safran referred the case to the Montreuil Administrative Court on August 3, 2012 and the dispute is currently pending before this Court.

- Safran is currently being 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 the first half of 2014.

Tax litigation and contingencies

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

- 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 170 million (around €57 million) based on the June 2014 exchange rate, including BRL 142 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. Accordingly, no provision has yet been set aside in this respect.

Note 25 - Subsequent events

None.

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