SAFRAN
AEROSPACE · DEFENCE · SECURITY

HALF-YEAR FINANCIAL REPORT 2013

TABLE OF CONTENTS

Statement of the person responsible

01 Half-year 2013 Activity Report

Key business highlights for first-half 2013

Foreword

Reconciliation of the consolidated income statement with the adjusted income statement

1.1 First-half 2013 results

1.2 Business commentary

1.3 Half-year 2013 consolidated income statement

1.4 Balance sheet and cash-flow

1.5 Outlook and currency hedges

1.6 Transactions with the related parties

02 Risks factors

03 Hald-year financial statements

Consolidated income statement

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in shareholders'equity

Consolidated statement of cash flows

Notes to the Safran Group condensed interim consolidated financial statement

04 Statutory auditors'review report on the first-half-yearly consolidated financial information

STATEMENT OF THE PERSON RESPONSIBLE

"I certify that, to the best of my knowledge, the condensed consolidated financial statements for the half‐year have been prepared in accordance with the applicable accounting standards, and give true and fair view of the assets and liabilities, and of the financial position and results of the Company and all its consolidated subsidiaries, and that the half-year management report attached provides a fair view of the main events of the first six months of the year, their impact on the condensed consolidated financial statements, the significant transactions with related parties, and a description of the main risks and uncertainties for the next six months."

Paris, July 25, 2013

Chairman and Chief Executive Officer,
Jean-Paul Herteman

01 Half-year 2013 activity report

KEY BUSINESS HIGHLIGHTS FOR FIRST-HALF 2013

- During the Paris Air Show CFM recorded orders for 660 new engines (468 LEAP & 192 CFM56), in addition to LEAP and CFM56 services agreements, at a combined value of USD15 billion at list price. **As of June 30, 2013, LEAP order book stands at close to 5,200 engines** (orders and commitments).

- **Bell Helicopter's** new five-seat, short light single-engine helicopter will be powered by Turbomeca's **Arrius 2R engine**.

- Honeywell and Safran made a **public demonstration of their new electric green taxiing system** (egts) during the Paris Air Show and extended their collaboration on the EGTS development to include Air France. **Air France will provide valuable assistance** in refining estimated savings of the system and quantifying other operational benefits.

- To simplify and streamline the various pre-boarding controls step in airports, Morpho is developing **MorphoPass™, an integrated airport security system** that converges technologies which enable biometric identification and detect illicit and dangerous substances.

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 condensed interim consolidated financial statements.

Readers are reminded that the Safran Group:

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

* recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting (see Note 1.f, section 3.1 of the 2012 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;

* 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 hedging rate, i.e., including the costs of the hedging strategy; and all mark-to-market changes on hedging instruments not yet unwound at the closing date are neutralized.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

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

(in € millions)	**Consolidated data First-half 2013**	Currency hedges		Business combinations		**Adjusted data First-half 2013**
		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	**7,020**	**46**	**-**	**-**	**-**	**7,066**
Other recurring operating income and expenses	(6,345)	-	-	75	51	(6,219)
Recurring operating income	**675**	**46**	**-**	**75**	**51**	**847**
Other non-recurring operating income and expenses	(23)	-	-	-	-	(23)
Profit from operations	**652**	**46**	**-**	**75**	**51**	**824**
Cost of debt	(15)	-	-	-	-	(15)
Foreign exchange gains (losses)	(126)	(46)	166	-	-	(6)
Other financial income and expense	(46)	-	-	-	-	(46)
Financial income (loss)	**(187)**	**(46)**	**166**	**-**	**-**	**(67)**
Income tax expense	(129)	-	(59)	(26)	(17)	(231)
Share in profit from associates	10	-	-	-	-	10
Gain on disposal of Ingenico shares	131	-	-	-	-	131
Profit from continuing operations	**477**	**- -**	**107**	**49**	**34**	**667**
Profit (loss) from discontinued operations	-	-	-	-	-	-
Profit (loss) for the period attributable to non-controlling interests	**(7)**	**-**	**-**	**(2)**	**-**	**(9)**
Profit for the period attributable to owners of the parent	**470**	**-**	**107**	**47**	**34**	**658**

(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 deferred until the instruments are unwound, representing a negative amount of €166 million excluding tax.

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

(4) Cancelation of depreciation and amortization of identifiable property, plant and equipment and intangible assets and the impacts of remeasuring inventories in connection with acquisitions.

Readers are reminded that only the condensed interim consolidated financial statements set out in section 3 are subject to a limited 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 this report.

1.1 FIRST-HALF 2013 RESULTS

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

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

ADJUSTED INTERIM CONSOLIDATED INCOME STATEMENT

(in € millions)	**First-half 2012 Adjusted and restated data**	**First-half 2013 Adjusted data**
Revenue	**6,413**	**7,066**
Other income	102	117
Income from operations	**6,515**	**7,183**
Change in inventories of finished goods and work-in-progress	452	272
Capitalized production	262	387
Raw materials and consumables used	(3,955)	(4,287)
Personnel costs	(2,127)	(2,314)
Taxes	(137)	(137)
Depreciation, amortization, and increase in provisions, net of use	(263)	(253)
Asset impairment	(36)	(9)
Other recurring operating income and expenses	(24)	5
Recurring operating income	**687**	**847**
Other non-recurring operating income and expenses	(19)	(23)
Profit from operations	**668**	**824**
Cost of net debt	(28)	(15)
Foreign exchange gains (losses)	17	(6)
Other financial income and expense	(69)	(46)
Financial income (loss)	**(80)**	**(67)**
Profit before tax	**588**	**757**
Income tax expense	(172)	(231)
Share in profit from associates	11	10
Gain on disposal of Ingenico shares (1)	-	131
Profit from continuing operations	**427**	**667**
Profit (loss) from discontinued operations	-	-
Profit for the period	**427**	**667**
Attributable to:		
owners of the parent	414	658
non-controlling interests	13	9
Earnings per share attributable to owners of the parent (in €)		
Basic earnings per share	1.00	1.58
Diluted earnings per share	0.99	1.58
Earnings per share from continuing operations attributable to owners of the parent (in €)		
Basic earnings per share	1.00	1.58
Diluted earnings per share	0.99	1.58
Earnings per share from discontinued operations attributable to owners of the parent (in €)		
Basic earnings per share	-	-
Diluted earnings per share	-	-

(1) See Note 4 in section 3 of this document

Adjusted revenue

For first-half 2013, Safran's revenue was Euro 7,066 million, compared to Euro 6,413 million in the same period a year ago, a 10.2% year-on-year increase (9.7% organic growth).

First-half 2013 revenue increased by Euro 653 million on a reported basis, notably highlighting a good performance in aerospace (both organic and from acquisitions). On an organic basis, revenue increased by Euro 621 million as a result of record production rates in aerospace original equipment, as well as favourable aftermarket trends. Avionics and biometric identification activities also contributed to this performance.

Organic revenue was determined by applying constant exchange rates and by including the revenue in 2013 of acquired activities only for the comparable periods to the period in 2012 for which they are included in 2012 reported revenue. Hence, the following calculations were applied:

Reported growth			**10.2%**
Impact of acquisitions & newly consolidated activities	Euro 56 million	(0.9)%	
Currency impact	Euro (24) million	0.4%	
Organic growth			**9.7%**

The modest unfavourable currency impact on revenue of Euro (24) million for first-half 2013 reflected a global negative translation effect on revenue generated in foreign currencies, notably in USD, GBP and Brazilian Real, partly offset by a positive transaction impact with a significant improvement in the Group's hedged rate (USD 1.29 to the Euro vs. USD 1.32 in the year-ago period).

Adjusted recurring operating income

For first-half 2013, Safran's recurring operating income was Euro 847 million (12.0% of revenue), up 23% compared to first-half 2012 restated figure of Euro 687 million, (10.7% of revenue). After taking into account the positive currency hedge impact (Euro 35 million) and the slight impact of acquisitions and newly consolidated activities (Euro 3 million), organic improvement was Euro 122 million, +18% year-over-year.

This improvement was primarily driven by the aerospace activities in propulsion and equipment benefiting from solid original equipment growth and favourable trends in aftermarket, as well as growing profits in the avionics activity (Defence).

Adjusted Profit from operation

One-off items totalled Euro (23) million during first-half 2013, including acquisition and integration costs, notably related to GEPS. After one-off items totalling Euro (23) million, profit from operations was Euro 824 million.

In Euro million	**H1 2012 restated**	**H1 2013**
Adjusted recurring operating income	**687**	**847**
% of revenue	10.7%	12.0%
Total one-off items	**(19)**	**(23)**
Capital gain (loss) on disposals	-	-
Impairment reversal (charge)	-	*(15)*
Other infrequent & material non-operational items	*(19)*	*(8)*
Adjusted profit from operations	**668**	**824**
% of revenue	10.4%	11.7%

Adjusted net income – group share

Adjusted net income - group share grew by 59% year-over-year. It was Euro 658 million or Euro 1.58 per share, compared to Euro 414 million (Euro 1.00 per share) in first-half 2012 (restated). In addition to the rise in recurring operating income, this improved performance includes:

- Net financial expense of Euro (67) million, including Euro (15) million of cost of debt.
- Tax expense of Euro (231) million (31% effective tax rate).

A one-off Euro 131 million post-tax capital gain from the sale of 12.57% of Ingenico share capital

1.2 BUSINESS COMMENTARY

FIRST-HALF 2013 KEY FIGURES

Segment breakdown of revenue

Segment breakdown of revenue *(In Euro million)*	**H1 2012**	**H1 2013**	% change	% change organic
Aerospace Propulsion	3,266	3,773	15.5%	15.6%
Aircraft Equipment	1,787	1,961	9.7%	7.6%
Defence	640	598	(6.6)%	(6.3)%
Security	719	733	1.9%	2.4%
Others	1	1	na	na
Total Group	**6,413**	**7,066**	**10.2%**	**9.7%**

Segment breakdown of recurring operating income

Segment breakdown of recurring operating income *(In Euro million)*	**H1 2012 restated**	**H1 2013**	% change
Aerospace Propulsion	**515**	**634**	23%
% of revenue	15.8%	16.8%	
Aircraft Equipment	**136**	**175**	29%
% of revenue	7.6%	8.9%	
Defence	**45**	**45**	-
% of revenue	7.0%	7.5%	
Security	**66**	**66**	-
% of revenue	9.2%	9.0%	
Others	(75)	(73)	na
Total Group	**687**	**847**	**23%**
% of revenue	10.7%	12.0%	

2013 revenue by quarter

2013 revenue by quarter *(In Euro million)*	**First quarter 2013**	**Second quarter 2013**	**First half 2013**
Aerospace Propulsion	1,831	1,942	3,773
Aircraft Equipment	924	1,037	1,961
Defence	304	294	598
Security	344	389	733
Others	1	0	1
Total revenue	**3,404**	**3,662**	**7,066**

SEGMENT OPERATIONS REVIEW

Aerospace Propulsion

First-half 2013 revenue grew by 15.5% at Euro 3,773 million, or 15.6% on an organic basis, compared to the year-ago period revenue at Euro 3,266 million. The increase in revenue was primarily driven by strong growth in civil original equipment and spare parts, both for CFM56 and high-thrust engines. The strength of helicopter engine deliveries activity also contributed to revenue growth. Military revenue (original equipment and spares) was strongly up compared to an unusually soft first-half 2012 for the Rafale engine activity, and now benefitting from initial A400M engine deliveries. Space & missile propulsion revenue was slightly up in the first-half.

In the first-half 2013, civil aftermarket grew by 16.8% in USD terms, driven by first overhauls of recent CFM56 and GE90 engines. Individual quarters can include significant variation induced by comparison bases and variability in airline behaviour. Overall service revenue in Aerospace Propulsion grew by 15.7% in Euro terms and represents a 47.4% share of revenue. Military engines aftermarket reported a 2-digit revenue growth compared to a soft comparison base.

First-half 2013 recurring operating income was Euro 634 million (16.8% of revenue), up 23% compared to Euro 515 million (restated) in the year-ago period (15.8% of revenue). This improvement reflects the favourable trends in civil aftermarket, the ramp-up of the helicopter turbine support activity and the increased maintenance revenue for military engines. It also reflects the positive contribution from higher volume and increased unit revenues on civil engines original equipment. Currency hedging had a positive impact on profitability.

Aircraft Equipment

The Aircraft Equipment segment reported first-half 2013 revenue of Euro 1,961 million, up 9.7% (7.6% on an organic basis), compared to the year-ago period.

The increase in revenue was primarily attributable to the landing gear business, with higher deliveries notably on Boeing 787, A400M, A330 and A320 programs coupled with a growing MRO activity. The nacelle business recorded a slight revenue increase. Indeed, the increase in service contracts and OE deliveries on A320 thrust reversers and small nacelles was partly mitigated by lower A380 nacelles deliveries in the first-half 2013 (52 units compared to 60 nacelles in the year-ago period). The electrical harnessing activity saw a good performance driven by a production ramp up in its product lines, notably the Boeing 787 and A350 programs.

On a first-half 2013 basis, service revenue grew by 13.6%, compared to the same period last year, driven by higher civil aftermarket, notably in carbon brakes where Safran continues to win market share, particularly on the Boeing 737NG fleet.

First-half 2013 recurring operating income was Euro 175 million (8.9% of revenue), up 29% compared to Euro 136 million (restated) in the year-ago period (7.6% of revenue). This significant improvement was primarily driven by a favourable mix/volume impact on harnesses and landing systems with the ramp-up of OEM volumes, notably the Boeing 787 program, coupled with significant productivity gains. The impact of favourable pricing evolution in nacelles was offset by lower A380 and A330 volumes. The carbon brake business continued to produce high returns, as a result of a larger installed base and continued air traffic growth. Currency hedging had a positive impact on profitability.

The 3-month contribution of Goodrich Electrical Power Systems (GEPS) was Euro 47 million in revenue and Euro 3 million in recurring operating income (6.4% of revenue).

Defence

First-half 2013 revenue was down (6.6)% at Euro 598 million, or (6.3)% on an organic basis, compared to the previous year. In a tighter economic environment, this performance was driven by solid revenue growth in the avionics activity, notably in Flight Control Systems and guidance activities and by softer revenue in Optronics given the expected decline in optical gyro-stabilized observation systems and the tough year-over-year comparison base for the long-range infrared goggles on domestic and export markets in the U.S.. FELIN infantry soldier equipment were delivered to two new regiments of the French Army, at the same rhythm as last year. Safran Electronics benefitted from the increasing activity of its digital engine control system (FADEC) for the LEAP engine.

First-half 2013 recurring operating income at Euro 45 million (7.5% of revenue) was flat compared to Euro 45 million (7.0% of revenue) in first-half 2012 (restated). This stable operating profit was achieved through strict cost controls, while preserving the technological edge, in a context of budgetary constraints. Avionics reached a satisfactory level of profitability thanks to favourable volume in guidance activities and a reduction in manufacturing costs, while Optronics continued to deliver solid, though lower, profits as a result of significant decreases in volume of infrared goggles. The on-board electronics activity (Safran Electronics) maintained its operating breakeven level from last year.

Security

The Security activity reported first-half 2013 revenue of Euro 733 million, up 1.9% compared to the year-ago period. On an organic basis, it was up 2.4% driven by renewed momentum in biometric identity solutions with additional activity in countries such as Kenya, Egypt and Mali. The activity also benefitted from the sales of biometric terminals in India in the wake of the Aadhaar programme. MorphoTrust (ex-L1 Identity Solutions activities under proxy) had a strong semester in the U.S., with increased volumes in driving licences and passports, as well as the ongoing nationwide implementation of the federal Unified Enrolment System (UES). The e-Documents (smart cards) activity reported a mixed performance in both banking and telecom markets. Detection suffered from temporarily low Trace volumes and unfavourable mix on Explosive Detection Systems but recorded significant new orders that will lead to some acceleration in revenue in the second part of the year.

First-half 2013 recurring operating income was flat at Euro 66 million (9.0% of revenue) compared to Euro 66 million (9.2% of revenue) in first-half 2012 (restated). MorphoTrust (proxy structure) reached a 2-digit operating margin in line with expectations of the acquisition of L1-Identity Solutions, as a result of solid volumes and full cost synergy achievements. More globally, Identification posted promisingly growing profits this semester. This incremental contribution was offset by a temporary unfavourable volume/mix in smart cards and detection, which should reverse in the second half (introduction of contactless technologies for smart cards and renewed orders from the TSA for detection). More globally, the steps undertaken to invigorate the activity and increase margins should also produce positive effects starting in the second part of the year.

RESEARCH & DEVELOPMENT

Total R&D expenditures, including customer-funded, reached Euro (853) billion.

The self-funded R&D effort before research tax credit was Euro (590) million or 8.3% of revenue in first-half 2013, up Euro (114) million compared to first-half 2012. It reflects the expected ramp-up in spending on new engine developments (LEAP and Silvercrest) and on A350 program equipment. The impact on recurring operating income after tax credit, capitalization and amortization was Euro (272) million, an increase of Euro (35) million compared to last year.

1.3 HALF-YEAR 2013 CONSOLIDATED INCOME STATEMENT

(in € millions)	June 30, 2012 restated	June 30, 2013	% change
Revenue	**6,441**	**7,020**	**+9 %**
Other operating income and expenses	(5,838)	(6,345)	
Recurring operating income	**603**	**675**	**+11.9 %**
Other non-recurring operating income and expenses	(19)	(23)	
Profit from operations	**584**	**652**	**+ 11.6 %**
Financial income (loss)	(149)	(187)	
Profit before tax	**435**	**465**	
Income tax expense	(117)	(129)	
Share in profit from associates	11	10	
Gain on disposal of Ingenico shares		131	
Profit from continuing operations	**329**	**477**	
Profit for the period attributable to non-controlling interests	(11)	(7)	
Profit for the period attributable to owners of the parent	**318**	**470**	

Consolidated revenue

For first-half 2013, revenue was €7,020 million, compared to a €6,441 million in the same period a year ago, a 9% year-on-year increase.
The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures. Neutralizing the impact of foreign currency hedging removed €(46) million to first-half consolidated revenue in 2013 while it added €28 million to first-half consolidated revenue in 2012. This year-on-year change results from movements in average exchange rates with regard to the effective hedged rates for the period on the portion of foreign currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate for half-year 2013 was 1.29, against an average rate of 1.31, which explains why netting out the effect of foreign currency hedging gives a consolidated revenue figure that is lower than adjusted consolidated revenue. Year-on-year changes in revenue, excluding the impact of adjusting items is analyzed above (see sections 1.1 and 1.2).

Recurring operating income

Recurring operating income increased by 11.9%, from €603 million for first-half 2012 to €675 million for first-half 2013. The difference between recurring operating income and adjusted recurring operating income, which came in at €847 million, results from:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem–Snecma business combination, in an amount of €(75) million for first-half 2013 (€(79) million for first-half 2012); and an expense of €(46) million (€(50) million for first-half 2012) as well as an impact of remeasuring inventories amounting to €(5) million in respect of other business combinations;
- a negative €(46) million impact resulting from foreign currency transactions (compared to a positive impact of €45 million for first-half 2012).

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

Profit from operations

Profit from operations came in at €652 million for half-year 2013, compared to €584 million for first-half 2012, a 11.6% year-on-year increase. Profit from operations includes recurring operating income of €675 million (€603 million for first-half 2012) and a non-recurring loss of €(23) million (€(19) million for first-half 2012).
Changes in profit from operations in adjusted data as well as the non-recurring items are analyzed above (see section 1.1).

Financial income (loss)

The Group reported a financial loss of €(187) million for first-half 2013, compared to a financial income of €(149) million for first-half 2012.
Two items account for the difference between the consolidated financial income for half-year 2013 and the adjusted financial loss analyzed above (see section 1.1):

- changes in the fair value of unwound foreign currency hedging instruments which had a negative impact of €(166) million (compared to a negative impact of €(42) million for first-half 2012). This amount is recognized in full in financial income (loss) in the consolidated financial statements, whereas this impact is neutralized in the adjusted consolidated financial statements;
- the net positive impact of exchange rate hedging on the portion of foreign currency denominated flows hedged by the Group totaling €46 million for first-half 2013 (compared to a €(27) million negative impact for first-half 2012. This impact is recognized in financial income (loss) in the consolidated financial statements, whereas it is recognized in profit from operations (mostly in revenue) in the adjusted income statement.

Income tax expense

Income tax expense amounted to €(129)million for first-half 2013 compared to a €(117) million profit for first-half 2012. The first-half 2013 income tax benefit included, among others, a deferred tax income of €59 million arising on changes in fair value of foreign currency derivatives portfolio during the period. The first-half 2012 income tax expense included, among others, a deferred tax income of €8 million arising on changes in fair value of foreign currency derivatives portfolio during the period.

Consolidated profit attributable to owners of the parent

This caption amounted to €470million for first-half 2013 and €318 million for first-half 2012.

1.4 BALANCE SHEET AND CASH FLOW

BALANCE SHEET - ASSETS

Balance sheet - Assets *(In Euro million)*	**Dec. 31, 2012 restated**	**June 30, 2013**
Goodwill	3,078	3,306
Intangible assets and PPE	6,476	6,764
Derivatives assets	62	15
Other non-current assets	818	755
Current derivatives assets	585	518
Inventories and WIP	4,131	4,485
Trade and other receivables	5,025	5,118
Cash and cash equivalents	2,193	1,663
Other current assets	597	612
Total Assets	**22,965**	**23,236**

BALANCE SHEET - LIABILITIES

Balance sheet - Liabilities *(In Euro million)*	**Dec. 31, 2012 restated**	**June 30, 2013**
Equity	5,997	6,167
Provisions	2,887	2,965
Borrowings subject to sp. conditions	670	665
Interest bearing liabilities	3,175	2,851
Derivatives liabilities	12	28
Other non-current liabilities	1,088	1,069
Trade and other payables	8,767	8,943
Other current liabilities	369	548
Total Equity & Liabilities	**22,965**	**23,236**

CASH FLOW HIGHLIGHTS

Cash Flow Highlights *(In Euro million)*	H1 2012 restated	FY 2012 restated	H1 2013
Adjusted attributable net profit	**414**	**979**	**658**
Depreciation, amortization and provisions	357	700	299
Others	104	23	54
Elimination of discontinued operations	-	-	-
Cash flow from operations	**875**	**1,702**	**1,011**
Changes in working capital	(305)	(85)	(223)
Capex (tangible assets)	(199)	(419)	(228)
Capex (intangible assets)	(267)	(634)	(403)
Free cash flow	**104**	**564**	**157**
Dividends paid	(168)	(300)	(279)
Divestments/acquisitions and others	(68)	(199)	(148)
Net change in cash and cash equivalents	**(132)**	**65**	**(270)**
Net debt at beginning of period	(997)	(997)	(932)
Net debt at end of period	**(1,129)**	**(932)**	**(1,202)**

The net debt position was Euro 1,202 million as of June 30, 2013 compared to a net debt position of Euro 932 million as of December 31, 2012. Free cash flow generation of Euro 157 million was driven by the cash from operations of Euro 1,011 million, devoted to a moderate increase in working capital needs of Euro (223) million to sustain rising production rates, and increased capital expenditures (Euro (228) million) and growing R&D investment. Other major cash outflows in the semester were a 2012 final dividend payment of Euro 271 million (€0.65 per share) to parent holders, and the acquisition of Goodrich Electrical Power Systems (Euro 301 million). The net proceeds of the disposal of 12.57% of Ingenico share capital amounted to Euro 287 million.

As of June 30, 2013, Safran had cash & cash equivalents of Euro 1.7 billion and Euro 2.55 billion of secured and undrawn facilities available.

1.5 OUTLOOK AND CURRENCY HEDGES

OUTLOOK

Full-year 2013 profit guidance is upgraded reflecting solid first-half performance, improved Euro/USD hedging and healthy civil aftermarket. It also takes into account the improvement in the basis of comparison induced by the restatement of 2012 (Amended IAS19).

Safran now expects adjusted revenue to increase by a percentage in the mid-to-high single digits at an estimated average spot rate of USD 1.29 to the Euro and adjusted recurring operating income to increase by around 20% (previously mid-teens) at an improved hedged rate of USD 1.28 to the Euro (previously USD 1.29). Furthermore, the objective for free cash flow to represent about 40% of the adjusted recurring operating income remains achievable, yet challenging: the major uncertainty being the amount of advance payments and the rhythm of payments by state-clients in the second half.

Full-year 2013 outlook is based on the following underlying assumptions:
- Healthy increase in aerospace OE deliveries
- Civil aftermarket increase by a percentage in the low-teens (previously high single digits)
- Incremental R&D cash effort of around Euro 200 million (vs. 2012)
- Increase in tangible capex of around Euro 200 million (vs. 2012)
- Continued margin improvement in Equipment
- Stable profitability in Defence
- Profitable growth for the Security business
- Continued benefits from the on-going Safran+ plan to enhance the cost structure and reduce overhead.

CURRENCY HEDGES

During the first-half 2013, the Group made further progress to improve its hedging rates for 2013, 2014 and 2016. Safran also continued to increase the volumes for 2015 and 2016 while increasing the global expected net exposure to Euro 5.4 billion. At July 15, 2013, the firm hedge book amounted to USD 15.4 billion.

Annual details are:
- 2013 is fully hedged: estimated net exposure rose by Euro 300 million to Euro 5.3 billion with an improved hedged rate of USD 1.28 to the Euro (previously USD1.29)
- 2014 is fully hedged: estimated net exposure rose by Euro 200 million to Euro 5.4 billion with an improved targeted hedged rate of USD 1.27 to the Euro (previously USD1.28)
- 2015 is almost finalized: on the basis of an estimated USD 5.4 billion net exposure, USD 4.9 billion was hedged at a rate of USD1.25 to rise to USD 5.4 billion at USD1.26 as long as Euro/USD <1.42 for 2013.
- 2016 is progressing well: on the basis of an estimated USD 5.4 billion net exposure, USD 2.7 billion was hedged at a rate of USD1.25 to rise to USD 4.7 billion as long as Euro/USD <1.39 up to the end of 2014. The targeted 2016 hedged rate is now expected to be USD 1.25 (previously ≤USD 1.26).

1.6 TRANSACTIONS WITH THE RELATED PARTIES

Readers are invited to refer to Note 22 of section 3 of this document and section 7.1.4 of the 2012 Registration Document, ref. D. 13-0243 filed with the AMF March 28, 2013.

02 Risks factors

Risk factors identified and presented in the 2012 Registration Document are unchanged for the second half of 2013.
Readers are invited to refer to section 4 of 2012 Registration Document, ref. D.13-0243 filed with the AMF on March 28, 2013.

03 Half-year financial Statements

The Board of Directors' meeting of July 25, 2013 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, 2013.

CONSOLIDATED INCOME STATEMENT

(in € millions)	*Note*	**First-half 2012***	**First-half 2013**
Revenue	*6*	**6,441**	**7,020**
Other income	*6*	102	**117**
Income from operations		**6,543**	**7,137**
Change in inventories of finished goods and work-in-progress		452	267
Capitalized production		262	387
Raw materials and consumables used	*6*	(3,956)	(4,291)
Personnel costs	*6*	(2,127)	(2,314)
Taxes		(137)	(137)
Depreciation, amortization, and increase in provisions, net of use	*6*	(377)	(375)
Asset impairment	*6*	(33)	(8)
Other recurring operating income and expenses	*6*	(24)	9
Recurring operating income		**603**	**675**
Other non-recurring operating income and expenses	*6*	(19)	(23)
Profit from operations		**584**	**652**
Cost of net debt		(28)	(15)
Foreign exchange gains (losses)		(52)	(126)
Other financial income and expense		(69)	(46)
Financial income (loss)	*7*	**(149)**	**(187)**
Profit before tax		**435**	**465**
Income tax expense	*8*	(117)	(129)
Share in profit from associates	*14*	11	10
Gain on disposal of Ingenico shares	*4*		131
Profit from continuing operations		**329**	**477**
Profit (loss) from discontinued operations		-	-
Profit for the period		**329**	**477**
Attributable to:			
owners of the parent		318	470
non-controlling interests		11	7
Earnings per share attributable to owners of the parent (in €)	*9*		
Basic earnings per share		0.77	1.13
Diluted earnings per share		0.76	1.13
Earnings per share from continuing operations attributable to owners of the parent (in €)	*9*		
Basic earnings per share		0.77	1.13
Diluted earnings per share		0.76	1.13
Earnings per share from discontinued operations attributable to owners of the parent (in €)	*9*		
Basic earnings per share		-	-
Diluted earnings per share		-	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	First-half 2012*	First-half 2013
Profit for the period	**329**	**477**
Other comprehensive income		
Items to be recycled to profit	**31**	**5**
Available-for-sale financial assets	3	15
Translation adjustments and net investment hedges (1)	20	(12)
Income tax related to components of other comprehensive income to be recycled to profit	8	2
Items not recycled to profit	**(41)**	**(23)**
Actuarial gains and losses on post-employment benefits	(58)	(32)
Income tax related to components of other comprehensive income not recycled to profit	17	9
Other comprehensive income (expense) for the period	**(10)**	**(18)**
o/w transferred to profit for the period		
Total comprehensive income for the period	**319**	**459**
Attributable to:		
- owners of the parent	309	452
- non-controlling interests	10	7

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

(1) Including €2 million in translation losses relating to associates (€4 million in translation gainsin first-half 2012).

In first-half 2013, translation adjustments include gains of €1 million (gains of €25 million in first-half 2012) 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 2013 (losses of €50 million in first-half 2012) corresponding to exchange differences arising on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market classified as a hedge of the net investment in some of the Group's US operations. The remaining balance consists of translation losses of €5 million arising on foreign subsidiaries (translation gains of €45 million in first-half 2012).

As of January 1, 2013, and in accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and not subsequently recycled to profit (see Note 3).
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. At June 30, 2012 and June 30, 2013, the discount rate assumptions used to calculate post-employment benefit obligations were revised as follows:

	12/31/2011	**06/30/2012**		12/31/2012	**06/30/2013**
Eurozone	4.50%	**3.60%**		3.25%	**3.00%**
United Kingdom	5.00%	**4.60%**		4.50%	**4.50%**

At June 30, 2013, the inflation rate assumption used to calculate obligations in the UK was 3.60% compared to 2.95% at December 31, 2012.

CONSOLIDATED BALANCE SHEET

ASSETS (in € millions)	Note	Dec. 31, 2012*	June 30, 2013
Goodwill	*10*	3,078	3,306
Intangible assets	*11*	3,872	4,077
Property, plant and equipment	*12*	2,604	2,687
Non-current financial assets	*13*	281	387
Investments in associates	*14*	281	128
Non-current derivatives (positive fair value)	*21*	62	15
Deferred tax assets		243	227
Other non-current financial assets		13	13
Non-current assets		**10,434**	**10,840**
Current financial assets	*13*	176	205
Current derivatives (positive fair value)	*21*	585	518
Inventories and work-in-progress		4,131	4,485
Trade and other receivables		5,025	5,118
Tax assets		421	407
Cash and cash equivalents	*15*	2,193	1,663
Current assets		**12,531**	**12,396**
Assets held for sale		-	-
Total assets		**22,965**	**23,236**

EQUITY AND LIABILITIES (in € millions)	Note	Dec. 31, 2012*	June 30, 2013
Share capital	*16a*	83	83
Consolidated retained earnings	*16c*	4,444	5,414
Net unrealized gains on available-for-sale financial assets		25	40
Profit for the period		1,282	470
Equity attributable to owners of the parent		**5,834**	**6,007**
Non-controlling interests		**163**	**160**
Total equity		**5,997**	**6,167**
Provisions	*17*	1,750	1,681
Borrowings subject to specific conditions	*18*	670	665
Non-current interest-bearing financial liabilities	*19*	2,259	2,162
Non-current derivatives (negative fair value)	*21*	12	28
Deferred tax liabilities		981	946
Other non-current financial liabilities	*20*	107	123
Non-current liabilities		**5,779**	**5,605**
Provisions	*17*	1,137	1,284
Current interest-bearing financial liabilities	*19*	916	689
Trade and other payables		8,767	8,943
Tax liabilities		156	226
Current derivatives (negative fair value)	*21*	213	322
Current liabilities		**11,189**	**11,464**
Liabilities held for sale		-	-
Total equity and liabilities		**22,965**	**23,236**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Available-for-sale financial assets	Cumulative translation adjustments and net investment hedges	Consolid-ated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit for the period	Other	**Equity attributable to owners of the parent**	Non-controlling interests	**Total**
At Dec. 31, 2011	**83**	**3,360**	**(112)**	**20**	**162**	**979**	**-**	**478**	**(2)**	**4,968**	**154**	**5,122**
Change in accounting policy (IAS 19)	-	-	-	-	-	(20)	(132)	-	42 *	**(110)**	-	**(110)**
At Jan. 1, 2012	**83**	**3,360**	**(112)**	**20**	**162**	**959**	**(132)**	**478**	**40**	**4,858**	**154**	**5,012**
Comprehensive income for the period	-	-	-	3	20	-	(57)	318	25 *	**309**	10	**319**
Acquisitions/disposals of treasury shares	-	-	111	-	-	7	-	-	-	**118**	-	**118**
Dividends	-	-	-	-	-	(154)	-	-	-	**(154)**	(16)	**(170)**
Other movements	-	-	-	-	-	478	-	(478)	6	**6**	8	**14**
At June 30, 2012	**83**	**3,360**	**(1)**	**23**	**182**	**1,290**	**(189)**	**318**	**71**	**5,137**	**156**	**5,293**
Comprehensive income for the period	-	-	-	2	(62)	-	(88)	964	31 *	**847**	10	**857**
Acquisitions/disposals of treasury shares	-	-	-	-	-	(20)	-	-	-	**(20)**	-	**(20)**
2012 interim dividend**	-	-	-	-	-	(133)	-	-	-	**(133)**	-	**(133)**
Other movements	-	-	-	-	-	-	-	-	3	**3**	(3)	**-**
At Dec. 31, 2012	**83**	**3,360**	**(1)**	**25**	**120**	**1,137**	**(277)**	**1,282**	**105**	**5,834**	**163**	**5,997**
Comprehensive income for the period	-	-	-	15	(12)	-	(32)	470	11 *	**452**	7	**459**
Acquisitions/disposals of treasury shares	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Dividends**	-	-	-	-	-	(279)	-	-	-	**(279)**	(9)	**(288)**
Other movements	-	-	-	-	-	1,282	-	(1,282)	-	**-**	(1)	**(1)**
At June 30, 2013	**83**	**3,360**	**(1)**	**40**	**108**	**2,140**	**(309)**	**470**	**116**	**6,007**	**160**	**6,167**

* see table below:

	Tax impact on amended IAS 19	Tax impact on translation adjustments	Total
Change in accounting policy – amended IAS 19 at January 1, 2012	42		42
Comprehensive income for first-half 2012	17	8	25
Comprehensive income for second-half 2012	29	2	31
Comprehensive income for first-half 2013	9	2	11

** including an €8 million expense related to the 3% dividend surtax introduced by the amending French Finance Act for 2012, compared to a €4 million expense related to the interim dividend paid in December 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)		First-half 2012*	First-half 2013
I. Cash flow from operating activities			
Profit attributable to owners of the parent		**318**	**470**
Depreciation, amortization, impairment and provisions (1)		468	419
Share in profit from associates (net of dividends received)		(11)	(10)
Change in fair value of derivatives		28	166
Capital gains and losses on asset disposals		8	(139)
Profit (loss) before tax from discontinued operations		-	-
Profit attributable to non-controlling interests		11	7
Other		53	98
Cash flow from operations, before changes in working capital		**875**	**1,011**
Change in inventories and work-in-progress		(520)	(316)
Change in operating receivables and payables		181	168
Change in other receivables and payables		35	(75)
Intercompany change in working capital from discontinued operations		(1)	-
Change in working capital		**(305)**	**(223)**
	TOTAL I (2)	**570**	**788**
II. Cash flow used in investing activities			
Payments for the purchase of intangible assets, net of proceeds		(267)	(403)
Payments for the purchase of property, plant and equipment, net of proceeds		(199)	(228)
Payments arising from the acquisition of investments, net		(53)	(353)
Proceeds arising from the sale of investments, net		-	287
Proceeds (payments) arising from the sale (acquisition) of financial assets, net		(21)	(39)
Other movements		7	-
Cash flow from intercompany investing activities related to discontinued operations		-	-
	TOTAL II	**(533)**	**(736)**
III. Cash flow from (used in) financing activities			
Change in share capital		-	-
Acquisitions and disposals of treasury shares		118	-
Repayment of borrowings and long-term debt		(99)	(32)
Increase in borrowings		905	7
Change in repayable advances		(15)	(15)
Change in short-term borrowings		(309)	(259)
Dividends paid to owners of the parent		(154)	(271)
Dividends paid to non-controlling interests		(14)	(8)
Cash flow from intercompany investing activities related to discontinued operations		1	-
	TOTAL III	**433**	**(578)**
Cash flow from (used in) operating activities related to discontinued operations	**TOTAL IV**	**(1)**	**-**
Cash flow from (used in) investing activities related to discontinued operations	**TOTAL V**	**-**	**-**
Cash flow from (used in) financing activities related to discontinued operations	**TOTAL VI**	**-**	**-**
Effect of changes in foreign exchange rates	**TOTAL VII**	**4**	**(4)**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV+V +VI+VII**	**473**	**(530)**
Cash and cash equivalents at beginning of period		1,431	2,193
Cash and cash equivalents of discontinued operations and assets held for sale, at beginning of period		-	-
Cash and cash equivalents at end of period		1,904	1,663
Cash and cash equivalents of discontinued operations and assets held for sale, at end of period		-	-
Net increase (decrease) in cash and cash equivalents		**473**	**(530)**
of which change in cash and cash equivalents from continuing operations		473	(530)
of which change in cash and cash equivalents from discontinued operations		-	-
of which change in cash and cash equivalents from assets held for sale		-	-

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

(1) In first-half 2012, this caption includes: €359 million in depreciation and amortization, €43 million in impairment, and €66 million in provisions.
In first-half 2013, this caption includes: €369 million in depreciation and amortization, €24 million in impairment, and €26 million in provisions.

(2) Including €13 million in taxes paid in first-half 2013 (€152 million in first-half 2012), of which €35 million in interest paid in first-half 2013 (€28 million in first-half 2012) and €27 million in interest received in first-half 2013 (€24 million in first-half 2012).

Notes to the Safran Group

condensed interim consolidated financial statements

Safran (2, boulevard du Général Martial Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (joint-stock corporation) incorporated in France and permanently listed on Compartment A of the Euronext Paris Eurolist market.
The condensed interim consolidated financial statements reflect the accounting position of Safran and the subsidiaries it controls, directly or indirectly and jointly or exclusively, as well as entities over which it exercises 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 25, 2013 adopted and authorized the publication of the 2013 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, 2013 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, 2013.

In preparing these condensed interim consolidated financial statements at June 30, 2013, Safran applied the same accounting rules and methods as those applied in the preparation of its consolidated financial statements at December 31, 2012 (see Note 1, section 3.1 of the 2012 Registration Document), with the exception of the changes described below.

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

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

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

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

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

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

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

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

- IFRS 9, Financial Instruments – Classification and Measurement of Financial Assets and Liabilities;
- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosures of Interests in Other Entities;
- IAS 27 (revised 2011), Separate Financial Statements;
- IAS 28 (revised), Investments in Associates and Joint Ventures;
- Amendments to IAS 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;
- Amendments to IFRS 9, Financial Instruments, regarding the deferral of the mandatory effective date of the standard;
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 12, Disclosure of Interests in Other Entities, dealing with retrospective application;
- Amendments to IFRS 10, Consolidated Financial Statements; IFRS 12, Disclosure of Interests in Other Entities; and IAS 27 (revised 2011), Separate Financial Statements – Investment Entities;
- IFRIC 21, Levies.

The large majority of these new standards, amendments and interpretations have been adopted by the European Union. Those texts not yet adopted (in particular IFRS 9) cannot be applied ahead of their effective date even if early adoption were permitted.
The Group is currently considering the impact of applying these new standards, amendments and interpretations for the first time, in particular IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements (which abolishes proportionate consolidation for joint ventures); and IFRS 12, Disclosure of Interests in Other Entities.

The application of IFRS 10 – effective as of January 1, 2014 – in future reporting periods is not expected to have a material impact on the consolidated financial statements.

The Group is currently analyzing its proportionately consolidated entities in light of IFRS 11, Joint Arrangements – effective as of January 1, 2014 – to determine whether they should be classified as joint ventures or joint operations as defined by the new standard. However, as the contribution of these entities to the Group's main financial indicators is not material, the impact of applying this new standard on the consolidated financial statements will be limited.

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 estimates and assumptions that affect the amounts of assets and liabilities reported at the date of preparation of the financial statements, as well as the income and expenses recognized for the period.

The Group formulates assumptions and, on this basis, regularly prepares estimates relating to its various activities. These estimates are based on 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. The Group regularly reviews these estimates and assumptions in light of actual experience and any other factors considered reasonable in determining the carrying amount of its assets and liabilities.

In a global economic climate which was characterized by persistently high volatility and a lack of visibility at June 30, 2013, the final amounts recorded may differ significantly from these estimates as a result of different assumptions or circumstances.

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). Estimates relating to programs and contracts cover periods that are sometimes very long (up to several decades) and primarily draw on assumptions about the volumes and selling prices of products sold, associated production costs, exchange rates for foreign currency-denominated sales and purchases as well as normal uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each contract. 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 (aviation 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 2012 Registration Document. The recoverable amount of goodwill, intangible assets and property, plant and equipment 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 2012 Registration Document. The Group must assess the technical and commercial feasibility of the projects and estimate the useful lives of the resulting products. Determining which future economic benefits will flow from the assets, and therefore the estimates and assumptions associated with these calculations, is instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Group;

- **profit (loss) on completion of contracts accounted for under the percentage-of-completion method**: To estimate profit (loss) on completion, the Group takes into account factors inherent to the contract by using historical and/or forecast data, as well as contractual indexes. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within losses on completion;

- **backlog losses:** 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 backlog losses 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 commitment and the estimated production cost;

- 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 the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions (as regards programs and fluctuations in

exchange rates, particularly the US dollar) underlying these business plans are instrumental in determining the timing of these repayments.

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.

In addition to estimates and assumptions directly related to programs and contracts, the Group uses a number of other key estimates and assumptions, described below.

b) Provisions

Provisions are determined using information and assumptions that reflect management's best estimates based on past experience and in some cases using estimates established by independent experts. Notably (but not solely), provisions relating to performance warranties and financial guarantees given in connection with sales take into account factors such as the estimated cost of repairs (risk based on a statistical analysis), the estimated value of the assets underlying financial guarantees, 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, 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 expense recognized in the period in respect of post-employment benefits is based on the estimated expense for the year as a whole, pro rated over the period covered by the interim consolidated financial statements, and may be adjusted for any non-recurring events that occurred during the period (amendments, curtailments or settlements of benefits granted), less any benefits paid during the period. The measurement is based on actuarial calculations performed by independent actuaries using demographical (staff turnover rate, retirement date, mortality tables, etc.) assumptions. The Group considers that the assumptions used to measure these commitments are appropriate and justified. However, any change in these assumptions, and particularly in the discount rate used, could have a material impact on the amounts reported in the balance sheet under provisions and equity.

d) 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.

e) Disputes and litigation

Certain Group subsidiaries may be party to governmental, legal or arbitration proceedings that could have a material impact on the Group's financial position (see Note 24, "Disputes and litigation"). The Group's management regularly reviews the progress of these proceedings and decides whether to book a provision or adjust the amount of an existing provision if any events arise during the proceedings that require a reassessment of the risk involved. The Group consults legal experts both within and outside the Group in determining the costs that may be incurred.

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

Note 3 - Change in accounting policy

The Group has applied the amended IAS 19, Employee Benefits, since January 1, 2013.
In accordance with IAS 8 on changes in accounting policy applied retrospectively, comparative information for the prior period is presented in the 2013 consolidated financial statements. The change in accounting policy consists in recognizing all of the Group's post-employment benefit obligations in the consolidated financial statements, including actuarial gains and losses and past service cost that had not previously been fully recognized as a result of applying the "corridor" method. This change in accounting policy had a negative €110 million impact on equity attributable to owners of the parent at January 1, 2012. The impacts of this change in accounting policy on the interim and full-year 2012 consolidated financial statements are shown below.

Main changes introduced by the amended IAS 19

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

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

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

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

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

b) Impact on the consolidated income statement for first-half 2012

Consolidated income statement for first-half 2012

(in € millions)	First-half 2012 Reported	Impact of amended IAS 19	First-half 2012 Restated
Revenue	**6 441**		**6 441**
Depreciation, amortization, and increase in provisions, net of use	(383)	6	(377)
Other recurring operating income and expenses	(5 461)		(5 461)
Recurring operating income	**597**	**6**	**603**
Other non-recurring operating income and expenses	(19)		(19)
Profit from operations	**578**	**6**	**584**
Cost of net debt	(28)		(28)
Foreign exchange losses	(52)		(52)
Other financial income and expense	(68)	(1)	(69)
Financial loss	**(148)**	**(1)**	**(149)**
Profit before tax	**430**	**5**	**435**
Income tax expense	(115)	(2)	(117)
Share in profit from associates	11		11
Profit from continuing operations	**326**	**3**	**329**
Profit for the period	**326**	**3**	**329**
Attributable to:			
owners of the parent	315	3	318
non-controlling interests	11		11

Consolidated statement of comprehensive income for first-half 2012

(in € millions)	First-half 2012 Reported	Impact of amended IAS 19	First-half 2012 Restated
Profit for the period	**326**	**3**	**329**
Other comprehensive income			
Items to be recycled to profit	**33**	**(2)**	**31**
Items not recycled to profit	-	(41)	**(41)**
Actuarial gains and losses on post-employment benefits	-	(58)	(58)
Income tax related to components of other comprehensive income not recycled to profit	-	17	17
Other comprehensive income (expense) for the period	**33**	**(43)**	**(10)**
Total comprehensive income for the period	**359**	**(40)**	**319**
Attributable to:			
- owners of the parent	348	(39)	309
- non-controlling interests	11	(1)	10

Consolidated statement of cash flows for first-half 2012

(in € millions)	First-half 2012 Reported	Impact of amended IAS 19	First-half 2012 Restated
Profit attributable to owners of the parent	**315**	**3**	**318**
			-
Depreciation, amortization, impairment and provisions	473	(5)	468
Other items	51	2	53
Other income and expenses with no cash impact	36		36
Cash flow from operations, before changes in working capital	**875**		**875**
Change in working capital	**(305)**		**(305)**
Cash flow from operating activities	**570**	**-**	**570**
Cash flow used in investing activities	**(533)**	**-**	**(533)**
Cash flow from financing activities	**433**	**-**	**433**
Other	3	-	3
Net increase in cash and cash equivalents	**473**	**-**	**473**
Cash and cash equivalents at beginning of period	1 431		1 431
Cash and cash equivalents at end of period	1 904		1 904
Net increase in cash and cash equivalents	**473**		**473**

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

Consolidated income statement for 2012

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

The negative €27 million impact on recurring operating income results from the discontinuation of the amortization of actuarial gains and losses and past service costs previously not recognised (positive €10 million impact) and the immediate recognition in 2012 of past service costs relating to two agreements entered into in 2012 (negative €37 million impact) (see section 3.1, Note 21 to the consolidated financial statements in the 2012 Registration Document).

Consolidated statement of comprehensive income for 2012

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

Consolidated statement of cash flows for 2012

(in € millions)	2012 Reported	Impact of amended IAS 19	2012 Restated
Profit attributable to owners of the parent	**1 302**	**(20)**	**1 282**
			-
Depreciation, amortization, impairment and provisions	933	29	962
Other	232	(9)	223
Other income and expenses with no cash impact	(765)		(765)
Cash flow from operations, before changes in working capital	**1 702**		**1 702**
Change in working capital	**(85)**		**(85)**
Cash flow from operating activities	**1 617**	**-**	**1 617**
Cash flow used in investing activities	**(1 332)**	**-**	**(1 332)**
Cash flow from financing activities	**485**	**-**	**485**
Other	(8)	-	(8)
Net increase in cash and cash equivalents	**762**	**-**	**762**
Cash and cash equivalents at beginning of year	1 431		1 431
Cash and cash equivalents at end of year	2 193		2 193
Net increase in cash and cash equivalents	**762**		**762**

Impact on the consolidated balance sheet at December 31, 2012

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

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

Note 4 - Scope of consolidation

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN FIRST-HALF 2013

Acquisition of Goodrich Electrical Power Systems (GEPS)

On March 26, 2013, after completing all required approval procedures, Safran completed 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 €304 million, excluding any contingent consideration. 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 net assets acquired total €78 million, including €19 million of intangible assets valued at cost. The preliminary allocation of the purchase price resulted in a €4 million increase in inventories. The residual unallocated goodwill totaled €222 million at June 30, 2013.
The definitive allocation of the purchase price to identifiable assets and liabilities will be completed within the 12 months following the acquisition.
GEPS' contribution to the Group's performance in first-half 2013 was as follows:

(in € millions)	**June 30, 2013**	
	First quarter	**Second quarter**
Revenue	**-**	**47**
Recurring operating income	**-**	**3**

Disposal of Ingenico shares

Pursuant to the authorizations granted by the Boards of Directors of Safran on March 13, 2013 and of Morpho on March 14, 2013, Safran, through its subsidiary Morpho, divested part of its stake in payment solutions provider Ingenico on March 15, 2013. The divestment was carried out by way of a private placement through an accelerated book building process.
A total of 6.6 million shares, representing 12.57% of the share capital of Ingenico, were sold at a per-share price of €43.45, for a total amount of €287 million. The transaction generated €131 million in profit after tax for Safran. Safran intends to remain a significant shareholder of Ingenico with 10.25% of its share capital and approximately 17% of its voting rights at June 30, 2013.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2012

Acquisition of an additional 10% interest in Sofradir

On January 25, 2012, Safran and Thales acquired Areva's 20% stake in Sofradir, their jointly-owned subsidiary in infrared detector technology. As a result of this transaction, Thales and Safran each raised their stake in Sofradir from 40% to 50%.
Sofradir is proportionately consolidated in the Safran Group's financial statements in 2011 and 2012. The €14 million difference between the acquisition cost of the shares (€24 million) and the Group's share in the net assets acquired (€10 million) is recognized as goodwill.

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

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

AGREEMENT FOR A FUTURE ACQUISITION

In April 2013, Safran announced that it had entered into a definitive agreement with Rolls-Royce to acquire the latter's 50% interest in their joint RTM322 helicopter engine program. Apart from Rolls-Royce's 50% share in the RTM322 program, the transaction also includes the intellectual property rights (IPR) related to this program as well as Rolls-Royce's 50% share in the RRTM (Rolls-Royce-Turbomeca) joint-venture.
The cash consideration for this transaction amounts to €293 million.

Upon closing, Turbomeca (Safran's world leading helicopter engine business) will assume global responsibility for the design, production, product support and services for the RTM322 engine.

The revenue related to the Rolls-Royce share of RTM322 amounts to approximately €85 million per annum, a majority of which is generated by services. In three years' time, this should add approximately €40 million to Turbomeca's profit from operations each year, thanks to the synergies with its existing 50% interest in the program and to a favorable business mix, with services expected to represent two-thirds of total revenue by this time.

The transaction, which is expected to close before year end, is subject to regulatory approvals and satisfaction of other customary closing conditions.

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’s activities and holding companies in various countries.

Business segment performance indicators

The segment information presented below 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 section 1 of this document).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 1, section 3.1 of the 2012 Registration Document), except for the restatements made in respect of adjusted data (see Foreword, section 1 of this document).

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

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

Segment information

Operating segments and key indicators shown are defined above.

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	**3,773**	**1,961**	**598**	**733**	**7,065**	**1**	**7,066**	**(46)**	**-**	**7,020**
Recurring operating income (expense)	**634**	**175**	**45**	**66**	**920**	**(73)**	**847**	**(46)**	**(126)**	**675**
Other non-recurring operating income and expenses	(15)	(3)	2	-	**(16)**	(7)	**(23)**	-	-	**(23)**
Profit (loss) from operations	**619**	**172**	**47**	**66**	**904**	**(80)**	**824**	**(46)**	**(126)**	**652**
Free cash flow	**208**	**(68)**	**37**	**(53)**	**124**	**33**	**157**	**-**	**-**	**157**

First-half 2012

(in € millions)	Aerospace Propulsion	Aircraft Equipment	Defence	Security	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**3,266**	**1,787**	**640**	**719**	**6,412**	**1**	**6,413**	**28**	**-**	**6,441**
Recurring operating income (expense)	**515**	**136**	**45**	**66**	**762**	**(75)**	**687**	**45**	**(129)**	**603**
Other non-recurring operating income and expenses	-	(7)	-	(10)	**(17)**	(2)	**(19)**	-	-	**(19)**
Profit (loss) from operations*	**515**	**129**	**45**	**56**	**745**	**(77)**	**668**	**45**	**(129)**	**584**
Free cash flow	**119**	**(15)**	**(41)**	**(54)**	**9**	**95**	**104**	**-**	**-**	**104**

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

Revenue (adjusted data)

(in € millions) **Aerospace Propulsion**		First-half 2012	First-half 2013
Original equipment and related products and services		1,545	1,822
Services		1,544	1,787
Sales of studies		150	135
Other		27	29
	Sub-total	3,266	3,773
Aircraft Equipment			
Original equipment and related products and services		1,212	1,299
Services		499	567
Sales of studies		40	52
Other		36	43
	Sub-total	1,787	1,961
Defence			
Sales of equipment		466	416
Services		119	115
Sales of studies		49	52
Other		6	15
	Sub-total	640	598
Security			
Sales of equipment		559	582
Services		142	144
Sales of studies		7	4
Other		11	3
	Sub-total	719	733
Holding company and other			
Other		1	1
	Sub-total	1	1
Total		**6,413**	**7,066**

Information by geographic area

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	1,500	1,618	2,264	1,154	530	**7,066**	(46)	**7,020**
%	21%	23%	32%	16%	8%			

First-half 2012

(in € millions)	France	Europe (excl. France)	North America	Asia	Rest of the world	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers	1,444	1,534	1,989	952	494	**6,413**	28	**6,441**
%	23%	24%	31%	14%	8%			

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

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

REVENUE

(in € millions)	First-half 2012	First-half 2013
Original equipment and related products and services	2,772	3,099
Sales of defence and security equipment	1,025	993
Services	2,316	2,596
Sales of studies	246	242
Other	82	90
Total	**6,441**	**7,020**

OTHER INCOME

Other income mainly comprises research tax credits and operating subsidies.

(in € millions)	First-half 2012	First-half 2013
Research tax credit*	57	66
Competitiveness and employment tax credit	-	12
Other operating subsidies	33	33
Other operating income	12	6
Total	**102**	**117**

(*) Of which €8 million in connection with additional research tax credits in respect of 2012, included in first-half 2013 income (€4 million in respect of 2011 included in first-half 2012 income).

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

RAW MATERIALS AND CONSUMABLES USED

This caption breaks down as follows for the period:

(in € millions)	First-half 2012	First-half 2013
Raw materials, supplies and other	(1,296)	(1,388)
Bought-in goods	(153)	(170)
Changes in inventories	69	49
Sub-contracting	(1,394)	(1,533)
Purchases not held in inventory	(199)	(214)
External service expenses	(983)	(1,035)
Total	**(3,956)**	**(4,291)**

PERSONNEL COSTS

(in € millions)	First-half 2012	First-half 2013
Wages and salaries	(1,392)	(1,482)
Social security contributions	(561)	(603)
Share grants and leveraged savings plan	(1)	-
Statutory employee profit-sharing	(33)	(42)
Optional employee profit-sharing	(66)	(67)
Additional contributions	(20)	(26)
Profit-sharing bonus for employees	(8)	(4)
Corporate social contribution	(10)	(32)
Other employee costs	(36)	(58)
Total	**(2,127)**	**(2,314)**

The increase in wages and salaries is essentially attributable to the rise in headcount resulting from new hires recruited by Group companies in response to the growth in business and to changes in the scope of consolidation in first-half 2013.

The increase in statutory employee profit-sharing reflects the growth in the Group's profit.

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

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

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

(in € millions)	First-half 2012*	First-half 2013
Net depreciation and amortization expense		
- intangible assets	(192)	(190)
- property, plant and equipment	(167)	(179)
Total net depreciation and amortization expense (1)	**(359)**	**(369)**
Net increase in provisions	**(18)**	**(6)**
Depreciation, amortization, and increase in provisions, net of use	**(377)**	**(375)**

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

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem/Snecma merger: €75 million in first-half 2013 and €79 million in first-half 2012, and during acquisitions: €46 million in first-half 2013 and €50 million in first-half 2012.

ASSET IMPAIRMENT

(in € millions)	Impairment expense		Reversals	
	First-half 2012	First-half 2013	First-half 2012	First-half 2013
Property, plant and equipment and intangible assets	(13)	(11)	5	7
Financial assets	-	(2)	-	1
Inventories and work-in-progress	(136)	(94)	117	97
Receivables	(17)	(24)	11	18
Total	**(166)**	**(131)**	**133**	**123**

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	First-half 2012	First-half 2013
Capital gains and losses on asset disposals	(8)	1
Royalties, patents and licenses	(8)	(10)
Losses on irrecoverable receivables	(6)	(1)
Other operating income and expenses	(2)	19
Total	**(24)**	**9**

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	First-half 2012	First-half 2013
Impairment net of reversals on intangible assets	-	(15)
Other non-recurring items	(19)	(8)
Total	**(19)**	**(23)**

At June 30, 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 a Propulsion program (see Note 11).

At June 30, 2012, other non-recurring items related mainly to the write-down of receivables arising before Group customer Hawker Beechcraft filed for Chapter 11 bankruptcy protection (€7 million), and to transaction-related costs and other costs incurred in connection with recent business combinations (€12 million).

Note 7 - Financial income (loss)

(in € millions)	First-half 2012	First-half 2013
Financial expense on interest-bearing financial liabilities	(49)	(41)
Financial income on cash and cash equivalents	21	26
Cost of net debt	**(28)**	**(15)**
Gain or loss on foreign currency hedging instruments	(42)	(166)
Foreign exchange gains and losses	3	45
Net foreign exchange gains (losses) on provisions	(13)	(5)
Foreign exchange gains (losses)	**(52)**	**(126)**
Gain or loss on interest rate and commodity hedging instruments	(4)	(10)
Impairment of available-for-sale financial assets	(2)	-
Write-downs of loans and other financial receivables	(1)	-
Dividends received	1	2
Other financial provisions	4	1
Interest component of IAS 19 expense*	(12)	(12)
Impact of discounting	(54)	(26)
Other	(1)	(1)
Other financial income and expense	**(69)**	**(46)**
Financial income (loss)	**(149)**	**(187)**
of which financial expense	**(178)**	**(261)**
of which financial income	**29**	**74**

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

Note 8 - Income tax

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 27.74% at June 30, 2013.
The difference compared to the standard tax rate of 36.1% 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 the first half of 2013 amounts to €129 million and includes current tax expense of €145 million and deferred tax income of €16 million.

Note 9 - Earnings per share

The Group's potentially dilutive ordinary shares correspond to the free share plan (see Note 16e).

Earnings per share break down as follows:

	Index	First-half 2012*	First-half 2013
Numerator (in € millions)			
Profit for the period attributable to owners of the parent	(a)	318	470
Profit from continuing operations attributable to owners of the parent	(i)	318	470
Profit (loss) from discontinued operations attributable to owners of the parent	(j)	-	-
Denominator (in shares)			
Total number of shares	(b)	417,029,585	417,029,585
Number of treasury shares held	(c)	1,124,804	644,319
Number of shares excluding treasury shares	(d)=(b-c)	415,904,781	416,385,266
Weighted average number of shares (excluding treasury shares)	(d)	414,658,530	416,151,726
Potentially dilutive ordinary shares:			
Dilutive impact of share grants and leveraged savings plan	(e)	1,454,118	267,182
Weighted average number of shares after dilution	(f)=(d'+e)	416,112,648	416,418,908
Ratio: earnings per share (in €)			
Basic earnings per share	(g)=(a*1million)/(d')	0.77	1.13
Diluted earnings per share	(h)=(a*1million)/(f)	0.76	1.13
Ratio: earnings per share from continuing operations (in €)			
Basic earnings per share	(k)=(i*1million)/(d')	0.77	1.13
Diluted earnings per share	(l)=(i*1million)/(f)	0.76	1.13
Ratio: earnings per share from discontinued operations (in €)			
Basic earnings per share	(m)=(j*1million)/(d')	-	-
Diluted earnings per share	(n)=(j*1million)/(f)	-	-

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

Note 10 - Goodwill

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2012 Net	Changes in scope of consolidation	Transfers	Impairment	Price adjustments and allocation to identifiable assets and liabilities	Translation adjustments and other	June 30, 2013 Net
Snecma – Aircraft engines	417	-	-	-	-	-	417
Turbomeca (incl. Microturbo) – Helicopter engines	237	-	-	-	-	-	237
Techspace Aero – Aircraft engine components	47	-	-	-	-	-	47
Herakles – Aerospace and strategic propulsion	229	-	-	-	-	-	229
Total Propulsion	**930**	**-**	**-**	**-**	**-**	**-**	**930**
Aircelle – Nacelles and aerostructures	213	-	-	-	-	-	213
Labinal – Electrical wiring	228	-	-	-	-	-	228
Safran Engineering Services – Engineering	78	-	-	-	-	-	78
Messier-Bugatti-Dowty (incl. Sofrance) – Landing and braking systems	171	-	-	-	-	-	171
Technofan – Ventilation systems	10	-	-	-	-	-	10
Globe Motors Inc.	10	-	-	-	-	-	10
Safran Power – Power generation	-	222	-	-	-	(2)	220
Total Aircraft Equipment	**710**	**222**	**-**	**-**	**-**	**(2)**	**930**
Sagem – Defence	119	-	-	-	-	(1)	118
Total Defence	**119**	**-**	**-**	**-**	**-**	**(1)**	**118**
Morpho – Identification	955	-	-	-	-	7	962
Morpho – Cards	58	-	-	-	-	-	58
Morpho – Detection	306	-	-	-	-	2	308
Total Security	**1,319**	**-**	**-**	**-**	**-**	**9**	**1,328**
Total	**3,078**	**222**	**-**	**-**	**-**	**6**	**3,306**

Movements in the period

The main movement in goodwill during the period concerns Safran's acquisition of Goodrich Electrical Power Systems (see Note 4).

Annual impairment tests

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

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

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

Operating forecasts take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macro-economic assumptions. Expected future cash flows are calculated based on the medium-term plans established for the next four years and standardized cash flows are based on long-term plans for years five to ten. The average USD exchange rate adopted is 1.27 for years 2014 to 2017 and 1.35 thereafter (2012: 1.29 for years 2013 to 2016 and 1.35 thereafter). These exchange rate assumptions were used for forecasting during the first half of the year.

- The growth rate used to calculate terminal value was set at 1.5% for Aircraft Equipment and Defence CGUs and at 2% for Aerospace Propulsion and Security CGUs (unchanged from 2012).

- The benchmark post-tax discount rate used is 8% (unchanged from 2012) and is applied to post-tax cash flows. However, a post-tax discount rate of 9% is used for the CGUs in the Security business line (2012: 9.5%).

Based on these tests, no impairment was deemed necessary in addition to that already recognized against individual assets. Furthermore, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. No impairment of goodwill was recognized further to the annual impairment tests in 2012.

A sensitivity analysis was carried out in respect of the Group's main goodwill balances, by introducing the following changes to the main assumptions:

- a 5% increase or decrease in the USD/EUR exchange rate;
- a 0.5% increase in the benchmark discount rate;
- a 0.5% decrease in the perpetual growth rate.

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

Note 11 - Intangible assets

Intangible assets break down as follows:

	Dec. 31, 2012			June 30, 2013		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs (1)	2,670	(1,448)	1,222	2,670	(1,532)	1,138
Development expenditures	2,053	(455)	1,598	2,359	(497)	1,862
Commercial concessions	221	(123)	98	236	(134)	102
Software	416	(343)	73	445	(362)	83
Brands	147	(11)	136	147	(12)	135
Commercial relationships	569	(174)	395	574	(201)	373
Technology	298	(72)	226	300	(88)	212
Backlog	54	(25)	29	54	(29)	25
Other	125	(30)	95	180	(33)	147
Total	**6,553**	**(2,681)**	**3,872**	**6,965**	**(2,888)**	**4,077**

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

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

The weighted average remaining amortization period for aircraft programs is approximately 5.5 years.

Movements in intangible assets break down as follows:

(in € millions)	**Gross**	**Amortization/ impairment**	**Net**
At December 31, 2012	**6,553**	**(2,681)**	**3,872**
Internally produced assets	345	-	345
Separate acquisitions	37	-	37
Disposals and retirements	(2)	1	(1)
Amortization	-	(190)	(190)
Impairment losses recognized in profit or loss	-	(15)	(15)
Reclassifications	(5)	-	(5)
Changes in scope of consolidation	37	(7)	30
Translation adjustments	-	4	4
At June 30, 2013	**6,965**	**(2,888)**	**4,077**

Research and development costs recognized in recurring operating income for the period totaled €337 million including amortization (€294 million in first-half 2012).

Internally produced assets in the period (€345 million) include capitalized development expenditures amounting to €290 million (€216 million in first-half 2012).
Amortization charged against development expenditures in the same period totaled €34 million (€30 million for first-half 2012).

Amortization was recognized in respect of revalued assets for €121 million (allocation of the cost of the Snecma group business combination for €75 million and other recent acquisitions for €46 million).

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

No impairment losses were recognized as a result of the impairment tests carried out in first-half 2012.

Note 12 - Property, plant and equipment

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2012 Gross	Dec. 31, 2012 Depreciation/ impairment	Dec. 31, 2012 Net	June 30, 2013 Gross	June 30, 2013 Depreciation/ impairment	June 30, 2013 Net
Land	233	-	233	233	-	233
Buildings	1,333	(697)	636	1,355	(726)	629
Technical facilities, equipment and tooling	4,241	(3,008)	1,233	4,309	(3,114)	1,195
Assets in progress, advances	321	(4)	317	441	(2)	439
Site development and preparation costs	50	(27)	23	72	(36)	36
Buildings on land owned by third parties	96	(50)	46	104	(54)	50
Computer hardware and other equipment	495	(379)	116	491	(386)	105
Total	**6,769**	**(4,165)**	**2,604**	**7,005**	**(4,318)**	**2,687**

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

(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**
At December 31, 2012	**6,769**	**(4,165)**	**2,604**
Internally produced assets	42	-	42
Additions	210	-	210
Disposals and retirements	(37)	26	(11)
Depreciation	-	(179)	(179)
Impairment losses recognized in profit or loss	-	(4)	(4)
Reclassifications	(4)	3	(1)
Changes in scope of consolidation	44	(12)	32
Translation adjustments	(19)	13	(6)
At June 30, 2013	**7,005**	**(4,318)**	**2,687**

Note 13 - Current and non-current financial assets

Financial assets include:

(in € millions)	Dec. 31, 2012 Gross	Dec. 31, 2012 Impairment	Dec. 31, 2012 Net	June 30, 2013 Gross	June 30, 2013 Impairment	June 30, 2013 Net
Non-consolidated investments*	359	(150)	209	457	(151)	306
Other financial assets	356	(108)	248	394	(108)	286
Total	**715**	**(258)**	**457**	**851**	**(259)**	**592**

* Of which listed securities for €65 million at June 30, 2013 and €50 million at end-December 2012 (Embraer and Myriad), classified in Level 1 of the IFRS 13 fair value hierarchy (as at December 31, 2012).
In January 2013, Safran agreed to invest €30 million in the creation of Aerofund III, an investment fund set up to promote SMEs in the Aerospace sector. Only €3 million of this amount had been released at June 30, 2013 (see Note 20).

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 the income statement in first-half 2013, compared to an impairment loss of €2 million taken against Safran's investment in the Myriad group in first-half 2012.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2012	June 30, 2013
Loans to non-consolidated companies	148	175
Loans to employees	28	28
Deposits and guarantees	9	9
Sales-financing loans	-	2
Other*	63	72
Total	**248**	**286**
Non-current	72	**81**
Current	176	**205**

(*) Of which a net receivable of €38 million at June 30, 2013 in respect of warranties received as part of the acquisition of SME (€38 million at December 31, 2012).

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2012	**248**
Increase	47
Decrease	(7)
Reclassifications	(2)
At June 30, 2013	**286**

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

Note 14 - Investments in associates

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

	Dec. 31, 2012	June 30, 2013			
(in € millions)	Net	% interest	Shareholders' equity	Share in profit from associates	Net
Ingenico (1)	272	10.25%	118	10	128
Other (2)	9	N/A	-	-	-
Total	**281**		**118**	**10**	**128**

(1) Due to the lack of published data for Ingenico at the date of publication of this report, the share of profit or loss for first-half 2013 was determined based on consensus forecasts provided by analysts. The stock market value was €279 million at June 30, 2013 (5,440,237 shares with market par value of €51.20) versus €514 million at December 31, 2012 (11,950,583 shares with a market value of €43.00). On March 15, 2013, Safran sold a 12.57% stake in Ingenico, representing 6.6 million shares with a market value of €43.45 (see Note 4).
(2) Deconsolidated companies whose retained earnings have been frozen.

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

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

(in € millions)	
At December 31, 2012	**281**
Share in profit from associates	10
Disposal of Ingenico shares	(151)
Other movements*	(12)
At June 30, 2013	**128**

* Of which a negative €2 million with respect to Ingenico (see consolidated statement of comprehensive income).

Note 15 - Cash and cash equivalents

Cash and cash equivalents break down as follows at June 30, 2013:

(in € millions)	Dec. 31, 2012	June 30, 2013
Negotiable debt securities	3	10
Money-market funds	14	14
Short-term investments	1,350	1,273
Sight deposits	826	366
Total	**2,193**	**1,663**

The table below presents changes in cash and cash equivalents:

(in € millions)	
At December 31, 2012	**2,193**
Movements during the period	(525)
Changes in scope of consolidation	(1)
Translation adjustments	(4)
At June 30, 2013	**1,663**

Note 16 - Consolidated shareholders' equity

16a – SHARE CAPITAL

At June 30, 2013, 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, 2012

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

(*) Exercisable voting rights.

June 30, 2013

Shareholders	Number of shares	% share capital	Number of voting rights	% voting rights (*)
Private investors	241,054,572	57.80%	247,667,574	47.89%
French State	112,940,227	27.08%	151,940,227	29.38%
Current and former employee shareholders	62,390,467	14.97%	117,504,035	22.73%
Treasury shares	644,319	0.15%	-	-
Total	**417,029,585**	**100.00%**	**517,111,836**	**100.00%**

(*) Exercisable voting rights.

On March 27, 2013, the French State finalized the sale of 3.12% of the Group's capital, via a private institutional placement through accelerated book-building reserved for institutional investors. It now owns 27.08% of Safran.
The State has indicated that pursuant to French law (Article 11 of Law no. 86-912 of August 6, 1986), it will subsequently offer shares in the Company to Safran's employees. It has also indicated that these shares will be offered at a discount.

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

The 644,319 treasury shares have no voting rights.

Treasury shares

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

- the delivery of 495,700 shares in April 2013 to settle obligations to employees of European subsidiaries under the free share plan launched on April 3, 2009 (see Note 16e);
- the purchase of 18,600 shares under the liquidity agreement.

On May 31, 2012, the Shareholders' Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.

This authorization was renewed by the Shareholders' Meeting held on May 28, 2013.

Pursuant to these authorizations, in the first half of 2013 the Company purchased 1,794,446 shares for €65 million, and sold 1,775,846 shares for €64million under a liquidity agreement.
In January 2012, the Group signed a liquidity agreement with Oddo with the aim of enhancing the liquidity for the market in Safran shares. A total of €10 million was assigned to this agreement.
At June 30, 2013, 127,715 shares were held in connection with the liquidity agreement.

16c – Equity

Movements in equity are as follows:

	(€m)
Equity prior to profit at December 31, 2012	**4,552**
- 2012 profit	1,282
- Dividend distribution and 3% tax on dividends	(279)
- Change in translation adjustment and net investment hedge	(12)
- Taxes recognized in equity	11
- Change in actuarial gains and losses on post-employment benefit obligations	(32)
- Available-for-sale financial assets	15
Equity prior to profit at June 30, 2013	**5,537**

16d – Dividend distribution

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

A dividend payout of €0.62 per share was approved in respect of 2011 and partially paid in that year in the form of an interim dividend of €0.25 per share, representing a total of €102 million. The remaining €0.37 dividend per share was paid in first-half 2012, representing a total payout of €154 million.

The amending French Finance Law for 2012 introduced a 3% tax on payouts made, including dividends. At June 30, 2013, Safran is liable for this tax on the interim dividend it paid in respect of 2012 in an amount of €8 million. The expense relating to this tax was recognized in equity.

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 grants

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

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

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

Measurement of rights to free share grants

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

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

The expense recognized in respect of these share grants in first-half 2013 was €0.2 million (€0.4 million in first-half 2012).
Fully vested shares granted to employees of European companies were delivered at the beginning of April 2013 (495,700 shares).

Leveraged Group savings plan

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

Terms and conditions of the leveraged plan

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

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

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

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

Cost of the leveraged plan

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

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

Note 17 - Provisions

Provisions break down as follows:

(in € millions)	Dec. 31, 2012	Additions	Reversals: Utilizations	Reversals: Reclassifications	Reversals: Surplus	Changes in scope of consolidation	Other	June 30, 2013
Performance warranties	642	104	(52)	(1)	(26)	17	(2)	682
Financial guarantees	28	2	-	-	(2)	-	-	28
Services to be rendered	487	188	(169)	-	-	-	-	506
Post-employment benefits*	741	34	(42)	-	(1)	-	27	759
Sales agreements and long-term receivables	129	38	(8)	-	(26)	4	4	141
Losses on completion and backlog losses	518	73	(35)	(57)	(5)	-	1	495
Disputes and litigation	34	8	(3)	-	-	-	-	39
Other (1)	308	30	(24)	-	(1)	3	(1)	315
Total	**2,887**	477	(333)	(58)	(61)	24	29	**2,965**
Non-current	1,750							**1,681**
Current	1,137							**1,284**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).
(1) Of which a provision of €89 million (December 31, 2012: €90 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).

The Group makes a number of reclassifications when provisions initially recognized in liabilities – namely provisions for losses on completion and for backlog losses – are subsequently recognized in assets, for example writedowns 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, 2012	**670**
New advances received	-
Advances repaid	(15)
Cost of borrowings	14
Translation adjustments	(3)
Other	(1)
At June 30, 2013	**665**

The fair value of borrowings subject to specific conditions is close to the carrying amount.

Note 19 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities

(in € millions)	Dec. 31, 2012	June 30, 2013
Bond issue	759	755
Senior unsecured notes in USD	945	896
Finance lease liabilities	118	113
Other long-term borrowings	437	398
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**2,259**	**2,162**
Finance lease liabilities	45	42
Other long-term borrowings	346	366
Accrued interest not yet due	14	26
Current interest-bearing financial liabilities, long-term at inception	**405**	**434**
Commercial paper	407	175
Short-term bank facilities and equivalent	104	80
Current interest-bearing financial liabilities, short-term at inception	**511**	**255**
Total current interest-bearing financial liabilities (less than 1 year)	**916**	**689**
Total interest-bearing financial liabilities	**3,175**	**2,851**

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2012	**3,175**
Increase in borrowings	9
Accrued interest	11
Decrease in borrowings	(32)
Change in short-term borrowings	(260)
Changes in scope of consolidation	3
Foreign exchange differences	6
Reclassifications and other	(61)
At June 30, 2013	**2,851**

The fair value of interest-bearing financial liabilities amounts to €2,909 million (€3,287 million at December 31, 2012).

MAIN LONG-TERM BORROWINGS AT INCEPTION

- On February 9, 2012, Safran issued USD 1.2 billion of senior unsecured notes on the US private placement market (i.e., €910 million at the December 31, 2012 exchange rate), 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 in 2013 at 2.45% after taking account of interest rate derivatives.

- Safran five-year bonds: €750 million issued to French and international investors on November 26, 2009 and maturing on November 26, 2014. The bonds' initial 4.0% fixed-rate interest came out in 2013 at 3.33% after taking account of interest rate derivatives.

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

- Employee savings financing under the Group employee savings plan: €431 million (€430 million at December 31, 2012).
  The maximum maturity is five years and the amount falling due within one year is €304 million. The interest rate is set annually and indexed to the five-year French Treasury bill rate (BTAN), i.e., 1.62% for 2013 and 3.56% for 2012.
  A fixed-rate borrower/floating-rate lender interest rate swap was taken out in respect of this financing for €75 million with the aim of fixing the interest rate over a period of four years from the end of 2012. The swap was unwound in the first six months of 2013.

- Messier Bugatti Dowty USA Inc. real estate lease financing contract: USD 35 million, or €27 million (USD 38 million or €29 million at December 31, 2012), bearing fixed-rate interest of 5.2% and repayable in full in July 2013.

- Turbomeca real estate lease financing contract: €48 million (€50 million at December 31, 2012), of which €5 million was due within one year. The lease bears fixed-rate interest of 4.7% and expires in November 2021.

- Sagem real estate lease financing contract: €45 million (€47 million at December 31, 2012), bearing floating-rate interest indexed to 3-month Euribor. The lease expires in January 2022.

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

MAIN SHORT-TERM BORROWINGS

- Commercial paper: €175 million (€407 million at December 31, 2012).
  This amount comprises several drawdowns made under market terms and conditions, mostly with maturities of less than one year.

- Financial current accounts with non-consolidated subsidiaries: €28 million (€33 million at December 31, 2012). Interest is indexed to Euribor.

The Group's other short-term borrowings are not material taken individually.

ANALYSIS BY MATURITY

(in € millions)	Dec. 31, 2012	June 30, 2013
Maturing in:		
1 year or less	916	689
More than 1 year and less than 5 years	1,139	1,098
Beyond 5 years	1,120	1,064
Total	**3,175**	**2,851**

Analysis by currency:

(in millions of currency units)	Dec. 31, 2012		June 30, 2013	
	Currency	EUR	Currency	EUR
EUR	2,119	2,119	1,875	1,875
USD	1,354	1,026	1,258	961
CAD	1	-	2	1
GBP	3	4	3	4
Other	N/A	26	N/A	10
Total		**3,175**		**2,851**

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

	Total		Non-current				Current			
	Dec. 31, 2012	**June 30, 2013**	Dec. 31, 2012		**June 30, 2013**		Dec. 31, 2012		**June 30, 2013**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,873	1,806	1,774	4.16%	1,716	4.16%	99	3.38%	90	2.77%
Floating rate	1,302	1,045	485	2.08%	446	1.17%	817	1.54%	599	1.00%
Total	**3,175**	**2,851**	**2,259**	**3.71%**	**2,162**	**3.54%**	**916**	**1.74%**	**689**	**1.23%**

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

	Total		Non-current				Current			
	Dec. 31, 2012	**June 30, 2013**	Dec. 31, 2012		**June 30, 2013**		Dec. 31, 2012		**June 30, 2013**	
(in € millions)			Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	1,045	**1,028**	946	3.26%	938	3.46%	99	3.38%	90	2.77%
Floating rate	2,130	**1,823**	1,313	2.38%	1,224	1.86%	817	1.54%	599	1.00%
Total	**3,175**	**2,851**	**2,259**	**2.75%**	**2,162**	**2.55%**	**916**	**1.74%**	**689**	**1.23%**

The Group's net debt position is as follows:

(in € millions)	**Dec. 31, 2012**	**June 30, 2013**
Cash and cash equivalents (A)	2,193	1,663
Interest-bearing financial liabilities (B)	3,175	2,851
Fair value of interest rate derivatives hedging borrowings (C)	50	(14)
Total (A) - (B) + (C)	**(932)**	**(1,202)**

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, 2013.

Net debt at June 30, 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., on which USD 130 million (USD 65 million at 50%) had been drawn

at June 30, 2013, versus USD 105 million (USD 52.5 million at 50%) at December 31, 2012.
- Confirmed 364-day facility for USD 1,500 million, renewed in December 2012 by a syndicate of ten banks led by Royal Bank of Scotland (USD 1,500 million in 2012), on which USD 1,494 million (USD 747 million at 50%) had been drawn at June 30, 2013, versus USD 1,498 million (USD 749 million at 50%) at December 31, 2012.

- CFM SA:
  - Confirmed 24-month facility for an equivalent value of USD 110 million granted in July 2010 (automatically renewable for further 12-month periods at the end of the first 24 months) by Medio Factoring (Intesa San Paolo group), on which USD 34 million (USD 17 million at 50%) had been drawn at June 30, 2013, versus USD 48 million (USD 24 million at 50%) at December 31, 2012.

(in € millions)	**Dec. 31, 2012**	**June 30, 2013**
Net debt	(932)	(1,202)
Total equity	5,997 *	6,167
Gearing ratio	**15.54%**	**19.49%**

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

Note 20 - Other current and non-current financial liabilities

(in € millions)	**Dec. 31, 2012**	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	**June 30, 2013**
Payables on purchases of property, plant and equipment and intangible assets	93	(9)	-	-	-	**84**
Payables on purchases of investments*	14	25	-	-	-	**39**
Total	**107**	**16**	**-**	**-**	-	**123**
Non-current	107					**123**
Current	-					**-**

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

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, 2012		June 30, 2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk management	***62***	***(12)***	***15***	***(28)***
Floating-for-fixed interest rate swaps	-	(12)	-	(8)
Fixed-for-floating interest rate swaps	62	-	15	*(20)*
Foreign currency risk management	***585***	***(210)***	***517***	***(310)***
Currency swaps	-	-	-	-
Purchase and sale of forward currency contracts	311	(118)	187	(145)
Currency option contracts	274	(92)	330	(165)
Commodity risk management	***-***	***(3)***	***1***	***(12)***
Forward purchases of commodities	-	(3)	1	(12)
Total	**647**	**(225)**	**533**	**(350)**

All derivatives are categorized within level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2012).

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 2.60 billion for the first half of 2013 (USD 2.25 billion for the first half of 2012).

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

HEDGING POLICY

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

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

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

MANAGEMENT POLICY

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

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

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2012				June 30, 2013			
(in millions of currency units)	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years	Fair value (1)	Notional amount (1)	Less than 1 year	1 to 5 years
Forward exchange contracts	**193**				**42**			
Short USD position	157	13,323	5,764	7,559	(11)	12,453	7,656	4,797
Of which against EUR	*157*	*12,979*	*5,560*	*7,419*	*-*	*12,209*	*7,532*	*4,677*
Long USD position	28	(700)	(250)	(450)	42	(1,222)	(1,222)	-
Of which against EUR	*28*	*(700)*	*(250)*	*(450)*	*42*	*(1,222)*	*(1,222)*	*-*
Short CAD position against CHF	5	81	81	-	3	6	6	-
Short GBP position against EUR	-	-	-	-	6	110	110	-
Long EUR position against CHF	(7)	(78)	(28)	(50)	(4)	(72)	(33)	(39)
Long PLN position against EUR	2	(225)	(85)	(140)	(1)	(260)	(85)	(175)
Long MXN position against USD	8	(4,135)	(1,395)	(2,740)	7	(3,330)	(1,260)	(2,070)
Currency option contracts	**182**				**165**			
USD put purchased	75	2,750	2,350	400	144	4,075	4,075	-
USD put sold	(19)	(1,200)	(1,200)	-	(81)	(2,950)	(2,950)	-
USD call sold	(60)	9,607	5,224	4,383	(74)	12,995	10,095	2,900
USD call purchased	5	(350)	(350)	-	25	(1,750)	(1,750)	-
Accumulators – sell USD (2)	167	9,020	2,778	6,242	148	11,556	3,230	8,326
Accumulators – buy USD (2)	13	(1,132)	(965)	(167)	2	(1,413)	(633)	(780)
Accumulators – sell GBP (2)	3	219	219	-	-	-	-	-
Accumulators – sell CAD (2)	(2)	341	-	341	1	244	244	-
Total	**375**				**207**			

(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 €168 million decrease in the fair value of foreign currency derivatives between December 31, 2012 and June 30, 2013 reflects a €155 million decrease in the fair value of currency hedging instruments not yet settled at June 30, 2013 and premiums received (negative €13 million impact).

In view of the 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 €155 million decrease in the fair value of derivatives not yet settled at the end of the reporting period has been recognized in “Financial income (loss)”. Of this amount a negative €166 million was recognized in “Gain or loss on foreign currency hedging instruments” for derivatives

hedging revenue net of future purchases; a negative €1 million was recognized in "Foreign exchange gains and losses" for derivatives hedging balance sheet positions; and €12 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 section 1 of this document).

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).

EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

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

(in USD millions)	Dec. 31, 2012	June 30, 2013
Total assets excluding derivatives	1,298	**1,369**
Total liabilities excluding derivatives	(2,309)	**(2,294)**
Derivatives hedging balance sheet positions*	(170)	**(126)**
Net exposure after the impact of derivatives hedging balance sheet positions	**(1,181)**	**(1,051)**

* Notional amount.

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

In addition to this exposure, Safran has EUR/USD currency derivatives hedging revenue net of future purchases. These have a fair value of USD 242 million, compared to a total fair value of USD 244 million of EUR/USD currency derivatives at June 30, 2013 (USD 417 million and USD 418 million, respectively, at December 31, 2012).

INTEREST RATE RISK MANAGEMENT

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

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

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

EXPOSURE TO EURO INTEREST RATE RISK

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

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

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

	Dec. 31, 2012				June 30, 2013			
(in € millions)	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years
Interest rate swaps								
Fixed-for-floating	22	500	-	500	15	500	-	500
Floating-for-fixed	(12)	575	-	575	(8)	500	-	500
Total	**10**				**7**			

Exposure to euro interest rate risk before and after hedging:

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

* Notional amount.

June 30, 2013	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	38	573	818	446	**856**	**1,019**
Other financial assets	1	124	1	79	**2**	**203**
Cash and cash equivalents	110	1,258	**-**	**-**	**110**	**1,258**
Net exposure before hedging	**(73)**	**(809)**	**817**	**367**	**744**	**(442)**
Derivatives*	-	-	-	-	**-**	**-**
Net exposure after hedging	**(73)**	**(809)**	**817**	**367**	**744**	**(442)**

* Notional amount.

EXPOSURE TO USD INTEREST RATE RISK

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

These swaps are eligible for fair value hedge accounting.

(in € millions)	Dec. 31, 2012 Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	June 30, 2013 Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
USD interest rate swaps									
Fixed-for-floating – fair value hedge	40	1,045	-	1,045	(20)	1,045	-	-	1,045
Floating-for-fixed – fair value hedge	-	-	-	-	-	-	-	-	-
Total	**40**				**(20)**				

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

(in € millions)	Dec. 31, 2012	June 30, 2013
Change in fair value of hedging instrument	40	(60)
Change in fair value of hedged item	(40)	58
Impact of fair value interest rate hedges on profit	**-**	**(2)**

Exposure to USD interest rate risk before and after hedging:

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

* Notional amount.

June 30, 2013	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	49	33	1,176	-	**1,225**	**33**
Other financial assets	39	59	13	7	**52**	**66**
Cash and cash equivalents	93	166	-	-	**93**	**166**
Net exposure before hedging	**(83)**	**(192)**	**1,163**	**(7)**	**1,080**	**(199)**
Derivatives*	-	-	(1,045)	1,045	**(1,045)**	**1,045**
Net exposure after hedging	**(83)**	**(192)**	**118**	**1,038**	**35**	**846**

* Notional amount.

MANAGEMENT OF COMMODITY RISK

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

The notional amount of nickel forward purchase contracts at June 30, 2013 represented 3,186 tons of nickel (2,783 tons at December 31, 2012), including contracts for 900 tons maturing in less than one year (755 tons at end-2012), 2,175 tons in one to five years (2,028 tons at end-2012) and 111 tons in more than five years (nil at end-2012).

The notional amount of platinum forward purchase contracts at June 30, 2013 represented 6,438 ounces (7,068 ounces at December 31, 2012), including contracts for 1,476 ounces maturing in less than one year (1,260 ounces at end-2012) and 4,962 ounces in one to five years (5,808 ounces at end-2012).

The notional amount of oil forward purchase contracts at June 30, 2013 represented 499,000 barrels (532,000 at December 31, 2012), including contracts for 67,000 barrels maturing in less than one year (33,000 at end-2012), 432,000 barrels in one to five years (350,000 at end-2012) and nil in more than five years (149,000 at end-2012).

The notional amount of gold forward purchase contracts at June 30, 2013 represented 270 ounces of gold maturing in less than one year (nil at end-2012).

The fair value of these instruments was a negative €11 million at June 30, 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, proportionately consolidated and equity-accounted companies (associates), and management executives.

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

(in € millions)	**June 30, 2012**	**June 30, 2013**
Sales to related parties	1,707	1,808
Purchases from related parties	(86)	(88)

(in € millions)	**Dec. 31, 2012**	**June 30, 2013**
Receivables from related parties	1,567	1,326
Payables to related parties	1,851	1,750

(in € millions)	**Dec. 31, 2012**	**June 30, 2013**
Guarantees granted to related parties (off-balance sheet) (1)	954	955

(1) See Note 23.

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

ENDORSEMENTS, GUARANTEES AND OTHER COMMITMENTS

COMMITMENTS IN RESPECT OF ORDINARY ACTIVITIES

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

(in € millions)	Dec. 31, 2012*	June 30, 2013
Employee-related commitments	73	57
Commitments given to customers (completion warranties, performance bonds)	318	311
Commitments given to third parties	1,415	1,421
Commitments given to customs authorities	77	83
Vendor warranties given (1)	21	11
Other commitments given	204	133
Total	**2,108**	**2,016**

* The data published for 2012 have been restated to reflect the impact of the change in accounting policy resulting from the retrospective application of the amended IAS 19, Employee Benefits (see Note 3).
(1) Vendor warranties, the amount of which may be fixed or determinable.

Commitments given to third parties relate mainly to guarantees granted by Safran to customers and principals (essentially aircraft manufacturers), in which Safran provides a joint and several guarantee that its subsidiaries will perform their duties under their contractual obligations. These guarantees are given in respect of research, design, development, manufacturing, marketing and product support programs in place at Group subsidiaries. These guarantees are generally granted for the term of the program concerned, and are capped at a certain amount.
The amount of commitments granted to Airbus is shown within "Guarantees granted to related parties" in Note 22, "Related parties".

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

(in € millions)	Dec. 31, 2012	June 30, 2013
Commitments received from banks on behalf of suppliers	11	8
Completion warranties	28	30
Endorsements and guarantees received	52	53
Vendor warranties received (1)	12	13
Other commitments received	5	4
Total	**108**	**108**

(1) Vendor warranties received at June 30, 2013 do not include those received within the scope of the acquisition of SME, 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 come into effect within five years.

These warranties granted by SNPE to Safran are counter-guaranteed by the French State for €216 million. When preparing the opening balance sheet and calculating goodwill, environmental studies were conducted in order to assess these environmental liabilities and contingent environmental liabilities as well as the abovementioned warranties.

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

OTHER CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

(in € millions)	Dec. 31, 2012 Total	**June 30, 2013 Total**	Period to maturity Less than 1 year	1 to 5 years	Beyond 5 years
Long-term borrowings at inception	783	**764**	366	284	114
Finance lease commitments	163	**155**	42	59	54
Operating lease commitments	257	**320**	58	183	79
Bond issue	763	**772**	17	755	-
Senior unsecured notes in USD	955	**905**	9	-	896
Total	**2,921**	**2,916**	**492**	**1,281**	**1,143**

Lease payments recognized in profit or loss for the period amounted to €64 million.

VENDOR WARRANTIES

Vendor warranties are given or received on the acquisition or sale of companies.
In the context of the Group's acquisition of SME, the environmental warranty given to Safran by SNPE (see the description above) is called upon an ongoing basis in proportion to the costs effectively incurred to treat pollution resulting from past operations.
At June 30, 2013, 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, 2013, capital expenditure commitments totaled €219 million versus €248 million at December 31, 2012.

FINANCIAL GUARANTEES GRANTED ON THE SALE OF GROUP PRODUCTS

These guarantees generate risks which represented a total gross amount of USD 63 million at June 30, 2013 (USD 92 million at December 31, 2012). This amount does not, however, reflect the actual risk to which Safran is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, consisting of the aircraft pledged. Accordingly, only the net risk as calculated using the valuation model is covered by a provision in the financial statements (see Note 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 is material in some 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, some of these claims may give rise to litigation, the most significant of which are indicated in Note 24.

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.

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

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

  The urban community of Bordeaux (*Communauté Urbaine de Bordeaux* – CUB) served Herakles with a writ of summons for summary proceedings before the Paris Large Claims Court (*Tribunal de Grande Instance*). In an order handed down on May 3, 2012, a legal expert was appointed in order to determine the original cause and impact of the perchlorate-contaminated drinking water

supply. Several meetings were held at which the legal expert requested various documents from the different parties. The proceedings are ongoing.

The agreements governing the above-mentioned acquisition include environmental warranties given by SNPE to Safran. Under these warranties, Herakles is to carry out additional analyses and adopt a plan of action for perchlorate management (see Note 3), the content of which must be validated by the authorities. The implementation of the aforementioned plan should have a positive impact on these proceedings.

- At the end of 2002, a group of French manufacturers, including the former Snecma group, was collectively the subject of a request for arbitration by a common customer, for a sum which, according to the claimant, would not be less than USD 260 million and for which the group of manufacturers may be jointly liable with regard to the claimant. This request related to the performance of past contracts entered into by these manufacturers and in which Snecma's participation was approximately 10%. An agreement was signed by the parties in June 2003, whereby the claimant withdrew from the proceedings. In November 2012, the claimant filed a new request for arbitration on similar grounds to those invoked in 2002 and for a revised amount of €226 million. The parties are strongly challenging this claim. At the date of this report, it is not possible to evaluate any potential financial risk. Consequently, Safran has not recognized a provision.

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

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

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 is considering to appeal this ruling to seek relief from the remaining amount. No provision has yet been set aside in respect of this dispute.

- A Group subsidiary in Brazil was served a tax deficiency notice in October 2010 for €56.2 million in connection with unpaid import levies and duties. In light of existing legislation and case law with regard to the customs clearance for aviation products, this tax adjustment was challenged, and in May 2012 a first ruling was handed down in favor of the subsidiary. This ruling should be confirmed in the next few months.

Note 25 - Subsequent events

None.

04 Statutory auditor’s review report on the first half-year consolidated financial information

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Safran – Period from January 1st to June 30th, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code (“*code monétaire et financier*”), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Safran, for the period from January 1st, 2013 to June 30th, 2013, and;
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying the above conclusion, we draw your attention to the note 1 of the condensed half-year consolidated financial statements which describes new mandatory standards, interpretations and amendments to standards applied by the group in 2013, and particularly to change in accounting policies resulting from the application of amendments to IAS 19 “Employee Benefits”, whose incidence on the 2012 financial statements is disclosed in note 3 of the condensed half-year consolidated financial statements.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 25th, 2013

The statutory auditors
French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Colin	Gaël Lamant	Vincent de La Bachelerie	Jean-Roch Varon